

ChromaDex Corp.  
Form 10-Q  
November 21, 2013

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

FORM 10-Q

[ X ] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 28, 2013

Commission File Number: 000-53290

CHROMADDEX CORPORATION  
(Exact Name of Registrant as Specified in its Charter)

Delaware  
(State or other jurisdiction of incorporation or organization  
No.)

26-2940963  
(I.R.S. Employer Identification  
No.)

10005 Muirlands Blvd. Suite G, Irvine, California  
92618  
(Address of Principal Executive Offices  
Code)

(Zip  
Code)

Registrant's telephone number, including area code: (949) 419-0288

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 X No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes X 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 X\_\_

(Do not check if smaller reporting company)

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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: 104,849,075 outstanding as of November 20, 2013.

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CHROMADDEX CORPORATION

2013 QUARTERLY REPORT ON FORM 10-Q

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## PART I – FINANCIAL INFORMATION (UNAUDITED)

## ITEM 1. FINANCIAL STATEMENTS

## ChromaDex Corporation and Subsidiaries

## Condensed Consolidated Balance Sheets (Unaudited)

September 28, 2013 and December 29, 2012

|  | September 28,<br>2013 | December 29,<br>2012 |
|--|-----------------------|----------------------|
| Assets   |                       |                      |
| Current Assets   |                       |                      |
| Cash   | \$ 1,087,424          | \$ 520,000           |
| Trade receivables, less allowance for doubtful accounts and returns September 28, 2013 \$10,000; December 29, 2012 \$450,000                                 | 1,025,619             | 1,940,539            |
| Inventories  | 2,217,698             | 5,205,304            |
| Prepaid expenses and other assets  | 346,962               | 261,297              |
| Total current assets   | 4,677,703             | 7,927,140            |
| Leasehold Improvements and Equipment, net  | 969,755               | 936,426              |
| Other Noncurrent Assets  |                       |                      |
| Deposits   | 43,343                | 34,773               |
| Long-term investment in affiliate (Note 4)   | 1,899,523             | -                    |
| Intangible assets, net   | 188,363               | 136,182              |
| Total other noncurrent assets  | 2,131,229             | 170,955              |
| Total assets   | \$ 7,778,687          | \$ 9,034,521         |
| Liabilities and Stockholders' Equity   |                       |                      |
| Current Liabilities  |                       |                      |
| Accounts payable   | \$ 2,347,222          | \$ 3,428,233         |
| Accrued expenses   | 933,934               | 876,158              |
| Current maturities of capital lease obligations  | 113,846               | 77,259               |
| Customer deposits and other  | 659,645               | 310,267              |
| Deferred rent, current   | 56,026                | 71,042               |
| Total current liabilities  | 4,110,673             | 4,762,959            |
| Capital lease obligations, less current maturities   | 208,645               | 148,374              |
| Deferred rent, less current  | 190,536               | 129,859              |
| Stockholders' Equity   |                       |                      |
| Common stock, \$.001 par value; authorized 150,000,000 shares; issued and outstanding September 28, 2013 100,819,664 and December 29, 2012 92,140,062 shares | 100,820               | 92,140               |

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|  |               |               |
|--|---------------|---------------|
| Additional paid-in capital                 | 36,579,826    | 33,617,801    |
| Accumulated deficit                        | (33,411,813 ) | (29,716,612 ) |
| Total stockholders' equity                 | 3,268,833     | 3,993,329     |
| Total liabilities and stockholders' equity | \$ 7,778,687  | \$ 9,034,521  |

See Notes to Condensed Consolidated Financial Statements.

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## ChromaDex Corporation and Subsidiaries

## Condensed Consolidated Statements of Operations (Unaudited)

For the Three Month Periods Ended September 28, 2013 and September 29, 2012

|  | September 28,<br>2013 | September 29,<br>2012 |
|--|-----------------------|-----------------------|
| Sales  | \$ 2,718,207          | \$ 3,632,244          |
| Cost of sales  | 1,968,020             | 2,377,991             |
| Gross profit   | 750,187               | 1,254,253             |
| Operating expenses:  |                       |                       |
| Sales and marketing  | 505,068               | 802,171               |
| General and administrative                                   | 1,453,611             | 1,983,720             |
| Loss from investment in affiliate (Note 4)                   | 33,281                | -                     |
| Operating expenses   | 1,991,960             | 2,785,891             |
| Operating loss   | (1,241,773 )          | (1,531,638 )          |
| Nonoperating income (expense):                               |                       |                       |
| Interest income  | 179                   | 469                   |
| Interest expense   | (8,669 )              | (6,865 )              |
| Nonoperating income (expenses)                               | (8,490 )              | (6,396 )              |
| Net loss   | \$ (1,250,263 )       | \$ (1,538,034 )       |
| Basic and Diluted net loss per common share                  | \$ (0.01 )            | \$ (0.02 )            |
| Basic and Diluted weighted average common shares outstanding | 101,309,939           | 92,364,418            |

See Notes to Condensed Consolidated Financial Statements.

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## ChromaDex Corporation and Subsidiaries

## Condensed Consolidated Statements of Operations (Unaudited)

For the Nine Month Periods Ended September 28, 2013 and September 29, 2012

|  | September 28,<br>2013 | September 29,<br>2012 |
|--|-----------------------|-----------------------|
| Sales  | \$ 7,759,668          | \$ 8,087,860          |
| Cost of sales  | 5,375,903             | 6,673,127             |
| Gross profit   | 2,383,765             | 1,414,733             |
| Operating expenses:  |                       |                       |
| Sales and marketing  | 1,866,051             | 4,529,251             |
| General and administrative                                   | 4,155,792             | 6,829,359             |
| Loss from investment in affiliate (Note 4)                   | 33,281                | -                     |
| Operating expenses   | 6,055,124             | 11,358,610            |
| Operating loss   | (3,671,359 )          | (9,943,877 )          |
| Nonoperating income (expense):                               |                       |                       |
| Interest income  | 679                   | 2,725                 |
| Interest expense   | (24,521 )             | (22,692 )             |
| Nonoperating income (expenses)                               | (23,842 )             | (19,967 )             |
| Net loss   | \$ (3,695,201 )       | \$ (9,963,844 )       |
| Basic and Diluted net loss per common share                  | \$ (0.04 )            | \$ (0.11 )            |
| Basic and Diluted weighted average common shares outstanding | 98,590,008            | 89,477,758            |

See Notes to Condensed Consolidated Financial Statements.

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ChromaDex Corporation and  
Subsidiaries  
Condensed Consolidated Statement of Stockholders'  
Equity (Unaudited)  
Nine Months Ended September 28,  
2013

|  | Common Stock<br>Shares | Common Stock<br>Amount | Additional<br>Paid-in<br>Capital | Accumulated<br>Deficit | Total<br>Stockholders'<br>Equity |
|--|------------------------|------------------------|----------------------------------|------------------------|----------------------------------|
| Balance, December 29, 2012                       | 92,140,062             | \$92,140               | \$33,617,801                     | \$(29,716,612)         | \$ 3,993,329                     |
| Exercise of stock options                        | 13,538                 | 14                     | 6,755                            | -                      | 6,769                            |
| Exercise of warrants                             | 3,414,283              | 3,414                  | 713,585                          | -                      | 716,999                          |
| Share-based compensation                         | 440,000                | 440                    | 548,212                          | -                      | 548,652                          |
| Net loss, as restated (Note 2)                   | -                      | -                      | -                                | (1,424,072 )           | (1,424,072 )                     |
| Balance, March 30, 2013, as restated<br>(Note 2) | 96,007,883             | \$96,008               | \$34,886,353                     | \$(31,140,684)         | \$ 3,841,677                     |
| Exercise of stock options                        | 250,000                | 250                    | 124,750                          | -                      | 125,000                          |
| Exercise of warrants                             | 4,389,281              | 4,389                  | 917,360                          | -                      | 921,749                          |
| Share-based compensation                         | 160,000                | 160                    | 400,794                          | -                      | 400,954                          |
| Net loss, as restated (Note 2)                   | -                      | -                      | -                                | (1,020,866 )           | (1,020,866 )                     |
| Balance, June 29, 2013, as restated<br>(Note 2)  | 100,807,164            | \$100,807              | \$36,329,257                     | \$(32,161,550)         | \$ 4,268,514                     |
| Exercise of stock options                        | 12,500                 | 13                     | 6,587                            | -                      | 6,600                            |
| Share-based compensation                         | -                      | -                      | 243,982                          | -                      | 243,982                          |
| Net loss   | -                      | -                      | -                                | (1,250,263 )           | (1,250,263 )                     |
| Balance, September 28, 2013                      | 100,819,664            | \$100,820              | \$36,579,826                     | \$(33,411,813)         | \$ 3,268,833                     |

See Notes to Condensed Consolidated Financial  
Statements.

