

ChromaDex Corp.
Form 10-Q
November 17, 2009
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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 October 3, 2009

Commission File Number: 000-53290

CHROMADEx CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of incorporation or organization)

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

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

92618
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant 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 ☐ 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 ☐

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Non-accelerated filer ☐

Smaller reporting company ☒

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

Number of shares of common stock of the registrant: 28,838,216 outstanding as of November 16, 2009.

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CHROMADDEX CORPORATION

2009 QUARTERLY REPORT ON FORM 10-Q

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ChromaDex Corporation and Subsidiaries**Consolidated Balance Sheets (Unaudited)****As of October 3, 2009 and January 3, 2009**

	October 3, 2009	January 3, 2009
Assets		
Current assets		
Cash	\$ 501,425	\$ 1,125,504
Trade receivables, net	499,727	349,052
Inventories	889,150	711,584
Prepaid expenses and other	107,791	112,609
Total current assets	1,998,093	2,298,749
Leasehold improvements and equipment, net	1,123,506	1,294,062
Deposits and other noncurrent assets		
Deposits	33,392	44,981
Intangible assets, net	352,447	445,318
	385,839	490,299
	\$ 3,507,438	\$ 4,083,110
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 473,576	\$ 444,337
Accrued expenses	294,732	338,056
Current maturities of capital lease obligations	36,979	78,472
Due to officers	1,178,206	1,178,206
Customer deposits and other	186,541	34,260
Total current liabilities	2,170,034	2,073,331
Capital lease obligations, less current maturities	53,409	74,293
Deferred rent	173,579	186,323
Stockholders' equity		
Common stock, \$.001 par value; authorized 50,000,000 shares; issued and outstanding October 3, 2009 and January 3, 2009 28,838,216 shares	28,838	28,838
Additional paid-in capital	9,074,022	8,920,283
Accumulated deficit	(7,992,444)	(7,199,958)
	1,110,416	1,749,163

\$	3,507,438	\$	4,083,110
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See Notes to Consolidated Financial Statements.

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ChromaDex Corporation and Subsidiaries

Consolidated Statements of Operations (Unaudited)

For the Three Month Periods ending October 3, 2009 and September 27, 2008

	Three Months Ended	
	October 3, 2009	September 27, 2008
Sales	\$ 1,433,086	\$ 1,069,003
Cost of goods sold	953,043	881,839
Gross profit	480,043	187,164
Operating expenses:		
Selling	190,153	178,439
General and administrative	463,618	704,018
	653,771	882,457
Operating loss	(173,728)	(695,293)
Nonoperating (income) expenses:		
Interest expense	3,938	27,208
Interest income	(122)	(12,154)
	3,816	15,054
Net loss	\$ (177,544)	\$ (710,347)
Basic and Diluted loss per common share	\$ (0.01)	\$ (0.02)
Basic and Diluted average common shares outstanding	28,838,216	28,600,943

See Notes to Consolidated Financial Statements.

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ChromaDex Corporation and Subsidiaries

Consolidated Statements of Operations (Unaudited)

For the Nine Month Periods ending October 3, 2009 and September 27, 2008

	Nine Months Ended	
	October 3, 2009	September 27, 2008
Sales	\$ 4,222,929	\$ 3,327,605
Cost of goods sold	2,797,168	2,375,017
Gross profit	1,425,761	952,588
Operating expenses:		
Selling	631,371	509,980
General and administrative	1,575,226	1,879,768
	2,206,597	2,389,748
Operating loss	(780,836)	(1,437,160)
Nonoperating (income) expenses:		
Interest expense	13,785	41,877
Interest income	(2,134)	(24,108)
	11,651	17,769
Net loss	\$ (792,487)	\$ (1,454,929)
Basic and Diluted loss per common share	\$ (0.03)	\$ (0.05)
Basic and Diluted average common shares outstanding	28,838,216	28,126,540

See Notes to Consolidated Financial Statements.

