ADC TELECOMMUNICATIONS INC
Form 10-Q
June 06, 2006

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

FORM 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended April 28, 2006

OR

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

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

Commission file number 0-1424

ADC Telecommunications, Inc.

(Exact name of registrant as specified in its charter)

Minnesota	**41-0743912**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

13625 Technology Drive, Eden Prairie, MN 55344-2252

(Address of principal executive offices) (Zip code)

(952) 938-8080

(Registrant s telephone number, including area code)

N/A

(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 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 þ NO o

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

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

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

YES o NO þ

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

Common stock, $.20 par value: 117,237,040 shares as of June 2, 2006

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ADC TELECOMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS UNAUDITED
(In millions)

	April 28, 2006	October 31, 2005
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 131.9	$ 110.1
Available-for-sale securities	356.9	335.3
Accounts receivable, net of reserves of $8.1 and $9.6	198.3	195.6
Unbilled revenue	40.0	38.1
Inventories, net of reserves of $36.9 and $35.7	145.9	140.5
Prepaid and other current assets	47.2	35.6
Total current assets	920.2	855.2
Property and equipment, net of accumulated depreciation of $368.0 and $351.2	211.8	221.1
Restricted cash	22.1	23.6
Goodwill	240.2	240.5
Intangibles, net of accumulated amortization of $51.2 and $35.5	152.9	165.0
Available-for-sale securities	2.0	12.1
Other assets	19.3	19.7
Total assets	$ 1,568.5	$ 1,537.2
LIABILITIES AND SHAREOWNERS INVESTMENT		
Current Liabilities:		
Accounts payable	$ 103.9	$ 77.4
Accrued compensation and benefits	52.6	80.9
Other accrued liabilities	78.4	81.0
Income taxes payable	17.5	15.9
Restructuring accrual	22.8	33.3
Notes payable	0.1	0.3
Total current liabilities	275.3	288.8
Pension obligations and other long-term liabilities	81.9	74.5
Long-term notes payable	400.0	400.0
Total liabilities	757.2	763.3
Shareowners Investment:		
(117.2 and 116.6 shares outstanding)	811.3	773.9
Total liabilities and shareowners investment	$ 1,568.5	$ 1,537.2

The accompanying notes are an integral part of these condensed consolidated financial statements.

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ADC TELECOMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS UNAUDITED
(In millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	April 28, 2006	April 29, 2005	April 28, 2006	April 29, 2005
Net Sales:				
Product	$ 320.7	$ 264.8	$ 562.8	$ 464.9
Service	44.9	48.3	84.6	89.2
Total net sales	365.6	313.1	647.4	554.1
Cost of Sales:				
Product	207.5	151.9	367.3	272.7
Service	37.6	44.3	74.0	82.4
Total cost of sales	245.1	196.2	441.3	355.1
Gross Profit	120.5	116.9	206.1	199.0
Operating Expenses:				
Research and development	19.0	18.2	38.0	33.4
Selling and administration	76.8	63.6	145.8	124.5
Restructuring and impairment charges	2.1	3.3	3.5	6.4
Total operating expenses	97.9	85.1	187.3	164.3
Operating Income	22.6	31.8	18.8	34.7
Other income, net	2.8	5.3	5.5	17.5
Income before income taxes	25.4	37.1	24.3	52.2
Provision for income taxes	2.6	2.3	3.9	3.3
Income from continuing operations	22.8	34.8	20.4	48.9
Discontinued Operations, Net of Tax				
Income (loss) from discontinued operations		(0.5)		1.7
Gain (loss) on sale of discontinued operations, net		(0.9)		35.3
Total discontinued operations		(1.4)		37.0
Earnings before the cumulative effect of a change in accounting principle	22.8	33.4	20.4	85.9

Cumulative effect of a change in accounting principle			0.6	
Net Income	$ 22.8	$ 33.4	$ 21.0	$ 85.9
Weighted Average Common Shares Outstanding (Basic)	117.1	115.7	116.9	115.7
Weighted Average Common Shares Outstanding (Diluted)	117.9	130.5	117.6	130.5
Basic Earnings (Loss) Per Share:				
Continuing operations	$ 0.19	$ 0.30	$ 0.18	$ 0.42
Discontinued operations	$	$ (0.01)	$	$ 0.32
Cumulative effect of a change in accounting principle	$	$	$	$
Net income per share	$ 0.19	$ 0.29	$ 0.18	$ 0.74
Diluted Earnings (Loss) Per Share:				
Continuing operations	$ 0.19	$ 0.28	$ 0.18	$ 0.40
Discontinued operations	$	$ (0.01)	$	$ 0.29
Cumulative effect of a change in accounting principle	$	$	$	$
Net income per share	$ 0.19	$ 0.27	$ 0.18	$ 0.69

The accompanying notes are an integral part of these condensed consolidated financial statements.

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ADC TELECOMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS UNAUDITED
(In millions)

	Six Months Ended	
	April 28, 2006	April 29, 2005
Operating Activities:		
Net income from continuing operations	$ 20.4	$ 48.9
Adjustments to reconcile net income from continuing operations to net cash provided by (used for) operating activities from continuing operations:		
Inventory and fixed asset write-offs	0.6	0.1
Depreciation and amortization	33.7	27.3
Change in bad debt reserves	0.2	(1.9)
Non-cash stock compensation	6.5	1.5
Change in deferred income taxes	1.4	
(Gain) loss on sale of property and equipment	0.8	(4.3)
Other, net	(0.3)	(1.6)
Changes in operating assets and liabilities, net of acquisitions and divestitures:		
Accounts receivable and unbilled revenues	(10.0)	(46.7)
Inventories	(4.4)	(22.0)
Prepaid and other assets	(7.2)	(8.0)
Accounts payable	26.0	10.5
Accrued liabilities	(40.4)	(22.0)
Pension liabilities	2.6	2.1
Total cash provided by (used for) operating activities from continuing operations	29.9	(16.1)
Total cash provided by (used for) operating activities from discontinued operations		(0.8)
Total cash provided by (used for) operating activities	29.9	(16.9)
Investing Activities:		
Divestitures, net of cash disposed		33.7
Property, equipment and patent additions	(13.5)	(10.5)
Proceeds from disposal of property and equipment	0.3	16.7
Proceeds from collection of note receivable	2.7	9.0
Change in restricted cash	1.6	2.8
Purchases of available-for-sale securities	(240.4)	(561.1)
Sales of available-for-sale securities	229.6	555.4
Other	0.1	
Total cash (used for) provided by investing activities	(19.6)	46.0
Financing Activities:		
Common stock issued	9.6	2.4
Total cash provided by financing activities	9.6	2.4

Effect of Exchange Rate Changes on Cash	1.9		1.9
Increase in Cash and Cash Equivalents	21.8		33.4
Cash and Cash Equivalents, beginning of period	110.1		66.2
Cash and Cash Equivalents, end of period	$ 131.9	$	99.6

The accompanying notes are an integral part of these condensed consolidated financial statements.

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ADC TELECOMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

Note 1 Basis of Presentation:

These interim unaudited condensed consolidated financial statements of ADC Telecommunications, Inc. (ADC, we, us and our) have been prepared in accordance with the rules and regulations of the United States Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. The interim information furnished in this report reflects all normal recurring adjustments which are necessary in the opinion of our management for a fair presentation of the results for the interim periods. The operating results for the three and six month periods ended April 28, 2006 are not necessarily indicative of the operating results to be expected for the full fiscal year. These statements should be read in conjunction with our most recent Annual Report on Form 10-K for our fiscal year ended October 31, 2005.

During the third quarter of fiscal 2005, we classified our ADC Systems Integration UK Limited (SIUK) business as a discontinued operation. The financial results of SIUK are reported separately as a discontinued operation for all periods presented.

Fiscal Year

Our quarters end on the last Friday of the final month in the quarter; except that our fiscal year ends on October 31. As a result, any one quarter may have more or less days than other quarters in the fiscal year.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. We have previously netted Value Added Tax (VAT) receivables and VAT payables in other accrued liabilities on our balance sheet. VAT receivables are now reported separately in prepaids and other current assets. Freight revenues for our APS business unit were previously netted with freight costs in cost of goods sold on our income statement. Freight revenues are now reported separately in net sales. Expenditures for capitalizable patents were previously classified in the operating section of our cash flow statements. Patent expenditures are now classified in the investing section of our cash flow statements. These reclassifications have no effect on reported earnings, working capital or shareowners investment.