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## ChromaDex Corporation and Subsidiaries

## Condensed Consolidated Statements of Cash Flows (Unaudited)

For the Nine Month Periods Ended September 28, 2013 and September 29, 2012

|   | September 28,<br>2013 | September 29,<br>2012 |
|---|-----------------------|-----------------------|
| <b>Cash Flows From Operating Activities</b>                                 |                       |                       |
| Net loss  | \$ (3,695,201 )       | \$ (9,963,844 )       |
| Adjustments to reconcile net loss to net cash used in operating activities: |                       |                       |
| Depreciation of leasehold improvements and equipment                        | 187,667               | 247,227               |
| Amortization of intangibles   | 16,819                | 11,277                |
| Share-based compensation expense  | 1,059,653             | 2,189,917             |
| Loss from disposal of equipment   | 68,378                | 1,879                 |
| Loss from investment in affiliate (Note 4)                                  | 33,281                | -                     |
| Changes in operating assets and liabilities:                                |                       |                       |
| Trade receivables   | 931,904               | (479,763 )            |
| Inventories   | (479,924 )            | (2,530,839 )          |
| Prepaid expenses and other assets   | (50,991 )             | 644,296               |
| Accounts payable  | (712,138 )            | 588,747               |
| Accrued expenses  | 72,336                | (91,196 )             |
| Customer deposits and other   | 349,378               | 57,311                |
| Deferred rent   | 45,661                | (44,883 )             |
| Net cash used in operating activities                                       | (2,173,177 )          | (9,369,871 )          |
| <b>Cash Flows From Investing Activities</b>                                 |                       |                       |
| Purchases of leasehold improvements and equipment                           | (117,523 )            | (13,764 )             |
| Purchase of intangible assets   | (69,000 )             | (52,000 )             |
| Proceeds from sale of assets  | 1,000,000             | -                     |
| Proceeds from investment in affiliate                                       | 225,000               | -                     |
| Net cash provided by (used in) investing activities                         | 1,038,477             | (65,764 )             |
| <b>Cash Flows From Financing Activities</b>                                 |                       |                       |
| Proceeds from issuance of common stock, net of issuance costs               | -                     | 10,159,838            |
| Proceeds from exercise of stock options                                     | 138,369               | 3,059                 |
| Proceeds from exercise of warrants  | 1,638,748             | 157,500               |
| Principal payments on capital leases  | (74,993 )             | (67,843 )             |
| Net cash provided by financing activities                                   | 1,702,124             | 10,252,554            |
| Net increase in cash  | 567,424               | 816,919               |
| Cash Beginning of Period  | 520,000               | 420,152               |
| Cash Ending of Period   | \$ 1,087,424          | \$ 1,237,071          |
| <b>Supplemental Disclosures of Cash Flow Information</b>                    |                       |                       |
| Cash payments for interest  | \$ 24,521             | \$ 22,692             |
| <b>Supplemental Schedule of Noncash Investing Activity</b>                  |                       |                       |
| Capital lease obligation incurred for the purchase of equipment             | \$ 171,851            | \$ 50,786             |

Supplemental Schedule of Noncash Share-based Compensation

|  |            |      |
|--|------------|------|
| Stock awards issued for services prior to the period           | \$ 14,560  | \$ - |
| Changes in stock and warrant awards issued for future services | \$ 119,375 | \$ - |

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 \$1,000,000 cash proceeds | \$ 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 September 28, 2013 and results of operations and cash flows for the three and nine months ended September 28, 2013 and September 29, 2012. 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 29, 2012 appearing in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "Commission") on March 29, 2013. Operating results for the nine months ended September 28, 2013 are not necessarily indicative of the results to be achieved for the full year ending on December 28, 2013. 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 29, 2012 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. Restatement of Previously Issued Financial Statements

On November 18, 2013, during the review of the interim financial statements, the Company determined that the previously issued financial statements for the three month period and the six month period ending March 30, 2013 and June 29, 2013, respectively, contained in the Company's Quarterly Reports on Form 10-Q ("Quarterly Reports") for the period ended March 30, 2013 (as filed with the Securities and Exchange Commission on May 10, 2013) and June 29, 2013 (as filed with the Securities and Exchange Commission on August 13, 2013), respectively, should no longer be relied upon because of certain non-cash errors in the Quarterly Reports and that those financial statements (the "Financial Statements") would be restated to make the necessary accounting adjustments.

The financial statements filed for the three month period ended March 30, 2013 and the six month period ended June 29, 2013 contained a misstatement pertaining to the accounting treatment of the sale of the BluScience assets to NeutriSci International, Inc. ("NeutriSci") (See Note 4). The value of the equity and the senior secured convertible note that the Company received from NeutriSci as part of the purchase price were originally accounted for at their stated values which resulted in the Company recognizing a gain on the sale of the BluScience assets. Due to the inability to make a reliably determinable estimate of the fair value of the NeutriSci equity securities and the ultimate collectability of the note received as consideration, management has determined that the proper accounting for the sale transaction is the cost recovery method. Under the cost recovery method, no gain on the sale will be recognized until the Company's cost basis in the net assets sold has been recovered. In addition, the Company originally accounted for its investment in NeutriSci under the cost method where it has now be determined that the equity method should have been used. The Company expects all amendments and restatements to the Financial Statements affected to be non-cash in nature.

The Company has determined that the restatements of its Financial Statements resulted from a material weakness in its internal control over financial reporting, specifically related to its process and procedures related to the accounting for sale of assets in exchange for non-cash consideration. More information regarding the Company's controls and procedures is set forth in Part I, Item 4 of this Form 10-Q.

The necessary accounting adjustments have been made to the Company's financial statements for the nine month period ended September 28, 2013 presented in this Form 10-Q.



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The Company will restate the Financial Statements to correct the errors noted above and file amendments to the previous periods Quarterly Reports with the Securities and Exchange Commission as soon as practicable. The correction of the errors will restate the previously issued Financial Statements as follows:

Statement of Operations (Unaudited)

For the Three Month Period Ended March 30, 2013

|  | Previously<br>Reported | Restatement<br>Adjustments | As Restated     |
|--|------------------------|----------------------------|-----------------|
| Sales                                      | \$ 2,334,566           | \$ -                       | \$ 2,334,566    |
| Gross profit                               | 672,840                | -                          | 672,840         |
| Net income (loss)                          | \$ 1,468,525           | \$ (2,892,597 )            | \$ (1,424,072 ) |
| Basic net income (loss) per common share   | \$ 0.02                | \$ (0.03 )                 | \$ (0.02 )      |
| Diluted net income (loss) per common share | \$ 0.01                | \$ (0.03 )                 | \$ (0.02 )      |

Statement of Operations (Unaudited)

For the Three Month Period Ended June 29, 2013

|   | Previously<br>Reported | Restatement<br>Adjustments | As Restated     |
|---|------------------------|----------------------------|-----------------|
| Sales                                       | \$ 2,706,896           | \$ -                       | \$ 2,706,896    |
| Gross profit                                | 960,738                | -                          | 960,738         |
| Net loss                                    | \$ (989,722 )          | \$ (31,144 )               | \$ (1,020,866 ) |
| Basic and Diluted net loss per common share | \$ (0.01 )             | \$ (0.00 )                 | \$ (0.01 )      |

Statement of Operations (Unaudited)

For the Six Month Period Ended June 29, 2013

|  | Previously<br>Reported | Restatement<br>Adjustments | As Restated     |
|--|------------------------|----------------------------|-----------------|
| Sales                                      | \$ 5,041,462           | \$ -                       | \$ 5,041,462    |
| Gross profit                               | 1,633,578              | -                          | 1,633,578       |
| Net income (loss)                          | \$ 478,803             | \$ (2,923,741 )            | \$ (2,444,938 ) |
| Basic net income (loss) per common share   | \$ 0.00                | \$ (0.03 )                 | \$ (0.03 )      |
| Diluted net income (loss) per common share | \$ 0.00                | \$ (0.03 )                 | \$ (0.03 )      |

Balance Sheet (Unaudited)

March 30, 2013

|                            | Previously<br>Reported | Restatement<br>Adjustments | As Restated  |
|----------------------------|------------------------|----------------------------|--------------|
| Total assets               | \$ 10,717,431          | \$ (2,892,597 )            | \$ 7,824,834 |
| Total liabilities          | 3,983,157              | -                          | 3,983,157    |
| Total stockholder's equity | \$ 6,734,274           | \$ (2,892,597 )            | \$ 3,841,677 |

Balance Sheet (Unaudited)

June 29, 2013

|  | Previously<br>Reported | Restatement<br>Adjustments | As Restated |
|--|------------------------|----------------------------|-------------|
|--|------------------------|----------------------------|-------------|

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|                            |    |            |    |              |    |           |
|----------------------------|----|------------|----|--------------|----|-----------|
| Total assets               | \$ | 10,945,473 | \$ | (2,923,741 ) | \$ | 8,021,732 |
| Total liabilities          |    | 3,753,218  |    | -            |    | 3,753,218 |
| Total stockholder's equity | \$ | 7,192,255  | \$ | (2,923,741 ) | \$ | 4,268,514 |

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## Note 3. Nature of Business and Significant Accounting Policies

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, chemistry and analytical testing services, and product regulatory and safety consulting. The Company provides science-based solutions to the nutritional supplement, food and beverage, animal health, cosmetic and pharmaceutical industries at various terms.

