IMAGENETIX INC /NV/
Form 10-Q
November 15, 2010

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

FORM 10-Q

(Mark One)

x Quarterly Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934

For quarterly period ended September 30, 2010

¨ Transition Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934

For the transition period from _____ to _____

COMMISSION FILE NUMBER 033-24138-D

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

NEVADA (State or other jurisdiction of incorporation or organization)	87-0463772 (I.R.S. Employer Identification No.)

10845 Rancho Bernardo Road, Suite 105
San Diego, California 92127
(Address of principal executive offices)

Registrant's telephone number (including area code) (858) 674-8455

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 (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o	Smaller reporting company x

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Common Stock, $.001 par value	11,811,288
(Class)	Outstanding at November 15, 2010

Imagenetix, Inc.

INDEX

* No information provided due to inapplicability of the item.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Imagenetix, Inc.
Condensed Consolidated Balance Sheets

	September 30, 2010 (Unaudited)	March 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 371,268	$ 981,510
Accounts receivable, net	2,602,839	1,049,047
Inventories, net	1,287,008	1,350,041
Prepaid expenses and other current assets	275,526	150,690
Deferred tax asset	1,170,800	932,800
Total current assets	5,707,441	4,464,088
Property and equipment, net	74,821	89,137
Long-term prepaid expenses	12,000	18,000
Other assets	119,519	124,598
Total Assets	$ 5,913,781	$ 4,695,823
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Secured note payable to a bank	$ 890,000	$ -
Convertible notes	288,895	-
Accounts payable	1,031,019	996,827
Accrued liabilities	81,715	82,392
Customer deposits	21,481	25,374
Contract payable	9,913	85,972
Total current liabilities	2,323,023	1,190,565
Stockholders' equity		
Preferred stock, $.001 par value; 5,000,000 shares authorized: none outstanding	-	-
Common stock, $.001 par value; 50,000,000 shares authorized: 11,811,288 and 11,010,788 issued and outstanding at September 30 and March 31, 2010, respectively	11,810	11,010
Capital in excess of par value	13,419,429	12,801,171
Accumulated deficit	(9,840,481)	(9,306,923)
Total stockholders' equity	3,590,758	3,505,258
Total Liabilities and Stockholders' Equity	$ 5,913,781	$ 4,695,823

See accompanying notes to unaudited condensed consolidated financial statements.

3

Imagenetix, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Six Months Ended September 30, 2010	Six Months Ended September 30, 2009
Net sales	$ 3,220,022	$ 1,900,619	$ 4,304,986	$ 3,602,909
Cost of sales	1,431,867	1,039,454	2,181,501	2,094,652
Gross profit	1,788,155	861,165	2,123,485	1,508,257
Operating expenses:				
General and administrative	876,029	574,976	1,471,808	1,382,925
Payroll expense	319,682	269,122	562,212	523,539
Consulting expense	342,519	294,506	752,553	574,906
Operating expenses	1,538,230	1,138,604	2,786,573	2,481,370
Operating income (loss)	249,925	(277,439)	(663,088)	(973,113)
Other income (expense):				
Other income	355	781	1,172	2,198
Gain on settlement	-	1,250,000	-	1,250,000
Interest expense	(25,358)	-	(114,442)	(2,405)
Other income (expense):	(25,003)	1,250,781	(113,270)	1,249,793
Income (loss) before income taxes	224,922	973,342	(776,358)	276,680
Income tax expense (provision)	154,900	420,800	(242,800)	138,800
Net income (loss)	$ 70,022	$ 552,542	$ (533,558)	$ 137,880
Basic net income (loss) per share	$ 0.01	$ 0.05	$ (0.05)	$ 0.01
Diluted net income (loss) per share	$ 0.01	$ 0.05	$ (0.05)	$ 0.01
Basic weighted average common shares outstanding	11,810,903	11,010,788	11,560,296	11,010,788
Diluted weighted average common shares outstanding	11,927,902	11,059,348	11,560,296	11,095,768

See accompanying notes to unaudited condensed consolidated financial statements.

Imagenetix, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended September 30, 2010	2009
Operating activities:		
Net income (loss)	$ (533,558)	$ 137,880
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Amortization and depreciation	25,957	26,570
Provision for doubtful accounts	(25,000)	11,000
Provision for returns and discounts	38,000	-
Provision for inventory obsolescence	(7,005)	(24,551)
Non cash expense related to issuance of warrants and granting of stock options	207,729	42,165
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,566,792)	(3,195)
(Increase) decrease in other receivables	-	(1,250,000)
(Increase) decrease in inventories	70,038	263,888
(Increase) decrease in other assets	(118,836)	(109,785)
(Increase) decrease in deferred taxes	(242,800)	138,800
Increase (decrease) in accounts payable	34,192	223,100
Increase (decrease) in accrued liabilities	(677)	1,725
Increase (decrease) in customer deposits	(3,893)	(21,576)
Increase (decrease) in income taxes payable	-	(69,803)
Net cash used in operating activities	(2,122,645)	(633,782)
Investing activities:		
Purchases of property and equipment	(1,762)	-
Net cash used in investing activities	(1,762)	-
Financing activities:		
Payments on contracts payable	(76,059)	(43,645)
Payments on patent license financed	-	(2,980)
Proceeds from bridge loans, convertible notes and bank financings	1,600,000	-
Payments on bridge loans	(410,000)	-
Proceeds from exericse of warrants	224	-
Proceeds from sale of common stock	400,000	-
Net cash (used in) provided by financing activities	1,514,165	(46,625)
Net decrease in cash and cash equivalents	(610,242)	(680,407)
Cash and cash equivalents, beginning of period	981,510	1,225,723
Cash and cash equivalents, end of period	$ 371,268	$ 545,316
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 42,120	$ 2,405
Income taxes	$ -	$ 69,803
Non Cash Investing and Financing Activities:		
Debt discount on convertible notes	$ 11,105	$ -

See accompanying notes to unaudited condensed consolidated financial statements.