Recently Issued Accounting Pronouncements

As of November 1, 2005, we adopted SFAS No.123(R), *Share-Based Payment: An amendment of FASB Statements No. 123 and 95* (SFAS 123(R)), which requires us to recognize in our income statement the grant-date fair value of stock options and other equity-based compensation issued to employees. We adopted SFAS 123(R) using the modified prospective transition method. In accordance with the modified prospective transition method, our Consolidated Financial Statements for prior periods have not been restated to reflect the impact of SFAS 123(R). As a result of applying SFAS 123(R), our operating income for the three and six months ended April 28, 2006 was reduced by $3.1 million and $6.5 million, respectively. In addition, for the six months ended April 28, 2006, we recognized an increase to net income of $0.6 million related to the cumulative effect of a change in accounting principle as of November 1, 2005. Refer to Note 2 for additional information.

Summary of Significant Accounting Policies

A detailed description of our significant accounting policies can be found in our most recent Annual Report on Form 10-K for our fiscal year ended October 31, 2005. As of November 1, 2005, we began recognizing and measuring our share-based compensation in accordance with SFAS 123(R). Prior to adoption of SFAS 123(R), we recognized and measured our share-based compensation in accordance with Accounting Principles Board Opinion No 25, *Accounting for Stock Issued to Employees*, (APB 25) and related interpretations. Refer to Note 2 for additional information.

Reverse Stock Split

On April 18, 2005, we announced a one-for-seven reverse split of our common stock. The effective date of the reverse split was May 10, 2005. All share, share equivalent and per share amounts have been adjusted to reflect the reverse stock split for all periods presented in this Form 10-Q. We did not issue any fractional shares of our common stock as a result of the reverse split. Instead, shareowners who would

otherwise be entitled to receive a fractional share of common stock received cash for the fractional share in an amount equal to the fractional share multiplied by the split adjusted price of one share of ADC s common stock. We have brought 4,272 shares into treasury at $16.10 per share. The treasury stock balance is included as a reduction to the common shares and a reduction to paid-in capital.

Warranty

We provide reserves for the estimated cost of product warranties at the time revenue is recognized. We estimate the costs of our warranty obligations based on our warranty policy or applicable contractual warranty, our historical experience of known product failure rates, and use of materials and service delivery costs incurred in correcting product failures. In addition, from time to time specific warranty accruals may be made if unforeseen technical problems arise.

The following table provides detail on the activity in the warranty reserve accrual balance as of April 28, 2006:

	Accrual October 31, 2005	Charged to other accounts	Charged to costs and expenses	Deductions (write-off s)	Accrual April 28, 2006
			(In millions)		
Warranty Reserve	$10.8	$	$ 2.4	$ 3.5	$ 9.7

Note 2 Share-Based Compensation:

On November 1, 2005, we adopted SFAS 123(R), which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors. The awards include employee stock options, restricted stock units and restricted stock awards, based on estimated fair values. SFAS 123(R) supersedes APB 25, which we previously applied, for periods beginning in fiscal 2006.

We adopted SFAS 123(R) using the modified prospective transition method, which requires application of the accounting standard as of November 1, 2005, the first day of our fiscal 2006 year. Our Consolidated Financial Statements as of and for the three and six months ended April 28, 2006 reflect the impact of SFAS 123(R). In accordance with the modified prospective transition method, our Consolidated Financial Statements for prior periods have not been restated to reflect the impact of SFAS 123(R). Therefore, the results as of April 28, 2006 are not directly comparable to the same period in the prior year.

SFAS 123(R) requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service period. Share-based compensation expense recognized in our Consolidated Statements of Operations for the three and six months ended April 28, 2006 included compensation expense for share-based payment awards granted prior to, but not yet vested as of November 1, 2005. This compensation expense is based on the grant date fair value estimated in accordance with the pro forma provisions of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*, (SFAS 123). Compensation expense for the share-based payment awards granted subsequent to November 1, 2005 are based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R). Share-based compensation expense recognized in the Consolidated Statements of Operations for the three and six months ended April 28, 2006 is based on awards ultimately expected to vest, and therefore it has been reduced for estimated forfeitures. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ materially from those estimates.

Prior to the adoption of SFAS 123(R), we accounted for share-based awards using the intrinsic value method in accordance with APB 25 as allowed under SFAS 123. Under the intrinsic value method, no share-based compensation expense had been recognized in our Consolidated Statements of Operations, other than as related to restricted stock units and restricted stock awards, because the exercise price of our granted stock options equaled the fair market value of the underlying stock at the date of grant. In our pro forma disclosures required under SFAS 123 for the periods prior to fiscal 2006, we accounted for forfeitures as they occurred.

For purposes of determining the estimated fair value of share-based payment awards on the date of grant under SFAS 123(R), we used the Black-Scholes option-pricing model (Black-Scholes Model). The Black-Scholes Model requires the input of certain assumptions that involve judgment. Because our employee stock options have characteristics significantly different from those of publicly traded options, and because changes in the input assumptions can materially affect the fair value estimate, the existing models may not provide a reliable single measure of the fair value of our employee stock options. Management will continue to assess the assumptions and methodologies used to calculate estimated fair value of share-based compensation. Circumstances may change and additional data may become available over time. This could result in changes to these assumptions and methodologies and thereby materially impact our fair value determination.

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Share-based compensation recognized under SFAS 123(R) for the three and six months ended April 28, 2006 was $3.1 million and $6.5 million, respectively. The share-based compensation expense is calculated on a straight-line basis over the vesting periods of the related share-based awards. Share-based compensation expense of $0.8 million and $1.5 million for the three and six months ended April 29, 2005, respectively, was related to restricted stock units and restricted stock awards. There was no share-based compensation expense related to stock options in the three and six months ended April 29, 2005.

The following table details the incremental impact of adopting SFAS 123(R) for the three and six months ended April 28, 2006:

	Three Months Ended April 28, 2006 (In millions, except per share amounts)	Six Months Ended April 28, 2006 (In millions, except per share amounts)
Effect on income before tax	$ (2.3)	$ (5.1)
Effect on income from continuing operations	(2.3)	(5.1)
Cumulative effect of change in accounting principle		0.6
Net income	$ (2.3)	$ (4.5)
Basic and diluted earnings per share	$ (0.02)	$ (0.04)

As required by SFAS 123(R), we have presented disclosures of our pro forma income and net income per share for both basic and diluted shares for prior periods. The presentation assumes estimated fair value of the options granted prior to November 1, 2005 was amortized to expense over the option-vesting period per the below illustration.

	Three Months Ended April 29, 2005 (In millions, except per share amounts)	Six Months Ended April 29, 2005 (In millions, except per share amounts)
Net income as reported	$ 33.4	$ 85.9
Plus: Share-based employee compensation included in reported income	0.8	1.5
Less: Stock compensation expense fair value based method	(5.5)	(10.0)
Pro forma net income	$ 28.7	$ 77.4
Net income per share		
As reported basic	$ 0.29	$ 0.74
As reported diluted	$ 0.27	$ 0.69
Pro forma basic	$ 0.25	$ 0.67

Pro forma diluted	$ 0.24	$ 0.62

As of April 28, 2006, a total of 12.3 million shares were available for stock awards. This total included 3.2 million shares available for issuance as restricted stock awards and restricted stock units. All stock options granted under the Global Stock Incentive Plan (GSIP) were made at fair market value. Stock options granted under the GSIP vest over a four-year period.

During the first quarter of fiscal 2006, we granted 302,335 of restricted stock units subject to a three-year cliff-vesting period and earnings per share performance threshold. Subject to certain conditions, the performance threshold requires that our aggregate diluted pre-tax earnings per share throughout our 2006, 2007, and 2008 fiscal years reach a targeted amount. For purposes of SFAS 123(R), these restricted stock units are being recognized on a straight-line basis from the grant date because we currently believe we will achieve the performance conditions.