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.

Trade accounts receivable: Trade accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on monthly and quarterly reviews of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. The allowances for doubtful accounts for the periods ended September 28, 2013 and December 29, 2012 were \$10,000 and \$450,000, respectively. Of the allowance amount of \$450,000 for the period ended December 29, 2012, \$433,000 represents a hold on the receivables placed by a retailer that carried the BluScience consumer product line. The hold was placed by the retailer as an offset in the event of future returns of the Company's products and the hold was treated as a reduction of revenue. On March 28, 2013, the Company sold the BluScience retail consumer line to NeutriSci International Inc. ("NeutriSci") and the related trade accounts receivable including the allowance have been transferred to NeutriSci. Trade accounts receivable are written off when deemed uncollectible. Recoveries of trade accounts receivable previously written off are recorded when received.

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. The inventory on the balance sheets is recorded net of valuation allowances of \$227,000 and \$366,000 for the periods ended September 28, 2013 and December 29, 2012, respectively. Labor and overhead has been added to inventory that was manufactured or characterized by the Company. On March 28, 2013, the Company sold the BluScience retail consumer line to NeutriSci and related dietary supplements inventory have been transferred to NeutriSci. The amounts of major classes of inventory as of September 28, 2013 and December 29, 2012 are as follows:

|                                       | September<br>28, 2013 | December<br>29, 2012 |
|---------------------------------------|-----------------------|----------------------|
| Natural product fine chemicals        | \$1,708,606           | \$1,614,755          |
| Bulk ingredients                      | 736,092               | 432,230              |
| Dietary supplements – raw materials   | -                     | 401,809              |
| Dietary supplements – work in process | -                     | 465,253              |
| Dietary supplements – finished goods  | -                     | 2,657,257            |
|                                       | 2,444,698             | 5,571,304            |
| Less valuation allowance              | 227,000               | 366,000              |
|                                       | \$2,217,698           | \$5,205,304          |

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 the three- and nine-month periods ended September 28, 2013 and September 29, 2012, the basic and diluted shares reported are equal because the common

share equivalents are anti-dilutive due to the net loss. Below is a tabulation of the potentially dilutive securities that were “in the money” for the three- and nine-month periods ended September 28, 2013 and September 29, 2012.

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|  | Three Months Ended    |                       | Nine Months Ended     |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | September<br>28, 2013 | September<br>29, 2012 | September<br>28, 2013 | September<br>29, 2012 |
| Basic weighted average common shares outstanding             | 101,309,939           | 92,364,418            | 98,590,008            | 89,477,758            |
| Warrants and options in the money, net                       | 577,190               | 5,994,067             | 312,531               | 5,908,491             |
| Weighted average common shares outstanding assuming dilution | 101,887,129           | 98,358,485            | 98,902,539            | 95,386,249            |

Total warrants and options that were not “in the money” at September 28, 2013 and September 29, 2012 were 10,775,361 and 15,214,767, respectively.

Long-term investment in affiliate: The Company accounts for its investment in affiliate under the equity method. The Company records equity method adjustments in gains (losses) on equity method investments, net, and may do so with up to a three-month lag, pending on the timely availability of financial information of the investee. Equity method adjustments include: our proportionate share of investee income or loss, gains or losses resulting from investee capital transactions, and other adjustments required by the equity method. The long-term investment in affiliate is subject to a periodic impairment review and is considered to be impaired when a decline in carrying value is judged to be other-than-temporary. Evidence of a loss in value might include (i) absence of an ability recover the carrying amount of the investment or (ii) inability of the investee to sustain an earnings capacity that would justify the carrying amount of the investment.

#### Note 4. Sale of Product Line and Investment in Affiliate

On March 28, 2013, the Company entered into an asset purchase and sale agreement with NeutriSci and consummated the sale of the BluScience consumer product line to NeutriSci. The Company is using the cost recovery method to account for the sale transaction, which is estimated at approximately \$3,157,804. The consideration received consists of following: (a) a \$250,000 cash payment, which NeutriSci paid as a deposit in February 2013; (b) an additional \$250,000 cash payment, which was paid at the closing of the sale; (c) an additional cash payment of \$500,000 due no later than 60 days after the closing of the sale, which has been fully paid as of September 28, 2013; (d) a \$2,500,000 senior convertible secured note (convertible into 625,000 shares Series I Preferred Stock as described below) payable in quarterly installments of \$416,667 beginning August 15, 2013, which a partial payment of \$225,000 was received for the first installment as of September 28, 2013 and an amendment to extend the repayment schedule was executed subsequent to September 28, 2013; and (e) 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 a deemed price for each Class A common share of \$1.00 per share at March 28, 2013. The transaction documents contain certain equity blockers that preclude the Company’s ownership in NeutriSci in excess of 9.99% and 19% without obtaining a waiver from NeutriSci. The Company will continue to generate revenue through a royalty on 6% of future net sales of BluScience products as well as a supply agreement with NeutriSci for the Company’s patented pTeroPure pterostilbene. As of September 28, 2013, the Company did not have any sales to NeutriSci under this supply agreement for pTeroPure pterostilbene.

The Company has applied the equity method of accounting for the 669,708 shares of Series I Preferred Shares that are convertible into 2,678,832 Class “A” common shares of NeutriSci and the carrying value, which includes the senior convertible secured note, is reflected as long-term investment in affiliate in the Company’s consolidated balance sheet as of September 28, 2013. The initial carrying value of this investment recognized, as restated, as of March 28, 2013 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. Although, (i) other contemporaneous third party investments in NeutriSci’s Class “A” common shares were \$1.00 per share and (ii) the face value of the senior convertible secured note was \$2,500,000, management believed that \$2,157,804 was the appropriate aggregate

carrying value for the investment in affiliate, considering the fact that NeutriSci is a start-up company and has historically recorded significant operating losses. The Company is unable to determine NeutriSci's likelihood of repaying the note, and because of this significant uncertainty, the amount of collectability of the senior convertible secured note is not ascertainable. There is a significant uncertainty in the realization of value of the Series I Preferred Shares as well. Consequently, management deemed it appropriate to consider that both the 669,708 shares of Series I Preferred Shares and the senior convertible secured note as one long term investment in affiliate. 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. The fair value of the senior secured convertible note was not reliably determinable as the prospective collection of payments was significantly uncertain. Prospective collection of payments under the note will be charged against the carrying value of the long-term investment in affiliate. The below table illustrates how the carrying value was determined.

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At March  
28, 2013

## Assets transferred

|   |             |
|---|-------------|
| Trade receivables, less allowance for returns | \$(16,984 ) |
| Inventories                                   | 3,467,530   |
| Prepaid expenses and other assets             | 76,131      |
| Total assets transferred                      | 3,526,677   |

## Liabilities transferred

|                               |         |
|-------------------------------|---------|
| Accounts payable              | 368,873 |
| Total liabilities transferred | 368,873 |

|                              |             |
|------------------------------|-------------|
| Total net assets transferred | \$3,157,804 |
|------------------------------|-------------|

## Initial monetary consideration received

|   |             |
|---|-------------|
| Cash  | \$500,000   |
| Non-trade receivable                          | 500,000     |
| Total initial monetary consideration received | \$1,000,000 |

|   |             |
|---|-------------|
| Carrying Value of Long Term Investment in Affiliate | \$2,157,804 |
|---|-------------|

The Company has elected to record equity method adjustments in gains (losses) on the investment in NeutriSci, with a three-month lag, as the financial information of NeutriSci was not available in a timely manner. At such, for the Company's three- and nine-month periods ended September 28, 2013, the Company is using NeutriSci's financial statements for the three-month period from April 1, 2013 through June 30, 2013 to record equity method adjustments for the Company's ownership since March 28, 2013 as these were the most recent available financial information. As a result, the Company did not record equity method adjustments for the three months ended June 29, 2013. For the nine months ended September 28, 2013, the Company included only the three months of operating results ending in June 30, 2013 of NeutriSci, corresponding to the three-month lag after closing the investment on March 28, 2013. NeutriSci's financial statements for the period from April 1, 2013 through June 30, 2013 do not cover the three-day period from March 28, 2013 to March 30, 2013, which is also a portion of the Company's investment period since the Company's investment started from March 28, 2013. However, the Company has determined that the amount of any impact to the Company for the three day period not covered was immaterial as NeutriSci did not have any significant transactions.

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Unaudited sales, gross profit, net loss of NeutriSci for the three months ended June 30, 2013 and the changes in carrying value and the Company's ownership percentage through September 28, 2013 are summarized as follows:

|              | June 30,<br>2013 |
|--------------|------------------|
| Sales        | \$31,669         |
| Gross profit | 12,895           |
| Net loss     | \$(165,579 )     |

Changes in Carrying Value and Ownership Percentage for ChromaDex Corporation

|   | Carrying<br>Value | Ownership<br>Percentage |
|---|-------------------|-------------------------|
| At March 28, 2013   | \$2,157,804       | 20.1 %                  |
| Company's share of NeutriSci's loss through June 30, 2013 | (33,281 )         | -                       |
| Proceeds from investment in affiliate                     | (225,000 )        | -                       |
| At September 28, 2013                                     | \$1,899,523       | 20.1 %                  |

The Company's September 28, 2013 ownership percentage presented in the above table is derived using NeutriSci's financial information through June 30, 2013.