5

IMAGENETIX, INC.

Notes to the Unaudited Condensed Consolidated Financial Statements

1. BASIS OF PRESENTATION

The consolidated financial statements of Imagenetix, Inc. ("Imagenetix") presented herein have been prepared pursuant to the rules of the Securities and Exchange Commission for quarterly reports on Form 10-Q and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America. These statements should be read in conjunction with our audited consolidated financial statements and notes thereto included in Form 10-K for the year ended March 31, 2010.

In the opinion of management, the interim consolidated financial statements reflect all adjustments of a normal recurring nature necessary for a fair statement of the results for interim periods. Operating results for the three and six month periods are not necessarily indicative of the results that may be expected for the year.

Earnings Per Share

We follow the Financial Accounting Standards Board Accounting Standards Codification ("ASC") No. 260. Under ASC No. 260, basic earnings per share is calculated as earnings available to common stockholders divided by the weighted average number of common shares outstanding. Diluted earnings per share is calculated as net income divided by the diluted weighted average number of common shares. The diluted weighted average number of common shares is calculated using the treasury stock method for common stock issuable pursuant to outstanding stock options and common stock warrants. See Note 8 for a discussion of commitments to issue additional shares of common stock and warrants.

Stock Based Compensation

We account for stock based compensation under ASC Nos. 718 and 505. ASC Nos. 718 and 505 require all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values.

We have selected the Black-Scholes method of valuation for share-based compensation. The charge is recognized in non-cash compensation, which is included in stock-based compensation expense, on a straight-line basis over the remaining service period based on the options' original estimate of fair value.

We apply ASC Nos. 718 and 505 in valuing options granted to consultants and estimate the fair value of such options using the Black-Scholes option-pricing model. The fair value is recorded as consulting expense as services are provided. Options granted to consultants for which vesting is contingent based on future performance are measured at their then current fair value at each period end, until vested.

Research and Development

We incur expenses to further develop our products and formulas, commission entities to perform clinical trials and evaluate potential products to expand our portfolio. In addition, we recently received a new patent for a drug candidate which, if successful, will address periodontal diseases. We have started the initial new drug process and have completed several animal studies. During the three and six months ended September 30, 2010 we incurred research and development expenses of $0 and $19,491, respectively, compared to $11,220 and $50,895 for the corresponding periods of the previous fiscal year.

6

IMAGENETIX, INC.
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

2. NEW ACCOUNTING STANDARDS

In February 2010, the FASB issued a standards update on improving disclosures about subsequent events so that SEC filers no longer are required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. This update to the standards is effective for this interim report. The adoption of this update to the standards did not impact our financial statements as it only impacts the footnote disclosures. We have included the applicable disclosure in Note 10- Subsequent Events.

A variety of proposed or otherwise potential accounting standards are currently under study by standard-setting organizations and various regulatory agencies. Because of the tentative and preliminary nature of these proposed standards, management has not determined whether implementation of such proposed standards would be material to the Company's consolidated financial statements.

3. ACCOUNTS RECEIVABLE

Accounts receivable are carried at the expected realizable value. Accounts receivable consisted of the following:

	September 30, 2010	March 31, 2010
Accounts receivable - trade	$ 2,751,839	$ 1,185,047
Allowance for doubtful accounts	(25,000)	(50,000)
Allowance for returns and discounts	(124,000)	(86,000)
Accounts receivable, net	$ 2,602,839	$ 1,049,047

At September 30, 2010, we had three customers which accounted for 49%, 26% and 14%, respectfully, of our accounts receivable balances. At March 31, 2010, we had three customers which accounted for 48%, 21% and 10%, respectfully, of our accounts receivable balances.

For the six months ended September 30, 2010, we had three significant customers which accounted for 52%, 17% and 13%, respectfully, of sales. For the six months ended September 30, 2009, we had three significant customers which accounted for 26%, 23%, and 16%, respectfully, of sales.

IMAGENETIX, INC.
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

4. INVENTORIES

Inventories consist of the following:

	September 30, 2010	March 31, 2010
Raw materials	$ 756,784	$ 1,032,817
Finished products	433,968	216,099
Boxes, labels, tubes & bottles	239,256	251,130
	1,430,008	1,500,046
Reserve for obsolescence	(143,000)	(150,005)
	$ 1,287,008	$ 1,350,041

5. OTHER ASSETS

The following is a summary of intangible assets which are included in “Other Assets” on the face of the balance sheet:

	September 30, 2010	March 31, 2010
Trademarks	$ 13,032	$ 13,032
Patent	172,965	172,965
Deferred tax asset	29,400	24,600
	215,397	210,597
Less accumulated amortization	(95,878)	(85,999)
	$ 119,519	$ 124,598

6. SECURED NOTE PAYABLE TO A BANK

In June 2010, we entered into an asset based line of credit with a bank. The terms of the agreement enable us to borrow up to 65% of our accounts receivables and up to $300,000 of our inventory subject to certain limitations. The maximum amount we can borrow is $1,500,000 of which $890,000 was outstanding at September 30, 2010. The interest rate on the outstanding balance is the greater of the prime rate plus 1.75% or 5% plus a monthly maintenance fee of 0.25% and an annual facility fee of 1% of the maximum borrowing amount. The bank has been given a secured position in the assets of the company.

