

ChromaDex Corp.  
Form 10-K  
March 27, 2014

---

---

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934.

For the fiscal year ended December 28, 2013

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934.

Commission file number 000-53290

CHROMADDEX CORPORATION  
(Exact name of Registrant as specified in its Charter)

Delaware 26-2940963  
(State or other jurisdiction of incorporation) (I.R.S. Employer Identification No.)

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of Each Exchange on Which Registered
N/A	N/A

Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$0.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

Edgar Filing: ChromaDex Corp. - Form 10-K

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "accelerated filer," "large accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated Filer

Non-accelerated filer

Smaller Reporting Company

(Do not check if smaller reporting company)

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

As of June 29, 2013, the aggregate market value of the common stock held by non-affiliates of the Registrant was approximately \$47,056,942.

Number of shares of common stock of the registrant outstanding as of March 26, 2014: 106,149,101

DOCUMENTS INCORPORATED BY REFERENCE

None.

---

---

---

Table of Contents

## TABLE OF CONTENTS

Item

## PART I

	<u>Cautionary Notice Regarding Forward-Looking Statements</u>	
1.	<u>Business</u>	1
1A.	<u>Risk Factors</u>	13
2.	<u>Properties</u>	27
3.	<u>Legal Proceedings</u>	27
4.	<u>Mine Safety Disclosures</u>	27
	PART II	
5.	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	28
6.	<u>Selected Financial Data</u>	29
7.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	29
7A	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	37
8.	<u>Financial Statements and Supplementary Data</u>	38
9.	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	39
9A	<u>Controls and Procedures</u>	39
9B.	<u>Other Information</u>	41
	PART III	
10.	<u>Directors, Executive Officers and Corporate Governance</u>	42
11.	<u>Executive Compensation</u>	50
12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	60
13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	62
14.	<u>Principal Accounting Fees and Services</u>	63
	PART IV	
15.	<u>Exhibits, Financial Statement Schedules</u>	65
	<u>Signatures</u>	66

Table of Contents

PART I

CAUTIONARY NOTICE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K (the “Form 10-K”) contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect the current view about future events. When used in this Form 10-K the words “anticipate,” “believe,” “estimate,” “expect,” “future,” “intend,” “plan” or the negative of these terms and similar expressions relate to us or our management identify forward looking statements. Such statements, include, but are not limited to, statements contained in this Form 10-K relating to our business, business strategy, products and services we may offer in the future, sales and marketing strategy and capital outlook. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. They are neither statement of historical fact nor guarantees of assurance of future performance. We caution you therefore against relying on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward looking statements include, but are not limited to, a decline in general economic conditions nationally and internationally; decreased demand for our products and services; market acceptance of our products; the ability to protect our intellectual property rights; impact of any litigation or infringement actions brought against us; competition from other providers and products; risks in product development; inability to raise capital to fund continuing operations; changes in government regulation; the ability to complete customer transactions and capital raising transactions, and other factors (including the risks contained in Item 1A of this Form 10-K under the heading “Risk Factors”) relating to our industry, our operations and results of operations and any businesses that may be acquired by us. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended or planned.

Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we undertake no obligation to and do not intend to update any of the forward-looking statements to conform these statements to actual results.

Item 1. Business

Company Overview

The business of ChromaDex Corporation is conducted by our principal subsidiaries, ChromaDex, Inc., Chromadex Analytics, Inc. and Spherix Consulting, Inc. (“Spherix”). ChromaDex Corporation and its subsidiaries (collectively referred to herein as “ChromaDex” or the “Company” or, in the first person as “we” “us” and “our”) supplies phytochemical reference standards, which are small quantities of plant-based compounds typically used to research an array of potential attributes, and reference materials, related contract services, technical consulting and proprietary ingredients. We perform chemistry-based analytical services at our laboratory in Boulder, Colorado, typically in support of quality control or quality assurance activities within the dietary supplement industry. On December 3, 2012, we acquired Spherix, which provides scientific and regulatory consulting to the clients in the food, supplement and pharmaceutical industries to manage potential health and regulatory risks. In 2011, we launched the BluScience retail dietary supplement products containing one of the proprietary ingredients, pTeropure, which we also sell as an ingredient for incorporation into the products of other companies. However, on March 28, 2013, we entered into an asset purchase and sale agreement with NeutriSci International Inc. (“NeutriSci”) and consummated the sale of

the BluScience consumer product line to NeutriSci. For the fiscal years ended December 28, 2013 and December 29, 2012, our revenues were \$10,160,964 and \$11,610,494, respectively.

## Table of Contents

We are a leading provider of research and quality-control products and services to the natural products industry. Customers worldwide in the dietary supplement, food and beverage, cosmetic and pharmaceutical industries use our products, which are small quantities of highly-characterized, research-grade, plant-based materials, to ensure the quality of their raw materials and finished products. Customers also use our analytical chemistry services to support their quality assurance activities, primarily to ensure the identity, potency and safety of their consumer products. We have conducted this core business since 1999.

We believe there is a growing need at both the manufacturing and government regulatory levels for reference standards, analytical methods and other quality assurance methods to ensure that products that contain plants, plant extracts and naturally occurring compounds distributed to consumers are safe. We further believe that this need is driven by the perception at the consumer level of a lack of adequate quality controls related to certain functional food or dietary supplement based products, as well as increased effort on the part of the Food and Drug Administration (“FDA”) to assure Good Manufacturing Practices (“GMP”).

Our core standards and contract service businesses provide us with the opportunity to become aware of the results from research and screening activities performed on thousands of potential natural product candidates. By selecting the most promising ingredients from this market-based screening model, which is grounded in primary research performed by leading universities and institutions, followed by selective investments in further research and development, new natural products-related intellectual property can be identified and brought to various markets with a much lower investment cost and an increased chance of success. The first of these proprietary compounds, pterostilbene, is marketed and sold under our brand name, pTeroPure. Pterostilbene is a polyphenol and a powerful antioxidant that shows promise in a range of health related issues. We have in-licensed patents pending related to the use of pterostilbene for a number of these benefits, and have filed additional patents related to additional benefits, such as a patent jointly filed with University of California at Irvine related to its effects on non-melanoma skin cancer. We have successfully conducted a clinical trial, together with the University of Mississippi, related to its blood pressure lowering effects. We expect to conduct additional clinical trials on this compound and we anticipate entering the dietary supplement, animal health and, if clinical results are favorable, the pharmaceutical market. We believe that we have opportunities in the skin care market and we will continue to investigate developing these opportunities internally or through third party partners.

Another one of these proprietary compounds is nicotinamide riboside (“NR”) for which our brand name is NIAGEN. NR is found naturally in trace amounts in milk and other foods and is the “no-flush” version of the B vitamin known as niacin. The potential beneficial effects of NR in humans include increased anti-aging, fatty acid oxidation, mitochondrial activity, resistance to negative consequences of high-fat diets, protection against oxidative stress, prevention of peripheral neuropathy and blocking muscle degeneration. Published research has shown that NR is a potent precursor to NAD<sup>+</sup> in the mitochondria of animals. NAD<sup>+</sup> is an important cellular co-factor for improvement of mitochondrial performance and energy metabolism. The Company has built a significant patent portfolio pertaining to NR by separately acquiring patent rights from Cornell University, Dartmouth College and Washington University. We anticipate conducting additional clinical trials on NR and other compounds in our pipeline to provide differentiation as we market these ingredients and support various health-related claims or obtain additional regulatory clearances.

With the addition of Spherix, we now provide our clients in the food, supplement and pharmaceutical industries with effective solutions to manage potential health and regulatory risks. Our science-based solutions are for both new and existing products that may be subject to product liability and/or exposed to changing scientific standards or public perceptions; literature evaluations; and design and assessment of pre-clinical and clinical safety testing. We specialize in regulatory submissions for food and dietary supplement ingredients. For our clients involved in drug development within the pharmaceutical industry, we provide similar services as well as risk-based strategies, including intellectual property data and compliance gap identification, due diligence assessments and investigational new drug writing. We

believe the addition of Spherix will complement and expand our leadership in reference standards and services business. By providing a more comprehensive suite of science-based and regulatory services, we will be able to more efficiently advance products in the dietary supplement, food and beverage, animal health, cosmetic and pharmaceutical markets.

-2-

---

## Table of Contents

### Company Background

ChromaDex, Inc. was originally formed as a California corporation on February 19, 2000. On April 23, 2003, ChromaDex Inc. acquired the research and development group of a competing natural product company called Napro Biotherapeutics located in Boulder, Colorado. The assets acquired in this transaction were placed in a newly-formed, wholly-owned subsidiary of ChromaDex named Chromadex Analytics, Inc., a Nevada corporation. On December 3, 2012, ChromaDex Inc. acquired a scientific and regulatory consulting company called Spherix Consulting Inc. located in the greater Washington D.C. area and Spherix Consulting Inc. became a wholly-owned subsidiary of ChromaDex, Inc.

### Our Strategy

Our business strategy is to identify, acquire, reduce-to-practice, and commercialize innovative new natural products and technologies, with an initial industry focus on the dietary supplement, nutraceutical, food and beverage, functional food, animal health, pharmaceutical and skin care markets. We plan to utilize our experienced management team to commercialize these natural product technologies by advancing them through any required regulatory approval processes, selectively conducting clinical trials, arranging for reliable and cost-effective manufacturing, and ultimately either directly selling the products or licensing the intellectual property to third parties. We plan to conduct clinical trials to (a) reinforce the health benefits that may be associated with our ingredients in support of sales made into the dietary supplement and food and beverage markets, (b) potentially improve the quality or specificity of FDA approved claim we can make with respect to these health benefits, and (c) potentially lead us toward pharmaceutical applications for our ingredients.

• **Commercialization of intellectual property:** We believe that many of our products currently in development have the potential to spin off technologies that may themselves be independently capable of commercialization and becoming significant new revenue sources. We believe that new intellectual property can also be developed from our expansion into new markets.

• **Expansion and growth of the core business:** We intend to continue to expand our phytochemical standards offerings, which is the core of our business. Currently, we have approximately 4,500 defined standards. We expect to add about 500 new standards each year for the foreseeable future.

• **Expansion into new markets:** We are developing business in new domestic and international markets. These markets include both the domestic and international botanical drug market and the market for novel therapeutic botanicals from Asia, South America and Africa. We have also added what we believe to be new and innovative product offerings, including the screening of compound libraries and the offering of value-added raw materials.

• **Expansion through acquisitions:** We are a leader in the phytochemical standards market. We believe other smaller competitors are having difficulty expanding their revenue base and are prime candidates for acquisition by us. We believe that a long-term roll-up strategy could eventually lead to ChromaDex positioning itself as a provider of choice for phytochemical standards and libraries.

### Overview of our Products and Services

We are headquartered in Irvine, California, and our analytical and research laboratory facility, Chromadex Analytics, is located in Boulder, Colorado. Chromadex Analytics operates a facility with 13,000 square feet of laboratory and office space. While we perform many of the contract services and research for our clients, Chromadex Analytics manufactures certain phytochemical reference standards, provides research and development, all analytical services and laboratory support for ChromaDex. Since 2003, we have invested in excess of \$2.5 million in laboratory



equipment, and we currently have personnel possessing over 150 years of combined pharmaceutical and natural products chemistry experience.

-3-

---

## Table of Contents

We have recently acquired Spherix, located in the greater Washington D.C. area. Spherix provides its clients in the food, supplement and pharmaceutical industries with effective solutions to manage potential health and regulatory risks.

Current products and services provided are:

• **Dietary supplement and food ingredients.** We offer bulk raw materials for inclusion in dietary supplements, food, beverage and cosmetic products. This is an area where we are increasing our focus, as we believe we can secure and defend our market positions through patents and long-term manufacturing agreements with our customers and vendors.

• **Supply of reference standards, materials & kits.** Through our catalog, we supply a wide range of products necessary to conduct quality control of raw materials and consumer products. Reference standards and materials and the kits created from them are used for research and quality control in the dietary supplements, cosmetics, food and beverages, and pharmaceutical industries.

• **Supply of fine chemicals and phytochemicals.** As demand for new natural products and phytochemicals increases, we can scale up and supply our core products in the gram to kilogram scale for companies that require these products for research and new product development.

• **Contract services.** ChromaDex, through Chromadex Analytics, provides a wide range of contract services ranging from routine contract analysis for the production of dietary supplements, cosmetics, foods and other natural products to elaborate contract research for clients in these industries.

• **Consulting services.** We provide a comprehensive range of consulting services in the areas of regulatory support, new ingredient or product development, risk management and litigation support. With the addition of Spherix, we now can provide and are now offering product regulatory approval and scientific advisory services.

