CTD HOLDINGS INC
Form 10-Q
November 14, 2008

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

FORM 10-Q

__X__ Quarterly Report Under Section 13 or 15(d) of The Securities Exchange Act of 1934 for the quarterly period ended: September 30, 2008.

____ Transition Report Under Section 13 or 15(d) of the Exchange Act for the transition period from ____ to ____

Commission file number: 0-24930

CTD HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Florida (State or other jurisdiction of incorporation or organization)	59-3029743 (IRS Employer Identification No.)
27317 N.W. 78th Avenue, High Springs, Florida (Address of principal executive offices)	32643 (Zip Code)

Registrant's telephone number, including area code: 386-454-0887

Former name, former address and former fiscal year, if changed since last report: N/A.

Check whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
(x)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 'large accelerated filer,' 'accelerated filer,' and 'smaller reporting company' in Rule 12b-2 of the Exchange Act.

Large accelerated filer (_) Accelerated filer (_)
Non-accelerated filer (_) Smaller reporting company (X)

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of November 3, 2008, the Company had outstanding 20,930,764 shares of its common stock.

PART I. Financial Information

Item 1. Financial Statements.

CTD HOLDINGS, INC.
CONSOLIDATED BALANCE SHEET
(Unaudited)

ASSETS

	September 30, 2008 (Unaudited)	December 31, 2007
CURRENT ASSETS		
Cash and cash equivalents	$ 243,121	$ 209,981
Certificate of deposit	-	100,000
Accounts receivable	47,059	85,434
Inventory	224,292	107,624
Deferred tax asset	75,000	75,000
Investment due from related party	-	853
Other current assets	2,000	2,442
Total current assets	591,472	581,334
PROPERTY AND EQUIPMENT, NET	446,415	437,435
OTHER ASSETS		
Certificate of deposit	-	163,985
Shareholder loan	4,344	-
Intangibles, net	89,816	40,967
Deferred tax asset	391,000	375,000
Total other assets	485,160	579,952
TOTAL ASSETS	$ 1,523,047	$ 1,598,721

(Continued)

CTD HOLDINGS, INC.
CONSOLIDATED BALANCE SHEET
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 2008 (Unaudited)	December 31, 2007
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 74,444	$ 73,664
Current portion of long-term debt	-	3,942

Total current liabilities	74,444	77,606
LONG-TERM LIABILTIES		
Long-term debt, less current portion	-	136,132
Loan from officer	-	21,330
Total long-term liabilities	-	157,462
STOCKHOLDERS' EQUITY		
Common stock, par value $.0001 per share, 100,000,000 shares authorized, 24,612,263 and 20,824,291 shares issued and outstanding, respectively	2,461	2,083
Preferred stock, par value $.0001 per share, 5,000,000 shares authorized; Series A, 1 share issued and outstanding	-	-
Additional paid-in capital	3,189,915	3,030,737
Accumulated deficit	(1,743,773)	(1,669,167)
Total stockholders' equity	1,448,603	1,363,653
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,523,047	$ 1,598,721

See Accompanying Notes to Financial Statements.

CTD HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
PRODUCT SALES	$ 142,105	$ 226,710	$ 371,230	$ 557,633
EXPENSES				
Personnel	114,301	74,606	276,120	200,920
Cost of products sold (exclusive of depreciation and amortization,shown seperately below)	3,111	47,711	81,268	64,495
Professional fees	13,154	15,254	71,383	92,884
Office and other	7,799	11,396	25,325	24,962
Amortization and depreciation	5,373	5,900	18,323	16,559
Freight and shipping	6,671	7,721	12,473	13,248

	150,409	162,588	484,892	413,068
Operating income (loss)	(8,304)	64,122	(113,662)	144,565
OTHER INCOME (EXPENSE)				
Investment and other income	10,997	8,547	24,872	21,869
Interest expense	(100)	(2,636)	(1,816)	(7,979)
Total other income	10,897	5,911	23,056	13,890
NET INCOME (LOSS) BEFORE INCOME TAXES	2,593	70,033	(90,606)	158,455
Income Taxes	(1,000)	-	16,000	-
NET INCOME (LOSS)	$ 1,593	$ 70,033	$ (74,606)	$ 158,455
NET INCOME (LOSS) PER COMMON SHARE	$ .00	$ .00	$ (.00)	$ .01
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	26,626,745	17,533,666	26,626,745	18,383,406