The following schedule summarizes activity in our share-based compensation plans:

	Stock Option Shares (In millions)	Stock Options Weighted Average Exercise Price	Restricted Stock Awards/Units (In millions)
Outstanding at October 31, 2005	6.8	$ 28.95	0.4
Granted	0.9	23.87	0.3
Exercised	(0.3)	(16.71)	
Restrictions lapsed			(0.1)
Canceled	(0.3)	(33.95)	
Outstanding at January 27, 2006	7.1	28.72	0.6
Granted	0.1	25.06	0.1

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	Stock Option Shares (In millions)	Stock Options Weighted Average Exercise Price	Restricted Stock Awards/Units (In millions)
Exercised	(0.3)	(16.43)	
Restrictions lapsed			
Canceled	(0.1)	(30.45)	(0.1)
Outstanding at April 28, 2006	6.8	29.06	0.6
Exercisable at October 31, 2005	4.6	33.70	
Exercisable at April 28, 2006	4.6	$ 32.90	

As of April 28, 2006, there were options to purchase 1.7 million shares of ADC common stock that had not yet vested and were expected to vest in future periods at a weighted average exercise price of $20.98. The following table contains details regarding our outstanding stock options as of April 28, 2006:

Range of Exercise Prices	Number	Weighted Average Remaining	Weighted

Nonoperating income (expense):		
Interest income	305	296
Interest expense	(12,019)	(8,061)
Nonoperating expenses	(11,714)	(7,765)
Net loss	$ (1,653,142)	$ (1,020,866)
Basic and Diluted loss per common share	$ (0.02)	$ (0.01)
Basic and Diluted weighted average common shares outstanding	106,185,584	99,833,963

See Notes to Condensed Consolidated Financial Statements.

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ChromaDex Corporation and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)
For the Six Month Periods Ended June 28, 2014 and June 29, 2013

	June 28, 2014	June 29, 2013
Sales, net	$ 6,930,292	$ 5,041,462
Cost of sales	4,546,518	3,407,884
Gross profit	2,383,774	1,633,578
Operating expenses:		
Sales and marketing	1,036,115	1,360,983
General and administrative	4,806,309	2,702,181
Loss from investment in affiliate	21,543	-
Operating expenses	5,863,967	4,063,164
Operating loss	(3,480,193)	(2,429,586)
Nonoperating income (expense):		
Interest income	945	500
Interest expense	(21,910)	(15,852)
Nonoperating expenses	(20,965)	(15,352)
Net loss	$ (3,501,158)	$ (2,444,938)
Basic and Diluted loss per common share	$ (0.03)	$ (0.03)
Basic and Diluted weighted average common shares outstanding	106,130,972	97,230,043

See Notes to Condensed Consolidated Financial Statements.

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ChromaDex Corporation and Subsidiaries
Condensed Consolidated Statement of Stockholders' Equity (Unaudited)
For the Six Month Period Ended June 28, 2014

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balance, December 28, 2013	104,524,738	$104,525	$39,697,063	$(34,136,137)	$ 5,665,451
Exercise of stock options	34,363	34	27,066	-	27,100
Share-based compensation	-	-	949,943	-	949,943
Net loss	-	-	-	(1,848,016)	(1,848,016)
Balance, March 29, 2014	104,559,101	$104,559	$40,674,072	$(35,984,153)	$ 4,794,478
Exercise of stock options	24,136	24	17,971	-	17,995
Share-based compensation	6,000	6	1,030,689	-	1,030,695
Stock issued to settle outstanding payable balance	126,605	127	128,367	-	128,494
Net loss	-	-	-	(1,653,142)	(1,653,142)
Balance, June 28, 2014	104,715,842	$104,716	$41,851,099	$(37,637,295)	$ 4,318,520

See Notes to Condensed Consolidated Financial Statements.

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ChromaDex Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)
For the Six Month Periods Ended June 28, 2014 and June 29, 2013

	June 28, 2014	June 29, 2013
Cash Flows From Operating Activities		
Net loss	$ (3,501,158)	$ (2,444,938)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of leasehold improvements and equipment	106,832	134,325
Amortization of intangibles	15,713	10,621
Share-based compensation expense	2,036,269	728,349
Gain on exchange of equipment	(17,301)	-
Loss from investment in affiliate	21,543	-
Changes in operating assets and liabilities:		
Trade receivables	(1,282,368)	770,994
Other receivable	215,000	-
Inventories	(668,903)	(206,824)
Prepaid expenses and other assets	(96,032)	(51,010)
Accounts payable	1,445,848	(907,337)
Accrued expenses	81,701	(150,095)
Customer deposits and other	(282,774)	26,557
Deferred rent	(22,524)	3,298
Net cash used in operating activities	(1,948,154)	(2,086,060)
Cash Flows From Investing Activities		
Purchases of leasehold improvements and equipment	(23,370)	(39,011)
Purchase of intangible assets	(70,000)	(40,000)
Proceeds from sale of assets	-	750,000
Proceeds from sale of equipment	1,356	-
Proceeds from investment in affiliate	1,092,500	-
Net cash provided by investing activities	1,000,486	670,989
Cash Flows From Financing Activities		
Proceeds from exercise of stock options	45,095	131,769
Proceeds from exercise of warrants	-	1,638,748
Principal payments on capital leases	(78,136)	(48,815)
Net cash (used in) provided by financing activities	(33,041)	1,721,702
Net (decrease) increase in cash	(980,709)	306,631
Cash Beginning of Period	2,261,336	520,000
Cash Ending of Period	$ 1,280,627	$ 826,631
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	$ 21,910	$ 15,852

Supplemental Schedule of Noncash Investing Activity				
Capital lease obligation incurred for purchases of equipment	$	222,629	$	171,851
Retirement of fully depreciated equipment	$	56,110	$	-
Supplemental Schedule of Noncash Operating Activity				
Stock issued to settle outstanding payable balance	$	128,494	$	-
Supplemental Schedule of Noncash Share-based Compensation				
Stock awards issued for services rendered in prior period	$	-	$	14,560
Changes in prepaid expenses associated with share-based compensation	$	55,631	$	206,697
Supplemental Schedule of Noncash Activities Related to Sale of BluScience Consumer Product Line				
Assets transferred	$	-	$	3,526,677
Liabilities transferred	$	-	$	368,873
Carrying value of long-term investment in affiliate, net of $750,000 cash proceeds and $250,000 receivable	$	-	$	2,157,804

See Notes to Condensed Consolidated Financial Statements.

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Note 1. Interim Financial Statements

The accompanying financial statements of ChromaDex Corporation (the "Company") and its wholly owned subsidiaries, ChromaDex, Inc., ChromaDex Analytics, Inc. and Spherix Consulting, Inc. 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 the Company's financial position as of June 28, 2014 and results of operations and cash flows for the three and six months ended June 28, 2014 and June 29, 2013. These unaudited interim financial statements should be read in conjunction with the Company's audited financial statements and the notes thereto for the year ended December 28, 2013 appearing in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "Commission") on March 27, 2014. Operating results for the six months ended June 28, 2014 are not necessarily indicative of the results to be achieved for the full year ending on January 3, 2015. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") 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 reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

The balance sheet at December 28, 2013 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements.

Note 2. Nature of Business and Liquidity

Nature of business: The Company is a natural products company that discovers, acquires, develops and commercializes proprietary-based ingredient technologies through its business model that utilizes its wholly owned business units, including ingredient technologies, natural product fine chemicals (known as "phytochemicals"), chemistry and analytical testing services, and product regulatory and safety consulting (as Spherix Consulting). The Company provides science-based solutions to the nutritional supplement, food and beverage, animal health, cosmetic and pharmaceutical industries. The Company acquired Spherix Consulting, Inc. on December 3, 2012, which provides scientific and regulatory consulting to the clients in the food, supplement and pharmaceutical industries to manage potential health and regulatory risks.

Liquidity: The Company has incurred a loss from operations of approximately $3,480,000 and a net loss of approximately $3,501,000 for the six-month period ended June 28, 2014. As of June 28, 2014, cash totaled approximately $1,281,000. By curtailing certain expenditures, management believes it will be able to support operations of the Company with its current cash and cash from operations through March, 2015. If the Company determines that it shall require additional financing to further enable it to achieve its long-term strategic objectives, there can be no assurance that such financing will be available on terms favorable to it or at all. If adequate financing is not available, the Company will further delay, postpone or terminate product and service expansion and curtail certain selling, general and administrative expenses. The inability to raise additional financing may have a material adverse effect on the future performance of the Company.

Note 3. Significant Accounting Policies

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 normal fiscal quarters end on the Saturday 13 weeks after the last fiscal year end or fiscal quarter end. Every fifth or sixth fiscal year, the inclusion of an extra week occurs due to the Company's floating year-end date. The fiscal year 2014 will include 53 weeks instead of the normal 52 weeks, and will end on January 3, 2015.