• **Process development.** Developing cost effective and efficient processes for manufacturing natural products can be very difficult and time consuming. We can assist customers in creating processes for cost-effective manufacturing of natural products, using “green chemistry.”

Products and services in development:

• **Nicotinamide riboside.** We are working to develop and conduct additional clinical trials to reinforce the health benefits associated with nicotinamide riboside. Nicotinamide riboside, a recently discovered vitamin found naturally in milk, is a more potent version of the more commonly known niacin (vitamin B3). Nicotinamide riboside has shown promise for improving cardiovascular health, glucose levels and cognitive function and has demonstrated evidence of anti-aging effects.

• **Pterostilbene and caffeine co-crystal.** We are working to develop and conduct additional clinical trials to reinforce the benefits of the co-crystal ingredient comprised of caffeine and pterostilbene. The first human study of this ingredient demonstrated that it delivers 30 percent more caffeine, stays in the blood stream longer, and is absorbed more slowly than ordinary caffeine. With this ingredient, formulators of energy products may have the ability to reduce the total amount of caffeine in their products by as much as 50% without sacrificing consumers’ expectations from such products.

• **Anthocyanin.** We are working to establish cost-effective methodologies for the efficient production of anthocyanins from genetically engineered bacteria. Anthocyanins are secondary plant metabolites that are mainly responsible for

the colors in plant tissues, primarily reds, purples and blues. They are non-toxic and have been observed to possess antioxidant, anticancer and anti-inflammatory activities, making them attractive candidates in the pharmaceutical, dietary supplement and food colorants industries.

Table of Contents

• **Process scale manufacturing.** We intend to invest in a pilot plant facility that has the capability of manufacturing at a process scale for products that have gone to market.

• **Phytochemical libraries.** We intend to continue investing in the development of natural product based libraries by continuing to create these libraries internally as well as through product licensing.

• **Plant extracts libraries.** We intend to continue our efforts to create an extensive library of plant extracts using our already extensive list of botanical reference materials.

• **Databases for cross-referencing phytochemicals.** We are working on building a database for cross referencing phytochemicals against an extensive list of plants, including links to references to ethnopharmacological, ethnobotanical, and biological activity, as well as clinical evidence.

• **Intellectual property.** We plan to utilize our expertise in natural products to license and develop new intellectual property that can be licensed to clients in our target industries.

Sales and Marketing Strategy

Our sales platform for the ingredients, core reference standards and analytical service business is based on a direct, inside technical sales model. We hire technical sales staff with appropriate scientific background in chemistry, biology, biochemistry or other related scientific fields. Our sales staff currently operates out of our Irvine, California office and performs sales duties by using combinations of telemarketing, e-mail, tradeshow and customer visits. It also has customer service responsibilities. We plan to add outside field sales representatives in the future as needed. All sales staff is compensated based on a uniform basic pay model based on salary and performance-based bonus.

Spherix, operating out of Rockville, Maryland, generates scientific and regulatory consulting revenue from an existing well-established list of Fortune 1000 customers and referrals. Our sales staff for the ingredients, reference standards and analytical service business in Irvine, California will also generate leads for Spherix.

USA and Canada:

For our ingredients, core reference standards and analytical service business, we employ the use of a direct mail marketing strategy (catalogs, brochures and flyers) in combination with a range of the following marketing activities to promote and sell our products and services:

- Tradeshows and conferences
- Monthly newsletters (via e-mail)
  - Internet
  - Website
- Advertising in trade publications
- Press releases

We intend to continue to use a direct marketing approach to promote our products and services to all markets that we target for direct sales.



Table of Contents

International:

For our core reference standards business, we use international distributors to market and sell to several foreign countries or markets. The use of distributors in some international markets has proven to be more effective than direct sales. Currently, we have exclusive distribution agreements in place with the following distributors for the following countries or regions:

- Europe (LGC Limited)
- South America (JMC, Inc.)
- Korea (Dong Myung Scientific Co.)
- India (LGC Promochem India Pvt. Ltd.)

We also use non-exclusive distributors for each of the following countries or groups of countries:

- Japan
- Australia and New Zealand
- China
- Indonesia, Malaysia, Singapore and Thailand
- Mexico

We may decide in the future to make non-exclusive distributors who show significant productivity in their designated market exclusive distributors in such markets.

Business Market

According to the Natural Marketing Institute, the Dietary Supplement, Functional Food and Beverage, and Natural Personal Care markets represent more than \$250 billion in annual worldwide sales. The quality control and assurance of some of the products in these markets are, as previously noted, largely “under regulated.” This scenario leads to the establishment of the basis of one of our business strategies: concentration on the overall content of products, as well as active/marker components, uniformity of production, and toxicology of products in these markets in ways similar to analysis by other companies focused in the pharmaceutical industry. There is an increasing demand for new products, ingredients and ideas for natural products. The pressure for new, innovative products, which are “natural” or “green” based, cuts across all markets including food, beverage, cosmetic and pharmaceutical.

While we believe that doctors and patients have become more receptive to the use of botanical and herbal-based and natural and dietary ingredients to prevent or treat illness and improve quality of life, the medical establishment has conditioned its acceptance on significantly improved demonstration of efficacy, safety and quality control comparable to that imposed on pharmaceuticals. Nevertheless, little is currently known about the constituents, active compounds and safety of many botanical and herbal natural ingredients and few qualified chemists and technology based companies exist to supply the information and products necessary to meet this burgeoning market need. Natural products are complex mixtures of many compounds, with significant variability arising from growing and extraction conditions. The following developments are some that highlight the need for standards control and quality assurance:



## Table of Contents

- The FDA published its draft guidance for GMPs for dietary supplements on March 13, 2003. The final rule from this guidance was made effective in June 2007, and full compliance was required by June 2010; and

Regulatory agencies around the world have started to review the need for the regulation of herbal and natural supplements and are considering regulations that will include testing for the presence of toxic or adulterating compounds, drug/compound interactions and evidence that the products are biologically active for their intended use.

## Business Model

We have taken advantage of both supply chain needs and regulatory requirements such as the GMPs for dietary supplements to build our core standards and analytical services businesses. We believe that we create value throughout the supply chain of the pharmaceutical, dietary supplements, functional foods and personal care markets. We do this by:

Combining the analytical methodology and characterization of materials with the technical support for the sale of reference materials by our clients;

- Helping companies to comply with new government regulations; and

Providing value-added solutions to every layer of the supply chain in order to increase the overall quality of products being produced.

In addition, the acquisition of Spherix has enabled us to be a premier provider of product regulatory approval and scientific advisory services. We can now provide our clients in the food, supplement and pharmaceutical industries with effective solutions to manage potential health and regulatory risks. Our science-based solutions are for both new and existing products that may be subject to product liability and/or exposed to changing scientific standards or public perceptions; literature evaluations; and design and assessment of pre-clinical and clinical safety testing. We specialize in regulatory submissions for food and dietary supplement ingredients. For our clients involved in drug development within the pharmaceutical industry, we provide similar services as well as risk-based strategies, including intellectual property data and compliance gap identification, due diligence assessments and investigational new drug writing. By providing a more comprehensive suite of science-based and regulatory services, we will be able to more efficiently advance products in the dietary supplement, food and beverage, animal health, cosmetic and pharmaceutical markets.

We believe we are now in a position to expand this aspect of our business and, more importantly, capitalize on additional opportunities in product development and commercialization of various kinds of intellectual property that we have largely discovered and acquired through the sales process associated with our standards and services businesses.

Our core standards and contract service businesses provide us with the opportunity to become aware of the results from research and screening activities performed on thousands of potential natural product candidates. By selecting the most promising ingredients from this market-based screening model, which is grounded in primary research performed by leading universities and institutions, followed by selective investments in further research and development, new natural products-related intellectual property can be identified and brought to various markets with a much lower investment cost and an increased chance of success. The first of these proprietary compounds, pterostilbene, is marketed and sold under our brand name, pTeroPure. Pterostilbene is a polyphenol and a powerful antioxidant that shows promise in a range of health related issues. We have in-licensed patents pending related to the use of pterostilbene for a number of these benefits, and have filed additional patents related to additional benefits, such as a patent jointly filed with University of California at Irvine related to its effects on non-melanoma skin cancer. We have successfully conducted a clinical trial, together with the University of Mississippi, related to its blood



pressure lowering effects. We expect to conduct additional clinical trials on this compound and we anticipate entering the dietary supplement, animal health and, if clinical results are favorable, possibly the pharmaceutical markets with it. We believe that we have opportunities in the skin care market and we will continue to investigate developing these opportunities internally or through third party partners.

-7-

---

## Table of Contents

Another proprietary compound is nicotinamide riboside (“NR”), for which our brand name for this compound is NIAGEN. NR is found naturally in trace amounts in milk and other foods and is the “no-flush” version of the B vitamin known as niacin. The potential beneficial effects of NR in humans include increased anti-aging, fatty acid oxidation, mitochondrial activity, resistance to negative consequences of high-fat diets, protection against oxidative stress, prevention of peripheral neuropathy and blocking muscle degeneration. Published research has shown that NR is a potent precursor to NAD+ in the mitochondria of animals. NAD+ is an important cellular co-factor for improvement of mitochondrial performance and energy metabolism. The Company has built a significant patent portfolio pertaining to NR by separately acquiring patent rights from Cornell University, Dartmouth College and Washington University. We anticipate conducting additional clinical trials on NR and other compounds in our pipeline to provide differentiation as we market these ingredients and support various health-related claims or obtain additional regulatory clearances.

We continue to identify and in-license novel, proprietary compounds with significant potential health benefits. Among these next generation compounds are pterostilbene and caffeine co-crystal, which allows formulators of energy products to reduce the amount of caffeine in their products, and anthocyanins, which are compounds responsible for the dark pigment found in certain berries and flowers. Like pTeroPure and NIAGEN, these compounds also have potential in multiple markets.

### Government Regulation

Some of our operations are subject to regulation by various United States federal agencies and similar state and international agencies, including the FDA, the Federal Trade Commission (“FTC”), the Department of Commerce, the Department of Transportation, the Department of Agriculture and other state and international agencies. These regulators govern a wide variety of production activities, from design and development to labeling, manufacturing, handling, selling and distributing of products. From time to time, federal, state and international legislation is enacted that may have the effect of materially increasing the cost of doing business or limiting or expanding our permissible activities. We cannot predict whether or when potential legislation or regulations will be enacted, and, if enacted, the effect of such legislation, regulation, implementation, or any implemented regulations or supervisory policies would have on our financial condition or results of operations. In addition, the outcome of any litigation, investigations or enforcement actions initiated by state or federal authorities could result in changes to our operations being necessary and in increased compliance costs.

### FDA Regulation

Dietary supplements are subject to FDA regulations. For example, the FDA’s final rule on GMPs for dietary supplements published in June 2007 requires companies to evaluate products for identity, strength, purity and composition. These regulations in some cases, particularly for new ingredients, require a notification that must be submitted to the FDA along with evidence of safety. In addition, depending on the type of product, whether a dietary supplement, cosmetic, food, or pharmaceutical, the FDA, under the Food, Drug and Cosmetic Act, or FDCA, can regulate:

- product testing;
- product labeling;
- product manufacturing and storage;
- pre-market clearance or approval;

Edgar Filing: ChromaDex Corp. - Form 10-K

- advertising and promotion; and
- product sales and distribution.

-8-

---

## Table of Contents

The FDCA has been amended several times with respect to dietary supplements, most notably by the Dietary Supplement Health and Education Act of 1994, known as “DSHEA.” DSHEA established a new framework for governing the composition and labeling of dietary supplements. Generally, under DSHEA, dietary ingredients that were marketed in the United States before October 15, 1994 may be used in dietary supplements without notifying the FDA. However, a “new” dietary ingredient (a dietary ingredient that was not marketed in the United States before October 15, 1994) is subject to a new dietary ingredient, or NDI, notification that must be submitted to the FDA unless the ingredient has previously been “present in the food supply as an article used for food” without being “chemically altered.” An NDI notification must provide the FDA with evidence of a “history of use or other evidence of safety” establishing that the use of the dietary ingredient “will reasonably be expected to be safe.” An NDI notification must be submitted to the FDA at least 75 days before the initial marketing of the NDI. There can be no assurance that the FDA will accept the evidence of safety for any NDIs that we may want to commercialize, and the FDA’s refusal to accept such evidence could prevent the marketing of such dietary ingredients. The FDA is in the process of developing guidance for the industry that will aim to clarify the FDA’s interpretation of the NDI notification requirements, and this guidance may raise new and significant regulatory barriers for NDIs.