See Accompanying Notes to Financial Statements

CTD HOLDINGS,INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents
(Unaudited)

	Nine Months Ended September 30,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (74,606)	$ 158,455
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,323	16,559
Stock awarded to employees	159,556	104,120
Income tax benefit of deferred tax asset	(16,000)	-
Increase or decrease in:		
Accounts receivable	38,375	(18,573)
Inventory	(116,668)	(25,548)
Prepaid expenses	442	22,113
Accounts payable and accrued expenses	780	(30,751)

Total adjustments	84,808	67,920
NET CASH PROVIDED BY OPERATING ACTIVITIES	10,202	226,375
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and building improvements	(24,499)	(19,974)
Patent database costs	(51,653)	(13,233)
Redemption of certificate of deposit	263,985	-
Investment with related party	853	(201,777)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	188,686	(234,984)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(140,074)	(5,187)
Payments on stockholder loan	(21,330)	-
Loan to stockholder	(4,344)	-
Received from stockholder	-	14,984
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(165,748)	9,797
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	33,140	1,188

CTD HOLDING, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Increase in Cash and Cash Equivalents
(Unaudited)
(Concluded)

	Nine Months Ended September 30,	
	2008	2007
CASH AND CASH EQUIVALENTS, beginning of period	209,981	23,629
CASH AND CASH EQUIVALENTS, end of period	$ 243,121	$ 24,817
SUPPLEMENTAL DISCLOSURE OF CASH FLOW		
Cash paid for interest	$ 1,816	$ 7,979
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Common stock awarded to officers	$ 159,556	$ 104,120

See Accompanying Notes to Financial Statements

CTD HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2008
(Unaudited)

The information presented herein as of September 30, 2008, and for the three and nine month periods ended September 30, 2008, and 2007, is unaudited.

(1) BASIS OF PRESENTATION:

The accompanying financial statements include CTD Holdings, Inc. and its subsidiaries.

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Rule 10-01 of Regulations S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included.

Operating results for the three and nine month periods ended September 30, 2008, are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report of Form 10-KSB for the year ended December 31, 2007.

(2) NET INCOME (LOSS) PER COMMON SHARE:

Net income (loss) per common share is computed in accordance with the requirements of Statement of Financial Accounting Standards No. 128 (SFAS 128). SFAS 128 requires net income (loss) per share information to be computed using a simple weighted average of common shares outstanding during the periods presented. SFAS 128 eliminated the previous requirement that earnings per share include the effect of any dilutive common stock equivalents in the calculation.

(3) INCOME TAXES

For the three month period ended September 30, 2008, the Company reported net income and reported income tax expense of $1,000 and reduced its deferred tax asset. For the nine month period ended September 30, 2008, the Company reported a net loss and also realized a net operating tax loss and recorded the future benefit by increasing its deferred tax asset and recognizing an income tax benefit of $16,000. This was based on management's expectation that it is more likely than not the Company will report net income and net taxable income for 2008 and future years sufficient to utilize its net operating loss carry forwards.

For 2007, the Company reported net income and no income tax expense was reported for the three and nine month periods ended september 30, 2007, due to the Company utilizing the benefit of its net operating loss carry forward. In the fourth quarter of 2007, the Company reduced the valuation allowance on the deferred tax asset by $450,000.

(4) CONCENTRATIONS

Sales to three major customers were 42% of total sales for the nine months ended September 30, 2008. Sales to four major customers were 67% of total sales for the nine months ended September 30, 2007.

Substantially all 2007 and 2006 inventory purchases were from three vendors.

The Company has only one source for certain manufactured inventory, which is located in Hungary. However, the Company has manufactured these products in the past and could do so again, if necessary. There are multiple sources for its other inventory products.