Table of Contents**ChromaDex Corporation and Subsidiaries****Consolidated Statements of Cash Flows (Unaudited)****For the Nine Month Periods ending October 3, 2009 and September 27, 2008**

	Nine Months Ended	
	October 3, 2009	September 27, 2008
Cash Flows from Operating Activities		
Net loss	\$ (792,487)	\$ (1,454,929)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	202,465	187,856
Amortization of intangibles	92,871	87,279
Stock issued for services provided		22,669
Stock-based compensation expense	153,739	77,459
Due to officers		10,384
Interest added to notes payable		20,740
Changes in operating assets and liabilities:		
Accounts receivable	(150,675)	(157,118)
Inventories	(177,566)	(129,579)
Prepaid expenses and other	16,407	(76,053)
Accounts payable	29,239	(111,542)
Deferred rent	(12,744)	(16,509)
Accrued expenses	(43,323)	(38,006)
Customer deposits and other	152,281	(93,031)
Net cash (used in) operating activities	(529,793)	(1,670,380)
Cash Flows From Investing Activities		
Purchases of leasehold improvements and equipment	(36,909)	(344,918)
Purchases of intangible assets		(78,275)
Proceeds from return of purchased equipment	5,000	
Net cash (used in) investing activities	(31,909)	(423,193)
Cash Flows From Financing Activities		
Proceeds from issuance of common stock		4,265,086
Principal payments on capital leases	(62,377)	(55,048)
Net cash provided by (used in) financing activities	(62,377)	4,210,038
Net increase (decrease) in cash	(624,079)	2,116,465
Cash:		
Beginning	1,125,504	303,785
Ending	\$ 501,425	\$ 2,420,250
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	\$ 13,785	\$ 21,137
Supplemental Schedules of Noncash Financing Activities		
Note payable incurred for repurchase of common stock	\$	\$ 959,617
See Notes to Consolidated Financial Statements.		

Table of Contents**ChromaDex Corporation and Subsidiaries****Notes to Consolidated Financial Statements (Unaudited)****Note 1. Interim Financial Statements**

The accompanying financial statements of ChromaDex Corporation and its wholly owned subsidiaries, ChromaDex, Inc. and ChromaDex Analytics, Inc. (the Company) include all adjustments, consisting of normal recurring adjustments and accruals, that in the opinion of the management of the Company are necessary for a fair presentation of our financial position as of October 3, 2009 and results of operations and cash flows for the three and nine months ended October 3, 2009 and September 27, 2008. 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 January 3, 2009 appearing in the Company's Annual Report on Form 10-K filed with the Commission on April 3, 2009. Operating results for the nine months ended October 3, 2009 are not necessarily indicative of the results to be achieved for the full year ending on January 2, 2010. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Note 2. Nature of Business and Significant Accounting Policies

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

Basis of presentation: The financial statements and accompanying notes have been prepared on a consolidated basis and reflect the consolidated financial position of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated from these financial statements. The Company's fiscal year ends on the Saturday closest to December 31 and the Company's normal fiscal quarters end on the Saturday 13 weeks after the last fiscal year end or fiscal quarter end. The fiscal year for 2008 included 53 weeks instead of the normal 52 weeks, and consequently the fourth fiscal quarter of the fiscal year for 2008 included 14 weeks instead of the normal 13 weeks. The inclusion of an extra week occurs every fifth or sixth fiscal year due to the Company's floating year-end date. The fiscal year for 2009 includes 52 weeks, and consequently the fiscal quarters for the fiscal year for 2009 each include 13 weeks.

Earnings per share: Potentially dilutive common shares consist of the incremental common shares issuable upon the exercise of common stock options and warrants for all periods. For all periods ended October 3, 2009 and September 27, 2008, the basic and diluted shares reported are equal as the common share equivalents are anti-dilutive due to the net losses for each period. Below is a tabulation of the potentially dilutive securities for the periods ended October 3, 2009 and September 27, 2008.