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Changes in accounting estimate: During the six-month period ended June 28, 2014, the Company evaluated assumptions for estimating the fair value of the Company's stock options. The Company uses the Black-Scholes based option valuation model, which requires assumptions on (i) volatility, (ii) expected dividends, (iii) expected term and (iv) risk-free rate. While evaluating the assumptions on volatility, the Company determined that the historical volatility the Company's common stock needs to be considered when estimating the expected volatility. Previously, the Company calculated expected volatility based on publicly held companies in similar industries and did not consider the historical volatility of the Company's common stock, as the historical measurement period that was available to compute the volatility rate of the Company's common stock was shorter than the expected life of the options.

For the stock options granted during the six-month period ended June 28, 2014, the Company calculated expected volatility rate based on the combined volatility of publicly held companies in similar industries and volatility of the Company's common stock. A 20~25% weight was assigned to the volatility of the Company's common stock as the historical volatility of the Company's common stock covers only the period since June 2008 in a thinly traded market. The weighted average expected volatility for the stock options granted during the six-month period ended June 28, 2014 using this revised calculation method was approximately 73%. The weighted average expected volatility would have been approximately 30%, if we calculated based on only publicly held companies in similar industries.

Inventories: Inventories are comprised of raw materials, work-in-process and finished goods. They are stated at the lower of cost, determined by the first-in, first-out method (FIFO) method, or market. Labor and overhead has been added to inventory that was manufactured or characterized by the Company. The amounts of major classes of inventory as of June 28, 2014 and December 28, 2013 are as follows:

	June 28, 2014	December 28, 2013
Reference standards	$1,707,272	$1,769,160
Bulk ingredients	1,421,756	694,965
	3,129,028	2,464,125
Less valuation allowance	256,000	260,000
	$2,873,028	$2,204,125

Recent accounting standards: In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers: Topic 606 (ASU 2014-09), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 is effective for us in our first quarter of fiscal 2018 using either of two methods: (i) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (ii) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined per ASU 2014-09. We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements.

Note 4. Loss Per Share Applicable to Common Stockholders

The following table sets forth the computations of loss per share amounts applicable to common stockholders for the three and six months ended June 28, 2014 and June 29, 2013:

	Three Months Ended		Six Months Ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Net loss	$(1,653,142)	$(1,020,866)	$(3,501,158)	$(2,444,938)
Basic and diluted loss per common share	$(0.02)	$(0.01)	$(0.03)	$(0.03)
Weighted average common shares outstanding (1):	106,185,584	99,833,963	106,130,972	97,230,043
Potentially dilutive securities:				
Stock options (2)	14,686,002	13,422,152	14,686,002	13,422,152
Warrants (2)	-	939,047	-	939,047

(1) Includes 1,680,000 nonvested restricted stock as these restricted stock are participating securities and have voting and dividend rights.
(2) The impact of stock options and warrants on earnings per share is antidilutive in a period of loss.

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Note 5. Investment in Affiliate

During the year ended December 28, 2013, the Company entered into an asset purchase and sale agreement with NeutriSci International Inc. ("NeutriSci") and consummated the sale of BluScience consumer product line to NeutriSci. The Company is using the cost recovery method to account the sale transaction, which was estimated at approximately $3,157,804. The consideration received consisted of following: (a) a $1,000,000 cash payment; (b) a $2,500,000 senior convertible secured note (convertible into 625,000 shares Series I Preferred Stock); and (c) 669,708 shares of Series I Preferred Shares that are convertible into 2,678,832 Class "A" common shares of NeutriSci, representing an aggregate of 19% of the NeutriSci shares at the date of the transaction.

The Company has previously applied the equity method of accounting due to a significant influence that it had obtained from the financial instruments noted above, and the carrying value, which includes the Senior Note, was reflected as long-term investment in affiliate in the Company's consolidated balance sheet at the date of transaction. The initial carrying value of this investment recognized at the date of transaction was $2,157,804, which is the Company's unrecovered cost or the difference between the net assets transferred to NeutriSci and the initial monetary consideration received. The 669,708 shares of Series I Preferred Shares and the senior convertible secured note were accounted for as one long-term investment in NeutriSci. Under the cost recovery method, no gain on the sale will be recognized until the Company's cost basis in the net assets transferred has been recovered.

Sale of Senior Secured Convertible Note

On December 30, 2013, the Company assigned the Senior Note to an unrelated third party for $1,250,000. $2,275,000 remained outstanding on the Senior Note at the date of the assignment. The Company also paid legal fees of $7,500 out of the proceeds of the purchase price. The Company also agreed to transfer to the third party a number of shares of preferred stock of NeutriSci having a value of $500,000 upon the earlier of (a) December 31, 2014; or (b) the consummation by NeutriSci of any action resulting in the shares of its common stock being listed on an exchange. There is no recourse provision to the Company associated with the assignment of the note. In connection with the assignment of the note, the Company paid Palladium Capital Advisors, LLC ("Palladium"), a placement agent, a cash fee of $150,000 and agreed to transfer to Palladium a number of shares of preferred stock of NeutriSci having a value of $50,000 upon the consummation by NeutriSci of any action resulting in the shares of its common stock being listed on an exchange. The net proceeds received from the assignment of the Senior Note have been charged against the carrying value of the long-term investment in affiliate. As of June 28, 2014, the Company has not transferred preferred stock of NeutriSci to either the unrelated party or Palladium.

Subsequent to the consummation of the sale of BluScience consumer product line, NeutriSci has issued additional 950 shares of Series I Preferred Shares pursuant to anti-dilution provision. As of June 28, 2014, the Company holds a total of 670,658 shares of Series I Preferred Shares.

Loss of Significant Influence

As a result of the assignment of the Senior Note described above, the Company no longer has a significant influence on NeutriSci as of December 30, 2013. As a result, the Company has discontinued applying equity method of accounting and has applied cost method of accounting from December 30, 2013. The adjusted carrying amount as of December 30, 2013 became the new cost figure for the investment and no retrospective adjustments to the financial statements have been made.

The Company had elected to record equity method adjustments in losses on the investment in NeutriSci, with a three-month lag, as the financial information of NeutriSci was not available in a timely manner. The equity method adjustment for the previously unaccounted NeutriSci's operations from October 1, 2013 to December 31, 2013 is recorded during the six-month period ended June 28, 2014, and is incorporated into the adjusted carrying amount of the investment.

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Sales, gross profit, net loss of NeutriSci for the three months ended December 31, 2013 and the changes in carrying value and the Company ownership percentage through December 30, 2013 are summarized as follows:

		December 31, 2013	
Sales	$	60,575	
Gross profit		33,619	
Net loss	$	(435,208	)

Changes in Carrying Value and Ownership Percentage for ChromaDex Corporation

	Carrying Value			Ownership Percentage	
At December 28, 2013	$	1,887,844		4.9	%
Company's share of NeutriSci's loss for the three-month period ended December 31, 2013; previously not recognized due to a three-month lag		(21,543	)	-	
Proceeds from assignment of the Senior Note		(1,092,500	)	-	
At December 30, 2013	$	773,801		4.9	%

Valuation assessment of Investment

As of June 28, 2014, the Company has determined that there is no other-than-temporary impairment of the carrying amounts of its investment in NeutriSci. The Company will continue to monitor NeutriSci's performance and evaluate if there are any such events or indicators to consider.

Note 6. Leasehold Improvements and Equipment

Leasehold improvements and equipment consisted of the following:

		June 28, 2014		December 28, 2013
Laboratory equipment	$	3,021,510	$	2,782,364
Leasehold improvements		495,240		491,125
Computer equipment		328,216		372,851
Furniture and fixtures		13,039		18,313
Office equipment		7,877		7,877
Construction in progress		37,702		40,126
		3,903,584		3,712,656
Less accumulated depreciation		2,685,233		2,649,417
	$	1,218,351	$	1,063,239

Depreciation expense on leasehold improvements and equipment included in the consolidated statement of operations for the six months ended June 28, 2014 and June 29, 2013 was approximately $107,000 and $134,000, respectively.

During the six months ended June 28, 2014, the Company disposed of approximately $56,000 of fully depreciated equipment.

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Note 7. Share-Based Compensation

7A. Employee Share-Based Compensation

Stock Option Plans

The fair value of the Company's stock options was estimated at the date of grant using the Black-Scholes based option valuation model. The table below outlines the weighted average assumptions for options granted to employees during the six months ended June 28, 2014.

Six Months Ended June 28, 2014	
Expected volatility	72.82 %
Expected dividends	0.00 %
Expected term	5.7 years
Risk-free rate	1.85 %

The weighted average fair value of options granted during the six months ended June 28, 2014 was $0.91.

