

ChromaDex Corp.
Form 10-Q
August 12, 2008

Table of Contents

FORM 10-Q
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 28, 2008

Commission File Number: 000-53290

CHROMADEx CORPORATION

Delaware

26-2940963

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

10005 Muirlands Blvd Suite G, Irvine, California, 92618

(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (949)-429-0288

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, non-accelerated filer or smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller 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

Number of shares of common stock of the registrant: 28,022,134 outstanding as of June 28, 2008.

CHROMADDEX CORPORATION
2008 QUARTERLY REPORT ON FORM 10-Q
TABLE OF CONTENTS

PART I FINANCIAL INFORMATION (UNAUDITED)

ITEM 1. FINANCIAL STATEMENTS:

<u>CONSOLIDATED BALANCE SHEETS AS OF JUNE 28, 2008 AND DECEMBER 29, 2007 (UNAUDITED)</u>	3
---	----------

<u>CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 28, 2008 AND JUNE 30, 2007 (UNAUDITED)</u>	4
--	----------

<u>CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 28, 2008 AND JUNE 30, 2007 (UNAUDITED)</u>	5
--	----------

<u>CONSOLIDATED STATEMENTS OF STOCK HOLDERS EQUITY AS OF JUNE 28, 2008 (UNAUDITED)</u>	6
---	----------

<u>CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 28, 2008 AND JUNE 30, 2007 (UNAUDITED)</u>	7
---	----------

<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</u>	8-13
--	-------------

TRANSITION PERIOD REPORT FOR CODY RESOURCES, INC.:

<u>CONSOLIDATED BALANCE SHEET AS OF DECEMBER 29, 2007 AND DECEMBER 31, 2006</u>	14
--	-----------

<u>CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE ONE MONTH PERIOD ENDED DECEMBER 29, 2007 AND FOR THE PERIODS BEGINNING AT INCEPTION AND ENDING DECEMBER 29, 2007 AND DECEMBER 31, 2006</u>	15
--	-----------

<u>CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE ONE MONTH PERIOD ENDED DECEMBER 29, 2007 AND FOR THE PERIODS BEGINNING AT INCEPTION AND ENDING DECEMBER 29, 2007 AND DECEMBER 31, 2006</u>	16
--	-----------

<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</u>	17
--	-----------

<u>ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	18-22
---	--------------

<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	22
--	-----------

<u>ITEM 4. CONTROLS AND PROCEDURES</u>	23
---	-----------

PART II OTHER INFORMATION

<u>ITEM 1. LEGAL PROCEEDINGS</u>	24
---	-----------

<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	24
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	24
<u>ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	24
<u>ITEM 5. OTHER INFORMATION</u>	25
<u>ITEM 6. EXHIBITS</u>	26
<u>SIGNATURES</u>	27
<u>Exhibit 10.1</u>	
<u>Exhibit 31.1</u>	
<u>Exhibit 31.2</u>	
<u>Exhibit 32</u>	

Table of Contents**PART I FINANCIAL INFORMATION (UNAUDITED)****ITEM 1. FINANCIAL STATEMENTS****ChromaDex Corporation and Subsidiaries****Condensed Consolidated Balance Sheets (Unaudited)**

	June 28, 2008	December 29, 2007
Assets		
Current Assets		
Cash	\$ 2,415,620	\$ 303,785
Trade receivables, net	504,351	375,233
Inventories	578,505	497,635
Prepaid expenses and other	113,083	60,264
Total current assets	3,611,559	1,236,917
Property and Equipment, net	1,310,091	1,132,823
Deposits and Other Noncurrent Assets		
Deposits	49,821	63,976
Intangible assets, Net	430,124	487,030
	479,945	551,006
	\$ 5,401,595	\$ 2,920,746
Liabilities and Stockholders Equity		
Current Liabilities		
Accounts payable	\$ 547,455	\$ 500,538
Accrued expenses	316,152	351,926
Notes payable	959,617	
Current maturities of capital lease obligations	79,378	74,571
Due to officers	1,178,206	1,167,822
Customer deposits and other	46,418	117,969
Total current liabilities	3,127,226	2,212,826
Capital Lease Obligations, less current maturities	111,835	152,766
Deferred Rent	147,888	158,839
Stockholders Equity		

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Common stock, \$.001 par value; authorized 50,000,000 shares; issued and outstanding 2008 28,022,134 shares; 2007 22,040,797 shares	28,022	220,408
Additional paid-in capital	7,826,686	5,271,389
Accumulated deficit	(5,840,062)	(5,095,482)
	2,014,646	396,315
	\$ 5,401,595	\$ 2,920,746

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**ChromaDex Corporation and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)**