7. CONVERTIBLE NOTES

Overview. In May 2010 and September 2010, we sold an aggregate of $710,000 of 7% convertible notes to a group of 6 individual investors. The notes issued in May 2010 aggregating to $410,000 were repaid by the Company in June 2010 under a call provision which included a 7% premium payment to the note holders. The convertible notes entitle the note holder, unless a call provision is exercised by the Company before the initial maturity date of the note, to convert the principal into our common stock. Interest on the notes is payable quarterly in cash or at the earlier of maturity, conversion in common stock, or on the exercise of the call provision previous to maturity by the Company.

IMAGENETIX, INC.
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

Number of Shares Notes May Be Converted Into. The notes can be converted into a number of our common shares at a conversion price equal to $0.50 per share.

Warrants. Concurrent with the issuance of the convertible notes, we issued to the note holders warrants to purchase shares of our common stock. These warrants are exercisable for five years from the date of issuance at an exercise price of $0.50 per share. At the option of the note holder, at the conclusion of the initial six month term, the convertible notes may be renewed for additional six month terms. Should the note be extended, an additional like warrant will be issued to the note holder.

The following table presents the status, as of September 30 and March 31, 2010, of our convertible debentures:

	As of	
	September 30, 2010	March 31, 2010
Convertible debentures issued	$ 300,000	$ -
Less debt discount	(11,105)	-
	288,895	-
Less current portion	(288,895)	-
Long term portion	$ -	$ -
Maturity dates of outstanding convertible debentures		
March 2011	$ 300,000	$ -

8. EQUITY TRANSACTIONS

In May 2010, we issued 800,000 shares of restricted common stock to two institutional investors for an aggregated amount of $400,000, or $0.50 per share.

During the three and six months ended September 30, 2010, we recorded non-cash interest of $9,622 and $67,175 as a result of notes we entered into and paid off during the periods. We also recorded non-cash compensation of $116,545 and $122,250 and non-cash general and administrative expense of $9,152 and $18,304 for stock options and warrants issued to employees and consultants. For the three and six months ended September 30, 2009, we recorded non-cash compensation and general and administrative expense of $5,705 and $42,165. The significant assumptions used in the Black Sholes model to estimate the expenses for the issuance of stock options and warrants are as follows:

IMAGENETIX, INC.
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
Expected term of options and warrants	5 years	-	5 years	5 years
Expected volatility	78%	-	78% to 79%	73%
Expeceted dividends	None	-	None	None
Risk-free interest rate	1.28% to 1.47%	-	1.28% to 2.01%	2.95%
Forteitures	0%	-	0%	0%

A summary of the options outstanding follows:

	For the Six Months Ended September 30, 2010	
Options	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	1,589,000	$ 1.26
Granted	895,000	0.38
Cancelled	(594,000)	2.04
Exercised	-	-
Outstanding at end of the period	1,890,000	$ 0.60
Exercisable at end of the the period	1,442,500	$ 0.67
Weighted average fair value of options granted during the period	895,000	$ 0.24

As of September 30, 2010, the unamortized portion of stock compensation expense on all existing stock options was $98,615.

IMAGENETIX, INC.
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

A summary of other warrants outstanding follows:

	For the Six Months Ended September 30, 2010	
Warrants	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	3,960,707	$ 1.15
Granted	501,341	0.47
Cancelled	(200,000)	2.11
Exercised	(500)	0.45
Outstanding at end of the period	4,261,548	$ 1.03
Exercisable at end of the the period	4,261,548	$ 1.03
Weighted average fair value of warrants granted during the period	501,341	$ 0.28

9. INCOME TAXES

We have adopted ASC 740 which prescribes a comprehensive model of how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. ASC 740 states that a tax benefit from an uncertain position may be recognized if it is "more likely than not" that the position is sustainable, based upon its technical merits. The tax benefit of a qualifying position is the largest amount of tax benefit that is greater
than 50 percent likely of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information.

Upon adoption of ASC 740, there was no impact to our consolidated financial statements. We estimate that the unrecognized tax benefit will not change significantly within the next twelve months. We will continue to classify income tax penalties and interest as part of general and administrative expense in our statements of operations. Accrued interest on uncertain tax positions is not significant. There are no penalties accrued as of September 30, 2010. The following table summarizes the open tax years for each major jurisdiction:

Jurisdiction	Open Tax Years
Federal	2007 – 2009
California	2007 – 2009

As we have had significant net operating loss carry forwards, even if certain of our tax positions were disallowed, it is not foreseen that we would have to pay any taxes in the near future. Consequently, we do not calculate the impact of interest or penalties on amounts that might be disallowed.

IMAGENETIX, INC.
Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

In January 2010, the Financial Accounting Standards Board (FASB) issued authoritative guidance for fair value measurements, which requires additional disclosures and clarifications to existing disclosures. This authoritative guidance requires a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 investments and describe the reasons for these transfers. This authoritative guidance also requires enhanced disclosure of activity in Level 3 investments. The new disclosures and clarifications of existing disclosures became effective for Imagenetix in the first quarter of fiscal year 2011 and had no impact on our consolidated financial position, results of operations or cash flows.