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As of September 28, 2013, the Company fully received the \$500,000 cash payment that was reflected as non-trade receivable as of March 28, 2013. During the three months ended September 28, 2013, the Company received a partial payment of \$225,000 for the first installment of \$416,667 that was due on August 15, 2013 under the senior secured convertible note.

Subsequent to the nine-month period ended September 28, 2013, an amendment to this note was executed in light of NeutriSci's expected cash flow in the year 2014 and 2015. The amendment extends the repayment schedule of the outstanding balance with a 6% per annum interest. The amended repayment schedule is as follows:

| Payable on         | Amount              |
|--------------------|---------------------|
| December 31, 2013  | \$ 34,125           |
| January 31, 2014   | 201,375             |
| March 31, 2014     | 281,275             |
| June 30, 2014      | 270,850             |
| September 30, 2014 | 273,775             |
| December 31, 2014  | 275,025             |
| March 31, 2015     | 286,200             |
| June 30, 2015      | 282,150             |
| September 30, 2015 | 278,100             |
| December 31, 2015  | 274,050             |
| <b>Total</b>       | <b>\$ 2,456,925</b> |

The senior secured convertible note is secured by the Security Agreement, dated March 28, 2013 entered into between ChromaDex and NeutriSci whereby NeutriSci granted ChromaDex a security interest in substantially all of NeutriSci's assets, including inventory, to secure its obligations pursuant to the note. In the event of default, the note can also be convertible into Series I Preferred Shares of NeutriSci at the option of ChromaDex. Each Series I Preferred Share can be convertible into 4 Class A common shares of NeutriSci. The conversion price will be (a) \$4.00 per Series I Preferred Share prior to a Public Offering (as defined in the note); or (b) the closing price of Series I Preferred Share or four times the closing price of Class A common share on a stock exchange immediately prior to the conversion date.

Under the asset purchase and sale agreement entered into as of March 28, 2013 with the Company, NeutriSci is obligated to file an initial public offering prospectus with a securities commission in Canada no later than January 31, 2014 and to concurrently seek approval of the listing of its common shares on the TSX Venture Exchange or similar stock exchange in Canada.

As of September 28, 2013, the Company has determined that there is no other-than-temporary impairment, as the Company is not aware of any other-than-temporary impairment triggering events or indicators. The Company will continue to monitor NeutriSci's performance and evaluate if there are any such events or indicators to consider.

## Note 5. Leasehold Improvements and Equipment

Leasehold improvements and equipment consisted of the following:

|                               | September<br>28, 2013 | December<br>29, 2012 |
|-------------------------------|-----------------------|----------------------|
| Laboratory equipment          | \$2,570,567           | \$2,439,688          |
| Leasehold improvements        | 491,125               | 403,971              |
| Computer equipment            | 372,851               | 363,739              |
| Furniture and fixtures        | 18,313                | 18,313               |
| Office equipment              | 7,877                 | 7,877                |
| Construction in progress      | 99,931                | 106,080              |
|                               | 3,560,664             | 3,339,668            |
| Less accumulated depreciation | 2,590,909             | 2,403,242            |
|                               | \$969,755             | \$936,426            |

In September 2013, the Company decided to abandon the development of certain modules of the Laboratory Information Management System (or “LIMS”). In an effort to automate and better track its laboratory services operations, the Company has been trying to implement LIMS since 2008. From June 2008 through June 2012, the Company has incurred a total cost of \$106,080 for the development and implementation of LIMS and this cost has been capitalized as a long term asset in the books, categorized as “Construction in progress.” The Company did not incur additional costs since June 2012. The Company decided to abandon certain modules of LIMS as the additional costs expected to complete the development was greater than the anticipated future benefits from the operation efficiency. The carrying value of these abandoned modules was \$68,378 and was recognized as loss from disposal of equipment in general and administrative expenses in the statement of operations for the three and the nine months ended September 28, 2013.

## Note 6. Employee Share-Based Compensation

## Stock Option Plans

At the discretion of the Company’s compensation committee (the “Compensation Committee”), and with the approval of the Company’s board of directors (the “Board of Directors”), the Company may grant options to purchase the Company’s common stock to certain individuals from time to time. Management and the Compensation Committee determine the terms of awards which include the exercise price, vesting conditions and expiration dates at the time of grant. Expiration dates for stock options are not to exceed 10 years from their date of issuance. The Company, under its Second Amended and Restated 2007 Equity Incentive Plan, is authorized to issue stock options that total no more than 20% of the shares of common stock issued and outstanding, as determined on a fully diluted basis. Beginning in 2007, stock options were no longer issuable under the Company’s 2000 Non-Qualified Incentive Stock Plan. The remaining amount available for issuance under the Second Amended and Restated 2007 Equity Incentive Plan totaled 5,876,180 at September 28, 2013. The stock option awards generally vest ratably over a four-year period following grant date after a passage of time. However, some stock option awards are performance based and vest based on the achievement of certain criteria established by the Compensation Committee, subject to approval by the Board of Directors.

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 nine months ended September 28, 2013.

Nine Months Ended September 28, 2013

|                    |       |       |
|--------------------|-------|-------|
| Volatility         | 32.78 | %     |
| Expected dividends | 0.00  | %     |
| Expected term      | 6.0   | years |
| Risk-free rate     | 1.48  | %     |

The Company calculated expected volatility from the volatility of publicly held companies in similar industries, as the historical volatility of the Company's common stock does not cover the period equal to the expected life of the options. The dividend yield assumption is based on the Company's history and expectation of future dividend payouts on the common stock. The risk-free interest rate is based on the implied yield available on U.S. treasury zero-coupon issues with an equivalent remaining term. The expected term of the options represents the estimated period of time until exercise and is based on historical experience of awards, giving consideration to the contractual terms, vesting schedules and expectations of future employee behavior. The estimation process for the fair value of performance based stock options was the same as for service period based options.

1) 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 following grant date after a passage of a service period.

The following table summarizes service period based stock options activity at September 28, 2013 and changes during the nine months then ended:

|                                   | Number of<br>Shares | Exercise<br>Price | Weighted Average<br>Remaining<br>Contractual<br>Term | Aggregate<br>Intrinsic<br>Value |
|-----------------------------------|---------------------|-------------------|--|---------------------------------|
| Outstanding at December 29, 2012  | 12,202,558          | \$ 1.08           |  |                                 |
| Options Granted                   | 715,000             | 0.75              |  |                                 |
| Options Exercised                 | (26,038 )           | 0.51              |  |                                 |
| Options Expired                   | (75,000 )           | 0.50              |  |                                 |
| Options Forfeited                 | (354,120 )          | 1.21              |  |                                 |
| Outstanding at September 28, 2013 | 12,462,400          | \$ 1.07           | 7.68   | \$431,257                       |
| Exercisable at September 28, 2013 | 7,784,724           | \$ 1.16           | 6.88   | \$283,574                       |

The aggregate intrinsic values in the table above are before income taxes, based on the Company's closing stock price of \$0.81 on the last day of business for the period ended September 28, 2013. The weighted average fair value of options granted during the three and nine months ended September 28, 2013 was \$0.28 and \$0.26, respectively. The weighted average fair value of options granted during the three and nine months ended September 29, 2012 was \$0.28 and \$0.27, respectively. The aggregate intrinsic value for options exercised during the three and nine months ended September 28, 2013 was \$4,775 and \$7,212, respectively. The aggregate intrinsic value for options exercised during the three and nine months ended September 29, 2012 was \$765 for both periods as there were no options exercised during the six months ended June 30, 2012.

## 2) Performance Based Stock Options

The Company also grants stock option awards that are performance based and vest based on the achievement of certain criteria established from time to time by the Compensation Committee. If these performance criteria are not met, the compensation expenses are not recognized and the expenses that have been recognized will be reversed.

The following table summarizes performance based stock options activity at September 28, 2013 and changes during the nine months then ended:

|                                   | Number of<br>Shares | Exercise<br>Price | Weighted Average<br>Remaining<br>Contractual<br>Term | Aggregate<br>Intrinsic<br>Value |
|-----------------------------------|---------------------|-------------------|--|---------------------------------|
| Outstanding at December 29, 2012  | 145,834             | \$1.59            |  |                                 |
| Options Granted                   | 200,000             | 0.63              |  |                                 |
| Options Exercised                 | -                   | -                 |  |                                 |
| Options Expired                   | -                   | -                 |  |                                 |
| Options Forfeited                 | (45,834 )           | 1.59              |  |                                 |
| Outstanding at September 28, 2013 | 300,000             | \$0.95            | 8.75   | \$36,000                        |
| Exercisable at September 28, 2013 | 58,334              | \$1.59            | 7.60   | \$-                             |

The aggregate intrinsic value in the table above are before income taxes, based on the Company's closing stock price of \$0.81 on the last day of business for the period ended September 28, 2013. The weighted average fair value of options granted during the nine months ended September 28, 2013 was \$0.22. The Company did not grant any performance based stock options during the three months ended September 28, 2013 and the three and nine months ended September 29, 2012.