Service Period Based Stock Options

The majority of options granted by the Company are comprised of service-based options granted to employees. These options vest ratably over a defined period of approximately 3 to 5 years following grant date after a passage of a service period.

The following table summarizes service period based stock options activity at June 28, 2014 and changes during the six months then ended:

		Weighted Average		
	Number of Shares	Exercise Price	Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 28, 2013	12,113,655	$1.06	7.43	
Options Granted	1,948,987	1.38	10.00	
Options Classification from Employee to Non-Employee	(113,151)	0.76		
Options Exercised	(58,499)	0.77		
Options Expired	(253,900)	1.00		
Options Forfeited	(111,541)	1.10		
Outstanding at June 28, 2014	13,525,551	$1.11	7.48	$3,582,000
Exercisable at June 28, 2014	8,833,463	$1.13	6.69	$2,354,000

The aggregate intrinsic values in the table above are before income taxes, based on the Company's closing stock price of $1.30 on the last day of business for the period ended June 28, 2014.

As of June 28, 2014, there was approximately $2,464,000 of total unrecognized compensation expense expected to be recognized over a weighted average period of 2.19 years.

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Restricted Stock

Restricted stock awards granted by the Company to employees have vesting conditions that are unique to each award.

The following table summarizes activity of restricted stock awards granted to employees at June 28, 2014 and changes during the six months then ended:

	Shares	Weighted Average Award-Date Fair Value
Unvested shares at December 28, 2013	500,000	$ 0.69
Granted	1,090,000	1.41
Vested	-	-
Forfeited	-	-
Unvested shares at June 28, 2014	1,590,000	$ 1.18
Expected to Vest as of June 28, 2014	1,590,000	$ 1.18

On January 2, 2014, the Company awarded an aggregate of 1,090,000 shares of restricted stock to the Company's officers and members of the board of directors. These shares shall vest upon the earlier to occur of the following: (i) the market price of the Company's stock exceeds a certain price, or (ii) one of other certain triggering events, including the termination of the officers and members of the board of directors without cause for any reason. The fair values of these restricted stock awards were estimated at the date of award using the Company's stock price. The expense related the restricted stock award will be amortized over the period of six months through July 1, 2014, as the Company determined the requisite service period to be 6 months as that is when they are eligible to vest.

As of June 28, 2014, there was approximately $25,000 of total unrecognized expense related to restricted stock awards granted. That cost is expected to be recognized by July 1, 2014.

Employee Option and Restricted Stock Compensation

The Company recognized compensation expense of approximately $1,021,000 and $1,970,000 in general and administrative expenses in the statement of operations for the three and six months ended June 28, 2014, respectively, and $286,000 and $573,000 for the three and six months ended June 29, 2013, respectively.

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7B. Non-Employee Share-Based Compensation

Stock Option Plans

The following table summarizes activity of stock options granted to non-employees at June 28, 2014 and changes during the six months then ended:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 28, 2013	847,300	$1.44	5.74	
Options Granted	-	-		
Options Classification from Employee to Non-Employee	113,151	0.76		
Options Exercised	-	-		
Options Forfeited	-	-		
Outstanding at June 28, 2014	960,451	$1.36	5.58	$109,000
Exercisable at June 28, 2014	960,451	$1.36	5.58	$109,000

The aggregate intrinsic values in the table above are before income taxes, based on the Company’s closing stock price of $1.30 on the last day of business for the period ended June 28, 2014.

Restricted Stock

Restricted stock awards granted by the Company to non-employees generally have a time vesting condition tied to the respective service agreements. The restricted stock awards to non-employees are accounted for using the fair value approach. The fair value of vested non-employee restricted stock awards during the six months ended June 28, 2014 was approximately $8,000, which represents the market value of the Company’s common stock on the vesting date.

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The following table summarizes activity of restricted stock awards to non-employees at June 28, 2014 and changes during the six months then ended:

	Shares	Weighted Average Fair Value
Unvested shares at December 28, 2013	-	$-
Granted	96,000	1.30
Vested	(6,000)	1.30
Forfeited	-	-
Unvested shares expected to vest at June 28, 2014	90,000	$1.30

As of June 28, 2014, there was approximately $115,000 of total unrecognized compensation expense related to restricted stock awards to non-employees. That cost is expected to be recognized over a period of 3.7 years as of June 28, 2014.

Non-Employee Option and Restricted Stock Compensation

The Company recognized share-based compensation expense of approximately $16,000 and $66,000 in general and administrative expenses in the statement of operations for the three and six months ended June 28, 2014, respectively, and $90,000 and $155,000 for the three and six months ended June 29, 2013, respectively.

Note 8. Stock Issuance

On June 11, 2014, the Company issued 44,605 shares of common stock to a vendor to settle an outstanding payable balance of $52,188.

On June 18, 2014, the Company issued 82,000 shares of common stock to a vendor to settle an outstanding payable balance of $76,306 and prepayment of 6 months of $3,000 per month monthly retainer fees through December, 2014.

Note 9. Business Segmentation

Since the year ended December 28, 2013, the Company has generated significant revenue from its ingredients operations and has made operational changes, including changes in the organizational structure to support the ingredients operations. As a result, on December 29, 2013, the Company began segregating its financial results for ingredients operations, and has following three reportable segments.

- Core standards, and contract services segment includes supply of phytochemical reference standards, which are small quantities of plant-based compounds typically used to research an array of potential attributes, reference materials, and related contract services.

- Ingredients segment develops and commercializes proprietary-based ingredient technologies and supplies these ingredients to the manufacturers of consumer products in various industries including the nutritional supplement, food and beverage and animal health industries.

- Scientific and regulatory consulting segment which consist of providing scientific and regulatory consulting to the clients in the food, supplement and pharmaceutical industries to manage potential health and regulatory risks.

The “Other” classification includes corporate items not allocated by the Company to each reportable segment. Further, there are no intersegment sales that require elimination. The Company evaluates performance and allocates resources based on reviewing gross margin by reportable segment.

Three months ended June 28, 2014	Core Standards and Contract Services segment	Ingredients segment	Scientific and Regulatory Consulting segment	Other	Total
Net sales	$ 1,856,950	$ 1,721,872	$ 277,332	$ -	$ 3,856,154
Cost of sales	1,295,530	1,043,538	118,320	-	2,457,388
Gross profit	561,420	678,334	159,012	-	1,398,766
Operating expenses:					
Sales and marketing	221,797	310,386	39,365	-	571,548
General and administrative	-	-	-	2,468,646	2,468,646
Loss from investment in affiliate	-	-	-	-	-
Operating expenses	221,797	310,386	39,365	2,468,646	3,040,194
Operating income (loss)	$ 339,623	$ 367,948	$ 119,647	$ (2,468,646)	$ (1,641,428)

Three months ended June 29, 2013	Core Standards and Contract Services segment	Ingredients segment	Scientific and Regulatory Consulting segment	Other	Total
Net sales	$ 1,830,197	$ 674,175	$ 202,524	$ -	$ 2,706,896
Cost of sales	1,200,670	413,743	131,745	-	1,746,158
Gross profit	629,527	260,432	70,779	-	960,738
Operating expenses:					
Sales and marketing	407,911	222,536	1,112	-	631,559
General and administrative	-	-	-	1,342,280	1,342,280
Operating expenses	407,911	222,536	1,112	1,342,280	1,973,839
Operating income (loss)	$ 221,616	$ 37,896	$ 69,667	$ (1,342,280)	$ (1,013,101)

Six months ended June 28, 2014	Core Standards and Contract Services segment	Ingredients segment	Scientific and Regulatory Consulting segment	Other	Total
Net sales	$ 3,592,833	$ 2,858,181	$ 479,278	$ -	$ 6,930,292
Cost of sales	2,489,165	1,761,715	295,638	-	4,546,518
Gross profit	1,103,668	1,096,466	183,640	-	2,383,774
Operating expenses:					

Sales and marketing		434,572		550,346		51,197		-		1,036,115
General and administrative		-		-		-		4,806,309		4,806,309
Loss from investment in affiliate		-		-		-		21,543		21,543
Operating expenses		434,572		550,346		51,197		4,827,852		5,863,967
Operating income (loss)	$	669,096	$	546,120	$	132,443	$	(4,827,852)	$	(3,480,193)