In order for any new ingredient developed by us to be used in conventional food or beverage products in the United States, the product would either have to be approved by the FDA as a food additive pursuant to a food additive petition, or FAP, or be generally recognized as safe, or GRAS. The FDA does not have to approve a company’s determination that an ingredient is GRAS. However, a company can notify the FDA of its determination. There can be no assurance that the FDA will approve any FAP for any ingredient that we may want to commercialize, or agree with our determination that an ingredient is GRAS, either of which could prevent the marketing of such ingredient.

## Advertising Regulation

In addition to FDA regulations, the FTC regulates the advertising of dietary supplements, foods, cosmetics, and over-the-counter, or OTC, drugs. In recent years, the FTC has instituted numerous enforcement actions against dietary supplement companies for failure to adequately substantiate claims made in advertising or for the use of false or misleading advertising claims. These enforcement actions have often resulted in consent decrees and the payment of civil penalties, restitution, or both, by the companies involved. We may be subject to regulation under various state and local laws that include provisions governing, among other things, the formulation, manufacturing, packaging, labeling, advertising and distribution of dietary supplements, foods, cosmetics and OTC drugs.

In addition, The National Advertising Division of the Council of Better Business Bureaus (the “NAD”) reviews national advertising for truthfulness and accuracy. The NAD uses a form of alternative dispute resolution, working closely with in-house counsel, marketing executives, research and development departments and outside consultants to decide whether claims have been substantiated.

## International

Our international sales of dietary ingredients are subject to foreign government regulations, which vary substantially from country to country. The time required to obtain approval by a foreign country may be longer or shorter than that required for FDA approval, and the requirements may differ. In addition, the export by us of certain of our products that have not yet been cleared or approved for domestic distribution may be subject to FDA export restrictions. We may be unable to obtain on a timely basis, if at all, any foreign government or United States export approvals necessary for the marketing of our products abroad.

Regulation in Europe is exercised primarily through the European Union, which regulates the combined market of each of its member states. Other countries, such as Switzerland, have voluntarily adopted laws and regulations that mirror those of the European Union with respect to dietary ingredients.



Table of Contents

Competitive Business Conditions

For reference standards and analytical testing services, we face competition within the standardization and quality testing niche of the natural products market, though we know of no other companies that offer both reference standards and testing to their customers. Below is a current list of certain competitors. These competitors have already developed reference standards or contract services or are currently taking steps to develop botanical standards or contract services. Of the competitors listed, some currently sell fine chemicals, which, by default, are sometimes used as reference standards, and others are closely aligned with our market niche so as to reduce any barriers to entry if these companies wish to compete. Some of these competitors currently offer similar services and have the scale and resources to compete with us for larger customer accounts. Because some of our competitors are larger in total size and capitalization, they likely have greater access to capital markets, and are in a better position than we are to compete nationally and internationally.

Reference Standards and Analytical Testing Services Competitors

- Sigma-Aldrich (SIAL) (USA)
- Phytolab (Germany)
- US Pharmacopoeia (USA)
- Extrasynthese (France)
- Covance (CVD) (USA)
- Eurofins (ERF) (France)
- Silliker Canada Co. (Canada)

For technical and regulatory consulting services provided by Spherix, there are numerous competitors, including some that are much larger companies with more resources. The success in winning and retaining clients is heavily dependent on the efforts and reputation of our consultants. We believe the barriers to entry in particular areas of our consulting expertise are low.

Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements or Labor Contracts, Including Duration

We currently protect our intellectual property through patents, trademarks, designs and copyrights on our products and services. We currently have existing patents for products such as pterostilbene methods of use for lowering cholesterol, nicotinamide riboside methods, and anthocyanin production that require additional capital for product development, commercialization and marketing.

One of our business strategies is to use the intellectual property harnessed in the supply of reference materials to the industry as the basis for providing new and alternative mass marketable products to our customers. Our strategy is to develop these products on our own as well as to license our intellectual property to companies who will commercialize it. We anticipate that the net result will be a long term flow of intellectual property milestone and royalty payments for us.



Table of Contents

The following table sets forth our existing patents and those to which we have licensed rights:

Patent Number	Title	Filing Date	Issued Date	Expires	Licensor
6,852,342	Compounds for altering food intake in humans	3/26/2002	2/8/2005	2/12/2022	Co-owned by Avoca, Inc. and ChromaDex
7,338,791	Production of Flavanoids by Recombinant Microorganisms	7/11/2005	3/4/2008	7/11/2025	Licensed from The Research Foundation of State University of New York
7,776,326	Methods and compositions for treating neuropathies	6/3/2005	8/17/2010	6/3/2025	Licensed from Washington University
8,106,184	Nicotinyl Riboside Compositions and Methods of Use	11/17/2006	1/31/2012	11/17/2026	Licensed from Cornell University
8,114,626	Yeast strain and method for using the same to produce Nicotinamide Riboside	3/26/2009	2/14/2012	3/26/2029	Licensed from Dartmouth College
8,133,917	Pterostilbene as an agonist for the peroxisome proliferator-activated receptor alpha isoform	10/25/2010	3/13/2012	10/25/2030	Licensed from the University of Mississippi and U.S. Department of Agriculture
8,197,807	Nicotinamide Riboside Kinase compositions and Methods for using the same	11/20/2007	6/12/2012	11/20/2027	Licensed from Dartmouth College
8,227,510	Combine use of pterostilbene and quercetin for the production of cancer treatment medicaments	7/19/2005	7/24/2012	7/19/2025	Licensed from Green Molecular S.L.
8,252,845	Pterostilbene as an agonist for the peroxisome proliferator-activated receptor alpha isoform	2/1/2012	8/28/2012	2/1/2032	Licensed from the University of Mississippi and U.S. Department of Agriculture
8,383,086	Nicotinamide Riboside Kinase compositions and Methods for using the same	4/12/2012	2/26/2013	4/12/2032	Licensed from Dartmouth College



## Table of Contents

### Manufacturing

For reference standards, Chromadex Analytics operates laboratory operations and a manufacturing facility. We currently maintain our own manufacturing equipment and have the ability to manufacture certain products in limited quantities, ranging from milligrams to kilograms. We intend to contract for the manufacturing of products that we develop and enter into strategic relationships or license agreements for sales and marketing of products that we develop when the quantities we require exceed our capacity at our Boulder, Colorado facility.

We intend to work with manufacturing companies that can meet the standards imposed by the FDA, the International Organization for Standardization, or “ISO,” and the quality standards that we will require for our own internal policies and procedures. We expect to monitor and manage supplier performance through a corrective action program developed by us. We believe these manufacturing relationships can minimize our capital investment, help control costs, and allow us to compete with larger volume manufacturers of dietary supplements, phytochemicals and ingredients.

Following the receipt of products or product components from third-party manufacturers, we currently inspect products, as needed. We expect to reserve the right to inspect and ensure conformance of each product and product component to our specifications. We will also consider manufacturing certain products or product components internally, if our capacity permits, when demand or quality requirements make it appropriate to do so.

### Sources and Availability of Raw Materials and the Names of Principal Suppliers

We believe that we have identified reliable sources and suppliers of chemicals, phytochemicals, ingredients and reference materials that will provide products in compliance with our guidelines.

### Research and Development

We have successfully conducted a clinical trial, together with the University of Mississippi, on our proprietary compound pterostilbene for its blood pressure lowering effects. We expect to conduct additional clinical trials on this compound and we anticipate entering the dietary supplement, animal health and, if clinical results are favorable, possibly the pharmaceutical markets as well. We also have completed a study on our proprietary compound pterostilbene with caffeine co-crystal. The first human study of this ingredient demonstrated that it delivers 30 percent more caffeine, stays in the blood stream longer, and is absorbed more slowly than ordinary caffeine. We anticipate conducting additional clinical trials on other compounds in our pipeline, including on nicotinamide riboside, to provide differentiation as we market these ingredients and support various health-related claims or obtain additional regulatory clearances.

In addition, we are focused on developing products and services within our core standards and service offerings. Our own laboratory group has extensive experience in developing products related to our field of interest and works closely with our sales and marketing group to design products and services that are intended to increase revenue. To support development, we also have a number of contracts with outside labs that aid us in our research and development process.

### Environmental Compliance

We will incur significant expense in complying with GMPs and safe handling and disposal of materials used in our research and manufacturing activities. We do not anticipate incurring additional material expense in order to comply with Federal, state and local environmental laws and regulations.

Facilities

For information on our facilities, see “Properties” in this Item 2 of this Form 10-K.

Employees

As of December 28, 2013, ChromaDex (including Chromadex Analytics and Spherix Consulting, Inc.) had 69 employees, 63 of whom were full-time and 6 of whom were part-time. We consider our relationships with our employees to be satisfactory. None of our employees is covered by a collective bargaining agreement.

-12-

---

Table of Contents

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. Current investors and potential investors should consider carefully the risks and uncertainties described below together with all other information contained in this Form 10-K before making investment decisions with respect to our common stock. If any of the following risks actually occurs, our business, financial condition, results of operations and our future growth prospects would be materially and adversely affected. Under these circumstances, the trading price and value of our common stock could decline, resulting in a loss of all or part of your investment. The risks and uncertainties described in this Form 10-K are not the only ones facing our Company. Additional risks and uncertainties of which we are not presently aware, or that we currently consider immaterial, may also affect our business operations.

Risks Related to our Company and our Business

We have a history of operating losses and we may need additional financing to meet our future long-term capital requirements.

We have a history of losses and may continue to incur operating and net losses for the foreseeable future. We incurred a net loss of approximately \$4,420,000 for the year ended December 28, 2013 and a net loss of approximately \$11,662,000 for the year ended December 29, 2012. As of December 28, 2013, our accumulated deficit was approximately \$34,136,000. We have not achieved profitability on an annual basis. We may not be able to reach a level of revenue to achieve profitability. If our revenues grow slower than anticipated, or if operating expenses exceed expectations, then we may not be able to achieve profitability in the near future or at all, which may depress our stock price.

While we anticipate that our current cash, cash equivalents and cash generated from operations will be sufficient to meet our projected operating plans through March, 2015, we may require additional funds, either through additional equity or debt financings or collaborative agreements or from other sources. We have no commitments to obtain such additional financing, and we may not be able to obtain any such additional financing on terms favorable to us, or at all. In the event that we are unable to obtain additional financing, we may be unable to implement our business plan. Even with such financing, we have a history of operating losses and there can be no assurance that we will ever become profitable.

Our short-term capital needs are uncertain and we may need to raise additional funds. Based on current market conditions, such funds may not be available on acceptable terms or at all.

We anticipate that our current cash and cash equivalents and cash generated from operations will be sufficient to implement our operating plan through March, 2015. Our capital requirements will depend on many factors, including:

- the revenues generated by sales of our products;
- the costs associated with expanding our sales and marketing efforts, including efforts to hire independent agents and sales representatives and obtain required regulatory approvals and clearances;
- the expenses we incur in developing and commercializing our products, including the cost of obtaining and maintaining regulatory approvals; and
- unanticipated general and administrative expenses.



## Table of Contents

As a result of these factors, we may seek to raise additional capital prior to March, 2015 both to meet our projected operating plans after March, 2015 and to fund our longer term strategic objectives. Additional capital may come from public and private equity or debt offerings, borrowings under lines of credit or other sources. These additional funds may not be available on favorable terms, or at all. There can be no assurance we will be successful in raising these additional funds. Furthermore, if we issue equity or debt securities to raise additional funds, our existing stockholders may experience dilution and the new equity or debt securities we issue may have rights, preferences and privileges senior to those of our existing stockholders. In addition, if we raise additional funds through collaboration, licensing or other similar arrangements, it may be necessary to relinquish valuable rights to our products or proprietary technologies, or 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, execute our business plan, 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.

Decline in the state of the global economy and financial market conditions could adversely affect our ability to conduct business and our results of operations.

Global economic and financial market conditions, including disruptions in the credit markets and the impact of the global economic deterioration may materially impact our customers and other parties with whom we do business. These conditions could negatively affect our future sales of our ingredient line as many consumers consider the purchase of nutritional products discretionary. Decline in general economic and financial market conditions could materially adversely affect our financial condition and results of operations. Specifically, the impact of these volatile and negative conditions may include decreased demand for our products and services, a decrease in our ability to accurately forecast future product trends and demand, and a negative impact on our ability to timely collect receivables from our customers. The foregoing economic conditions may lead to increased levels of bankruptcies, restructurings and liquidations for our customers, scaling back of research and development expenditures, delays in planned projects and shifts in business strategies for many of our customers. Such events could, in turn, adversely affect our business through loss of sales.

No Assurance of Successful Expansion of Operations.