11. SUBSEQUENT EVENTS

In accordance with FASB ASC Topic 855- Subsequent Events, general standards are established for the accounting and disclosures of events that occurred after the balance sheet date but before financial statements are issued or are available to be issued. For the three months ended September 30, 2010, we evaluated, for potential recognition and disclosure, events that occurred through the date of the filing of our Quarterly Report on form 10Q for the three and six months ended September 30, 2010, and determined no adjustment or additional disclosure is needed.

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

THE FOLLOWING DISCUSSION INCLUDES FORWARD-LOOKING STATEMENTS WITH RESPECT TO OUR FUTURE FINANCIAL PERFORMANCE. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE CURRENTLY ANTICIPATED AND FROM HISTORICAL RESULTS DEPENDING UPON A VARIETY OF FACTORS, INCLUDING THOSE DESCRIBED BELOW UNDER THE SUB-HEADING, "RISK FACTORS." SEE ALSO OUR ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED MARCH 31, 2010.

Overview

We develop, formulate and market over-the-counter, natural-based nutritional supplements and skin care products. Our products are proprietary, often supported by scientific studies which we request and are offered through multiple channels of distribution, including direct marketing companies, also known as network marketing or multi-level marketing companies, and chain store retailers. Our primary product is Celadrin® a product formulation which we sell to the mass market through retailers and on a private label basis to wholesale customers.

A key part of our marketing strategy is to provide to our wholesale customers a "turnkey" approach to the marketing and distribution of our products. This turnkey approach provides these customers with all the services necessary to market our products, including developing specific product formulations, providing supporting scientific studies regarding the effectiveness of the product and arranging for the manufacture and marketing of the product.

We sell Celadrin® and BioGuard®, our own branded products, directly to the mass markets through retailers. . We also develop and sell products and formulations to businesses and organizations that market these products through multiple channels of distribution, including direct marketing companies, mass marketing companies, medical, health and nutritional professionals, medical newsletters and direct response radio and television. We also offer Celadrin® products through wholesale customers that in turn offer their products containing Celadrin® to mass market retailers.

Management's discussion and analysis or plan of operation is based upon the Company's financial statements. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These principles require management to make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates based on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Critical Accounting Policies and Estimates

We have identified four accounting principles that we believe are key to an understanding of our financial statements. These important accounting policies require management's most difficult, subjective judgments.

1. Accounts receivable

Accounts receivable are carried at the expected net realizable value. The allowance for doubtful accounts is based on management’s assessment of the collectability of specific customer accounts and the aging of the accounts receivable. If there were a deterioration of a major customer’s creditworthiness, or actual defaults were higher than historical experience, our estimates of the recoverability of amounts due to us could be overstated, which could have a negative impact on operations.

13

2. Inventory
Inventory is carried at the lower of cost or market. Cost is determined by the first-in first-out method. At each period end, management adjusts the inventory allowance based on estimates. These estimates take into account spoilage, yields, obsolescence and overstocked inventory amounts.

3. Revenue Recognition

We recognize revenue in accordance with the SEC's Staff Accounting Bulletin No. 104, "Revenue Recognition in Financial Statements" (SAB104) and ASC 605. SAB 104 requires that four basic criteria be met before revenue can be recognized: 1) there is evidence that an arrangement exists; 2) delivery has occurred; 3) the fee is fixed or determinable; and 4) collectability is reasonably assured. ASC 605 states that revenue from sales transactions where the buyer has the right to return the product shall be recognized at the time of sale only if (1) the seller's price to the buyer is substantially fixed or determinable at the date of sale; (2) the buyer has paid the seller, or the buyer is obligated to pay the seller and the obligation is not contingent on resale of the product; (3) the buyer's obligation to the seller would not be changed in the event of theft or physical destruction or damage of the product; (4) the buyer acquiring the product for resale has economic substance apart from that provided by the seller; (5) the seller does not have significant obligations for future performance to directly bring about resale of the product by the buyer; and (6) the amount of future returns can be reasonably estimated. We recognize revenue upon determination that all criteria for revenue recognition have been met. The criteria are usually met at the time title passes to the customer, which usually occurs upon shipment. Revenue from shipments where title passes upon delivery is deferred until the shipment has been delivered.

We account for payments made to customers in accordance with ASC 605, which states that cash consideration (including a sales incentive) given by a vendor to a customer is presumed to be a reduction of the selling prices of the vendor's products or services and, therefore, should be characterized as a reduction of revenue when recognized in the vendor's income statement, rather than a sales and marketing expense. We have various agreements with customers that provide for discounts and rebates. These agreements are classified as a reduction of revenue. Certain other costs associated with customers that meet the requirements of ASC 605 are recorded as sales and marketing expense.

We guarantee customer satisfaction. Our policy requires the customer to return the unused product to the retailer from whom they originally purchased it. We pay the retailer for the returned product plus a handling cost. We periodically assess the adequacy of this policy and record a reserve as necessary. At September 30, 2010, we had established a reserve of $124,000 to allow for potential customer returns, advertising and discounts.

We review gross revenue for estimated returns of private label contract manufacturing products and direct-to-consumer products. The estimated returns are based upon the trailing six months of private label contract manufacturing gross sales and our historical experience for both private label contract manufacturing and direct-to-consumer product returns. However, the estimate for product returns does not reflect the impact of a large product recall resulting from product nonconformance or other factors as such events are not predictable nor is the related economic impact estimable. For the three months ended September 30, 2010, there were no returns that would suggest a liability needed to be recorded.

As part of the services we provide to our private label contract manufacturing customers, we may perform, but are not required to perform, certain research and development activities related to the development or improvement of their products. While our customers typically do not pay directly for this service, the cost of this service is included as a component of the price we charge to manufacture and deliver their products.