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Six months ended June 29, 2013	Core Standards and Contract Services segment	Ingredients segment	Scientific and Regulatory Consulting segment	Other	Total
Net sales	$ 3,403,758	$ 1,252,128	$ 445,862	$ (60,285)	$ 5,041,462
Cost of sales	2,352,210	776,186	278,533	955	3,407,884
Gross profit (loss)	1,051,547	475,942	167,329	(61,240)	1,633,578
Operating expenses:					
Sales and marketing	792,854	434,370	2,600	131,159	1,360,983
General and administrative	-	-	-	2,702,181	2,702,181
Operating expenses	792,854	434,370	2,600	2,833,340	4,063,164
Operating income (loss)	$ 258,693	$ 41,572	$ 164,729	$ (2,894,580)	$ (2,429,586)

At June 28, 2014	Core Standards and Contract Services segment	Ingredients segment	Scientific and Regulatory Consulting segment	Other	Total
Total assets	$ 3,216,680	$ 3,019,217	$ 171,262	$ 2,471,052	$ 8,878,211

At December 28, 2013	Core Standards and Contract Services segment	Ingredients segment	Scientific and Regulatory Consulting segment	Other	Total
Total assets	$ 2,952,270	$ 1,083,856	$ 139,765	$ 4,811,001	$ 8,986,892

Note 10. Commitments and Contingencies

Capitalized Lease Obligation

On March 30, 2014, the Company entered into a financing transaction to purchase laboratory equipment. Under the lease terms, the Company will make monthly future lease payments, including interest, of approximately $5,000 for 60 months, for a total payment of approximately $271,000. The Company has recorded a capital lease of approximately $223,000. The equipment will be utilized in our core standards and contract services segment.

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Employment Agreement with Troy Rhonemus

On March 6, 2014, the Company entered into an Employment Agreement (the "Rhonemus Agreement") with Mr. Troy Rhonemus pursuant to which Mr. Rhonemus was appointed to serve as the Chief Operating Officer of the Company. The Rhonemus Agreement provides for a base salary of $180,000, and provides for an annual cash bonus (based on performance targets) of up to 30% of his base salary (30% of this salary being the "Maximum Annual Bonus"), and provides for option grants of 250,000 shares of Common Stock. The option grants were awarded on February 21, 2014 at an exercise price of $1.75 per share, which vest 33% one year from the date of grant with the remainder vesting in 24 equal monthly installments thereafter. Upon termination, Mr. Rhonemus will be entitled to any accrued but unpaid base salary and any accrued but unpaid welfare and retirement benefits up to the termination date. In addition, if Mr. Rhonemus leaves the Company for "Good Reason" (as defined in the Rhonemus Agreement), he will also be entitled to severance equal to two weeks of base salary for each full year of service to a maximum of eight weeks of the base salary. In the event the Company terminates Mr. Rhonemus' employment "without Cause," Mr. Rhonemus will be entitled to severance equal to two weeks of base salary for each full year of service to a maximum of eight weeks of the base salary, or, if Mr. Rhonemus enters into a standard separation agreement, Mr. Rhonemus will receive continuation of base salary and health benefits, together with applicable fringe benefits as provided until the expiration of the term or renewal term then in effect, however, that in the case of medical and dental insurance, until the expiration of 12 months from the date of termination.

Legal Proceedings

The Company from time to time is involved in legal proceedings in the ordinary course of our business, which can include employment claims, product claims and patent infringements. We do not believe that any of these claims and proceedings against us as they arise are likely to have, individually or in the aggregate, a material adverse effect on our financial condition or results of operations.

During the six-month period ended June 28, 2014, the Company settled and paid approximately $125,000 to a certain claimant. This payment was recognized in general and administrative expenses in the statements of operations for the six-month period ended June 28, 2014.

Note 11. Subsequent Events

On July 1, 2014, the Company awarded 65,000 shares of common stock with a deemed fair value of $1.29 per share to a certain non-employee for services to be provided.

From June 29, 2014 through August 11, 2014, 17,751 of stock options with exercise prices of $0.50 ~ $0.945 per share have been exercised and the Company received proceeds of $13,974.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

This Quarterly Report on Form 10−Q (the “Form 10−Q”) contains “forward-looking statements,” as defined in Section 21E of the Securities Exchange Act of 1934, as amended. These statements reflect the Company’s current expectations of the future results of its operations, performance and achievements. Forward-looking statements are covered under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The Company has tried, wherever possible, to identify these statements by using words such as “anticipates,” “believes,” “estimates,” “expects,” “plans,” “inte and similar expressions. These statements reflect management’s current beliefs and are based on information now available to it. Accordingly, these statements are subject to certain risks, uncertainties and contingencies that could cause the Company’s actual results, performance or achievements in 2014 and beyond to differ materially from those expressed in, or implied by, such statements. Such statements, include, but are not limited to, statements contained in this Form 10-Q relating to our business, financial performance, business strategy, recently announced transactions and capital outlook. Important factors that could cause actual results to differ materially from those in the forward-looking statements include: a continued decline in general economic conditions nationally and internationally; decreased demand for our products and services; market acceptance of our products; the ability to protect our intellectual property rights; the impact of any litigation or infringement actions brought against us; competition from other providers and products; risks in product development; the inability to raise capital to fund continuing operations; changes in government regulation; the ability to complete customer transactions, and other factors relating to our industry, our operations and results of operations and any businesses that may be acquired by us. Should one or more of these or other risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended or planned. Additional risks, uncertainties, and other factors are set forth under Item 1A “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ending December 28, 2013 and filed with the Commission on March 27, 2014 and in future reports the Company files with the Commission. Readers of this Form 10−Q should not place undue reliance on any forward-looking statements. Except as required by federal securities laws, the Company undertakes no obligation to update or revise these forward-looking statements to reflect new events or uncertainties.

You should read the following discussion and analysis of the financial condition and results of operations of the Company together with the financial statements and the related notes presented in Item 1 of this Form 10-Q.

Overview

We discover, acquire, develop and commercialize proprietary-based ingredient technologies through our business model which utilizes our wholly-owned synergistic business units. These units include the supply of phytochemical reference standards, which are small quantities of plant-based compounds typically used to research an array of potential attributes, and reference materials, related contract services, and proprietary ingredients. We perform chemistry-based analytical services at our laboratory in Boulder, Colorado, typically in support of quality control or quality assurance activities within the dietary supplement industry. Through our subsidiary Spherix Consulting, Inc., we also provide scientific and regulatory consulting to the clients in the food, supplement and pharmaceutical industries to manage potential health and regulatory risks.

The discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues, if any, and expenses during the reporting periods. On an ongoing basis, we evaluate such estimates and judgments, including those described in greater detail below. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

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By curtailing certain expenditures, we anticipate that our current cash and cash generated from operations will be sufficient to meet our projected operating plans through March, 2015. We may, however, seek additional capital prior to March, 2015, both to meet our projected operating plans after March, 2015 and/or to fund our longer term strategic objectives.

Additional capital may come from public and/or private stock or debt offerings, borrowings under lines of credit or other sources. These additional funds may not be available on favorable terms, or at all. Furthermore, if we issue equity or debt securities to raise additional funds, our existing stockholders may experience dilution and the new equity or debt securities we issue may have rights, preferences and privileges senior to those of our existing stockholders. In addition, if we raise additional funds through collaboration, licensing or other similar arrangements, it may be necessary to relinquish valuable rights to our products or proprietary technologies, or to grant licenses on terms that are not favorable to us. If we cannot raise funds on acceptable terms, we may not be able to develop or enhance our products, obtain the required regulatory clearances or approvals, achieve long term strategic objectives, take advantage of future opportunities, or respond to competitive pressures or unanticipated customer requirements. Any of these events could adversely affect our ability to achieve our development and commercialization goals, which could have a material and adverse effect on our business, results of operations and financial condition. If we are unable to establish small to medium scale production capabilities through our own plant or though collaboration we may be unable to fulfill our customers' requirements. This may cause a loss of future revenue streams as well as require us to look for third party vendors to provide these services. These vendors may not be available, or charge fees that prevent us from pricing competitively within our markets.

Some of our operations are subject to regulation by various state and federal agencies. In addition, we expect a significant increase in the regulation of our target markets. Dietary supplements are subject to FDA, FTC and U.S. Department of Agriculture regulations relating to composition, labeling and advertising claims. These regulations may in some cases, particularly with respect to those applicable to new ingredients, require a notification that must be submitted to the FDA along with evidence of safety. There are similar regulations related to food additives.