Our significant increase in the scope and the scale of our product launch, including the hiring of additional personnel, has resulted in significantly higher operating expenses. As a result, we anticipate that our operating expenses will continue to increase. Expansion of our operations may also cause a significant demand on our management, finances and other resources. Our ability to manage the anticipated future growth, should it occur, will depend upon a significant expansion of our accounting and other internal management systems and the implementation and subsequent improvement of a variety of systems, procedures and controls. There can be no assurance that significant problems in these areas will not occur. Any failure to expand these areas and implement and improve such systems, procedures and controls in an efficient manner at a pace consistent with our business could have a material adverse effect on our business, financial condition and results of operations. There can be no assurance that our attempts to expand our marketing, sales, manufacturing and customer support efforts will be successful or will result in additional sales or profitability in any future period. As a result of the expansion of our operations and the anticipated increase in our operating expenses, as well as the difficulty in forecasting revenue levels, we expect to continue to experience significant fluctuations in its results of operations.

The success of our ingredient business is linked to the size and growth rate of the vitamin, mineral and dietary supplement market and an adverse change in the size or growth rate of that market could have a material adverse effect on us.

An adverse change in size or growth rate of the vitamin, mineral and dietary supplement market could have a material adverse effect on our business. Underlying market conditions are subject to change based on economic conditions, consumer preferences and other factors that are beyond our control, including media attention and scientific research, which may be positive or negative.

-14-

---

Table of Contents

Unfavorable publicity or consumer perception of our products and any similar products distributed by other companies could have a material adverse effect on our business.

We believe the nutritional supplement market is highly dependent upon consumer perception regarding the safety, efficacy and quality of nutritional supplements generally, as well as of products distributed specifically by us. Consumer perception of our products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, national media attention and other publicity regarding the consumption of nutritional supplements. We cannot assure you that future scientific research, findings, regulatory proceedings, litigation, media attention or other favorable research findings or publicity will be favorable to the nutritional supplement market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, such earlier research reports, findings or publicity could have a material adverse effect on the demand for our products and consequently on our business, results of operations, financial condition and cash flows.

Our dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the demand for our products, the availability and pricing of our ingredients, and our business, results of operations, financial condition and cash flows. Further, adverse public reports or other media attention regarding the safety, efficacy and quality of nutritional supplements in general, or our products specifically, or associating the consumption of nutritional supplements with illness, could have such a material adverse effect. Any such adverse public reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed and the content of such public reports and other media attention may be beyond our control.

We may incur material product liability claims, which could increase our costs and adversely affect our reputation, revenues and operating income.

As an ingredient supplier, marketer and manufacturer of products designed for human and animal consumption, we are subject to product liability claims if the use of our products is alleged to have resulted in injury. Our products consist of vitamins, minerals, herbs and other ingredients that are classified as foods, dietary supplements, or natural health products, and, in most cases, are not necessarily subject to pre-market regulatory approval in the United States. Some of our products contain innovative ingredients that do not have long histories of human consumption. Previously unknown adverse reactions resulting from human consumption of these ingredients could occur. In addition, some of the products we sell are produced by third-party manufacturers. As a marketer of products manufactured by third parties, we also may be liable for various product liability claims for products we do not manufacture. We may, in the future, be subject to various product liability claims, including, among others, that our products include inadequate instructions for use or inadequate warnings concerning possible side effects and interactions with other substances. A product liability claim against us could result in increased costs and could adversely affect our reputation with our customers, which, in turn, could have a materially adverse effect on our business, results of operations, financial condition and cash flows.

We acquire a significant amount of key ingredients for our products from foreign suppliers, and may be negatively affected by the risks associated with international trade and importation issues.

We acquire a significant amount of key ingredients for a number of our products from suppliers outside of the United States, particularly India and China. Accordingly, the acquisition of these ingredients is subject to the risks generally associated with importing raw materials, including, among other factors, delays in shipments, changes in economic and political conditions, quality assurance, nonconformity to specifications or laws and regulations, tariffs, trade disputes and foreign currency fluctuations. While we have a supplier certification program and audit and inspect our

suppliers' facilities as necessary both in the United States and internationally, we cannot assure you that raw materials received from suppliers outside of the United States will conform to all specifications, laws and regulations. There have in the past been quality and safety issues in our industry with certain items imported from overseas. We may incur additional expenses and experience shipment delays due to preventative measures adopted by the Indian and U.S. governments, our suppliers and our company.

-15-

---



Table of Contents

The insurance industry has become more selective in offering some types of coverage and we may not be able to obtain insurance coverage in the future.

The insurance industry has become more selective in offering some types of insurance, such as product liability, product recall, property and directors' and officers' liability insurance. Our current insurance program is consistent with both our past level of coverage and our risk management policies. However, we cannot assure you that we will be able to obtain comparable insurance coverage on favorable terms, or at all, in the future. Certain of our customers as well as prospective customers require that we maintain minimum levels of coverage for our products. Lack of coverage or coverage below these minimum required levels could cause these customers to materially change business terms or to cease doing business with us entirely.

We depend on key personnel, the loss of any of which could negatively affect our business.

We depend greatly on Frank L. Jaksch Jr. and Thomas C. Varvaro, who are our Chief Executive Officer and Chief Financial Officer, respectively. We also depend greatly on other key employees, including key scientific and marketing personnel. In general, only highly qualified and trained scientists have the necessary skills to develop our products and provide our services. Only marketing personnel with specific experience and knowledge in health care are able to effectively market our products. In addition, some of our manufacturing, quality control, safety and compliance, information technology, sales and e-commerce related positions are highly technical as well. We face intense competition for these professionals from our competitors, customers, marketing partners and other companies throughout the industries in which we compete. Our success will depend, in part, upon our ability to attract and retain additional skilled personnel, which will require substantial additional funds. There can be no assurance that we will be able to find and attract additional qualified employees or retain any such personnel. Our inability to hire qualified personnel, the loss of services of our key personnel, or the loss of services of executive officers or key employees that may be hired in the future may have a material and adverse effect on our business.

Our operating results may fluctuate significantly as a result of a variety of factors, many of which are outside of our control.

We are subject to the following factors, among others, that may negatively affect our operating results:

- the announcement or introduction of new products by our competitors;
- our ability to upgrade and develop our systems and infrastructure to accommodate growth;
- our ability to attract and retain key personnel in a timely and cost effective manner;
- technical difficulties;
- the amount and timing of operating costs and capital expenditures relating to the expansion of our business, operations and infrastructure;
- regulation by federal, state or local governments; and
- general economic conditions as well as economic conditions specific to the healthcare industry.

As a result of our limited operating history and the nature of the markets in which we compete, it is extremely difficult for us to make accurate forecasts. We have based our current and future expense levels largely on our investment plans and estimates of future events although certain of our expense levels are, to a large extent, fixed. Assuming our products reach the market, we may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall in revenues relative to our planned expenditures would have an immediate adverse effect on our business, results of operations and financial condition. Further, as a strategic response to changes in the competitive environment, we may from time to time make certain pricing, service or marketing decisions that could have a material and adverse effect on our business, results of operations and financial condition. Due to the foregoing factors, our revenues and operating results are and will remain difficult to forecast.

## Table of Contents

We face significant competition, including changes in pricing.

The markets for our products and services are both competitive and price sensitive. Many of our competitors have significant financial, operations, sales and marketing resources and experience in research and development. Competitors could develop new technologies that compete with our products and services or even render our products obsolete. If a competitor develops superior technology or cost-effective alternatives to our products and services, our business could be seriously harmed.

The markets for some of our products are also subject to specific competitive risks because these markets are highly price competitive. Our competitors have competed in the past by lowering prices on certain products. If they do so again, we may be forced to respond by lowering our prices. This would reduce sales revenues and increase losses. Failure to anticipate and respond to price competition may also impact sales and aggravate losses.

We believe that customers in our markets display a significant amount of loyalty to their supplier of a particular product. To the extent we are not the first to develop, offer and/or supply new products, customers may buy from our competitors or make materials themselves, causing our competitive position to suffer.

Many of our competitors are larger and have greater financial and other resources than we do.

Our products compete and will compete with other similar products produced by our competitors. These competitive products could be marketed by well-established, successful companies that possess greater financial, marketing, distributional, personnel and other resources than we possess. Using these resources, these companies can implement extensive advertising and promotional campaigns, both generally and in response to specific marketing efforts by competitors, and enter into new markets more rapidly to introduce new products. In certain instances, competitors with greater financial resources also may be able to enter a market in direct competition with us, offering attractive marketing tools to encourage the sale of products that compete with our products or present cost features that consumers may find attractive.

We may never develop any additional products to commercialize.

We have invested a substantial amount of our time and resources in developing various new products. Commercialization of these products will require additional development, clinical evaluation, regulatory approval, significant marketing efforts and substantial additional investment before they can provide us with any revenue. Despite our efforts, these products may not become commercially successful products for a number of reasons, including but not limited to:

- we may not be able to obtain regulatory approvals for our products, or the approved indication may be narrower than we seek;
- our products may not prove to be safe and effective in clinical trials;
- we may experience delays in our development program;
- any products that are approved may not be accepted in the marketplace;
- we may not have adequate financial or other resources to complete the development or to commence the commercialization of our products or will not have adequate financial or other resources to achieve significant commercialization of our products;

Edgar Filing: ChromaDex Corp. - Form 10-K

- we may not be able to manufacture any of our products in commercial quantities or at an acceptable cost;
- rapid technological change may make our products obsolete;
- we may be unable to effectively protect our intellectual property rights or we may become subject to claims that our activities have infringed the intellectual property rights of others; and
- we may be unable to obtain or defend patent rights for our products.

-17-

---

## Table of Contents

We may not be able to partner with others for technological capabilities and new products and services.

Our ability to remain competitive may depend, in part, on our ability to continue to seek partners that can offer technological improvements and improve existing products and services that are offered to our customers. We are committed to attempting to keep pace with technological change, to stay abreast of technology changes and to look for partners that will develop new products and services for our customer base. We cannot assure prospective investors that we will be successful in finding partners or be able to continue to incorporate new developments in technology, to improve existing products and services, or to develop successful new products and services, nor can we be certain that newly-developed products and services will perform satisfactorily or be widely accepted in the marketplace or that the costs involved in these efforts will not be substantial.

If we fail to maintain adequate quality standards for our products and services, our business may be adversely affected and our reputation harmed.

Dietary supplement, nutraceutical, food and beverage, functional food, analytical laboratories, pharmaceutical and cosmetic customers are often subject to rigorous quality standards to obtain and maintain regulatory approval of their products and the manufacturing processes that generate them. A failure to maintain, or, in some instances, upgrade our quality standards to meet our customers' needs, could cause damage to our reputation and potentially substantial sales losses.

Our ability to protect our intellectual property and proprietary technology through patents and other means is uncertain and may be inadequate, which would have a material and adverse effect on us.

Our success depends significantly on our ability to protect our proprietary rights to the technologies used in our products. We rely on patent protection, as well as a combination of copyright, trade secret and trademark laws and nondisclosure, confidentiality and other contractual restrictions to protect our proprietary technology, including our licensed technology. However, these legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep any competitive advantage. For example, our pending United States and foreign patent applications may not issue as patents in a form that will be advantageous to us or may issue and be subsequently successfully challenged by others and invalidated. In addition, our pending patent applications include claims to material aspects of our products and procedures that are not currently protected by issued patents. Both the patent application process and the process of managing patent disputes can be time-consuming and expensive. Competitors may be able to design around our patents or develop products which provide outcomes which are comparable or even superior to ours. Steps that we have taken to protect our intellectual property and proprietary technology, including entering into confidentiality agreements and intellectual property assignment agreements with some of our officers, employees, consultants and advisors, may not provide us with meaningful protection for our trade secrets or other proprietary information in the event of unauthorized use or disclosure or other breaches of the agreements. Furthermore, the laws of foreign countries may not protect our intellectual property rights to the same extent as do the laws of the United States.

In the event a competitor infringes upon our licensed or pending patent or other intellectual property rights, enforcing those rights may be costly, uncertain, difficult and time consuming. Even if successful, litigation to enforce our intellectual property rights or to defend our patents against challenge could be expensive and time consuming and could divert our management's attention. We may not have sufficient resources to enforce our intellectual property rights or to defend our patents rights against a challenge. The failure to obtain patents and/or protect our intellectual property rights could have a material and adverse effect on our business, results of operations and financial condition.

Our patents and licenses may be subject to challenge on validity grounds, and our patent applications may be rejected.