4. Income Taxes

Deferred income taxes are provided using the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of the changes in tax laws and rates of the date of enactment.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other portions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with the tax positions taken that exceed the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Selected Financial Information

Results of Operations

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

	Three Months Ended			
	9/30/2010	9/30/2009	Increase (Decrease)	%
Statements of Operations:				
Net sales	$ 3,220,022	$ 1,900,619	$ 1,319,403	69.4%
Cost of goods sold	1,431,867	1,039,454	392,413	37.8%
% of net sales	44.5%	54.7%	-10.2%	-18.7%
Gross profit	1,788,155	861,165	926,990	107.6%
% of net sales	55.5%	45.3%	10.2%	22.6%
Operating expenses				
General and administrative	876,029	574,976	301,053	52.4%
Payroll expense	319,682	269,122	50,560	18.8%
Consulting expense	342,519	294,506	48,013	16.3%
Total operating expenses	1,538,230	1,138,604	399,626	35.1%
Interest expense	(25,358)	-	(25,358)	NM
Settlement income	-	1,250,000	(1,250,000)	NM
Other income	355	781	(426)	-54.5%
Provision for taxes	154,900	420,800	265,900	63.2%
Net income	70,022	552,542	(482,520)	-87.3%
Net income per share basic	0.01	0.05	(0.04)	-80.0%
Net income per share diluted	0.01	0.05	(0.04)	-80.0%

Net Sales

Net sales for the quarter ended September 30, 2010 increased $1,319,403, a 69.4% increase, to $3,220,022 compared to $1,900,619 for the quarter ended September 30, 2009. The primary reason for the sales increase are increases in sales of our own branded products, Celadrin® and BioGuard®, to the mass market as follows:

Breakdown of net sales

	Three Months Ended September 30,				
	2010		2009		Increase
	$	%	$	%	(Decrease)
Wholesale	$ 26,075	1%	$ 751,834	40%	$ (725,759)
Mass market	2,680,343	83%	735,585	39%	1,944,758
Distibutors	513,604	16%	413,200	22%	100,404
	$ 3,220,022	100%	$ 1,900,619	100%	$ 1,319,403

With the expansion to all Costco stores of both Celadrin® and BioGuard®, the initial shipment of Celadrin® to 800 Walmart stores and expansion of BioGuard® to all RiteAid stores, we anticipate mass market sales to continue to be our leading revenue generator.

Cost of Goods Sold

Cost of goods sold as a percentage of net sales decreased to 44% for the quarter ended September 30, 2010 compared to 55% for the quarter ended September 30, 2009. This decrease was the result of the product mix and increased gross revenue providing economies of scale for both product costs and advertising allowances. We anticipate this percentage to remain stable as a result of continued mass market penetration.

General and Administrative

General and administrative expenses increased $301,053, a 52% increase, to $876,029 for the quarter ended September 30, 2010 compared to $574,976 for the quarter ended September 30, 2009. This increase was primarily due to an increase in advertising expenses of approximately $291,000. We anticipate future increases in general and administrative expenses as we increase our advertising campaign for Celadrin® and BioGuard® and increase clinical research studies related to our periodontal drug development candidate.

Payroll Expense

Payroll expense increased to $319,682 for the quarter ended September 30, 2010, an increase of 19% or $50,560 compared to $269,122 for the quarter ended September 30, 2009. This increase was a result of non-cash compensation decreases related to employee stock options for the current fiscal period compared to the previous year fiscal period.

Consulting Expenses

Consulting expenses increased to $342,519 for the quarter ended September 30, 2010, an increase of 16% or $48,013 compared to $294,506 for the quarter ended September 30, 2009. This increase was a result of increased legal expenses of approximately $47,000.

Interest Expense

Interest expense of $25,358 was recognized during the quarter ended September 30, 2010 compared to $0 for the quarter ended September 30, 2009. This increase was the result of non-cash interest of $9,622 coupled with cash payments of $15,736 related to the issuance of bridge loans and an asset based line of credit with a bank.

Provision for Income Taxes

An income tax expense of $154,900 was recognized during the current quarter compared to $420,800 recognized during the quarter ended September 30, 2009.

Six Months Ended September 30, 2010 Compared to Six Months Ended September 30, 2009

	Six Months Ended			
	9/30/2010	9/30/2009	Increase (Decrease)	%
Statements of Operations:				
Net sales	$ 4,304,986	$ 3,602,909	$ 702,077	19.5%
Cost of goods sold	2,181,501	2,094,652	86,849	4.1%
% of net sales	50.7%	58.1%	-7.4%	-12.7%
Gross profit	2,123,485	1,508,257	615,228	40.8%
% of net sales	49.3%	41.9%	7.4%	17.7%
Operating expenses				
General and administrative	1,471,808	1,382,925	88,883	6.4%
Payroll expense	562,212	523,539	38,673	7.4%
Consulting expense	752,553	574,906	177,647	30.9%
Total operating expenses	2,786,573	2,481,370	305,203	12.3%
Interest expense	(114,442)	(2,405)	(112,037)	4658.5%
Settlement income	-	1,250,000	(1,250,000)	-100.0%
Other income	1,172	2,198	(1,026)	-46.7%
Income tax expense (provision)	(242,800)	138,800	(381,600)	-274.9%
Net income (loss)	(533,558)	137,880	(671,438)	-487.0%
Net income (loss) per share basic	(0.05)	0.01	(0.06)	-600.0%
Net income (loss) per share diluted	(0.05)	0.01	(0.06)	-600.0%