	Three Months ending	
	June 28, 2008	June 30, 2007
Sales	\$ 1,198,885	\$ 997,087
Cost of goods sold	832,905	741,227
Gross profit	365,980	255,860
Operating expenses:		
Selling	159,558	74,015
General and administrative	832,374	304,897
	991,932	378,912
Operating loss	(625,952)	(123,052)
Nonoperating (income) expenses:		
Interest expense	7,052	7,156
Interest income	(11,550)	(16,253)
Other	222	(830)
	(4,276)	(9,926)
Income taxes		800
Net loss	\$ (621,676)	\$ (113,926)
Basic and Diluted loss per common share	\$ (0.03)	\$ (0.01)
Basic and Diluted average common shares outstanding	24,755,583	22,011,549

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**ChromaDex Corporation and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)**

	Six Months ending	
	June 28, 2008	June 30, 2007
Sales	\$ 2,258,601	\$ 2,203,980
Cost of goods sold	1,493,177	1,405,513
Gross profit	765,424	798,467
Operating expenses:		
Selling	331,542	174,571
General and administrative	1,175,112	624,221
	1,506,654	798,792
Operating loss	(741,230)	(325)
Nonoperating (income) expenses:		
Interest expense	14,668	16,790
Interest income	(11,954)	(16,875)
Other	638	(107)
	3,352	(192)
Income taxes		800
Net loss	\$ (744,582)	\$ (933)
Basic and Diluted loss per common share	\$ (0.03)	\$ (0.00)
Basic and Diluted average common shares outstanding	23,611,855	22,011,549

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**ChromaDex Corporation and Subsidiaries
Statement of Stockholder Equity (Unaudited)
As of June 28, 2008**

	Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholder Equity
As of December 30,2007	22,040,797	\$ 220,408	\$ 5,271,389	\$ (5,095,481)	\$ 396,315
Stock-based compensation			184		184
Issuance of common stock	1,612,481	16,125	1,946,377		1,962,502
Net loss				(122,906)	(122,906)
Balance, March 29, 2008	23,653,278	\$ 236,533	\$ 7,217,952	\$ (5,218,387)	\$ 2,236,097
Stock-based compensation			33,590		33,590
Issuance of common stock	1,091,638	10,916	1,315,335		1,326,252
Effect of reverse merger with Cody Resources Inc.	4,500,013	(207,200)	207,200		
Repurchase and cancellation of Bayer Shares	(1,222,795)	(12,228)	(947,390)		(959,617)
Net loss				(621,676)	(621,676)
Balance, June 28, 2008	28,022,134	\$ 28,022	\$ 7,826,688	\$ (5,840,062)	\$ 2,014,646

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**ChromaDex Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)**

	Six Months ending	
	June 28, 2008	June 30, 2007
Cash Flows from Operating Activities		
Net loss	\$ (744,582)	\$ (933)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	123,248	118,525
Amortization of intangibles	56,906	58,000
Stock-based compensation expense	33,776	7
(Increase) decrease in		
Trade receivables	(129,118)	(20,619)
Inventories	(80,870)	(146,733)
Prepaid and other expenses	(52,819)	18,841
Deposits	14,155	(34,649)
Increase (decrease) in		
Accounts payable	46,917	178,507
Accrued expenses	(35,774)	(246,830)
Customer deposits and other liabilities	(71,551)	(72,130)
Deferred rent	(10,951)	74,625
Net cash (used in) operating activities	(850,663)	(73,389)
Cash Flows From Investing Activities		
Purchases of property and equipment	(300,516)	(88,134)
Net cash (used in) investing activities	(300,516)	(88,134)
Cash Flows From Financing Activities		
Principal payments on capital leases	(36,124)	(33,861)
Principal payments on long-term debt		(112,500)
Proceeds from issuance of common stock	3,288,754	
Due to Officers	10,384	79,398
Net cash provided by financing activities	3,263,014	(66,963)
Net increase (decrease) in cash	2,111,835	(228,486)
Cash:		
Beginning	303,785	424,965
Ending	\$ 2,415,620	\$ 196,479

Supplemental Disclosures of Cash Flow Information

Cash payments for interest	\$ 14,668	\$ 16,790
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Supplemental Schedules of Noncash Investing and Financing Activities

Capital lease obligation incurred for the purchase of equipment	\$	\$ 75,568
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Note payable incurred for repurchase of common stock	\$ 959,617	
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See Notes to Condensed Consolidated Financial Statements.

Table of Contents

Note 1. Interim Financial Statements

The accompanying condensed financial statements of ChromaDex Corporation and its wholly owned subsidiaries, ChromaDex, Inc. and ChromaDex Analytics, Inc. (the Company) include all adjustments, consisting of normal recurring adjustments and accruals, that in the opinion of the management of the Company are necessary for a fair presentation of our financial position as of June 28, 2008 and results of operations and cash flows for the three and six months ended June 28, 2008 and June 30, 2007. These unaudited interim condensed financial statements should be read in conjunction with the Company's audited financial statements and the notes thereto for the year ended December 29, 2007 appearing in the Company's Current Report on Form 8-K filed June 24, 2008. Operating results for the six months ended June 28, 2008 are not necessarily indicative of the results to be achieved for the full year of trading ending on January 3, 2009. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reports amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Accounting Treatment of the Merger; Financial Statement Presentation

On June 20, 2008, ChromaDex, Inc. merged (the Merger) into a wholly owned subsidiary of Cody Resources, Inc. (Cody). The Merger was accounted for as a reverse merger under generally accepted accounting principles. Therefore: (1) the Company's historical accumulated deficit for periods prior to June 20, 2008, in the amount of \$40,081, was eliminated against additional-paid-in-capital, and (2) the consolidated financial statements present the previously issued shares of common stock of Cody as having been issued pursuant to the Merger on June 20, 2008 and the shares of common stock of the Company issued to the former ChromaDex, Inc. stockholders in the Merger as having been outstanding since February 2000 (the month when ChromaDex, Inc. first issued equity securities). No goodwill or other intangible asset was recorded as a result of the Merger.