We rely on our patents, patent applications, licenses and other intellectual property rights to give us a competitive advantage. Whether a patent is valid, or whether a patent application should be granted, is a complex matter of science and law, and therefore we cannot be certain that, if challenged, our patents, patent applications and/or other intellectual property rights would be upheld. If one or more of those patents, patent applications, licenses and other intellectual property rights are invalidated, rejected or found unenforceable, that could reduce or eliminate any competitive advantage we might otherwise have had.

## Table of Contents

We may become subject to claims of infringement or misappropriation of the intellectual property rights of others, which could prohibit us from developing our products, require us to obtain licenses from third parties or to develop non-infringing alternatives and subject us to substantial monetary damages.

Third parties could, in the future, assert infringement or misappropriation claims against us with respect to products we develop. Whether a product infringes a patent or misappropriates other intellectual property involves complex legal and factual issues, the determination of which is often uncertain. Therefore, we cannot be certain that we have not infringed the intellectual property rights of others. Our potential competitors may assert that some aspect of our product infringes their patents. Because patent applications may take years to issue, there also may be applications now pending of which we are unaware that may later result in issued patents upon which our products could infringe. There also may be existing patents or pending patent applications of which we are unaware upon which our products may inadvertently infringe.

Any infringement or misappropriation claim could cause us to incur significant costs, place significant strain on our financial resources, divert management's attention from our business and harm our reputation. If the relevant patents in such claim were upheld as valid and enforceable and we were found to infringe them, we could be prohibited from selling any product that is found to infringe unless we could obtain licenses to use the technology covered by the patent or are able to design around the patent. We may be unable to obtain such a license on terms acceptable to us, if at all, and we may not be able to redesign our products to avoid infringement. A court could also order us to pay compensatory damages for such infringement, plus prejudgment interest and could, in addition, treble the compensatory damages and award attorney fees. These damages could be substantial and could harm our reputation, business, financial condition and operating results. A court also could enter orders that temporarily, preliminarily or permanently enjoin us and our customers from making, using, or selling products, and could enter an order mandating that we undertake certain remedial activities. Depending on the nature of the relief ordered by the court, we could become liable for additional damages to third parties.

The prosecution and enforcement of patents licensed to us by third parties are not within our control. Without these technologies, our product may not be successful and our business would be harmed if the patents were infringed on or misappropriated without action by such third parties.

We have obtained licenses from third parties for patents and patent application rights related to the products we are developing, allowing us to use intellectual property rights owned by or licensed to these third parties. We do not control the maintenance, prosecution, enforcement or strategy for many of these patents or patent application rights and as such are dependent in part on the owners of the intellectual property rights to maintain their viability. Without access to these technologies or suitable design-around or alternative technology options, our ability to conduct our business could be impaired significantly.

We may be subject to damages resulting from claims that we, our employees, or our independent contractors have wrongfully used or disclosed alleged trade secrets of others.

Some of our employees were previously employed at other dietary supplement, nutraceutical, food and beverage, functional food, analytical laboratories, pharmaceutical and cosmetic companies. We may also hire additional employees who are currently employed at other such companies, including our competitors. Additionally, consultants or other independent agents with which we may contract may be or have been in a contractual arrangement with one or more of our competitors. We may be subject to claims that these employees or independent contractors have used or disclosed such other party's trade secrets or other proprietary information. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to our management. If we fail to defend such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. A loss of key personnel or their work product

could hamper or prevent our ability to market existing or new products, which could severely harm our business.

-19-

---



Table of Contents

Litigation may harm our business.

Substantial, complex or extended litigation could cause us to incur significant costs and distract our management. For example, lawsuits by employees, stockholders, collaborators, distributors, customers, competitors or others could be very costly and substantially disrupt our business. Disputes from time to time with such companies, organizations or individuals are not uncommon, and we cannot assure you that we will always be able to resolve such disputes on terms favorable to us. Unexpected results could cause us to have financial exposure in these matters in excess of recorded reserves and insurance coverage, requiring us to provide additional reserves to address these liabilities, therefore impacting profits.

If we are unable to establish or maintain sales, marketing and distribution capabilities or enter into and maintain arrangements with third parties to sell, market and distribute our products, our business may be harmed.

To achieve commercial success for our products, we must sell rights to our product lines and/or technologies at favorable prices, develop a sales and marketing force, or enter into arrangements with others to market and sell our products. In addition to being expensive, developing and maintaining such a sales force is time-consuming, and could delay or limit the success of any product launch. We may not be able to develop this capacity on a timely basis or at all. Qualified direct sales personnel with experience in the phytochemical industry are in high demand, and there can be no assurance that we will be able to hire or retain an effective direct sales team. Similarly, qualified independent sales representatives both within and outside the United States are in high demand, and we may not be able to build an effective network for the distribution of our product through such representatives. There can be no assurance that we will be able to enter into contracts with representatives on terms acceptable to us. Furthermore, there can be no assurance that we will be able to build an alternate distribution framework should we attempt to do so.

We may also need to contract with third parties in order to market our products. To the extent that we enter into arrangements with third parties to perform marketing and distribution services, our product revenue could be lower and our costs higher than if we directly marketed our products. Furthermore, to the extent that we enter into co-promotion or other marketing and sales arrangements with other companies, any revenue received will depend on the skills and efforts of others, and we do not know whether these efforts will be successful. If we are unable to establish and maintain adequate sales, marketing and distribution capabilities, independently or with others, we will not be able to generate product revenue, and may not become profitable.

Our sales and results of operations depend on our customers' research and development efforts and their ability to obtain funding for these efforts.

Our customers include researchers at pharmaceutical and biotechnology companies, chemical and related companies, academic institutions, government laboratories and private foundations. Fluctuations in the research and development budgets of these researchers and their organizations could have a significant effect on the demand for our products. Our customers determine their research and development budgets based on several factors, including the need to develop new products, the availability of governmental and other funding, competition and the general availability of resources. As we continue to expand our international operations, we expect research and development spending levels in markets outside of the United States will become increasingly important to us.

Research and development budgets fluctuate due to changes in available resources, spending priorities, general economic conditions, institutional and governmental budgetary limitations and mergers of pharmaceutical and biotechnology companies. Our business could be seriously harmed by any significant decrease in life science and high technology research and development expenditures by our customers. In particular, a small portion of our sales has been to researchers whose funding is dependent on grants from government agencies such as the United States National Institute of Health, the National Science Foundation, the National Cancer Institute and similar agencies or

organizations. Government funding of research and development is subject to the political process, which is often unpredictable. Other departments, such as Homeland Security or Defense, or general efforts to reduce the United States federal budget deficit could be viewed by the government as a higher priority. Any shift away from funding of life science and high technology research and development or delays surrounding the approval of governmental budget proposals may cause our customers to delay or forego purchases of our products and services, which could seriously damage our business.

## Table of Contents

Some of our customers receive funds from approved grants at a particular time of year, many times set by government budget cycles. In the past, such grants have been frozen for extended periods or have otherwise become unavailable to various institutions without advance notice. The timing of the receipt of grant funds may affect the timing of purchase decisions by our customers and, as a result, cause fluctuations in our sales and operating results.

Demand for our products and services are subject to the commercial success of our customers' products, which may vary for reasons outside our control.

Even if we are successful in securing utilization of our products in a customer's manufacturing process, sales of many of our products and services remain dependent on the timing and volume of the customer's production, over which we have no control. The demand for our products depends on regulatory approvals and frequently depends on the commercial success of the customer's supported product. Regulatory processes are complex, lengthy, expensive, and can often take years to complete.

We may bear financial risk if we under-price our contracts or overrun cost estimates.

In cases where our contracts are structured as fixed price or fee-for-service with a cap, we bear the financial risk if we initially under-price our contracts or otherwise overrun our cost estimates. Such under-pricing or significant cost overruns could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We rely on single or a limited number of third-party suppliers for the raw materials required for the production of our products.

Our dependence on a limited number of third-party suppliers or on a single supplier, and the challenges we may face in obtaining adequate supplies of raw materials, involve several risks, including limited control over pricing, availability, quality and delivery schedules. We cannot be certain that our current suppliers will continue to provide us with the quantities of these raw materials that we require or satisfy our anticipated specifications and quality requirements. Any supply interruption in limited or sole sourced raw materials could materially harm our ability to manufacture our products until a new source of supply, if any, could be identified and qualified. Although we believe there are other suppliers of these raw materials, we may be unable to find a sufficient alternative supply channel in a reasonable time or on commercially reasonable terms. Any performance failure on the part of our suppliers could delay the development and commercialization of our products, or interrupt production of then existing products that are already marketed, which would have a material adverse effect on our business.

We may need to increase the size of our organization, and we may be unable to manage rapid growth effectively.

Our failure to manage growth effectively could have a material and adverse effect on our business, results of operations and financial condition. We anticipate that a period of significant expansion will be required to address possible acquisitions of business, products, or rights, and potential internal growth to handle licensing and research activities. This expansion will place a significant strain on management, operational and financial resources. To manage the expected growth of our operations and personnel, we must both improve our existing operational and financial systems, procedures and controls and implement new systems, procedures and controls. We must also expand our finance, administrative, and operations staff. Our current personnel, systems, procedures and controls may not adequately support future operations. Management may be unable to hire, train, retain, motivate and manage necessary personnel or to identify, manage and exploit existing and potential strategic relationships and market opportunities.



## Table of Contents

### Risks Associated with Acquisition Strategy.

As part of our business strategy, we intend to consider acquisitions of similar or complementary businesses. No assurance can be given that we will be successful in identifying attractive acquisition candidates or completing acquisitions on favorable terms. In addition, any future acquisitions will be accompanied by the risks commonly associated with acquisitions. These risks include potential exposure to unknown liabilities of acquired companies or to acquisition costs and expenses, the difficulty and expense of integrating the operations and personnel of the acquired companies, the potential disruption to the business of the combined company and potential diversion of our management's time and attention, the impairment of relationships with and the possible loss of key employees and clients as a result of the changes in management, the incurrence of amortization expenses and dilution to the shareholders of the combined company if the acquisition is made for stock of the combined company. In addition, successful completion of an acquisition may depend on consents from third parties, including regulatory authorities and private parties, which consents are beyond our control. There can be no assurance that products, technologies or businesses of acquired companies will be effectively assimilated into the business or product offerings of the combined company or will have a positive effect on the combined company's revenues or earnings. Further, the combined company may incur significant expense to complete acquisitions and to support the acquired products and businesses. Any such acquisitions may be funded with cash, debt or equity, which could have the effect of diluting or otherwise adversely affecting the holdings or the rights of our existing stockholders.

If we experience a significant disruption in our information technology systems or if we fail to implement new systems and software successfully, our business could be adversely affected.

We depend on information systems throughout our company to control our manufacturing processes, process orders, manage inventory, process and bill shipments and collect cash from our customers, respond to customer inquiries, contribute to our overall internal control processes, maintain records of our property, plant and equipment, and record and pay amounts due vendors and other creditors. If we were to experience a prolonged disruption in our information systems that involve interactions with customers and suppliers, it could result in the loss of sales and customers and/or increased costs, which could adversely affect our overall business operation.

### Risks Related to Regulatory Approval of Our Products and Other Government Regulations

We are subject to regulation by various federal, state and foreign agencies that require us to comply with a wide variety of regulations, including those regarding the manufacture of products, advertising and product label claims, the distribution of our products and environmental matters. Failure to comply with these regulations could subject us to fines, penalties and additional costs.

Some of our operations are subject to regulation by various United States federal agencies and similar state and international agencies, including the Department of Commerce, the FDA, the FTC, the Department of Transportation and the Department of Agriculture. These regulations govern a wide variety of product activities, from design and development to labeling, manufacturing, handling, sales and distribution of products. If we fail to comply with any of these regulations, we may be subject to fines or penalties, have to recall products and/or cease their manufacture and distribution, which would increase our costs and reduce our sales.

We are also subject to various federal, state, local and international laws and regulations that govern the handling, transportation, manufacture, use and sale of substances that are or could be classified as toxic or hazardous substances. Some risk of environmental damage is inherent in our operations and the products we manufacture, sell, or distribute. Any failure by us to comply with the applicable government regulations could also result in product recalls or impositions of fines and restrictions on our ability to carry on with or expand in a portion or possibly all of our operations. If we fail to comply with any or all of these regulations, we may be subject to fines or penalties, have to

recall products and/or cease their manufacture and distribution, which would increase our costs and reduce our sales.

Table of Contents

Government regulations of our customer's business are extensive and are constantly changing. Changes in these regulations can significantly affect customer demand for our products and services.