	Three Months ending		Nine Months ending	
	October 3, 2009	September 27, 2008	October 3, 2009	September 27, 2008
Basic average common shares outstanding	28,838,216	28,600,943	28,838,216	28,126,540
Warrants and options in the money, net		532,336		532,336
Weighted average common shares outstanding assuming dilution	28,838,216	29,133,279	28,838,216	28,658,876

Table of Contents**Note 3. Leasehold Improvements and Equipment**

Leasehold improvements and equipment consisted of the following:

	October 3, 2009	January 3, 2009
Laboratory equipment	\$ 2,054,476	\$ 2,055,101
Leasehold Improvements	185,124	140,022
Computer equipment	208,499	205,933
Furniture and fixtures	15,308	15,308
Office equipment	3,445	3,445
Construction in Progress	96,331	111,465
	2,563,183	2,531,274
Less accumulated depreciation	1,439,677	1,237,212
	\$ 1,123,506	\$ 1,294,062

The Company plans on having additional \$120,000 in Construction in Progress Leasehold Improvements during the fourth fiscal quarter which ends on January 2, 2010. The asset cost for this Construction in Progress Leasehold Improvements will be reimbursed by the landlord, Railhead Partners, LLC, pursuant to the Second Amendment to Lease Agreement dated as of April 27, 2009, by and between Railhead Partners, LLC and Chromadex Analytics, Inc. The details of this agreement are set forth in the Company's Current Report on Form 8-K filed with the Commission on April 28, 2009. The reimbursed cost from the landlord will be recognized as a liability and amortized over the life of the leasehold.

Note 4. Share-based Compensation

	For the three months ended		For the nine months ended	
	October 3, 2009	September 27, 2008	October 3, 2009	September 27, 2008
Options granted			919,301	1,827,987
Options forfeited	29,411	16,507	74,833	31,507
Total share-based compensation expense	\$ 55,947	\$ 43,685	\$ 153,739	\$ 77,459
Weighted average grant date fair value, options	\$	\$	\$ 0.12	\$ 0.40
Total unrecognized compensation cost	\$ 526,927	\$ 624,743	\$ 526,927	\$ 624,743
Remaining weighted average period cost will be recognized over	2.81	3.50	2.81	3.50

Note 5. Management's Plans for Continuing Operations

The Company has incurred a net loss of \$792,487 for the nine month period ended October 3, 2009 and a net loss of \$2,104,476 for the year ended January 3, 2009. The loss for the nine month period ended October 3, 2009 reflects costs related to reporting, legal, accounting and compliance as a public reporting entity, and the Company expects to incur significant future costs associated with being a public reporting entity. In addition management has invested heavily in additional personnel and selling expenses over the past 18 months to implement its business plan. This has resulted in higher direct labor, indirect overhead, selling, and advertising expenses versus prior years. Management has also implemented additional strategic operational

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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 Food and Drug Administration's (FDA's) guideline releases in the dietary supplement industry and the market's trend towards green chemistry in the food and cosmetic sector. The Company has implemented a comprehensive marketing plan design targeted on leveraging its capabilities concurrent with the FDA's releases. The Company has also expanded its marketing plan to target the pharmaceutical and cosmetic sectors to support the reference standards, analytical services and discovery libraries product lines.

The Company believes the capital raised during the year ended January 3, 2009, will be sufficient to implement its current business plan through March, 2010, however, if the Company determines that it needs additional financing to further enable its long-term strategic objectives, there can be no assurance that it will be available on terms favorable to it or at all. If adequate financing is not available, the Company may have to delay, postpone or terminate product and service expansion and curtail general and administrative operations in order to maintain sufficient operating capital throughout 2010. The inability to raise additional financing may have a material adverse effect on the future performance of the Company.

Note 6. Subsequent Events

In May 2009, the FASB issued The Subsequent Events and Disclosures Topic of the FASB Accounting Standards Codification (the Subsequent Events Topic). The Subsequent Events Topic establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued or are available to be issued. The Subsequent Events Topic requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date—that is, whether that date represents the date the financial statements were issued or were available to be issued. This disclosure is intended to alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. The Subsequent Events Topic is effective on a prospective basis for interim or annual periods ending after June 15, 2009. We adopted the provisions of The Subsequent Events Topic and it had no effect on our financial position or results of operations. We evaluated for disclosure any subsequent events through the November 17, 2009 filing date of this document, and determined that there are no material events that warrant disclosure.