(5) COMMITMENTS AND CONTINGENCIES

For 2008, the Company has employment agreements with two officers for total monthly salaries of $10,000. In addition, the officers are awarded shares of common stock each month. The number of shares due is equal to $13,500 divided by eighty percent of the closing price of the Company's common stock on that last day of each month. The Company recognizes an expense equal to the fair value of the stock determined using the average stock closing trading price for the month multiplied by the number of shares awarded for that month. The stock is subject to trading restrictions under Rule 144. Also, the Company issued shares to one of its employees through July 31, 2008. The number of shares due is equal to $500 divided by eighty percent of the closing price of the Company's common stock on the last day of each month. For the three and nine months ended September 30, 2008, the Company awarded 1,246,307 and 3,787,972 shares and recognized an expense of $71,343 and $159,527, respectively, for stock awarded under these agreements.

For 2007, the Company had employment agreements with two officers for total monthly salaries of $5,000. In addition, the Company's president is awarded shares of common stock each month. The number of shares due is equal to $11,500 divided by eighty percent of the closing price of the Company's common stock price on the last day of each month. The $11,500 amount is a combination of $6,500 under the employment agreement and $5,000 awarded as a monthly bonus effective July 1, 2007. The Company recognizes an expense equal to the fair value of the stock determined using the average stock closing trading price for the month multiplied by number of shares awarded for that month. The stock is subject to trading restrictions under Rule 144. For the three and nine months ended September 30, 2007, the Company awarded 1,677,083 and 3,505,208 shares and recognized an expense of $50,031 and $103,520, respectively, for stock awarded under the agreements. Effective July 1, 2007, the Company also issued 29,166 shares of stock to an employee and expensed $870 for the three and nine months ended September 30, 2007.

On February 7, 2007, Registrant and C.E. Rick Strattan filed suit in Circuit Court in Palm Beach County, Florida, (Case Number 2007CA001818XXXXMB) seeking the return of the Class A Preferred Share and damages from defendants Eline Entertainment Group, Inc., Eline Holding Group, Inc., Yucatan Holding Company, Steven T. Dorrough, Jayme Dorrough, and Barry Rothman, based on representations made in connection with the Share Exchange Agreement dated August 11, 2005, as amended and the enforcement of the agreement.

(6) CHANGE IN ACCOUNTING ESTIMATE

In January 2007, the Company received a favorable price adjustment for inventory acquired and resold in 2006, resulting in reduction in cost of goods sold for

2007 of $7,700 for nine months ended September 30, 2007.

Item 2. Management's Discussion and Analysis or Plan of Operation.

Introduction

CTD Holdings, Inc. (referred to as the "Company," "CTD" or in the first person notations of "we," "us," and "our") began operations in 1990. Our revenues are principally derived from retail sales of cyclodextrins and cyclodextrin complexes. Our sales are primarily to major chemical supply houses around the world, pharmaceutical companies, and food companies for research and development and to diagnostics companies. We acquire our products principally from outside the United States, largely from Japan, Germany and Hungary, but are gradually finding satisfactory supply sources in the United States and China. While we enjoy better supply prices from outside the United States, rising shipping costs are making domestic sources more competitively priced. To add value to our products, we maintain a comprehensive database of patented and patent pending uses of cyclodextrins from the United States. We also maintain a less comprehensive database that includes patents issued in many other countries including Japan, Germany and others. This information is available to our customers. We also offer our customers our knowledge of the properties and potential new uses of cyclodextrins and cyclodextrin complexes.

As most of our customers use our cyclodextrin products in their research and development activities, their ordering from us is unpredictable with regard to timing, product mix and volume. We also have four major customers that have a significant effect on our revenues when they increase or decrease their research and development activities that use cyclodextrins. We keep in constant contact with these customers as to their cyclodextrin needs so we can maintain the proper inventory composition and quantity in anticipation of their needs. The sales to major customers and the product mix and volume of products sold has a significant effect on our revenues and product margins. These factors contribute to our significant revenue volatility from quarter to quarter and year to year.