The process by which our customer's industries are regulated is controlled by government agencies and depending on the market segment can be very expensive, time-consuming, and uncertain. Changes in regulations or the enforcement practices of current regulations could have a negative impact on our customers and, in turn, our business. At this time, it is unknown how the FDA will interpret and to what extent it will enforce new GMPs, regulations that will likely affect many of our customers. These uncertainties may have a material impact on our results of operations, 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 our products and services.

Changes in government regulation or in practices relating to the pharmaceutical, dietary supplement, food and cosmetic industry could decrease the need for the services we provide.

Governmental agencies throughout the world, including the United States, strictly regulate these industries. Our business involves helping pharmaceutical and biotechnology companies navigate the regulatory drug approval process. Changes in regulation, such as a relaxation in regulatory requirements or the introduction of simplified drug approval procedures, or an increase in regulatory requirements that we have difficulty satisfying or that make our services less competitive, could eliminate or substantially reduce the demand for our services. Also, if the government makes efforts to contain drug costs and pharmaceutical and biotechnology company profits from new drugs, our customers may spend less, or reduce their spending on research and development. If health insurers were to change their practices with respect to reimbursements for pharmaceutical products, our customers may spend less, or reduce their spending on research and development.

If we should in the future become required to obtain regulatory approval to market and sell our goods we will not be able to generate any revenues until such approval is received.

The pharmaceutical industry is subject to stringent regulation by a wide range of authorities. While we believe that, given our present business, we are not currently required to obtain regulatory approval to market our goods because, among other things, we do not (i) produce or market any clinical devices or other products, or (ii) sell any medical products or services to the customer, we cannot predict whether regulatory clearance will be required in the future and, if so, whether such clearance will at such time be obtained for any products that we are developing or may attempt to develop. Should such regulatory approval in the future be required, our goods may be suspended or may not be able to be marketed and sold in the United States until we have completed the regulatory clearance process as and if implemented by the FDA. Satisfaction of regulatory requirements typically takes many years, is dependent upon the type, complexity and novelty of the product or service and would require the expenditure of substantial resources.

If regulatory clearance of a good that we propose to propose to market and sell is granted, this clearance may be limited to those particular states and conditions for which the good is demonstrated to be safe and effective, which would limit our ability to generate revenue. We cannot ensure that any good that we develop will meet all of the applicable regulatory requirements needed to receive marketing clearance. Failure to obtain regulatory approval will prevent commercialization of our goods where such clearance is necessary. There can be no assurance that we will obtain regulatory approval of our proposed goods that may require it.

Table of Contents

Risks Related to the Securities Markets and Ownership of our Equity Securities

The market price of our common stock may be volatile and adversely affected by several factors.

The market price of our common stock could fluctuate significantly in response to various factors and events, including, but not limited to:

- our ability to integrate operations, technology, products and services;
  - our ability to execute our business plan;
  - our operating results are below expectations;
- our issuance of additional securities, including debt or equity or a combination thereof;
- announcements of technological innovations or new products by us or our competitors;
  - loss of any strategic relationship;
- industry developments, including, without limitation, changes in healthcare policies or practices;
  - economic and other external factors;
  - period-to-period fluctuations in our financial results; and
- whether an active trading market in our common stock develops and is maintained.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

Our common stock is and likely will remain subject to the SEC's "penny stock" rules, which may make our shares more difficult to sell.

Because the price of our common stock is currently and is likely to remain less than \$5.00 per share, it is expected to be classified as a "penny stock." The SEC's rules regarding penny stocks have the effect of reducing trading activity in our shares, making it more difficult for investors to sell them. Under these rules, broker-dealers who recommend such securities to persons other than institutional accredited investors must:

- make a special written suitability determination for the purchaser;
- receive the purchaser's written agreement to a transaction prior to sale;

• provide the purchaser with risk disclosure documents which identify certain risks associated with investing in "penny stocks" and which describe the market for these "penny stocks" as well as a purchaser's legal remedies;

• obtain a signed and dated acknowledgment from the purchaser demonstrating that the purchaser has received the required risk disclosure document before a transaction in a "penny stock" can be completed; and



give bid and offer quotations and broker and salesperson compensation information to the customer orally or in writing before or with the confirmation.

These rules make it more difficult for broker-dealers to effectuate customer transactions and trading activity in our securities and may result in a lower trading volume of our common stock and lower trading prices.

Table of Contents

Our shares of common stock may be thinly traded, so you may be unable to sell at or near ask prices or at all.

We cannot predict the extent to which an active public market for our common stock will develop or be sustained. Our common stock is currently traded on the OTC Markets where they have historically been thinly traded, if at all, meaning that the number of persons interested in purchasing our common stock at or near bid prices at any given time may be relatively small or non-existent.

This situation may be attributable to a number of factors, including the fact that we are a small company that is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community who generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk averse and would be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares until such time as we have become more seasoned and viable. As a consequence, there may be periods of several days, weeks or months when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot assure you that a broader or more active public trading market for our common stock will develop or be sustained, or that current trading levels will be sustained or not diminish.

If we fail to comply with Section 404 of the Sarbanes-Oxley Act of 2002 our business could be harmed and our stock price could decline.

Rules adopted by the SEC pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 require an annual assessment of our internal control over financial reporting. Accordingly, we are subject to the rules requiring an annual assessment of our internal controls. The standards that must be met for management to assess the internal control over financial reporting as effective are complex, and require significant documentation, testing and possible remediation to meet the detailed standards. If we cannot assess our internal control over financial reporting as effective, investor confidence and share value may be negatively impacted.

Our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of December 28, 2013, based upon the material weakness described below. During our review of the interim financial statements for the three and nine months ended September 28, 2013, the Company determined that the financial statements filed for the three month period ended March 30, 2013 and the six month period ended June 29, 2013 (the "Financial Statements") contained a misstatement pertaining to the accounting treatment of the sale of the BluScience assets to NeutriSci. The value of the equity and the senior secured convertible note that the Company received from NeutriSci as part of the purchase price were originally accounted for at the face value of the assets for recognizing a gain on the sale of the BluScience assets. Due to the inability to make a reliably determinable estimate of the fair value of the NeutriSci equity securities and the ultimate collectability of the notes received as consideration, management has determined that the proper accounting for the sale transaction is the cost recovery method. Under the cost recovery method, no gain on the sale will be recognized until the Company's cost basis in the net assets sold has been recovered. The Company originally accounted for its investment in NeutriSci under the Cost method where it has now been determined that the equity method should have been used. All amendments and restatements to the Financial Statements affected were non-cash in nature.

The Company has determined that the restatements of its Financial Statements resulted from a material weakness in its internal control over financial reporting, specifically related to its process and procedures related to the accounting for sale of assets in exchange for non-cash consideration. The Company has developed a remediation plan to address the material weakness. Implementation of the remediation plan is in process and consists of, among other things, redesigning the procedures to enhance its identification, capture, review, approval and recording of contractual terms included in asset sales and its treatment of equity method investments. The Company will also seek, when necessary, the counsel of experts in accounting on future unusual and non-recurring transactions.



Table of Contents

We have not paid cash dividends in the past and do not expect to pay cash dividends in the foreseeable future. Any return on investment may be limited to the value of our common stock.

We have never paid cash dividends on our capital stock and do not anticipate paying cash dividends on our capital stock in the foreseeable future. The payment of dividends on our capital stock will depend on our earnings, financial condition and other business and economic factors affecting us at such time as the board of directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if the common stock price appreciates.

Stockholders may experience significant dilution if future equity offerings are used to fund operations or acquire complementary businesses.

If future operations or acquisitions are financed through the issuance of additional equity securities, stockholders could experience significant dilution. Securities issued in connection with future financing activities or potential acquisitions may have rights and preferences senior to the rights and preferences of our common stock. In addition, the issuance of shares of our common stock upon the exercise of outstanding options or warrants may result in dilution to our stockholders.

We may become involved in securities class action litigation that could divert management's attention and harm our business.

The stock market in general, and the stocks of early stage companies in particular, have experienced extreme price and volume fluctuations. These fluctuations have often been unrelated or disproportionate to the operating performance of the companies involved. If these fluctuations occur in the future, the market price of our shares could fall regardless of our operating performance. In the past, following periods of volatility in the market price of a particular company's securities, securities class action litigation has often been brought against that company. If the market price or volume of our shares suffers extreme fluctuations, then we may become involved in this type of litigation, which would be expensive and divert management's attention and resources from managing our business.

As a public company, we may also from time to time make forward-looking statements about future operating results and provide some financial guidance to the public markets. The management has limited experience as a management team in a public company and as a result projections may not be made timely or set at expected performance levels and could materially affect the price of our shares. Any failure to meet published forward-looking statements that adversely affect the stock price could result in losses to investors, stockholder lawsuits or other litigation, sanctions or restrictions issued by the SEC.

We have a significant number of outstanding options, and future sales of these shares could adversely affect the market price of our common stock.

As of December 28, 2013, we had outstanding options exercisable for an aggregate of 13,160,955 shares of common stock at a weighted average exercise price of \$1.08 per share. The holders may sell these shares in the public markets from time to time, without limitations on the timing, amount or method of sale. As and when our stock price rises, if at all, more outstanding warrants and options will be in-the-money and the holders may exercise their warrants and options and sell a large number of shares. This could cause the market price of our common stock to decline.

Table of Contents

Item 2. Properties

As of December 28, 2013, we lease approximately 15,000 square feet of office space in Irvine, California with seven years remaining on the lease, approximately 13,000 square feet of space for laboratory manufacturing in Boulder, Colorado with three years remaining on the lease, and approximately 1,700 square feet of office space in Rockville, Maryland with two years remaining on the lease. We also rent an apartment with approximately 1,000 square feet in Foothill Ranch, California, and an apartment with less than 1,100 square feet in Longmont, Colorado. We do not own any real estate. For the year ended December 28, 2013, our total annual rental expense was approximately \$519,000.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

Table of Contents

## PART II

ItemMarket for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities  
5.

Since April, 2010, we have been quoted on the middle tier of the OTC Markets Group, Inc. (f/k/a Pinksheets) (the “OTCQB”) under the symbol “CDXC.” OTCQB is a network of securities dealers who buy and sell stock. The dealers are connected by a computer network that provides information on current “bids” and “asks”, as well as volume information.

The following table sets forth the range of high and low closing bid quotations for ChromaDex common stock for each of the periods indicated as reported by OTCQB. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Fiscal Year Ending December 28, 2013			
Quarter Ended		High	Low
December 28, 2013	\$	1.58	\$ 0.78
September 28, 2013	\$	0.95	\$ 0.68
June 29, 2013	\$	0.86	\$ 0.61
March 30, 2013	\$	0.80	\$ 0.50

Fiscal Year Ending December 29, 2012			
Quarter Ended		High	Low
December 29, 2012		\$0.88	\$0.54
September 29, 2012		\$1.17	\$0.56
June 30, 2012		\$0.71	\$0.44
March 31, 2012		\$1.08	\$0.55

On March 20, 2014, the closing bid quotation was \$1.97.

## Penny Stock

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a market price of less than \$5.00, other than securities registered on certain national securities exchanges, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the SEC, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) contains a description of the broker’s or dealer’s duties to the customer and of the rights and remedies available to the customer with respect to a violation of such duties or other requirements of the securities laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type size and format, as the SEC shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth

and liquidity of the market for such stock; and (d) a monthly account statement showing the market value of each penny stock held in the customer's account.

-28-

---

## Table of Contents

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement as to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

These disclosure requirements may have the effect of reducing the trading activity for our common stock. Therefore, stockholders may have difficulty selling our securities.

### Holders of Our Common Stock

As of March 20, 2014, we had approximately 83 registered holders of record of our common stock.

### Dividends

We have not declared or paid any cash dividends on our common stock during either of the two most recent fiscal years and have no current intention to pay any cash dividends. Our ability to pay cash dividends is governed by applicable provisions of Delaware law and is subject to the discretion of our Board of Directors.

### Item Selected Financial Data

6.

Not Applicable.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of financial condition and results of operation, together with the financial statements and the related notes appearing in Item 8 of this report.

### Overview

We supply phytochemical reference standards, which are small quantities of plant-based compounds typically used to research an array of potential attributes, and reference materials, related contract services, and proprietary ingredients. We perform chemistry-based analytical services at our laboratory in Boulder, Colorado, typically in support of quality control or quality assurance activities within the dietary supplement industry. On December 3, 2012, we acquired Spherix, which provides scientific and regulatory consulting to the clients in the food, supplement and pharmaceutical industries to manage potential health and regulatory risks. In 2011, we launched the BluScience retail dietary supplement products containing one of the proprietary ingredients, pTeroPure, which we also sell as an ingredient for incorporation into the products of other companies. However, on March 28, 2013, we entered into an asset purchase and sale agreement with NeutriSci and consummated the sale of the BluScience consumer product line to NeutriSci.