Note 2. Nature of Business and Significant Accounting Policies

Nature of business: The Company creates and supplies botanical reference standards along with related phytochemical products and services. The Company's main priority is to create industry-accepted information, products and services to every layer of the functional food, pharmaceutical, personal care and dietary supplement markets. The Company provides these services at terms of 30 days.

Basis of presentation: The financial statements and accompanying notes have been prepared on a consolidated basis and reflect the consolidated financial position of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated from these financial statements. The Company's fiscal year ends on the Saturday closest to December 31 and the Company's fiscal quarters end on the Saturday closest to calendar quarter end. The fiscal year for 2008 includes 53 weeks instead of the normal 52 weeks. The inclusion of an extra week occurs every fifth or sixth fiscal year due to the Company's floating year-end date.

Table of Contents

Change in fiscal year ending: On June 20, 2008, in conjunction with the Merger, the Company changed its fiscal year end from November 30 to the Saturday closest to December 31. As a capital transaction accounted for as a reverse merger, the Company's historical financial statements presented prior to the Merger are the historical financial statements of accounting acquirer, ChromaDex, Inc., whose fiscal year end was the Saturday closest to December 31. In accordance with Rule 13a-10 of the Securities Act of 1934, separate financial statements for Cody for the transition period between November 30 and December 29, 2007 are included at the end of this Quarterly Report on Form 10-Q.

Earnings per share: Potentially dilutive common shares consist of the incremental common shares issuable upon the exercise of common stock options and warrants for all periods. For all periods ended June 28, 2008 and June 30, 2007, the basic and diluted shares reported are equal because the common share equivalents are anti-dilutive due to the net losses for each period. Below is a tabulation of the potentially dilutive securities for the periods ended June 28, 2008 and June 30, 2007.

	Three Months ending		Six Months ending	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Basic average common shares outstanding	24,755,583	22,011,549	23,611,855	22,011,549
Dilutive potential shares				
Warrants and options in the money, net	2,682,771		2,682,771	
Weighted average common shares outstanding assuming dilution	27,438,354	22,011,549	26,294,626	22,011,549

Note 3. Financial Instruments

On January 1, 2008 the Company adopted SFAS 157, *Fair Value Measurements* which defines fair values, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. However, the FASB issued FSP SFAS 157-2 which deferred the effective date of SFAS 157, until the beginning of our 2009 fiscal year, as it relates to fair value measurement requirements for nonfinancial assets and liabilities that are not remeasured at fair value on a recurring basis. The adoption of SFAS 157 did not affect the Company's results of operations or its cash flows from operating, investing or operating activities.

The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the more reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

Table of Contents

As of June 28, 2008 the fair values of our financial assets and liabilities are approximately categorized as follows:

Financial Assets	Total	Level 1	Level 2	Level 3
Cash	\$ 2,416,000	\$ 2,416,000	\$	\$
Total financial assets as fair value	\$ 2,416,000	\$ 2,416,000	\$	\$
Financial Liabilities	Total	Level 1	Level 2	Level 3
Notes Payable(a)	\$ 960,000	\$	\$ 960,000	\$
Capital Lease Obligations(b)	191,000		191,000	
Total financial liabilities as fair value	\$ 1,151,000	\$	\$ 960,000	\$

(a) Based on the bank prime rate plus a margin of 2%

(b) Incremental interest rates range from 9.7% to 22.5%

Note 4. Notes Payable

On June 18, 2008 ChromaDex, Inc. issued a non-interest bearing note to Bayer AG in conjunction with the repurchase of ChromaDex, Inc shares prior to the Merger. This note is due December 31, 2008 in the amount of \$1,002,691. This note was discounted based on an interest rate of prime + 2.00% for discount of \$43,074 and the note was recorded at a discounted value of \$959,617. If the principal amount of the promissory note, or any part thereof, is not paid in full when due, the Company must pay interest on the overdue principal amount at the rate of one and one half percent (1 1/2%) per month beginning January 1, 2009.

Note 5. Capital Stock

During the six month period ending June 28, 2008, the Company received net capital contributions from third party investors through a private placement offering of \$3,216,085 in exchange for issuing 2,628,618 shares of common stock. In conjunction with this offering, warrants to purchase 1,314,317 shares of common stock were issued to such investors at \$3.00 per share of which the Company has a call at \$4.50 per share, a