In 2004, we amended the Company's Articles of Incorporation authorizing a series of "blank check" preferred stock consisting of 5,000,000 shares; we created and issued one share of Series A Preferred Stock, setting forth its designations, rights and preferences. The more significant right is that the owner of the one Series A Preferred share votes with the holders of common stock on all matters submitted to a vote of our shareholders. The owner of the one share of Series A Preferred Stock is entitled to one vote more than one-half of all votes entitled to be cast by all holders of voting capital stock of the Company on any matter submitted to holders of common shares so as to ensure that the votes entitled to be cast by the holder of the Series A Preferred Stock are equal to at least a majority of the total of all votes entitled to be cast by the holders of common shares. In 2004, we issued one share of Series A Preferred Stock to C.E. Strattan, our majority shareholder in exchange for 1,029,412 shares of common stock held by him, which he voluntarily surrendered to the Company and were cancelled. Effective August 11, 2005, C.E. Strattan contractually transferred the right to the one outstanding share of Series A Preferred Stock to Eline Entertainment Group, Inc. (Eline). The agreement with Eline provides for advances to the Company of up to an aggregate of $1,500,000 to acquire CycloLab, at Eline's sole discretion. Eline is an SEC reporting company currently not in reporting compliance. In September 2006, the company's President, Mr. Strattan, demanded, in accordance with the expired contract, the return of the Series A Preferred Stock in the form of a stock power authorization since the physical share never left the possession of its original owner, Mr. Strattan. The demand letter was sent to the address given in the contract and was never acknowledged nor responded to by Eline. The Company has filed a legal action with regard to its agreement with Eline. See "Legal Proceedings".

Liquidity and Capital Resources

Our cash, short-term investments and certificates of deposits decreased to $243,000 as of September 30, 2008, compared to $474,000 as of December 31, 2007. The decrease for the nine months ended September 30, 2008, was due primarily to increasing inventory by $117,000, retiring the mortgage on our property of $140,000, $52,000 to develop our patent database and $24,000 to purchase equipment and improve our physical facilities. We have not experienced and do not expect to have any valuation issues or access restrictions to our cash accounts and short-term investments.

As of September 30, 2008, our working capital was $517,000 compared to $504,000 at December 31, 2007. Our cash flows from operations for the first nine months of 2008 were $10,000 compared to $226,000 for the same period in 2007. This decrease was primarily due to a $187,000 decrease in sales and a $117,000 increase in inventory in 2008.

We accumulated almost $500,000 in cash in January 2008, which is in excess of our requirements for normal operations and capital projects. We determined the best use of our additional cash was to pay off the $140,000 mortgage on our property, which we did in February 2008. This reduces interest expense $850 per month. We also signficantly increased our inventory for our two most popular products. In April 2008, we ordered $80,000 of the product HPB from a Japanese supplier, and in July 2008 we ordered $46,000 of the product Methyl-Beta from a German supplier. We increased our inventory of these two products based on our estimate of future industry purchase trends and recent product inquiries from our larger customers. These products have a three month or more lead time to acquire from our suppliers in the quantity purchased. Because we now have these products in stock, we have an increased opportunity to fill any large orders we may receive. Due to increased shipping costs, it is also less costly to buy and ship larger quantities from our suppliers. If these large orders do not materialize, we can sell this product in the normal course of business. Our current inventory of these two product represents approximately two years of our historical sales volume of these products.

In October 2008, we announced a plan to repurchase up to $150,000 of currently outstanding common stock. We have not determined the exact timing of these share repurchases.

We believe our working capital is sufficient to run our operations at current expected future operating levels into the near future. We do not require capital in the next twelve months for normal operations.

Controlling cash expenses continues to be management's primary fiscal tool. However, growth requires increased expenditures and we feel that it is appropriate during the current growth stage to engage consultants that can help the Company in financial areas outside its expertise, accepting that these fees will act to reduce profitability. We are working hard to increase revenues to balance these new expenses, but cannot be sure that such effort will be enough in the short term to sustain profitable financial performance.