The discussion and analysis of our financial condition and results of operations are based on 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 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.

## Table of Contents

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

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

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

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

## Recent Developments

Subsequent to the year ended December 28, 2013, the Company assigned the Senior Note issued by NeutriSci to an unrelated third party for \$1,250,000. \$2,275,000 remained outstanding on the Senior Note at the date of the assignment. The Company also paid legal fees of \$7,500 out of the proceeds of the purchase price. The Company also agreed to transfer to the third party a number of shares of preferred stock of NeutriSci having a value of \$500,000 upon the earlier of (a) December 31, 2014; or (b) the consummation by NeutriSci of any action resulting in the shares of its common stock being listed on an exchange. There is no recourse provision to the Company associated with the assignment of the note. In connection with the assignment of the note, the Company paid Palladium Capital Advisors, LLC as a placement agent a cash fee of \$150,000 and agreed to transfer to Palladium an amount of shares of preferred stock of NeutriSci equal to \$50,000 upon the consummation by NeutriSci of any action resulting in the shares of its common stock being listed on an exchange.

## Results of Operations

Our net sales for the twelve-month periods ended December 28, 2013 and December 29, 2012 were \$10,160,964 and \$11,610,494, respectively. We incurred a net loss of \$4,419,525 for the twelve-month period ended December 28, 2013 and a net loss of \$11,662,426 for the twelve-month period ended December 29, 2012. This equated to a \$0.04 loss per basic and diluted share for the twelve-month period ended December 28, 2013 versus a \$0.13 loss per basic and diluted share for the twelve-month period ended December 29, 2012.

-30-

---

Table of Contents

Over the next two years, we plan to continue to increase research and development efforts for our line of proprietary ingredients, subject to available financial resources. We also intend to continue to expand our service capacity through hiring. In addition, we plan to expand our chemical library program and to collaborate with a third party company to establish a Good Manufacturing Practice compliant pilot plant to support small to medium scale production of target compounds. There can be no assurance, however, that we will actually implement any of these plans.

	Twelve months ending		Change	
	December 28, 2013	December 29, 2012		
Sales	\$ 10,160,964	\$ 11,610,494	-12	%
Cost of sales	7,027,828	9,335,057	-25	%
Gross profit	3,133,136	2,275,437	38	%
Operating expenses				
-Sales and marketing	2,357,605	5,520,141	-57	%
-General and administrative	5,117,016	8,391,730	-39	%
-Loss from investment in affiliate	44,961	-	-	
Nonoperating				
-Interest income	1,251	3,014	-58	%
-Interest expenses	(34,330 )	(29,006 )	18	%
Net loss	\$ (4,419,525 )	\$ (11,662,426)	-62	%

## Net Sales

Net sales consist of gross sales less discounts and returns. Net sales decreased by 12% to \$10,160,964 for the twelve-month period ended December 28, 2013 as compared to \$11,610,494 for the twelve-month period ended December 29, 2012. The core standards, contract services and ingredients segment generated net sales of \$9,074,531 for the twelve-month period ended December 28, 2013. This is an increase of 7%, compared to \$8,458,082 for the twelve-month period ended December 29, 2012. This increase was largely due to increased sales of our proprietary ingredients and other bulk dietary supplement grade raw materials. The scientific and regulatory consulting segment generated net sales of \$1,146,718 for the twelve-month period ended December 28, 2013. For the twelve-month period ended December 29, 2012, the scientific and regulatory consulting segment generated net sales of \$69,718, which represents only about one month of operations since our acquisition of this business on December 3, 2012. The retail dietary supplement products segment generated negative net sales of \$60,285 for the twelve-month period ended December 28, 2013. The gross sales for this segment were \$557,111, however, sales deductions for discounts and returns, including additional trade accounts receivable allowance for possible future returns, totaled \$617,396 and this has resulted in negative net sales. For the twelve-month period ended December 29, 2012, the retail dietary supplement products segment generated net sales of \$3,082,694. The gross sales for this segment was \$6,861,035, however, sales deductions for promotions discounts and returns totaled \$3,778,341.

Table of Contents

## Cost of Sales

Costs of sales include raw materials, labor, overhead, and delivery costs. Cost of sales for the twelve-month period ended December 28, 2013 was \$7,027,828 as compared with \$9,335,057 for the twelve-month period ended December 29, 2012. As a percentage of net sales, this represented an 11% decrease for the twelve-month period ended December 28, 2013 compared to the twelve-month period ended December 29, 2012. The cost of sales as a percentage of net sales for the core standards contract services and ingredients segment for the twelve-month period ended December 28, 2013 was 70% compared to 72% for the twelve-month period ended December 29, 2012. This percentage decrease in cost of sales is largely due to increased sales of chemical and analytical testing and contract services. Fixed labor costs make up the majority of costs for analytical testing and contract services and these fixed labor costs did not increase in proportion to sales. The cost of sales as a percentage of net sales for the scientific and regulatory consulting segment for the twelve-month period ended December 28, 2013 was 55% compared to 37% for the twelve-month period ended December 29, 2012, which represents only about one month of operations since our acquisition of this business on December 3, 2012. The cost of sales for the retail dietary supplement products segment was greater than net sales for twelve-month periods ended December 28, 2013 and December 29, 2012. This is due to promotions, discounted sales and returns, which resulted in substantially lower net sales compared to gross sales. The cost of sales for the retail dietary supplement products segment for the twelve-month periods ended December 28, 2013 and December 29, 2012 were \$955 and \$3,234,278, respectively, while the net sales were negative \$60,285 and \$3,082,694, respectively.

## Gross Profit (Loss)

Gross profit (loss) is net sales less the cost of sales and is affected by a number of factors including product mix, competitive pricing and costs of products and services. Our gross profit increased 38% to \$3,133,136 for the twelve-month period ended December 28, 2013 from \$2,275,437 for the twelve-month period ended December 29, 2012. For the core standards, contract services and ingredients segment, our gross profit increased 12% to \$2,679,695 for the twelve-month period ended December 28, 2013 from \$2,383,032 for the twelve-month period ended December 29, 2012. The increased sale of analytical testing and contract services which resulted in a higher labor utilization rate as well as increased fixed cost coverage, was the key reason for the increase in gross profit. For the scientific and regulatory consulting segment, we had a gross profit of \$514,681 for the twelve-month period ended December 28, 2013. For the twelve-month period ended December 29, 2012, the gross profit for this segment was \$43,989, which represents only about one month of operations since our acquisition of this business on December 3, 2012. For the retail dietary supplement products segment, we had a gross loss of \$61,240 for the twelve-month period ended December 28, 2013 and a gross loss of \$151,584 for the twelve-month period ended December 29, 2012. The gross loss for the twelve-month period ended December 29, 2012 was due to the sales promotions and sales discounts we offered in relation to the launch of BluScience products.

## Operating Expenses - Sales and Marketing

Sales and Marketing Expenses consist of salaries, advertising and marketing expenses. Sales and marketing expenses for the twelve-month period ended December 28, 2013 were \$2,357,605 as compared to \$5,520,141 for the twelve-month period ended December 29, 2012. For the core standards, contract services and ingredients segment, sales and marketing expenses for the twelve-month period ended December 28, 2013, slightly decreased to \$2,211,741 compared to \$2,227,934 for the twelve-month period ended December 29, 2012. For the scientific and regulatory consulting segment, sales and marketing expenses for the twelve-month period ended December 28, 2013 were \$14,705. The scientific and regulatory consulting segment did not have any sales and marketing expenses for the comparable period in 2012. For the retail dietary supplement products segment, sales and marketing expenses for the twelve-month period ended December 28, 2013 decreased to \$131,159 compared to \$3,292,207 for the twelve-month period ended December 29, 2012. During the twelve-month period ended December 29, 2012, we conducted a

national advertising campaign through television and radio media in support of the launch of the BluScience products. We did not conduct such an advertising campaign during the twelve-month period ended December 28, 2013.

## Table of Contents

### 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 twelve-month period ended December 28, 2013 decreased to \$5,117,016 as compared to \$8,391,730 for the twelve-month period ended December 29, 2012. One of the factors that contributed to this decrease was a decrease in share-based compensation expense. Our share-based compensation expense for the twelve-month period ended December 28, 2013 was \$1,287,917 as compared to \$2,703,253 for the twelve-month period ended December 29, 2012. Another factor that contributed to the decrease in general and administrative expenses was a decrease in investor relations expense. Our investor relations expenses for the twelve-month period ended December 28, 2013 was \$234,419 as compared to \$987,399 for the twelve-month period ended December 29, 2012. Another factor that contributed to this decrease was departures of certain officers who were with the Company during the twelve-month period ended December 29, 2012. The Company did not hire new officers to fill the vacated positions. There were also one-time severance expenses of approximately \$671,000 incurred due to the terminations of certain officers during the twelve-month period ended December 29, 2012. The Company did not incur such expenses in the twelve-month period ended December 28, 2013.

### Nonoperating - Interest Income

Interest income consists of interest earned on money market accounts. Interest income for the twelve-month period ended December 28, 2013, was \$1,251 as compared to \$3,014 for the twelve-month period ended December 29, 2012.

### Nonoperating - Interest Expense

Interest expense consists of interest on capital leases. Interest expense for the twelve-month period ended December 28, 2013, was \$34,330 as compared to \$29,006 for the twelve-month period ended December 29, 2012.

### Depreciation and Amortization

For the twelve-month period ended December 28, 2013, we recorded approximately \$246,175 in depreciation compared to approximately \$328,099 for the twelve-month period ended December 29, 2012. 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 twelve-month period ended December 28, 2013, we recorded amortization on intangible assets of approximately \$23,532 compared to approximately \$15,934 for the twelve-month period ended December 29, 2012.

### Income Taxes

At December 28, 2013 and December 29, 2012, the Company maintained a full valuation allowance against the entire deferred income tax balance which resulted in an effective tax rate of zero for 2013 and 2012.

### Liquidity and Capital Resources

From inception and through December 28, 2013, we have incurred aggregate losses of approximately \$34 million. These losses are primarily due to expenses associated with the development and expansion of our operations. These operations have been financed through capital contributions and the issuance of common stock and warrants through private placements and through our registered direct offering.





Table of Contents

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

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

Subsequent to the year ended December 28, 2013, the Company assigned the Senior Note issued by NeutriSci to an unrelated third party for \$1,250,000. \$2,275,000 remained outstanding on the Senior Note at the date of the assignment. The Company also paid legal fees of \$7,500 out of the proceeds of the purchase price. The Company also agreed to transfer to the third party an amount of shares of preferred stock of NeutriSci equal to \$500,000 upon the earlier of (a) December 31, 2014; or (b) the consummation by NeutriSci of any action resulting in the shares of its common stock being listed on an exchange. There is no recourse provision to the Company associated with the assignment of the note. In connection with the assignment of the note, the Company paid Palladium Capital Advisors, LLC ("Palladium") as a placement agent a cash fee of \$150,000 and agreed to transfer to Palladium an amount of shares of preferred stock of NeutriSci equal to \$50,000 upon the consummation by NeutriSci of any action resulting in the shares of its common stock being listed on an exchange.

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

Net cash used in operating activities

Net cash used in operating activities for the twelve-month period ended December 28, 2013 was approximately \$3,906,000 as compared to approximately \$10,120,000 for the twelve-month period ended December 29, 2012. Along with the net loss, a decrease in accounts payable and an increase in inventories were the largest uses of cash during the twelve-month period ended December 28, 2013. Net cash used in operating activities for the twelve-month period ended December 29, 2012 largely reflects increase in inventories and trade receivables, along with the net loss.

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

Net cash provided by (used in) investing activities

Net cash provided by investing activities was approximately \$999,000 for the twelve-month period ended December 28, 2013, compared to approximately \$77,000 used in for the twelve-month period ended December 29, 2012. Net cash provided by investing activities for the twelve-month period ended December 28, 2013 mainly consisted of proceeds from the sale of the BluScience consumer product line. Net cash used in investing activities for the

twelve-month period ended December 29, 2012 mainly consisted of purchases of leasehold improvements and equipment as well as purchases of intangible assets.

## Table of Contents

### Net cash provided by financing activities

Net cash provided by financing activities was approximately \$4,649,000 for the twelve-month period ended December 28, 2013, compared to approximately \$10,296,000 for the twelve-month period ended December 29, 2012. Net cash provided by financing activities for the twelve-month period ended December 28, 2013 consisted of proceeds from issuance of our common stock through a private offering as well as from the exercise of warrants. Net cash provided by financing activities for the twelve-month period ended December 29, 2012 mainly consisted of proceeds from issuance of our common stock through registered direct offering and private placement.