Results of Operations

We generated net sales of $6,930,292 for the six-month period ended June 28, 2014 as compared to $5,041,462 for the six-month period ended June 29, 2013. We incurred a net loss of $3,501,158 for the six-month period ended June 28, 2014 as compared with a net loss of $2,444,938 incurred for the six-month period ended June 29, 2013. This equated to a $0.03 basic and diluted loss per share for the six-month period ended June 28, 2014 as compared with a $0.03 basic and diluted loss per share for the six-month period ended June 29, 2013.

Over the next two years, we plan to continue to increase research and development efforts for our line of proprietary ingredients, subject to available financial resources.

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Net Sales

Net sales consist of gross sales less discounts and returns. Net sales increased by 42% to $3,856,154 for the three-month period ended June 28, 2014 as compared to $2,706,896 for the three-month period ended June 29, 2013. The core standards and contract services segment generated net sales of $1,856,950 for the three-month period ended June 28, 2014. This is an increase of 1%, compared to $1,830,197 for three-month period ended June 29, 2013. The ingredients segment generated net sales of $1,721,872 for the three-month period ended June 28, 2014. This is an increase of 155%, compared to $674,175 for the three-month period ended June 29, 2013. This increase was largely due to the sales of our recently launched ingredients, "NIAGEN" and "PURENERGY," which we hardly had any sales in the comparable period in 2013. The scientific and regulatory consulting segment generated net sales of $277,332 for the three-month period ended June 28, 2014. This is an increase of 37%, compared to $202,524 for the three-month period ended June 29, 2013. There were more consulting projects completed during the three-month period ended June 28, 2014 than during the comparable period in 2013.

For the six-month period ended June 28, 2014, net sales increased by 37% to $6,930,292 as compared to $5,041,462 for the six-month period ended June 29, 2013. The core standards and contract services segment generated net sales of $3,592,833 for the six-month period ended June 28, 2014. This is an increase of 6%, compared to $3,403,758 for the six-month period ended June 29, 2013. This increase was primarily due to increased sales of phytochemical references standards. The ingredients segment generated net sales of $2,858,181 for the six-month period ended June 28, 2014. This is an increase of 128%, compared to $1,252,128 for the six-month period ended June 29, 2013. The sales of our recently launched ingredients, "NIAGEN" and PURENERGY," were the main reason for this increase in sales. The scientific and regulatory consulting segment generated net sales of $479,278 for the six-month period ended June 28, 2014. This is an increase of 7%, compared to $445,862 for the six-month period ended June 29, 2013. There were more consulting projects completed during the six-month period ended June 28, 2014 than during the comparable period in 2013.

Cost of Sales

Cost of sales include raw materials, labor, overhead, and delivery costs. Cost of sales for the three-month period ended June 28, 2014 was $2,457,388 as compared with $1,746,158 for the three-month period ended June 29, 2013. As a percentage of net sales, this represented a 1% decrease for the three-month period ended June 28, 2014 compared to the three-month period ended June 29, 2013. The cost of sales as a percentage of net sales for the core standards and contract services segment for the three-month period ended June 28, 2014 was 70% compared to 66% for the three-month period ended June 29, 2013. This percentage increase in cost of sales is largely due to decreased sales in analytical testing and contract services area, which the sales decreased about 15% compared to the comparable period in 2013. Fixed labor costs make up the majority of costs for analytical testing and contract services and these fixed labor costs did not decrease in proportion to sales. The cost of sales as a percentage of net sales for the ingredients segment for the three-month period ended June 28, 2014 was 61%. This percentage was also 61% for the comparable period in 2013. The cost of sales as a percentage of net sales for the scientific and regulatory consulting segment for the three-month period ended June 28, 2014 was 43% compared to 65% for the three-month period ended June 29, 2013. The percentage decrease in cost of sales is largely due to increased sales as fixed labor costs make up the majority of costs for the consulting segment.

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Cost of sales for the six-month period ended June 28, 2014 was $4,546,518 versus $3,407,884 for the six-month period ended June 29, 2013. As a percentage of net sales, this represented 2% decrease for the six-month period ended June 28, 2014 compared to the six-month period ended June 29, 2013. The cost of sales as a percentage of net sales for the core standards and contract services segment for the six-month period ended June 28, 2014 was 69%. This percentage was also 69% for the comparable period in 2013. The cost of sales as a percentage of net sales for the ingredients segment for the six-month period ended June 28, 2014 was 62%. This percentage was also 62% for the comparable period in 2013. The cost of sales as a percentage of net sales for the scientific and regulatory consulting segment for the six-month period ended June 28, 2014 was 62%, compared to 62% for the six-month period ended June 29, 2013. The cost of sales as a percentage of net sales for the six-month period ended June 28, 2014 did not change much compared to the comparable period in 2013 for each of the business segment, however, the cost of sales as a percentage of net sales decreased overall as our revenue mix changed with increased revenue from ingredients segment.

Gross Profit

Gross profit is net sales less the cost of sales and is affected by a number of factors including product mix, competitive pricing and costs of products and services. Our gross profit increased to $1,398,766 for the three-month period ended June 28, 2014 from $960,738 for the three-month period ended June 29, 2013. For the core standards and contract services segment, our gross profit decreased 11% to $561,420 for the three-month period ended June 28, 2014 from $629,527 for the three-month period ended June 29, 2013. The decreased sale of analytical testing and contract services which resulted in a lower labor utilization rate as well as decreased fixed cost coverage was the main reason for the decrease in gross profit. For the ingredients segment, our gross profit increased to $678,334 for the three-month period ended June 28, 2014 from $260,432 for the three-month period ended June 29, 2013. The increased sales from the recently launched ingredients, “NIAGEN” and “PURENERGY” was the main reason for the increase in gross profit. For the scientific and regulatory consulting segment, our gross profit increased 125% to $159,012 for the three-month period ended June 28, 2014 from $70,779 for the three-month period ended June 29, 2013. The increase in sales which resulted in a higher labor utilization rate was the reason for the increase in gross profit.

Our gross profit increased to $2,383,774 for the six-month period ended June 28, 2014 from $1,633,578 for the six-month period ended June 29, 2013. For the core standards and contract services segment, our gross profit increased 5% to $1,103,668 for the six-month period ended June 28, 2014 from $1,051,547 for the six-month period ended June 29, 2013. The increased sales was the primary reason for the increase in gross profit. For the ingredients segment, our gross profit increased to $1,096,466 for the six-month period ended June 28, 2014 from $475,942 for the six-month period ended June 29, 2013. The increased sales from the recently launched ingredients, “NIAGEN” and “PURENERGY” was the main reason for the increase in gross profit. For the scientific and regulatory consulting segment, our gross profit increased 10% to $183,640 for the six-month period ended June 28, 2014 from $167,329 for the six-month period ended June 29, 2013. The increase in sales which resulted in a higher labor utilization rate was the reason for the increase in gross profit.

Operating Expenses-Sales and Marketing

Sales and Marketing Expenses consist of salaries, advertising and marketing expenses. Sales and marketing expenses for the three-month period ended June 28, 2014 were $571,548 as compared to $631,559 for the three-month period ended June 29, 2013. For the core standards and contract services segment, sales and marketing expenses for the three-month period ended June 28, 2014 decreased to $221,797 as compared to $407,911 for the three-month period ended June 29, 2013. This decrease was largely due to operational changes in sales and marketing staff and a decrease in marketing and advertising spend. For the ingredients segment, sales and marketing expenses for the three-month period ended June 28, 2014 increased to $310,386 as compared to $222,536 for the three-month period ended June 29, 2013. The increase was largely due to increased marketing efforts for our line of proprietary ingredients. For the scientific and regulatory consulting segment, sales and marketing expenses for the three-month period ended June 28, 2014 were $39,365, compared to $1,112 for the three-month period ended June 29, 2013.

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Sales and marketing expenses for the six-month period ended June 28, 2014 were $1,036,115 as compared to $1,360,983 for the six-month period ended June 29, 2013. For the core standards and contract services segment, sales and marketing expenses for the six-month period ended June 28, 2014 decreased to $434,572 as compared to $792,854 for the six-month period ended June 29, 2013. This decrease was largely due to operational changes in sales and marketing staff and a decrease in marketing and advertising spend. For the ingredients segment, sales and marketing expenses for the six-month period ended June 29, 2013 increased to $550,346 as compared to $434,370 for the six-month period ended June 29, 2013. The increase was largely due to increased marketing efforts for our line of proprietary ingredients. For the scientific and regulatory consulting segment, sales and marketing expenses for the six-month period ended June 28, 2014 were $51,197, compared to $2,600 for the six-month period ended June 29, 2013. Lastly, we incurred $131,159 in sales and marketing expenses for our BluScience product line during the six-month period ended June 29, 2013. We did not have such expenses for the comparable period in 2014 as we sold the BluScience product line on March 28, 2013.