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As of September 28, 2013, there was \$1,806,718 of total unrecognized compensation expense related to non-vested share-based compensation arrangements granted under the plans for employee stock options. That cost is expected to be recognized over a weighted average period of 2.53 years as of September 28, 2013. The realized tax benefit from stock options for the nine months ended September 28, 2013, and September 29, 2012 was \$0, based on the Company's full valuation allowance against its deferred tax assets.

## 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 September 28, 2013 and changes during the nine months then ended:

|   | Shares  | Weighted<br>Average<br>Award-Date<br>Fair Value |
|---|---------|---|
| Unvested shares at December 29, 2012      | 500,000 | \$ 0.69   |
| Granted                                   | -       | -   |
| Vested                                    | -       | -   |
| Forfeited                                 | -       | -   |
| Unvested shares at September 28, 2013     | 500,000 | \$ 0.69   |
| Expected to Vest as of September 28, 2013 | 500,000 | \$ 0.69   |

As of September 28, 2013, the Company did not have any unrecognized compensation expense related to restricted stock awards to employees.

For employee share-based compensation, the Company recognized share-based compensation expense of \$243,981 and \$816,932 in general and administrative expenses in the statement of operations for the three and nine months ended September 28, 2013, respectively. The Company recognized \$455,403 and \$1,099,228 in share-based compensation expense for the three and nine months ended September 29, 2012, respectively.

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## Note 7 Non-Employee Share-Based Compensation

## Stock Option Plans

At the discretion of management, working with the Compensation Committee, and with approval of the Board of Directors, the Company may grant options to purchase the Company's common stock to certain individuals from time to time who are not employees of the Company. These options are granted under the Second Amended and Restated 2007 Equity Incentive Plan of the Company and are granted on the same terms as those being issued to employees. Stock options granted to non-employees are accounted for using the fair value approach. The fair value of non-employee option grants are estimated using the Black-Scholes option-pricing model and are re-measured over the vesting term until earned. The estimated fair value is expensed over the applicable service period.

The following table summarizes activity of stock options granted to non-employees at September 28, 2013 and changes during the nine months then ended:

|                                   | Number of<br>Shares | Exercise<br>Price | Weighted Average<br>Remaining<br>Contractual<br>Term | Aggregate<br>Intrinsic<br>Value |
|-----------------------------------|---------------------|-------------------|--|---------------------------------|
| Outstanding at December 29, 2012  | 1,097,300           | \$1.23            |  |                                 |
| Options Granted                   | -                   | -                 |  |                                 |
| Options Exercised                 | (250,000 )          | 0.50              |  |                                 |
| Options Forfeited                 | -                   | -                 |  |                                 |
| Outstanding at September 28, 2013 | 847,300             | \$1.44            | 5.98   | \$13,700                        |
| Exercisable at September 28, 2013 | 847,300             | \$1.44            | 5.98   | \$13,700                        |

The aggregate intrinsic values in the table above are before income taxes, based on the Company's closing stock price of \$0.81 on the last day of business for the period ended September 28, 2013. The aggregate intrinsic value for options exercised during the nine months ended September 28, 2013 was \$35,000. There were no options exercised during the three months ended September 28, 2013. There were no options exercised during the three and nine months ended September 29, 2012.

As of September 28, 2013, the Company did not have any unrecognized compensation expense related to non-vested share-based compensation arrangements granted under the plans for non-employee stock options.

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## Stock Awards

From time to time, the Company awards shares of its common stock to non-employees for services provided or to be provided. If the fair value of services received is more reliably measurable than the fair value of the stock awarded, the fair value of the services received is used to measure the award. In contrast, if the fair value of the stock issued is more reliably measurable, than the fair value of services received, the award is measured based on the fair value of the stock awarded. Since these stock awards are fully vested and non-forfeitable, upon issuance the measurement date for the award is usually reached on the date of the award. The measured fair value of the award is amortized over the period the service is provided.

During the nine months ended September 28, 2013, the Company awarded an aggregate of 600,000 shares of the Company's common stock to non-employees. The Company did not award any shares to non-employees during the three months ended September 28, 2013. The fair values of the awards were based on the trading price of the Company's stock on the date of issuance. The expense the Company recognized for stock awards was \$87,322 and \$237,571 for the three and nine months ended September 28, 2013, respectively. As of September 28, 2013, there was \$142,953 of total unrecognized compensation expense related to stock awarded to the non-employees. During the three and nine months ended September 29, 2012, the Company awarded an aggregate of 780,294 and 1,234,851 shares, respectively, and recognized a total expense of \$372,721 and \$680,897, respectively.

## Warrant Awards

During the nine months ended September 28, 2013, the Company recognized an expense of \$4,094 for the warrants that were previously awarded during the year ended December 29, 2012. The Company did not recognize any expense during the three months ended September 28, 2013. The Company did not award any new warrants during the three and nine months ended September 28, 2013. As of September 28, 2013, the Company did not have any unrecognized compensation expense related to warrants awarded to the non-employee.

For non-employee share-based compensation, the Company recognized share-based compensation expense of \$87,322 and \$242,721 in general and administrative expenses in the statement of operations for the three and nine months ended September 28, 2013, respectively. The Company recognized \$469,989 and \$1,090,689 in share-based compensation expense for the three and nine months ended September 29, 2012, respectively.

## Note 8. Warrants

During the nine months ended September 28, 2013, 7,803,564 warrants with an exercise price of \$0.21 per share were exercised and the Company received proceeds of \$1,638,748 from exercise of these warrants. These warrants were issued during the year ended January 1, 2011 pursuant to a subscription agreement entered into by the holders of such warrants and the Company on April 22, 2010. There were no warrants exercised during the three months ended September 28, 2013.

In addition, during the three and nine months ended September 28, 2013, 404,047 and 1,718,350 warrants issued during the year 2008 with an exercise price of \$3.00 per share expired, respectively.

At September 28, 2013, the following warrants were outstanding and exercisable:

| Warrants granted<br>in connection with : | Weighted<br>Average<br>Exercise<br>Prices | Number<br>Outstanding<br>And<br>Exercisable | Weighted Average<br>Remaining Contractual Life |
|--|---|---|--|
|--|---|---|--|

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At  
September  
28, 2013

|                                 |        |         |             |
|---------------------------------|--------|---------|-------------|
| 2012 Placement agent commission | \$0.85 | 285,000 | 10.2 months |
| 2012 Non-employee award         | \$0.75 | 250,000 | 9.9 months  |
|                                 | \$0.80 | 535,000 | 10.0 months |

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## Note 9. Business Segmentation

Since the year ended December 29, 2012, the Company began segregating its financial results for Spherix Consulting, Inc. (“Spherix”), which the Company acquired on December 3, 2012. Spherix provides scientific and regulatory consulting. The Company has following three reportable segments.

- Core standards, contract services and ingredients segment includes 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.
- 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.
- Retail dietary supplement products segment which consist of the supply of the BluScience line of dietary supplement products containing the Company's proprietary ingredients to various retail distribution channels. On March 28, 2013, the Company entered into an asset purchase and sale agreement with NeutriSci and consummated the sale of BluScience consumer product line to NeutriSci.

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                | Core<br>Standards,<br>Contract<br>Services<br>and<br>Ingredients<br>segment | Scientific<br>and<br>Regulatory<br>Consulting<br>segment | Retail<br>Dietary<br>Supplement<br>Products<br>segment | Other         | Total         |
|-----------------------------------|---|--|--|---------------|---------------|
| September 28, 2013                |   |  |  |               |               |
| Net sales                         | \$2,355,458   | \$362,749  | \$ -   | \$ -          | \$2,718,207   |
| Cost of sales                     | 1,794,073   | 173,947  | -  | -             | 1,968,020     |
| Gross profit                      | 561,385   | 188,802  | -  | -             | 750,187       |
| Operating expenses:               |   |  |  |               |               |
| Sales and marketing               | 493,068   | 12,000   | -  | -             | 505,068       |
| General and administrative        | -   | -  | -  | 1,453,611     | 1,453,611     |
| Loss from investment in affiliate | -   | -  | -  | 33,281        | 33,281        |
| Operating expenses                | 493,068   | 12,000   | -  | 1,486,892     | 1,991,960     |
| Operating income (loss)           | \$68,317  | \$176,802  | \$ -   | \$(1,486,892) | \$(1,241,773) |