Net Sales

Net sales for the six months ended September 30, 2010 increased $702,077, a 19.5% increase, to $4,304,986 compared to $3,602,909 for the six months ended September 30, 2009. The primary reasons for the sales increase are an increase in sales of our own branded product, Celadrin® and BioGuard®, to the mass market offset by a decrease in wholesale sales as follows:

Breakdown of net sales

	Six Months Ended September 30,				
	2010		2009		Increase
	$	%	$	%	(Decrease)
Wholesale	$ 539,048	13%	$ 1,859,006	52%	$ (1,319,958)
Mass market	3,022,021	70%	963,376	27%	2,058,645
Distibutors	743,917	17%	780,527	22%	(36,610)
	$ 4,304,986	100%	$ 3,602,909	100%	$ 702,077

With the expansion to all Costco stores of both Celadrin® and BioGuard®, the initial shipment of Celadrin® to 800 Walmart stores and the expansion of BioGuard® to all RiteAid stores, we anticipate mass market sales to continue to be our leading revenue generator.

17

Cost of Goods Sold

Cost of goods sold as a percentage of net sales decreased to 51% for the six months ended September 30, 2010 compared to 58% for the six months ended September 30, 2009. This decrease was the result of the product mix, increased gross revenue and the economies of scale related to both product costs and advertising allowances on our mass market sales. We anticipate this percentage to stabilize as the increase in our mass market sales allows for a continuing economy of scale to be recognized on both product costs and advertising allowances.

General and Administrative

General and administrative expenses increased $88,883, a 6% increase, to $1,471,808 for the six months ended September 30, 2010 compared to $1,382,925 for the six months ended September 30, 2009. This increase was primarily due to an increase in advertising expenses. We anticipate future increases in general and administrative expenses as we increase our advertising campaign for Celadrin® and BioGuard® and increase clinical research studies related to our periodontal drug development candidate.

Payroll Expense

Payroll expense increased to $562,212 for the six months ended September 30, 2010, an increase of 7% or $38,673 compared to $523,539 for the six months ended September 30, 2009. This increase was a result of non-cash compensation decreases related to employee stock options for the current fiscal period compared to the previous year fiscal period.

Consulting Expenses

Consulting expenses increased to $752,553 for the six months ended September 30, 2010, an increase of 31% or $177,647 compared to $574,906 for the six months ended September 30, 2009. This increase was a result of expenses related to doing both a debt and equity financing during the current period of approximately $45,000, the costs of an investor relations program of approximately $16,000, and increased legal expenses of approximately $108,000.

Interest Expense

Interest expense of $114,442 was recognized during the six months ended September 30, 2010 compared to $2,405 for the six months ended September 30, 2009. This increase was the result of non-cash interest of $67,175 coupled with cash payments of $47,267 related to the issuance of bridge loans and an asset based line of credit with a bank.

Provision for Income Taxes

An income tax benefit of $242,800 was recognized during the current six months compared to an income tax expense of $138,800 recognized during the six months ended September 30, 2009.

Capital Resources

Working Capital

	9/30/2010	3/31/2010	Increase (Decrease)
Current assets	$ 5,707,441	$ 4,464,088	$ 1,243,353
Current liabilities	2,323,022	1,190,565	1,132,457
Working capital	$ 3,384,419	$ 3,273,523	$ 110,896
Long-term debt	$ -	$ -	$ -
Stockholders' equity	$ 3,590,758	$ 3,505,258	$ 85,500

Statements of Cash Flows Select Information

	Six Months Ended		Increase
	9/30/2010	9/30/2009	(Decrease)
Net cash provided by (used in):			
Operating activities	$ (2,122,645)	$ (633,782)	$ (1,488,863)
Investing activities	$ (1,762)	$ -	$ (1,762)
Financing activities	$ 1,514,165	$ (46,625)	$ 1,560,790

Balance Sheet Select Information

	9/30/2010	3/31/2010	Increase (Decrease)
Cash and cash equivalients	$ 371,268	$ 981,510	$ (610,242)
Accounts receivable, net	$ 2,602,839	$ 1,049,047	$ 1,553,792
Inventories, net	$ 1,287,008	$ 1,350,041	$ (63,033)
Notes payable	$ 1,178,895	$ -	$ 1,178,895

Liquidity

We have historically financed our operations internally and through debt and equity financings. At September 30, 2010, we had cash holdings of $371,268, a decrease of $610,242 compared to March 31, 2010. Our net working capital position at September 30, 2010, was $3,384,419 compared to $3,273,523 as of March 31, 2010. We have initiated a direct mass market strategy with our own products, Celadrin® and BioGuard. We continue to develop our drug candidate which, if the drug is successfully commercialized, will address periodontal diseases. We have started the initial new drug process and have completed several animal studies. A significant portion of our working capital may be needed to implement the mass market advertising campaign, increase inventory to accommodate an increase in orders, finance an increase in receivables as a result of increased sales activity and fund new drug development trials.

During the six months ended September 30, 2010, we sold common stock for cash aggregating $400,000 to two institutional investors. In June 2010, we entered into an asset based line of credit with a bank for up to $1,500,000 to finance accounts receivable, inventory and advertising. At September 30, 2010, the line of credit had a balance of $890,000. The bank has been given a secured position in the assets of the company. In September 2010, we also issued $300,000 of convertible notes. We believe that our cash position plus potential debt or equity financings will be sufficient to fund our operating activities for at least the next 12 months.