Beginning in 2003, we began improvements and renovations of our corporate office and have invested $123,000 through December 31, 2007, including paving our limerock driveway and completing part of our office renovation. During the nine months ended September 30, 2008, we capitalized $24,000 of improvements including paving the first 300 feet of our driveway. Currently we are conducting an extensive survey of our 40 acres of property and existing facilities in preparation for developing a total site plan for our Research Park facility. In 2009, we plan to renovate three existing structures to be an inventory warehouse and an educational auditorium at a estimated cost of $60,000. These buildings have been previously idle. Over the next five years, we plan to renovate or construct at least six buildings for an estimated cost of $150,000.

Currently, we are developing a site plan for the research park including survey, engineering and design. The progress of the site plan is contingent on the Company's ability to fund our building plan from operating profits and cash flow. At the conclusion of the site plan, we plan to sell additional stock to finance the building construction of the research park.

During 2007, we began a major upgrade and update of our searchable cyclodextrin patent database. This database will be the only database dedicated to issued and applied for US patents regarding cyclodextrins capable of supporting the anticipated deluge of litigation created by the sheer volume of cyclodextrin patenting activities that have occurred over the last five (5) years. We have capitalized $85,000 for this database through September 30, 2008. We expect the initial project to cost $125,000 and to be completed by June 30, 2009. We plan to begin selling subscriptions to customers by the end of 2009. During the first quarter of 2008, we expanded the project to include significant data verification and customized software to update the database directly from the U.S. Patent and Trademark Office and increased the budget by $30,000. We plan to implement phase II after revenue has been generated from Phase I. Phase II will include entering U.S. patent applications into the database. On an ongoing basis, we will continue to enhance the database for ease of use and completeness. We have not budgeted Phase II at this time. We expect annual database enhancement and maintenance costs to be at least $20,000 for the foreseeable future. We have not completed the database or placed it in service at September 30, 2008. We anticipate the patent database will have an indefinite life and will not be amortized. However, we will amortize the internally developed software component of database project over its expected useful life and all future maintenance costs of updating the database will be expensed as incurred.

We have no off-balance sheet arrangements at September 30, 2008.

Results of Operations

Total product sales to date declined 34% in 2008 to $371,000, compared to $558,000 for the same period in 2007. Sales for the quarter ending September 30, 2008 and 2007 were $142,000 and $227,000, respectively. Our decrease in 2008 sales from 2007 was due primarily do a decrease in sales volume, primarily of one product, Trappsol HPB, of which we had higher than historical volume sales in 2007. Our major customers continue to follow historical product ordering trends and have continued to place periodic large orders that represent a significant share of our annual sales volume. For 2008 to date, our four largest customers accounted for 49% of our sales; the largest accounted for 17% of sales. In 2007, our four largest customers accounted for 67% of our sales; the largest accounted for 27% of sales. The timing of when we receive and are able to complete these large periodic orders has a significant effect on our quarterly sales and operating results.

Our cost of products sold (excluding any allocation of direct and indirect overhead and handling costs) for 2008 to date increased 26% to $81,000 from $64,000 for the same period in 2007. This increase is the net result of changes in the product mix sold (increase in cost) offset by a lower volume of sales (decrease in cost). For 2007, our product sales of Trappsol HPB increased, which has a high margin, so 2006 cost of sales did not increase at the same percentage as sales. Also during 2007, we received a favorable price adjustment for some inventory we acquired and resold in 2006, resulting in reduction in our 2007 cost of goods sold of $7,700. Historically, changes in both sale volume and product mix has a significant effect on our cost of sales and our margins. Our margins vary significantly among our products. Our margins for the same product vary based on quantity sold.

The decrease in the value of the U.S. dollar during 2008 in relation to the Euro and other foreign currencies has affected our cost of inventory, and will continue to do so. We buy most of our products from outside the U.S. Our main supplier of fine chemicals and complexes has raised its prices 10-15% in Euros. This increase combined with the decline in the U.S dollar, has seen our costs for these products increase 55-65%. The cost of our bulk inventory has also increased due to the decline of the U.S. dollar. These products represent a significant portion of our revenues. We are not able to raise our prices sufficient to maintain our historical margins and therefore, our product sales margins have declined.