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| Three months ended         | Core<br>Standards,<br>Contract<br>Services<br>and<br>Ingredients<br>segment | Scientific<br>and<br>Regulatory<br>Consulting<br>segment | Retail<br>Dietary<br>Supplement<br>Products<br>segment | Other         | Total         |
|----------------------------|---|--|--|---------------|---------------|
| September 29, 2012         |   |  |  |               |               |
| Net sales                  | \$ 1,989,910  | \$-  | \$ 1,642,334   | \$-           | \$ 3,632,244  |
| Cost of sales              | 1,539,118   | -  | 838,873  | -             | 2,377,991     |
| Gross profit               | 450,792   | -  | 803,461  | -             | 1,254,253     |
| Operating expenses:        |   |  |  |               |               |
| Sales and marketing        | 514,029   | -  | 288,142  | -             | 802,171       |
| General and administrative | -   | -  | -  | 1,983,720     | 1,983,720     |
| Operating expenses         | 514,029   | -  | 288,142  | 1,983,720     | 2,785,891     |
| Operating income (loss)    | \$(63,237 )   | \$-  | \$ 515,319   | \$(1,983,720) | \$(1,531,638) |

| Nine months ended                 | Core<br>Standards,<br>Contract<br>Services and<br>Ingredients<br>segment | Scientific and<br>Regulatory<br>Consulting<br>segment | Retail<br>Dietary<br>Supplement<br>Products<br>segment | Other          | Total          |
|-----------------------------------|--|---|--|----------------|----------------|
| September 28, 2013                |  |   |  |                |                |
| Net sales                         | \$ 7,011,343   | \$ 808,610  | \$ (60,285 )   | \$ -           | \$ 7,759,668   |
| Cost of sales                     | 4,922,469  | 452,479   | 955  | -              | 5,375,903      |
| Gross profit (loss)               | 2,088,874  | 356,131   | (61,240 )  | -              | 2,383,765      |
| Operating expenses:               |  |   |  |                |                |
| Sales and marketing               | 1,720,292  | 14,600  | 131,159  | -              | 1,866,051      |
| General and administrative        | -  | -   | -  | 4,155,792      | 4,155,792      |
| Loss from investment in affiliate | -  | -   | -  | 33,281         | 33,281         |
| Operating expenses                | 1,720,292  | 14,600  | 131,159  | 4,189,073      | 6,055,124      |
| Operating income (loss)           | \$ 368,582   | \$ 341,531  | \$ (192,399 )  | \$ (4,189,073) | \$ (3,671,359) |

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| Nine months ended          | Core Standards, Contract Services and Ingredients segment | Scientific and Regulatory Consulting segment | Retail Dietary Supplement Products segment | Other         | Total          |
|----------------------------|---|--|--|---------------|----------------|
| September 29, 2012         |   |  |  |               |                |
| Net sales                  | \$5,995,243   | \$-  | \$2,092,617                                | \$-           | \$8,087,860    |
| Cost of sales              | 4,413,943   | -  | 2,259,184                                  | -             | 6,673,127      |
| Gross profit (loss)        | 1,581,300   | -  | (166,567 )                                 | -             | 1,414,733      |
| Operating expenses:        |   |  |  |               |                |
| Sales and marketing        | 1,525,545   | -  | 3,003,706                                  | -             | 4,529,251      |
| General and administrative | -   | -  | -  | 6,829,359     | 6,829,359      |
| Operating expenses         | 1,525,545   | -  | 3,003,706                                  | 6,829,359     | 11,358,610     |
| Operating income (loss)    | \$55,755  | \$-  | \$(3,170,273 )                             | \$(6,829,359) | \$(9,943,877 ) |

| At September 28, 2013 | Core Standards, Contract Services and Ingredients segment | Scientific and Regulatory Consulting segment | Retail Dietary Supplement Products segment | Other       | Total       |
|-----------------------|---|--|--|-------------|-------------|
| Total assets          | \$3,922,531   | \$206,032                                    | \$-  | \$3,650,124 | \$7,778,687 |

| At December 29, 2012 | Contract Services and Ingredients segment | Regulatory Consulting segment | Dietary Supplement Products segment | Other       | Total       |
|----------------------|---|-------------------------------|-------------------------------------|-------------|-------------|
| Total assets         | \$3,542,355                               | \$72,573                      | \$4,331,866                         | \$1,087,727 | \$9,034,521 |

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Note 10. Management's Plans for Continuing Operations

The Company has incurred a net loss of \$3,695,201 for the nine-month period ended September 28, 2013 and an operating loss of \$3,671,359 for the nine-month period ended September 28, 2013. One of the factors that contributed to this loss is share-based compensation expense. The Company's share-based compensation expense totaled \$1,059,653 for the nine months ended September 28, 2013. In addition to the stock options granted to employees, the Company has awarded shares of its common stock to non-employees as compensation of the services provided. Another factor that contributed to the loss is patent related expense. The Company's patent related expenses including maintenance expenses totaled \$276,362 for the nine months ended September 28, 2013. The maintenance of the Company's licensed patents portfolio is critical to the Company's business model and the Company expects to continue to incur such patent related expenses. Another factor that contributed to the loss is the investment in additional personnel and marketing expenses to implement its business plan to expand the line of proprietary ingredients. This has resulted in higher selling and marketing expenses compared to prior years. Management has also implemented additional strategic operational structure changes, which it believes, will allow the Company to achieve profitability with future growth without incurring significant additional overhead costs. Management's anticipation of future growth is largely related to the demand of the line of proprietary ingredients offered by the Company. The Company also incurred an operating loss of \$192,399 from the BluScience operations. Increase in trade accounts receivable allowance for possible future returns was the main reason for the loss from the BluScience operations as the increase in allowance was treated as a reduction of revenue.

Subsequent to the nine-month period ended September 28, 2013, the Company sold an aggregate of 3,529,411 shares of the Company's common stock at a price per share of \$0.85 to certain strategic accredited investors for gross proceeds of \$3,000,000 or \$2,980,000 after deducting offering costs. More information regarding this capital raise is set forth in Note 12 Subsequent Events. The Company anticipates the capital raised from these transactions will be sufficient to implement its current business plan through the end of December, 2014. However, 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 operations. The inability to raise additional financing may have a material adverse effect on the future performance of the Company.

Note 11. Income Taxes

At September 28, 2013 and December 29, 2012, the Company maintained a full valuation allowance against the entire net deferred income tax balance after considering relevant factors, including recent operating results, the likelihood of the utilization of net operating loss tax carry forwards, and the ability to generate future taxable income. The Company expects to maintain a full valuation allowance on its entire net deferred tax assets in 2013, resulting in an effective tax rate of zero for the nine months ended September 28, 2013.

Note 12. Subsequent Events

On October 17, 2013, the Company sold an aggregate of 2,941,176 shares of the Company's common stock, with gross proceeds to the Company of \$2,500,000 to a certain strategic accredited investor pursuant to a subscription agreement. Each share of common stock was sold for a purchase price of \$0.85 per share.

On October 18, 2013, the Company sold an aggregate of 588,235 shares of the Company's common stock, with gross proceeds to the Company of \$500,000 to a certain strategic accredited investor pursuant to a subscription agreement. Each share of Common Stock was sold for a purchase price of \$0.85 per share on the same terms of the investment made by the strategic accredited investor on October 17, 2013. A cash fee in the amount of \$20,000 was paid to a

placement agent in connection with this \$500,000 investment.

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ITEM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF  
2. 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," "intends," 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 2013 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 29, 2012 and filed with the Commission on March 29, 2013 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. The financial statements filed for the three month period ended March 30, 2013 and the six month period ended June 29, 2013 contained a misstatement pertaining to the accounting treatment of the sale of the BluScience assets to NeutriSci. The value of the equity and the senior secured convertible note that the Company received from NeutriSci as part of the purchase price were originally accounted for at the stated values of the consideration received for recognizing a gain on the sale of the BluScience assets. Due to the inability to make a reliably determinable estimate of the fair value of the NeutriSci equity securities and the ultimate collectability of the notes received as consideration, management has determined that the proper accounting for the sale transaction is the cost recovery method. Under the cost recovery method, no gain on the sale will be recognized until the Company's cost basis in the net assets sold has been recovered. The Company originally accounted for its investment in NeutriSci under the cost method where it has now be determined that the equity method should have been used. The Company expects all amendments and restatements to the Financial Statements affected to be non-cash in nature. The discussion and analysis for the results of operations for the nine months ended September 28, 2013 includes the restated results for the six months ended June 29, 2013.

The Company will restate the Financial Statements to correct the errors noted above and file amendments to the previous periods Quarterly Reports with the Securities and Exchange Commission as soon as practicable. The correction of the errors will (i) decrease the previously reported earnings by \$2,892,597 for the three month period

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ended March 30, 2013, and (ii) decrease the previously reported earnings by \$31,144 and \$2,923,741 for the three and the six month periods ended June 29, 2013. The correction of the errors will also decrease the reported assets and stockholder's equity by \$2,892,597 and \$2,923,741 at March 30, 2013 and June 29, 2013, respectively.

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Overview

We supply 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. On December 3, 2012, we acquired Spherix Consulting, Inc., which provides scientific and regulatory consulting to the clients in the food, supplement and pharmaceutical industries to manage potential health and regulatory risks. In 2011, we launched the BluScience retail dietary supplement products containing one of the proprietary ingredients, pTeroPure, which we also sell as an ingredient for incorporation into the products of other companies. However, on March 28, 2013, we entered into an asset purchase and sale agreement with NeutriSci and consummated the sale of the BluScience consumer product line to NeutriSci.