New Accounting Standards

See Note 2- Recent Accounting Pronouncements- to our condensed consolidated financial statements included in Item 1 of this Form 10-Q for discussion of recent accounting pronouncements.

ITEM 4T. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in reports filed under the Securities Exchange Act of 1934 (“Exchange Act”) is recorded, processed, summarized, and reported within the specified time periods and accumulated and communicated to the Company’s management, including its Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

The Company’s management, under the supervision and with the participation of its Principal Executive Officer and its Principal Financial Officer, evaluated the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the Company’s Principal Executive Officer and Principal Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of September 30, 2010 to provide reasonable assurance in the Company’s financial reporting.

Management believes that there are no material inaccuracies or omissions of material fact and, to the best of its knowledge, believes that the condensed consolidated financial statements for the quarter ended September 30, 2010, fairly present in all material respects the financial condition and results of operations for the Company in conformity with accounting principles generally accepted in the United States of America.

There have not been any changes in the Company’s internal control over financial reporting during the quarter ended September 30, 2010, which have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Limitations on the Effectiveness of Controls

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. The Company’s management, including its Principal Executive Officer and its Principal Financial Officer, do not expect that the Company’s disclosure controls will prevent or detect all errors and all fraud. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

TriPharma Arbitration

On April 30, 2010, TriPharma, Inc., a customer of Imagenetix, filed a legal action in the United States Southern District Court of California, case number 10CV0933IEG, related to an Exclusive Marketing and Supply Agreement, as amended on June 19, 2008.   TriPharma asserts that Imagenetix breached the terms of the Agreement and seeks injunctive relief and unspecified damages. The Company denies the allegations and believes the claims to be frivolous and totally devoid of merit. The Company has retained litigation counsel and intends to vigorously defend the claims. The amount, if any, of ultimate liability with respect to the foregoing cannot be determined. Despite the inherent uncertainties of litigation, the Company at this time does not believe that TriPharma's claim will have a material adverse impact on its financial condition, results of operations, or cash flows.

ITEM 1A. RISK FACTORS.

Risk Factors

You should consider the following discussion of risks as well as other information regarding our common stock. The risks and uncertainties described below are not the only ones. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks actually occur, our business could be harmed.

There Is Only One Supplier for Celadrin®. If We Are Unable to Purchase Celadrin® from This Supplier, Our Business Would Be Harmed.

There is only one supplier for Celadrin®, which we use in approximately 61% of our products and which represented approximately 72% of our sales for the year ended March 31, 2010. We will rely upon Celadrin® to expand our product lines and revenue in the future. If our Celadrin® supplier goes out of business or elects for any reason not to supply us with Celadrin®, we would have to find another Celadrin® supplier or suffer a significant reduction in our revenue.

We Rely upon a Limited Number of Customers the Loss of Which Would Reduce Our Revenue and Any Earnings.

Our largest customers accounted for 52%, 17% and 13% of our net sales for the six months ended September 30, 2010 and 42%and 15% for the year ended March 31, 2010. During the previous fiscal year, we entered into a buyout agreement with our largest customer at that time which will result in no significant revenue from that customer in future periods. We have several other customers with increased revenue during the three months ended September 30, 2010 which offset the loss of this significant customer. If not replaced by other large customers, the loss of any significantly large customer could reduce our revenue and adversely affect our cash flow and earnings, if any.

We Rely upon Other Outside Suppliers to Produce Our Products Which Could Delay Our Product Deliveries.

All of our products are produced by outside manufacturers who process ingredients provided to them by our suppliers and with whom we have contracts. Our profit margins and our ability to deliver products on a timely basis are dependent upon these manufacturers and suppliers. Should any of these manufacturers or suppliers fail to provide us with product, we would be required to obtain new manufacturers and suppliers, which would be costly and time consuming and could delay our product deliveries.

Product Liability Claims Against Us Could Be Costly.

Some of our nutritional supplements contain newly-introduced ingredients or combinations of ingredients, and we have little long-term health information about individuals consuming those ingredients. If any of these products were thought or proved to be harmful, we could be subject to litigation. Although we carry product liability insurance in the face amount of $1,000,000 per occurrence and $2,000,000 in the aggregate and require our suppliers and manufacturers to include us as insured parties on their product liability insurance policies, our coverage may not be adequate to protect us from potential product liability claims and costs of defense.

We Are Subject to Intense Competition from Other Nutritional Supplement Marketers Which Could Reduce Our Revenue and Profit Margins.

Competition in the nutritional supplement market is intense. We compete with numerous companies that have longer operating histories, more products and greater name recognition and financial resources than we do. In order to compete, we could be forced to lower our product prices, which would reduce our revenue and profit margins.

We Are Highly Regulated, Which Increases Our Costs of Doing Business.

We are subject to laws and regulations which cover:

- the formulation, manufacturing, packaging, labeling, distribution, importation, sale and storage of our products;
- the health and safety of food and drugs;
- trade practice and direct selling laws; and
- product claims and advertising by us; or for which we may be held responsible.

Compliance with these laws and regulations is time consuming and expensive. Moreover, new regulations could be adopted that would severely restrict the products we sell or our ability to continue our business. We are unable to predict the nature of any future laws, regulations, interpretations or applications, nor can we predict what effect additional governmental regulations or administrative orders, when and if promulgated, would have on our business in the future. These future changes could, however, require the reformulation or elimination of certain products; imposition of additional record keeping and documentation requirements; imposition of new federal reporting and application requirements; modified methods of importing, manufacturing, storing or distributing certain products; and expanded or different labeling and substantiation requirements for certain products and ingredients. Any or all of these requirements could harm our business.