Personnel costs have increased 37% to $276,000 for the nine months ended September 30, 2008, from $201,000 for same period in 2007. Personnel costs increased 53% for the three months ended September 30, 2008 compared the three months ended September 30, 2007. This increase is due primarily to an increase in the annual salary and monthly stock bonus awarded to our president. We also added an additional office employee during the three months ended September 2008.

Professional fees decreased 23% to $71,000 for the nine months ended September 30, 2008, from $93,000 for same period in 2007. Professional fees decreased 14% for the three months ended September 30, 2008 compared to the three months ended September 30, 2007. This decrease is primarily due to a reduction in legal expenses from 2007 to 2008 as the result of our lawsuit with Eline Entertainment Group, Inc. We continue to incur legal expenses and we may incur significant future legal fees related to this lawsuit.

Office and other expenses are comparable at $25,000 for 2008 and 2007. Most of our office related expenses do not vary significantly from quarter to quarter.

Amortization and depreciation increased 11% to $18,000 for the nine months ended September 30, 2008, from $17,000 for the same period in 2007. Amortization and depreciation were comparable for the three months ended September 30, 2008 compared to the three months ended September 30, 2007. We expect similar increases in future periods as the result of our office renovations, improvements and additions, as well as the addition of internally developed software related to our patent database when completed.

Freight and shipping decreased 6% to $12,000 for the nine months ended September 30, 2008, from $13,000 for the same period in 2007. Freight and shipping decreased 14% for the three months ended September 30, 2008 compared to the three months ended September 30, 2007. Freight and shipping is dependent on frequency of ordering products for inventory and frequency of sales. We have also experienced an increase in overall shipping costs due to increases in energy costs during 2008.

Investment and other income increased 14% to $25,000 for the nine months ended September 30, 2008, from $22,000 for the same period in 2007. Investment and other income increased 29% for the three months ended September 30, 2008 compared the three months ended September 30, 2007. This increase is due primarily to interest income on increased cash balances in 2008, although we have experienced lower interest rates on our investments during 2008.

We recognized a $16,000 income tax benefit on our additional net operating loss for the nine months ended September 30, 2008. We recorded no income tax expense for the nine months ended September 30, 2007, due to the availability of net operating loss carryforwards that offset our income tax liability. Prior to December 31, 2007, we recorded a 100% valuation allowance on our net deferred tax asset.

We recognized a net loss of $(75,000) and net income of $2,000 for the nine and three month periods ending September 30, 2008, compared to net income of $158,000 and $70,000 for the nine and three months ended September 30, 2007.

We will continue to introduce new products that will increase sales revenue and implement a strategy of creating or acquiring operational affiliates and/or subsidiaries that will use cyclodextrins in herbal medicines, waste-water remediation, pharmaceuticals, and foods. We also intend to pursue exclusive relationships with major cyclodextrin manufacturer(s) and specialty cyclodextrin labs to distribute their products. We continue to be the exclusive distributor in North America of the cyclodextrin products manufactured by CycloLab Research Laboratories in Budapest, Hungary.

In keeping with its commitment to use the internet as a major promotional, educational and public relations outlet, the Company intends to apply greater human resources to the updating and maintaining of its web site. This valuable asset has been instrumental in creating and maintaining a worldwide leadership role for us in the implementation of research and commercialization of CD applications. We believe the maintenance and growth of our web site will return that investment many times.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Items 4 and 4T. Controls and Procedures.

a. Management's quarterly report on internal control over financial reporting.

1. Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, transactions are executed in accordance with appropriate management authorization and accounting records are reliable for the preparation of financial statements in accordance with generally accepted accounting principles.

2. Internal control over financial reporting is a process tailored to the Company's unique circumstances, designed under the supervision of the Company's Chief Executive and Chief Operating Officer, and effected by the Company's Board of Directors, its consultants and other personnel, taking into account the small size of the Company, small number of employees and others involved in the Company's finances. The process uses a system of checks and balances 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 and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets and the review of those transactions and dispositions by the Company's compliance officer;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with authorizations of management or the Company's Board of Directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material adverse effect on the Company's financial statements.