Operating Expenses-General and Administrative

General and Administrative Expenses consist of research and development, general company administration, IT, accounting and executive management. General and administrative expenses for the three-and six-month periods ended June 28, 2014 were $2,468,646 and $4,806,309 compared to $1,342,280 and $2,702,181 for the three- and six-month periods ended June 29, 2013. One of the factors that contributed to this increase is an increase in share-based compensation. For the three- and six-month periods ended June 28, 2014, our share-based compensation increased to $1,036,608 and $2,036,269, respectively, compared to $376,759 and $728,349 for the comparable periods in 2013. During the three- and six-month periods ended June 28, 2014, the Company recognized expenses for the 1,090,000 shares of restricted stock granted to the Company’s officers and members of the board of directors, which resulted in the increase in share-based compensation expense. Another factor that contributed to the increase in general and administrative expenses is an increase in research and development expenses for our line of proprietary ingredients. Our research and development expenses increased to $122,865 and $207,653 for the three- and six-month periods ended June 28, 2014, as compared to $29,505 and $36,855 for the three- and six-month periods ended June 29, 2013. Lastly, there was one-time expense of $125,000 during the three-month period ended June 28, 2014, which we have paid as a settlement fee to a certain claimant.

Non-operating income- Interest Income

Interest income consists of interest earned on money market accounts. Interest income for the three- and six-month periods ended June 28, 2014 was $305 and $945 as compared to $296 and $500 for the three- and six-month periods ended June 29, 2013.

Non-operating Expenses- Interest Expense

Interest expense consists of interest on capital leases. Interest expense for the three- and six-month periods ended June 28, 2014 was $12,019 and $21,910 as compared to $8,061 and $15,852 for the three- and six-month periods ended June 29, 2013. Interest expense increased as we entered into a new capital lease of approximately $223,000 on March 30, 2014.

Depreciation and Amortization

Depreciation expense for the six-month period ended June 28, 2014, was approximately $106,832 as compared to $134,325 for the six-month period ended June 29, 2013. We depreciate our assets on a straight-line basis, based on the estimated useful lives of the respective assets. Amortization expense of intangible assets for the six-month period ended June 28, 2014, was approximately $15,713 as compared to $10,621 for the six-month period ended June 29,

2013. We amortize intangible assets using a straight-line method over 10 years.

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Liquidity and Capital Resources

From inception and through June 28, 2014, we have incurred aggregate losses of approximately $38 million. These losses are primarily due to expenses associated with the development and expansion of our operations. These operations have been financed through capital contributions and the issuance of common stock and warrants through private placements and through our registered direct offering.

Our board of directors periodically reviews our capital requirements in light of our proposed business plan. Our future capital requirements will remain dependent upon a variety of factors, including cash flow from operations, the ability to increase sales, increasing our gross profits from current levels, reducing sales and administrative expenses as a percentage of net sales, continued development of customer relationships, and our ability to market our new products successfully. However, based on our results from operations, we may determine that we need additional financing to implement our business plan. There can be no assurance that any such financing will be available on terms favorable to us or at all. Without adequate financing we may have to further delay or terminate product and service expansion and curtail certain selling, general and administrative expenses. Any inability to raise additional financing would have a material adverse effect on us.

While we anticipate that our current levels of capital, along with curtailment of certain expenses, will be sufficient to meet our projected operating plans through March, 2015, we may seek additional capital prior to March, 2015, both to meet our projected operating plans through and after March, 2015 and to fund our longer term strategic objectives. To the extent we are unable to raise additional cash or generate sufficient revenue to meet our projected operating plans prior to March, 2015, we will revise our projected operating plans accordingly.

Net cash used in operating activities

Net cash used in operating activities for the six months ended June 28, 2014 was approximately $1,948,000 as compared to approximately $2,086,000 for the six months ended June 29, 2013. Along with the net loss, an increase in trade receivables and inventories were the largest uses of cash during the six months ended June 28, 2014. Net cash used in operating activities for the six months ended June 29, 2013 largely reflects a decrease in accounts payable along with the net loss.

We expect our operating cash flows to fluctuate significantly in future periods as a result of fluctuations in our operating results, shipment timetables, accounts receivable collections, inventory management, and the timing of our payments, among other factors.

Net cash provided by investing activities

Net cash provided by investing activities was approximately $1,000,000 for the six months ended June 28, 2014, compared to approximately $671,000 for the six months ended June 29, 2013. Net cash provided by investing activities for the six months ended June 28, 2014 mainly consisted of proceeds from the assignment of the Senior Note issued by NeutriSci to an unrelated third party. NeutriSci originally issued the Senior Note to the Company as a part of the consideration for the purchase of the BluScience product line. Net cash provided by investing activities for the six months ended June 29, 2013 mainly consisted of cash consideration received from NeutriSci from the sale of BluScience product line.

Net cash (used in) provided by financing activities

Net cash used in financing activities was approximately $33,000 for the six months ended June 28, 2014, compared to approximately $1,722,000 provided by for the six months ended June 29, 2013. Net cash used in financing activities for the six months ended June 28, 2014 mainly consisted of principal payments on capital leases. Net cash provided by financing activities for the six months ended June 29, 2013 mainly consisted of proceeds from exercise of warrants.

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Dividend policy

We have not declared or paid any dividends on our common stock. We presently intend to retain earnings for use in our operations and to finance our business. Any change in our dividend policy is within the discretion of our Board of Directors and will depend, among other things, on our earnings, debt service and capital requirements, restrictions in financing agreements, if any, business conditions, legal restrictions and other factors that our Board of Directors deems relevant.

Off-Balance Sheet Arrangements

During the six months ended June 28, 2014, we had no off-balance sheet arrangements other than ordinary operating leases as disclosed in the "Financial Statements and Supplementary Data" section of the Company's Annual Report on Form 10-K for the year ending December 28, 2013 and filed with the Commission on March 27, 2014.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a – 15(e) and 15d – 15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this quarterly report. They have concluded that, based on such evaluation, our disclosure controls and procedures were effective as of June 28, 2014.

Changes in Internal Control over Financial Reporting

There was no change in internal control over financial reporting (as defined in Rule 13a–15(f) promulgated under the Securities Exchange Act of 1934) that occurred during the Company's second fiscal quarter that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not involved in any legal proceedings which management believes may have a material adverse effect on our business, financial condition, operations, cash flows, or prospects. The Company from time to time is involved in legal proceedings in the ordinary course of our business, which can include employment claims, product claim, patent infringement, etc. We do not believe that any of these claims and proceedings against us as they arise are likely to have, individually or in the aggregate, a material adverse effect on our financial condition or results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On June 11, 2014, we issued 44,605 shares of common stock to a vendor to settle an outstanding payable balance of $52,188.

On June 18, 2014, we issued unregistered securities as set forth below:

- 82,000 shares of common stock to a vendor in full satisfaction of $76,306 in outstanding fees and prepayment of 6 months of $3,000 per month monthly retainer fees
    - 96,000 shares of common stock to a vendor, of which 90,000 remain unvested as of June 28, 2014
- options to purchase 350,000 shares of common stock at an exercise price of $1.25 per share to executive officers, which vest 25% one year from the date of grant with the remainder vesting in 36 equal monthly installments thereafter
- options to purchase 615,000 shares of common stock at an exercise price of $1.25 per share to directors that shall vest in 12 equal monthly installments from the date of grant

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description of Exhibits
10.1	Exclusive License Agreement, effective as of May 16, 2014 between Dartmouth College and ChromaDex, Inc. (1)
31.1	Certification of the Chief Executive Officer pursuant to §240.13a–14 or §240.15d–14 of the Securities Exchange Act of 1934, as amended

31.2	Certification of the Chief Financial Officer pursuant to §240.13a−14 or §240.15d−14 of the Securities Exchange Act of 1934, as amended
32.1	Certification pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes−Oxley Act of 2002)

(1) A redacted version of this Exhibit is filed herewith. An un-redacted version of this Exhibit has been separately filed with the Commission pursuant to an application for confidential treatment. The confidential portions of the Exhibit have been omitted and are marked by an asterisk.

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SIGNATURES

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.

ChromaDex Corporation
(Registrant)

Date: August 12, 2014

/s/ THOMAS C. VARVARO
Thomas C. Varvaro
Duly Authorized Officer and Chief Financial Officer