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

This Quarterly Report on Form 10-Q (the "Form 10-Q") contains forward-looking statements, as defined in Section 21E of the Securities Exchange Act of 1934, as amended. These statements reflect the Company's current expectations of the future results of its operations, performance and achievements. Forward-looking statements are covered under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The Company has tried, wherever possible, to identify these statements by using words such as "anticipates", "believes", "estimates", "expects", "plans", "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 2009 and beyond to differ materially from those expressed in, or implied by, such statements. These risks, uncertainties, factors and other risks are set forth under Item 1A "Risk Factors" in the Company's Annual Report on Form 10-K filed with the Commission on April 3, 2009 and in future reports the Company files with the Commission. Readers of this Quarterly Report on 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 ChromaDex together with the financial statements and the related notes presented in this report.

Overview

ChromaDex Corporation and its subsidiaries (collectively, "ChromaDex", or the "Company") supplies phytochemical reference standards and reference materials, related contract services, and products for the dietary supplement, nutraceutical, food and beverage, functional food, pharmaceutical and cosmetic markets. ChromaDex's core business strategy is to use the intellectual property harnessed by its expertise in the area of natural products and in the creation of reference materials to the industry as the basis for providing new and alternative, "green", mass marketable products to its customers. The Company's strategy is to license its intellectual property ("IP") to companies who will commercialize it. The Company anticipates that the net result will be a long term flow of intellectual property milestone and royalty payments for the Company.

The discussion and analysis of our financial condition and results of operations are based on the ChromaDex financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires making 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

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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.

We believe that our current cash, cash equivalents and cash generated from operations will be sufficient to meet our projected operating plans through March, 2010. We intend to seek additional capital prior to the end of March, 2010 both to meet our projected operating plans after March, 2010 and to fund our longer term strategic objectives. To the extent we are unable to raise additional cash or generate net income prior to March, 2010 to meet our projected operating plans, we will revise our projected operating plans accordingly. Additional capital may come from public and 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 shareholders may experience dilution and the new equity or debt securities we issue may have rights, preferences and privileges senior to those of our existing shareholders. 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 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, 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 a collaboration we may be unable to fulfill our customer's requirements. This may cause a loss of future revenue streams as well as require us to look for third party vendors to provide these services. These vendors may not be available, or charge fees that prevent us from pricing competitively within our markets.

The Food and Drug Administration (FDA) is currently in the process of starting to regulate the dietary supplement market under the new Good Manufacturing Practices (GMPs). The GMPs call for a three year phase in period and as of June, 2009, both large and medium manufacturers are held accountable under these new regulations. In June, 2010, small manufacturers will be held accountable as well. At this time, it is unknown to what extent the FDA will enforce the regulations and how they will be interpreted upon enforcement. These uncertainties may have a material adverse effect on the results of operations for ChromaDex as lack of enforcement or an interpretation of the regulations that lessens the burden of compliance for the dietary supplement marketplace may cause a reduced demand for ChromaDex's products and services.

Results of Operations

ChromaDex generated net sales of \$4,222,929 for the nine month period ended October 3, 2009 and \$3,327,605 for the nine month period ended September 27, 2008. ChromaDex incurred a net loss of \$792,487 for the nine month period ended October 3, 2009 and had a net loss of \$1,454,929 for the nine month period ended September 27, 2008. This equated to a \$0.03 loss per basic and diluted share for the nine month period ended October 3, 2009 versus a \$0.05 loss per basic and diluted share for the nine month period ended September 27, 2008. For the three month period ended October 3, 2009, ChromaDex generated net sales of \$1,433,086 and a net loss of \$177,544 versus net sales of \$1,069,003 and a net loss of \$710,347 for

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the three month period ended September 27, 2008. This was a \$0.01 loss per basic and diluted share for the three month period ended October 3, 2009 versus a \$0.02 loss per basic and diluted share for the three month period ended September 27, 2008.