3. As required by Rule 13a-15(b) and 15(d)-15(e) under the Exchange Act, our Chief Executive Officer who is also our Principal Accounting Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. The Company's Chief Executive Officer has concluded that the Company's internal control over financial reporting, as of September 30, 2008 was effective.

4. This quarterly report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this quarterly report.

b. Changes in internal controls.

The Company made no changes in its internal control over financial reporting that occurred during the Company's third fiscal quarter that has materially affected, or which is reasonably likely to materially affect the Company's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings.

NONE

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

NONE

Item 3. Defaults Upon Senior Securities.

NONE

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

NONE

Item 5. Other Information.

NONE

Item 6. Exhibits.

(2)	Plan of purchase, sale, reorganization, arrangement, liquidation or succession	None

(3)	Articles of Incorporation and By-Laws	
(i)	Articles of Incorporation filed August 9, 1990	*
(ii)	By-Laws	*
(iii)	Certificates of Amendment to the Articles of Incorporation filed November 18, 1993 and September 24, 1993	*
(4)	Instruments defining the rights of security holders, including indentures	
(a)	Specimen Share Certificate for Common Stock.	*
(10)	Material contracts	
(10.1)	Agreement of Shareholders dated November 11, 1993 by and among C.E. Rick Strattan, Garrison Enterprises, Inc. and the Company.	*
(10.2)	Lease Agreement dated July 7, 1994.	**
(10.3)	Consulting Agreement dated July 29, 1994 between the Company and Yellen Associates.	*
(10.4)	License Agreement dated December 20, 1994 between the Company and Herbe Wirkstoffe GmbH.	*
(10.5)	Joint Venture Agreement between the Company and Ocumed, Inc. dated May 1, 1995, incorporated by reference to the Company's Form 10-QSB for the quarter ended June 30, 1995.	**
(10.6)	Extension of Agreement between the Company and Herbe Wirkstoffe GmbH.	***
(10.7)	Lease Extension	+
(10.8)	Loan Agreement with John Lindsay	+
(10.9)	Small Potatoes Contract	+
(10.10)	Employment Agreement with C.E. Rick Strattan dated May 30, 2001	++
(10.11)	Employment Agreement of C.E. Rick Strattan dated October 14, 2003	+++
(10.12)	Employment Agreement of George L. Fails dated October 14, 2003	****
(10.13)	Addendum to Share Exchange Agreement with Eline Entertainment Group	++++
(10.14)	Share Exchange Agreement with Eline Entertainment Groups	+++++
(11)	Statement re: computation of per share earnings	Note 2 to

	Financial Statements
(15) Letter on unaudited interim financial information	****
(18) Letter on change in accounting principles	None
(19) Reports furnished to security holders	None
(20) Other documents or statements to security holders or any document incorporated by reference	None
(22) Published report regarding matters submitted to vote of security holders	None
(23) Consents of experts and counsel	None
(24) Power of Attorney	None
(31) Rule 13a-14(a)/15d-14a(a) Certifications	****
(32) Section 1350 Certifications	****
(99) Additional exhibits	None
(100) XBRL-Related Documents	None

* Incorporated by reference to the Company's Form 10-SB filed with the Securities and Exchange Commission on February 1, 1994.

** Incorporated by reference to the Company's Form 10-KSB filed with the Securities and Exchange Commission on March 29, 1997.

*** Incorporated by reference to the Company's Form 10-KSB filed with the Securities and Exchange Commission on March 28, 2000.

**** Filed herewith.

\+ Incorporated by reference to the Company's Form 10-KSB filed with the Securities and Exchange Commission on April 2, 2001.

++ Incorporated by reference to the Company's Form 10-KSB filed with the Securities and Exchange Commission on April 1, 2002.

+++ Incorporated by reference to Form S-8 filed December 1, 2003.

++++ Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on September 21, 2005.

+++++ Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on August 15, 2005.

SIGNATURES

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

CTD HOLDINGS, INC.

Date: November 14, 2008

/s/ C.E. Rick Strattan

C.E. Rick Strattan
Chief Executive Officer
Chief Financial Officer