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 GAAP. 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.

The discussion and analysis for the results of operations for the nine months ended September 28, 2013 includes the restated results for the six months ended June 29, 2013.

We anticipate that our current cash, cash generated from operations, the capital raised subsequent to the nine-month period ended September 28, 2013 (see Liquidity and Capital Resources below in Item 2 of this Form 10-Q), and the cash payments received and to be received from the sale of the BluScience consumer product line, along with curtailment of certain expenses will be sufficient to meet our projected operating plans through the end of December, 2014. We may, however, seek additional capital prior to the end of December, 2014, both to meet our projected operating plans through and after December, 2014 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 our common stock. 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 through collaboration with third parties on acceptable terms, we may be unable to fulfill our customers' requirements. This may cause a loss of future revenue streams as well as require us to seek third party vendors to provide these services. These vendors may not be available, or may charge fees that prevent us from pricing our products competitively within our markets.



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We have licensed to OPKO Health, Inc. (“OPKO”), a multi-national biopharmaceutical and diagnostics company, certain new product offerings and health care technologies for distribution and business development throughout Latin America. The initial product to be commercialized is our proprietary product pterostilbene. We believe that partnering with OPKO provides a unique opportunity to enter the Latin American market and we see this market as potentially offering the Company significant long-term economic prospects.

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 \$7,759,668 for the nine-month period ended September 28, 2013 as compared to \$8,087,860 for the nine-month period ended September 29, 2012. We incurred a net loss of \$3,695,201 for the nine-month period ended September 28, 2013 as compared with a net loss of \$9,963,844 incurred for the nine-month period ended September 29, 2012. This equated to \$0.04 loss per basic and diluted share for the nine-month period ended September 28, 2013 as compared with a \$0.11 loss per basic and diluted share for the nine-month period ended September 29, 2012.

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. The capital raised subsequent to the nine-month period ended September 28, 2013 (see Liquidity and Capital Resources below in Item 2 of this Form 10-Q) will be used to further develop the Company’s novel nutritional ingredients. We also intend to continue to expand our service capacity through hiring and to implement accreditation and certification programs related to quality initiatives. In addition, we plan to expand our chemical library program and to either establish a Good Manufacturing Practice compliant pilot plant to support small to medium scale production of target compounds or collaborate with a company that has these capabilities. There can be no assurance, however, that we will actually implement any of these plans.

## Net Sales

Net sales consist of gross sales less promotions, discounts and returns. Net sales decreased by 25% to \$2,718,207 for the three-month period ended September 28, 2013 as compared to \$3,632,244 for the three-month period ended September 29, 2012. The core standards, contract services and ingredients segment generated net sales of \$2,355,458 for the three-month period ended September 28, 2013. This is an increase of 18%, compared to \$1,989,910 for three-month period ended September 29, 2012. This increase was largely due to increased sales of proprietary ingredients and other bulk dietary supplement grade raw materials. The retail dietary supplement products segment did not have any sales for the three-month period ended September 28, 2013 as we sold the BluScience consumer product line to NeutriSci on March 28, 2013. For the three-month period ended September 29, 2012, the retail dietary supplement products segment generated net sales of \$1,642,334. The scientific and regulatory consulting segment generated net sales of \$362,749 for the three-month period ended September 28, 2013. We did not have the scientific and regulatory consulting segment for the comparable period in 2012.

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For the nine-month period ended September 28, 2013, net sales decreased by 4% to \$7,759,668 as compared to \$8,087,860 for the nine-month period ended September 29, 2012. The core standards, contract services and ingredients segment generated net sales of \$7,011,343 for the nine-month period ended September 28, 2013. This is an increase of 17%, compared to \$5,995,243 for the nine-month period ended September 29, 2012. This increase was primarily due to increased sales of chemical and analytical testing services as well as our proprietary ingredients and other bulk dietary supplement grade raw materials. The retail dietary supplement products segment generated negative net sales of \$60,285 for the nine-month period ended September 28, 2013. The gross sales for this segment was \$557,111, however, sales deductions for promotions and returns, including additional trade accounts receivable allowance for possible future returns totaled \$617,396. For the nine-month period ended September 29, 2012, the retail dietary supplement products segment generated net sales of \$2,092,617. The gross sales for this segment was \$5,401,230, however, sales deductions for promotions and discounts related to the launch of BluScience products to retail distribution channels totaled \$3,308,613. The scientific and regulatory consulting segment generated net sales of \$808,610 for the nine-month period ended September 28, 2013. We did not have the scientific and regulatory consulting segment for the comparable period in 2012.

## Cost of Sales

Cost of sales include raw materials, labor, overhead, and delivery costs. Cost of sales for the three-month period ended September 28, 2013 was \$1,968,020 as compared with \$2,377,991 for the three-month period ended September 29, 2012. As a percentage of net sales, this represented a 7% increase for the three-month period ended September 28, 2013 compared to the three-month period ended September 29, 2012. The cost of sales as a percentage of net sales for the core standards, contract services and ingredients segment for the three-month period ended September 28, 2013 was 76% compared to 77% for the three-month period ended September 29, 2012. The retail dietary supplement products segment did not have any cost of sales for the three-month period ended September 28, 2013 as we sold the BluScience product line to NeutriSci on March 28, 2013. For the three-month period ended September 29, 2012, the cost of sales as a percentage of net sales for the retail dietary supplement products segment was 51%. The cost of sales as a percentage of net sales for the scientific and regulatory consulting segment for the three-month period ended September 28, 2013 was 48%. We did not have the scientific and regulatory consulting segment for the comparable period in 2012.

Cost of sales for the nine-month period ended September 28, 2013 was \$5,375,903 versus \$6,673,127 for the nine-month period ended September 29, 2012. As a percentage of net sales, this represented 13% decrease for the nine-month period ended September 28, 2013 compared to the nine-month period ended September 29, 2012. The cost of sales as a percentage of net sales for the core standards contract services and ingredients segment for the nine-month period ended September 28, 2013 was 70% compared to 74% for the nine-month period ended September 29, 2012. This percentage decrease in cost of sales is largely due to increased sales of chemical and analytical testing and contract services. Fixed labor costs make up the majority of costs for analytical testing and contract services and these fixed labor costs did not increase in proportion to sales. The cost of sales for the retail dietary supplement products segment were greater than net sales for nine-month periods ended September 28, 2013 and September 29, 2012. This is due to promotions, discounted sales and returns which resulted in substantially lower net sales compared to gross sales. The costs of sales for the retail dietary supplement products segment for the nine-month periods ended September 28, 2013 and September 29, 2012 were \$955 and \$2,259,184, respectively, while the net sales were negative \$60,285 and \$2,092,617, respectively. The cost of sales as a percentage of net sales for the scientific and regulatory consulting segment for the nine-month period ended September 28, 2013 was 56%. We did not have the scientific and regulatory consulting segment for the comparable period in 2012.

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Gross Profit (Loss)

Gross profit (loss) 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 decreased 40% to \$750,187 for the three-month period ended September 28, 2013 from \$1,254,253 for the three-month period ended September 29, 2012. For the core standards, contract services and ingredients segment, our gross profit increased 25% to \$561,385 for the three-month period ended September 28, 2013 from \$450,792 for the three-month period ended September 29, 2012. The increased sale of proprietary ingredients and other bulk dietary supplement grade raw materials was the primary reason for the increase in gross profit. For retail dietary supplement products segment, we did not have any gross profit for the three-month period ended September 28, 2013 as we sold the BluScience product line to NeutriSci on March 28, 2013. For the three-month period ended September 29, 2012, we had a gross profit of \$803,461 for retail dietary supplement products segment. For the scientific and regulatory consulting segment, we had a gross profit of \$188,802 for the three-month period ended September 28, 2013. We did not have the scientific and regulatory consulting segment for the comparable period in 2012.

Our gross profit increased to \$2,383,765 for the nine-month period ended September 28, 2013 from \$1,414,733 for the nine-month period ended September 29, 2012. For the core standards, contract services and ingredients segment, our gross profit increased 32% to \$2,088,874 for the nine-month period ended September 28, 2013 from \$1,581,300 for the nine-month period ended September 29, 2012. The increased sale of analytical testing and contract services was the primary reason for the increase in gross profit. For the retail dietary supplement products segment, we had a gross loss of \$61,240 for the nine-month period ended September 28, 2013 and a gross loss of \$166,567 for the nine-month period ended September 29, 2012. The gross loss for the nine-month period ended September 29, 2012 was due to the sales promotions and sales discounts we offered in relation to the launch of BluScience products. For the scientific and regulatory consulting segment, we had a gross profit of \$356,131 for the nine-month period ended September 28, 2013. We did not have the scientific and regulatory consulting segment for the comparable period in 2012.