There Are Limitations on the Liability of Our Officers and Directors Which May Restrict Our Stockholders from Bringing Claims.

Our Bylaws substantially limit the liability of our officers and directors to us and our stockholders for negligence and breach of fiduciary or other duties to us. This limitation may prevent stockholders from bringing claims against our officers and directors in the future.

Shares of Our Common Stock Which Are Eligible for Sale by Our Stockholders May Decrease the Price of Our Common Stock.

We have 11,811,288 common shares outstanding which are freely tradable or saleable under Rule 144. We also have outstanding common stock warrants, convertible notes and stock options exercisable into up to 3,952,362 shares of common stock which could become free trading if exercised. If our stockholders sell substantial amounts of our common stock, the market price of our common stock could decrease.

There is a Limited but Potentially Volatile Trading Market in Our Common Stock, Which May Adversely Affect Our Stock Price.

Our common stock trades on the Electronic Bulletin Board. The Bulletin Board tends to be highly illiquid, in part because there is no national quotation system by which potential investors can track the market price of shares except through information received or generated by a limited number of broker-dealers that make a market in particular stocks. There is a greater chance of market volatility for securities that trade on the Bulletin Board as opposed to a national exchange or quotation system. This volatility may be caused by a variety of factors, including:

- The lack of readily available price quotations;
- The absence of consistent administrative supervision of "bid" and "ask" quotations;
- Lower trading volume; and
- Market conditions.

There could be wide fluctuations in the market price of our common stock. These fluctuations may have an extremely negative effect on the market price of our securities and may prevent an investor from obtaining a market price equal to his purchase price when he attempts to sell our securities in the open market. In these situations, the investor may be required to either sell our securities at a market price which is lower than his purchase price, or to hold our securities for a longer period of time than he planned.

Because Our Common Stock May Be Classified as "Penny Stock," Trading in it Could Be Limited, and Our Stock Price Could Decline.

In the future, our common stock may fall under the definition of "penny stock" if our net tangible assets decline below $2,500,000. In such event, trading in our common stock would be limited because broker-dealers will be required to provide their customers with disclosure documents prior to allowing them to participate in transactions involving our common stock. These disclosure requirements are burdensome to broker-dealers and may discourage them from allowing their customers to participate in transactions involving our common stock.

"Penny stocks" are equity securities with a market price below $5.00 per share, other than a security that is registered on a national exchange or included for quotation on the NASDAQ system, unless, as in our case, the issuer has net tangible assets of more than $2,000,000 and has been in continuous operation for greater than three years. Issuers who have been in operation for less than three years must have net tangible assets of at least $5,000,000.

Rules promulgated by the Securities and Exchange Commission under Section 15(g) of the Exchange Act require broker-dealers engaging in transactions in penny stocks, to first provide to their customers a series of disclosures and documents, including:

- A standardized risk disclosure document identifying the risks inherent in investment in penny stocks;
- All compensation received by the broker-dealer in connection with the transaction;
- Current quotation prices and other relevant market data; and
- Monthly account statements reflecting the fair market value of the securities. In addition, these rules require that a broker-dealer obtain financial and other information from a customer, determine that transactions in penny stocks

are suitable for such customer and deliver a written statement to such customer setting forth the basis for this determination.

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

During the quarter ended September 30, 2010, we issued common stock purchase warrants and convertible notes as follows:

Common Stock Purchase Warrants

Name	Date of Issuance	Number of Shares	Exercise Price	Expiraton Date
James & Josephine Zolin	9/29/2010	75,000	$ 0.50	9/29/2015
Anthony W. & Barbara Opperman	9/29/2010	75,000	$ 0.50	9/29/2015

Convertible Notes

Note Holder	Date of Issuance	Number of Shares	Conversion Price	Amount of Note
James & Josephine Zolin	9/29/2010	300,000	$ 0.50	$ 150,000
Anthony W. & Barbara Opperman	9/29/2010	300,000	$ 0.50	$ 150,000

With respect to the above securities issuances, the Registrant relied on exemptions provided by Section 4(2) of the Securities Act of 1933, as amended (the “Securities Act”) and Rule 506 under the Securities Act. No advertising or general solicitation was employed in offering the securities. The securities were issued to a limited number of persons all of whom were accredited investors as that term is defined in Rule 501 of Regulation D under the Securities Act. All were capable of analyzing the merits and risks of their investment, acknowledged in writing that they were acquiring the securities for investment and not with a view toward distribution or resale, and understood the speculative nature of their investment. Securities issued on the exercise of the common stock warrants or conversion of the convertible notes will contain a restrictive legend prohibiting transfer of the shares except in accordance with federal securities laws.

The proceeds received from the issuance of the convertible notes will be used for working capital purposes. There were no proceeds received from the issuance of the common stock purchase warrants.

ITEM 6. EXHIBITS.

Exhibit No.	Title
31.1	302 Certification of William P. Spencer, Chief Executive Officer
31.2	302 Certification of Lowell W. Giffhorn, Chief Financial Officer
32.1	906 Certification of William P. Spencer, Chief Executive Officer
32.2	906 Certification of Lowell W. Giffhorn, Chief Financial Officer

SIGNATURES

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

IMAGENETIX, INC.
a Nevada corporation

Date: November 15, 2010	By:	/s/ WILLIAM P. SPENCER William P. Spencer Chief Executive Officer (Principal Executive Officer and duly authorized to sign on behalf of the Registrant)

25