Over the next three months, assuming the sufficiency of our cash resources, we plan to continue expanding our service capacity through hiring and implementing accreditation and certification programs related to quality initiatives based on customer demand. In addition, we plan to continue expanding our chemical library program and to either establish a GMP compliant pilot plant to support small to medium scale production of target compounds or partner with a company that has these capabilities through a collaboration.

Net Sales

Net Sales consist of Gross sales less returns and discounts. Net sales increased by 34% to \$1,433,086 for the three month period ended October 3, 2009 as compared to \$1,069,003 for the three month period ended September 27, 2008. For the nine month period ended October 3, 2009, net sales increased by 27% to \$4,222,929 as compared to \$3,327,605 for the nine month period ended September 27, 2008. This increase was due to our additional service offerings and increased demand for each of our existing products and services.

Costs of Sales

Costs of Sales include raw materials, labor, overhead, and delivery costs. Cost of sales for the three and nine month periods ended October 3, 2009 were \$953,043 and \$2,797,168 respectively versus \$881,839 and \$2,375,017 for the three and nine month periods ended September 27, 2008. As a percentage of net sales, this represented a 16% decrease for the three month period ended October 3, 2009 compared with the three month period ended September 27, 2008. This percentage decrease in cost of sales is a result of fixed labor and overhead costs that make up the majority of our expenses. These fixed expenses did not increase in proportion to sales as we were able to achieve growth in sales without an increase of certain labor and overhead costs. Despite this significant decrease, the cost of sales as a percentage of net sales decreased by just 5% for the nine month period ended October 3, 2009 compared with the nine month period ended September 27, 2008. This was largely due to increased sales of high volume products, primarily consisting of ingredients for dietary supplements and foods during the nine month period ended October 3, 2009. These high volume products have significantly higher raw material costs associated with them. The Company expects to see a significant increase in the sales of these high volume products for the remainder of 2009 and throughout 2010. These sales will likely cause the Company to experience lower gross margins as a percentage of sales during this time period.

Gross Profit

Gross profit is net sales less the cost of sales and is affected by a number of factors including product mix, competitive pricing and costs of products and services. Our gross profit increased 156% to \$480,043 for the three month period ended October 3, 2009 from \$187,164 for the three month period ended September 27, 2008. The increase in sales coupled with a decrease in labor and overhead costs contributed to this increase in gross profit. For the nine month period ended October 3, 2009, gross profit increased 50% to \$1,425,761 from \$952,588 for the nine month period ended September 27, 2008. Again, increased sales coupled with only a marginal increase in labor and overhead costs contributed to this increase in gross profit. The Company expects that as sales continue to grow, labor and overhead costs as a percentage of sales will continue to decrease as future growth in Net Sales will likely require lower direct labor and variable overhead costs.

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Operating Expenses Sales and Marketing

Sales and Marketing Expenses consist of salaries, commissions to employees and advertising and marketing. Sales and marketing expenses for the three and nine month periods ended October 3, 2009 were \$190,153 and \$631,371 as compared to \$178,439 and \$509,980 for the three and nine month periods ended September 27, 2008. This increase was primarily due to increased advertising and marketing across different customer sectors, as well as wages and commissions associated with the expansion of our sales staff.

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 October 3, 2009 were \$463,618 and \$1,575,226 as compared to \$704,018 and \$1,879,768 for the three and nine month periods ended September 27, 2008. This decrease for the nine month period was primarily due to one-time legal and accounting costs related to a private placement and our merger into a wholly owned subsidiary of Cody Resources, Inc. during the nine month period ended September 27, 2008. The decrease for the three month period was due mainly to legal and accounting costs incurred for a private placement during the three month period ended September 27, 2008.