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 September 28, 2013 were \$505,068 as compared to \$802,171 for the three-month period ended September 29, 2012. For the core standards, contract services and ingredients segment, sales and marketing expenses for the three-month period ended September 28, 2013 slightly decreased to \$493,068 as compared to \$514,029 for the three-month period ended September 29, 2012. For the retail dietary supplement products segment, we did not have any sales and marketing expenses for the three-month period ended September 28, 2013 as we sold the BluScience product line to NeutriSci on March 28, 2013. For the three-month period ended September 29, 2012, sales and marketing expenses for the retail dietary supplement products segment were \$288,142. These expenses mainly consisted of co-op advertising expenses with the retailers and expenses related to campaigns to increase public awareness of our retail products. For the scientific and regulatory consulting segment, sales and marketing expenses for the three-month period ended September 28, 2013 were \$12,000. We did not have the scientific and regulatory consulting segment for the comparable period in 2012.

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Sales and marketing expenses for the nine-month period ended September 28, 2013 were \$1,866,051 as compared to \$4,529,251 for the nine-month period ended September 29, 2012. For the core standards, contract services and ingredients segment, sales and marketing expenses for the nine-month period ended September 28, 2013 increased to \$1,720,292 compared to \$1,525,545 for the nine-month period ended September 29, 2012. This increase was largely due to the production of our new catalog, an increase in staff and increased marketing efforts for our line of proprietary ingredients. For the retail dietary supplement products segment, sales and marketing expenses for the nine-month period ended September 28, 2013 decreased to \$131,159 compared to \$3,003,706 for the nine-month period ended September 29, 2012. During the nine-month period ended September 29, 2012, we conducted a national advertising campaign through television and radio media in support of the launch of the BluScience products. We did not conduct such an advertising campaign during the nine-month period ended September 28, 2013. For the scientific and regulatory consulting segment, sales and marketing expenses for the nine-month period ended September 28, 2013 were \$14,600. We did not have the scientific and regulatory consulting segment for the comparable period in 2012.

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 nine-month periods ended September 28, 2013 were \$1,453,611 and \$4,155,792 as compared to \$1,983,720 and \$6,829,359 for the three- and nine-month periods ended September 29, 2012. One of the factors that contributed to this decrease was a decrease in share-based compensation expense. Our share-based compensation expense for the three- and nine-month periods ended September 29, 2013 were \$331,304 and \$1,059,653 as compared to \$925,393 and \$2,189,917 for the three- and nine-month periods ended September 29, 2012. Another factor that contributed to the decrease in general and administrative expenses was a decrease in investor relations expense. Our investor relations expenses for the three- and nine-month periods ended September 29, 2013 were \$58,427 and \$174,559 as compared to \$302,500 and \$907,793 for the three- and nine-month periods ended September 29, 2012. Another factor that contributed to this decrease was departures of certain officers who were with the Company during the nine-month period ended September 29, 2012. The Company did not hire new officers to fill the vacated positions. There were also one time severance expenses incurred due to the terminations of certain officers during the nine-month period ended September 29, 2012. Severance expenses incurred due to the terminations of certain officers were approximately \$671,000. The Company did not incur such expense in the nine-month period ended September 28, 2013.

Non-operating income- Interest Income

Interest income consists of interest earned on money market accounts and note receivable. Interest income for the three- and nine-month periods ended September 28, 2013 was \$179 and \$679 as compared to \$469 and \$2,725 for the three- and nine-month periods ended September 29, 2012.

Non-operating Expenses- Interest Expense

Interest expense consists of interest on capital leases. Interest expense for the three- and nine-month periods ended September 28, 2013 was \$8,669 and \$24,521 as compared to \$6,865 and \$22,692 for the three- and nine-month periods ended September 29, 2012.

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Depreciation and Amortization

Depreciation expense for the nine-month period ended September 28, 2013, was approximately \$187,667 as compared to \$247,227 for the nine-month period ended September 29, 2012. 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 nine-month period ended September 28, 2013, was approximately \$16,819 as compared to \$11,277 for the nine-month period ended September 29, 2012. We amortize intangible assets using a straight-line method over 10 years.

Liquidity and Capital Resources

From inception and through September 28, 2013, we have incurred aggregate losses of approximately \$33.4 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 or service expansion plans. Any inability to raise additional financing would have a material adverse effect on us.

Subsequent to the nine-month period ended September 28, 2013, the Company sold an aggregate of 3,529,411 shares of the Company's common stock at a price per share of \$0.85 to certain strategic accredited investors for gross proceeds of \$3,000,000 or \$2,980,000 after deducting offering costs.

On March 28, 2013, we entered into an asset purchase and sale agreement with NeutriSci International Inc. and consummated the sale of the BluScience consumer product line to NeutriSci. The Company is using the cost recovery method to account for the sale transaction, which is estimated at approximately \$3,157,804. The consideration received consists of following: (a) a \$250,000 cash payment, which NeutriSci paid as a deposit in February 2013; (b) an additional \$250,000 cash payment, which was paid at the closing of the sale; (c) an additional cash payment of \$500,000 due no later than 60 days after the closing of the sale, which has been fully paid as of September 28, 2013; (d) a \$2,500,000 senior convertible secured note (convertible into 625,000 shares Series I Preferred Stock as described below) payable in quarterly installments of \$416,667 beginning August 15, 2013, which a partial payment of \$225,000 was received for the first installment as of September 28, 2013 and an amendment to extend the repayment schedule was executed subsequent to September 28, 2013; and (e) 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 a deemed price for each Class A common share of \$1.00 per share at March 28, 2013. The transaction documents contain certain equity blockers that preclude our ownership in NeutriSci in excess of 9.99% and 19% without obtaining a waiver from NeutriSci.

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While we anticipate that our current levels of capital, cash generated from operations, the capital raised subsequent to the nine-month period ended September 28, 2013 and the cash payments received and to be received from the sale of the BluScience consumer product line, along with curtailment of certain expenses, will be sufficient to meet our projected operating plans through the end of December, 2014, we may seek additional capital prior to December, 2014, both to meet our projected operating plans through and after December, 2014 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 December, 2014, we will revise our projected operating plans accordingly.

### Net cash used in operating activities

Net cash used in operating activities for the nine months ended September 28, 2013 was approximately \$2,173,177 as compared to approximately \$9,369,871 for the nine months ended September 29, 2012. Along with a decrease in accounts payable, an increase in inventories were the largest uses of cash during the nine months ended September 28, 2013. Net cash used in operating activities for the nine months ended September 29, 2012 largely reflects increase in inventories and trade receivables, 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, trade receivables collections, inventory management, and the timing of our payments, among other factors.

### Net cash provided by (used in) investing activities

Net cash provided by investing activities was approximately \$1,038,477 for the nine months ended September 28, 2013, compared to approximately \$65,764 used in for the nine months ended September 29, 2012. Net cash provided by investing activities for the nine months ended September 28, 2013 mainly consisted of proceeds from the sale of the BluScience consumer product line. Net cash used in investing activities for the nine months ended September 29, 2012 mainly consisted of purchases of leasehold improvements and equipment as well as purchases of intangible assets.

### Net cash provided by financing activities

Net cash provided by financing activities was approximately \$1,702,124 for the nine months ended September 28, 2013, compared to approximately \$10,252,554 for the nine months ended September 29, 2012. Net cash provided by financing activities for the nine months ended September 28, 2013 mainly consisted of proceeds from the exercise of warrants related to the 2010 private placement. Net cash provided by financing activities for the nine months ended September 29, 2012 mainly consisted of proceeds from issuance of our common stock through registered direct offering and private placement.

### 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.

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Off-Balance Sheet Arrangements

During the nine months ended September 28, 2013, 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 29, 2012 and filed with the Commission on March 29, 2013.

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 not effective due to the material weakness in our internal control over financial reporting as of September 28, 2013.

The Company is still in the process of analyzing and addressing the material weakness that existed in its internal control over its financial reporting for the quarter ended September 28, 2013. Simultaneously with the filing of this Quarterly Report on Form 10-Q with the Securities and Exchange Commission, the Company has filed a Current Report on Form 8-K that addresses in greater detail the nature of the material weakness identified by the Company’s management. The Company will file a full report of management on the registrant’s internal control over financial reporting with its Annual Report on Form 10-K for the fiscal year 2013.

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 third 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

None.

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

None.

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        | Niagen Supply Agreement, made and entered into as of July 9, 2013, between Thorne Research, Inc. and ChromaDex, Inc. (1)               |
| 10.2        | License Agreement, made as of August 1, 2013, between Green Molecular S.L., Inc. and ChromaDex, Inc. (2)                               |
| 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) Incorporated by reference to Exhibit 99.1 from the Current Report on Form 8-K filed with the SEC on July 12, 2013.

(2) A redacted version of this Exhibit is filed herewith. An unredacted copy 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.

|         |  |
|---------|--|
| 101.INS | XBRL Instance Document                       |
| 101.SCH | XBRL Taxonomy Extension Schema               |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase  |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase       |

101.PRE XBRL Taxonomy Extension Presentation Linkbase

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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: November 21, 2013  
/s/ THOMAS C. VARVARO  
Thomas C. Varvaro

Duly Authorized Officer and Chief Financial Officer