Non-operating Expenses Interest Expense

Interest expense consists of interest on capital leases and notes payable. Interest expense for the three and nine month periods ended October 3, 2009 were \$3,938 and \$13,785 compared to \$27,208 and \$41,877 for the three and nine month periods ended September 27, 2008. For the three and nine month periods ended October 3, 2009, the interest expense occurred was primarily due to capital lease obligations as compared to interest expense for the three and nine month periods ended September 27, 2008 which was primarily due to the note payable issued to Bayer AG on June 18, 2008, in conjunction with ChromaDex's repurchase of ChromaDex, Inc. shares prior to our merger into a wholly owned subsidiary of Cody Resources, Inc. This note was repaid on December 19, 2008.

Non-operating Expenses Interest Income

Interest income consists of interest earned on money market accounts. Interest income for the three and nine month periods ended October 3, 2009, were \$122 and \$2,134 as compared to \$12,154 and \$24,108 for the three and nine month periods ended September 27, 2008. This decrease was primarily due to falling interest rates and a decrease in cash balance in our money market accounts.

Depreciation and Amortization

For the nine month period ended October 3, 2009, we recorded approximately \$202,465 in depreciation. We depreciate our assets on a straight-line basis, based on the estimated useful lives of the respective assets. We amortize intangible assets using a straight-line method over 10 years. In the nine month period ended October 3, 2009, we recorded an amortization for intangible assets of approximately \$92,871. We test intangible assets for impairment on the last day of the fiscal year annually and based on events or changes in circumstances as they occur.

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Liquidity and Capital Resources

Since inception and through October 3, 2009, we have incurred aggregate losses of approximately \$8.0 million. These losses are primarily due to overhead costs and general and administrative expenses associated with the development and expansion of our operations. These operations have been financed through capital contributions and the issuance of common stock.

The 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 administration 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, and there can be no assurance that it will be available on terms favorable to us or at all. If adequate financing is not available, we may have to delay, postpone or terminate product and service expansion and curtail general and administrative operations in order to maintain sufficient operating capital. The inability to raise additional financing may have a material adverse effect on us. We intend to seek additional capital prior to March, 2010 both to meet our projected operating plans after March, 2010 and to fund our longer term strategic objectives. To the extent we are unable to raise additional cash or generate net income prior to March, 2010 to meet our projected operating plans, 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 October 3, 2009 and September 27, 2008 were \$530,000 and \$1,670,000, respectively. The decrease in net cash used in operating activities largely reflects a decrease in the net loss adjusted for non-cash items and an increase in cash provided by customer deposits, accounts payable and prepaid expenses.

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

Net cash used in investing activities

Net cash used in investing activities was \$32,000 for the nine months ended October 3, 2009, compared to \$423,000 for the nine months ended September 27, 2008. The decrease in cash used in investing activities mainly reflects the timing of purchases of equipment for our service business as well as purchases of intangible assets.

Net cash used in financing activities

Net cash used in financing activities was \$62,000 for the nine months ended October 3, 2009, compared to \$4.2 million provided for the nine months ended September 27, 2008. The net cash provided by financing activities for the nine months ended September 27, 2008, mainly consisted of net proceeds from a private placement.

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Dividend policy

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

Off-Balance Sheet Arrangements

During the nine months ended October 3, 2009, 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 filed with the Commission on April 3, 2009.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

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ITEM 4(T). CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the Company's disclosure controls and procedures as of October 3, 2009. Pursuant to Rule 13a-15(e) promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, disclosure controls and procedures means controls and other procedures that are designed to insure that information required to be disclosed by the Company in the reports that it files with the Securities and Exchange Commission is recorded, processed, summarized and reported within the time limits specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to insure that information the Company is required to disclose in the reports it files with the Commission is accumulated and communicated to the Chief Executive Officer and Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure. Based on the Company's evaluation, its Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of October 3, 2009.

Changes in Internal Controls

There was no change in internal controls 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. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Exhibit No.	Description of Exhibits
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)

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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 17, 2009

/s/ THOMAS C. VARVARO
Thomas C. Varvaro.

Chief Financial Officer