### Dividend Policy

We have not declared or paid any cash 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.

### Trade Receivables

As of December 28, 2013, we had \$838,793 in trade receivables as compared to \$1,940,539 as of December 29, 2012. This decrease was largely due to our sale of the BluScience product line in 2013, as we no longer generate any sales related to the BluScience product line.

### Other Receivable

As of December 28, 2013, we had \$215,000 in other receivable. This amount was from a legal settlement agreement related to a lawsuit over the violation of the Company's trademarks. The counterparty had already remitted the payment to a third party escrow agent prior to December 28, 2013 and this payment was deposited by the Company on January 14, 2014. As of December 29, 2012, the Company did not have any other receivable.

### Inventories

As of December 28, 2013, we had \$2,204,125 in inventory, compared to \$5,205,304 as of December 29, 2012. This decrease was mainly due to the sale of the BluScience product line and its assets in 2013. As of December 28, 2013, our inventory consisted of approximately \$1,518,000 of phytochemical reference standards and approximately \$686,000 of bulk ingredients. Phytochemical reference standards are small quantities of plan-based compounds typically used to research an array of potential attributes or for quality control purposes. The Company has approximately 4,500 defined standards and holds a lot of these standards as inventory in small quantities, mostly in grams and milligrams. Bulk ingredients are proprietary compounds sold to customers in larger quantities, typically in kilograms. These ingredients are used by our customers in the dietary supplement, food and beverage, animal health, cosmetic and pharmaceutical industries to manufacture their final products.

The Company regularly reviews inventories on hand and records a provision for slow-moving and obsolete inventory, inventory not meeting quality standards and inventory subject to expiration. The provision for slow-moving and obsolete inventory is based on current estimates of future product demand, market conditions and related management judgment. Any significant unanticipated changes in future product demand or market conditions that vary from current expectations could have an impact on the value of inventories.



## Table of Contents

### Accounts Payable

As of December 28, 2013, we had \$1,440,910 in accounts payable compared to \$3,428,233 as of December 29, 2012. This decrease was primarily due to the timing of payments related to our purchases of inventory and services.

### Advances from Customers

As of December 28, 2013, we had \$546,044 in advances from customers compared to \$310,267 as of December 29, 2012. These advances are for large-scale contract services and contract research projects where we require a deposit before beginning work. This increase was due to an increase in the number of large-scale research projects during the last six months of 2013.

### Off-Balance Sheet Arrangements

During the fiscal years ended December 28, 2013 and December 29, 2012, we had no off-balance sheet arrangements other than ordinary operating leases as disclosed in the accompanying financial statements.

### Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. On an ongoing basis, we evaluate these estimates, including those related to the valuation of share-based payments. We base our estimates on historical experience and on 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.

We believe that of our significant accounting policies, which are described in Note 2 of the Financial Statements, set forth in Item 8, the following accounting policies involve the greatest degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of operations.

**Revenue recognition:** The Company recognizes sales and the related cost of sales at the time the merchandise is shipped to customers or service is performed, when each of the following conditions have been met: an arrangement exists, delivery has occurred, there is a fixed price, and collectability is reasonably assured. Discounts, returns and allowances related to sales, including an estimated reserve for returns and allowances, are recorded as reduction of revenue.

**Shipping and handling fees billed to customers and the cost of shipping and handling fees billed to customers** are included in Net sales. Shipping and handling fees not billed to customers are recognized as cost of sales.

Taxes collected from customers and remitted to governmental authorities are excluded from revenue, which is presented on a net basis in the statement of operations.

**Long-term investment in affiliate:** The Company accounts for its investment in affiliate under the equity method. The Company records equity method adjustments in gains (losses) on equity method investments, net, and may do so with up to a three-month lag, pending on the timely availability of financial information of the investee. Equity method adjustments include: our proportionate share of investee income or loss, gains or losses resulting from investee capital

transactions, and other adjustments required by the equity method. The long-term investment in affiliate is subject to a periodic impairment review and is considered to be impaired when a decline in carrying value is judged to be other-than-temporary. Evidence of a loss in value might include (i) absence of an ability recover the carrying amount of the investment or (ii) inability of the investee to sustain an earnings capacity that would justify the carrying amount of the investment.

Table of Contents

Share-based compensation: The Company has an Equity Incentive Plan under which the Board of Directors may grant restricted stock or stock options to employees and non-employees. For employees, share-based compensation cost is recorded for all option grants and awards of non-vested stock based on the grant date fair value of the award, and is recognized over the period the employee is required to provide services for the award. For non-employees, share-based compensation cost is recorded for all option grants and awards of non-vested stock and is remeasured over the vesting term as earned. The expense is recognized over the period the non-employee is required to provide services for the award.

The Company recognizes compensation expense over the requisite service period using the straight-line method for option grants without performance conditions. For stock options that have both service and performance conditions, the Company recognizes compensation expense using the graded attribution method. Compensation expense for stock options with performance conditions is recognized only for those awards expected to vest.

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not Applicable.

Table of Contents

Item 8. Financial Statements and Supplementary Data

The financial statements are set forth in the pages listed below.

	Page
<u>Report of Independent Registered Public Accounting Firms</u>	F-1
<u>Consolidated Balance Sheets at December 28, 2013 and December 29, 2012</u>	F-3
<u>Consolidated Statements of Operations for the Years Ended December 28, 2013 and December 29, 2012</u>	F-4
<u>Consolidated Statements of Stockholders' Equity for the Years Ended December 28, 2013 and December 29, 2012</u>	F-5
<u>Consolidated Statements of Cash Flows for the Years Ended December 28, 2013 and December 29, 2012</u>	F-6
<u>Notes to Consolidated Financial Statements</u>	F-7



Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders  
ChromaDex Corporation

We have audited the accompanying consolidated balance sheet of ChromaDex Corporation and Subsidiaries (the “Company”) as of December 28, 2013, and the related consolidated statements of operations, changes in stockholders’ equity and cash flows for the year then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ChromaDex Corporation and Subsidiaries, as of December 28, 2013, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Marcum LLP

New York, New York  
March 27, 2014

F-1

---

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders  
ChromaDex Corporation

We have audited the accompanying consolidated balance sheet of ChromaDex Corporation as of December 29, 2012, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provided a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ChromaDex Corporation as of December 29, 2012, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

/s/ McGladrey LLP

Schaumburg, IL  
March 29, 2013

Table of Contents

## ChromaDex Corporation and Subsidiaries

## Consolidated Balance Sheets

December 28, 2013 and December 29, 2012

	2013	2012
Assets		
Current Assets		
Cash	\$2,261,336	\$520,000
Trade receivables, less allowance for doubtful accounts and returns 2013 \$9,000; 2012 \$450,000	838,793	1,940,539
Other receivable	215,000	-
Inventories	2,204,125	5,205,304
Prepaid expenses and other assets	271,445	261,297
Total current assets	5,790,699	7,927,140
Leasehold Improvements and Equipment, net	1,063,239	936,426
Other Noncurrent Assets		
Deposits	43,460	34,773
Long-term investment in affiliate	1,887,844	-
Intangible assets, net	201,650	136,182
Total other noncurrent assets	2,132,954	170,955
Total assets	\$8,986,892	\$9,034,521
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$1,440,910	\$3,428,233
Accrued expenses	656,707	876,158
Current maturities of capital lease obligations	138,887	77,259
Customer deposits and other	546,044	310,267
Deferred rent, current	55,586	71,042
Total current liabilities	2,838,134	4,762,959
Capital lease obligations, less current maturities	280,342	148,374
Deferred rent, less current	202,965	129,859
Total liabilities	3,321,441	5,041,192
Commitments and contingencies		
Stockholders' Equity		
Common stock, \$.001 par value; authorized 150,000,000 shares; issued and outstanding 2013 104,524,738 and 2012 92,140,062 shares	104,525	92,140
Additional paid-in capital	39,697,063	33,617,801
Accumulated deficit	(34,136,137)	(29,716,612)

Edgar Filing: ChromaDex Corp. - Form 10-K

Total stockholders' equity	5,665,451	3,993,329
Total liabilities and stockholders' equity	\$8,986,892	\$9,034,521

See Notes to Consolidated Financial Statements.

F-3

---

Table of Contents

## ChromaDex Corporation and Subsidiaries

## Consolidated Statements of Operations

Years Ended December 28, 2013 and December 29, 2012

	2013	2012
Sales, net	\$ 10,160,964	\$ 11,610,494
Cost of sales	7,027,828	9,335,057
Gross profit	3,133,136	2,275,437
Operating expenses:		
Sales and marketing	2,357,605	5,520,141
General and administrative	5,117,016	8,391,730
Loss from investment in affiliate	44,961	-
Operating expenses	7,519,582	13,911,871
Operating loss	(4,386,446 )	(11,636,434)
Nonoperating income (expense):		
Interest income	1,251	3,014
Interest expense	(34,330 )	(29,006 )
Nonoperating expenses	(33,079 )	(25,992 )
Net loss	\$(4,419,525 )	\$(11,662,426)
Basic and Diluted loss per common share	\$(0.04 )	\$(0.13 )
Basic and Diluted weighted average common shares outstanding	99,987,443	90,268,802

See Notes to Consolidated Financial Statements.

Table of Contents

ChromaDex Corporation and Subsidiaries  
Consolidated Statement of Stockholders' Equity  
Years Ended December 28, 2013 and December 29,  
2012

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance, December 31, 2011	72,939,996	\$72,940	\$20,542,532	\$(18,054,186)	\$2,561,286
Issuance of common stock, net of offering costs of \$1,104,759	14,899,995	14,900	10,055,338		10,070,238
Issuance of common stock for vested restricted stock	1,140,000	1,140	158,460	-	159,600
Repurchase and cancellation of common stock	(10,000 )	(10 )	(8,190 )	-	(8,200 )
Exercise of stock options	6,117	6	3,053	-	3,059
Exercise of warrants	754,103	754	156,746	-	157,500
Share-based compensation	2,409,851	2,410	2,709,862	-	2,712,272
Net loss	-	-	-	(11,662,426)	(11,662,426)
Balance, December 29, 2012	92,140,062	92,140	33,617,801	(29,716,612)	3,993,329
Issuance of common stock, net of offering costs of \$20,000	3,529,411	3,529	2,976,471	-	2,980,000
Exercise of stock options	276,038	276	138,093	-	138,369
Exercise of warrants	7,979,227	7,979	1,630,769	-	1,638,748
Share-based compensation	600,000	600	1,333,930	-	1,334,530
Net loss	-	-	-	(4,419,525 )	(4,419,525 )
Balance, December 28, 2013	104,524,738	\$104,525	\$39,697,063	\$(34,136,137)	\$5,665,451

See Notes to Consolidated Financial Statements.



Table of Contents

## ChromaDex Corporation and Subsidiaries

## Consolidated Statements of Cash Flows

Years Ended December 28, 2013 and December 29, 2012

	2013	2012
<b>Cash Flows From Operating Activities</b>		
Net loss	\$(4,419,525)	\$(11,662,426)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of leasehold improvements and equipment	246,175	328,099
Amortization of intangibles	23,532	15,934
Share-based compensation expense	1,287,917	2,703,253
Loss from disposal of equipment	66,378	1,937
Loss from investment in affiliate	44,961	-
Changes in operating assets and liabilities:		
Trade receivables	1,118,730	(1,216,873 )
Other receivable	(215,000 )	-
Inventories	(466,352 )	(2,299,704 )
Prepaid expenses and other assets	(62,913 )	675,602
Accounts payable	(1,618,450)	1,177,992
Accrued expenses	(204,891 )	105,631
Customer deposits and other	235,777	110,574
Deferred rent	57,650	(59,732 )
Net cash used in operating activities	(3,906,011)	(10,119,713)
<b>Cash Flows From Investing Activities</b>		
Purchases of leasehold improvements and equipment	(137,349 )	(24,555 )
Purchase of intangible assets	(89,000 )	(52,010 )
Proceeds from sales of assets	1,000,000	-
Proceeds from investment in affiliate	225,000	-
Net cash provided by (used in) investing activities	998,651	(76,565 )
<b>Cash Flows From Financing Activities</b>		
Proceeds from issuance of common stock, net of issuance costs	2,980,000	10,229,838
Proceeds from exercise of stock options	138,369	3,059
Proceeds from exercise of warrants	1,638,748	157,500
Repurchase of common stock	-	(8,200 )
Principal payments on capital leases	(108,421 )	(86,071 )
Net cash provided by financing activities	4,648,696	10,296,126
Net increase in cash	1,741,336	99,848
Cash Beginning of Year	520,000	420,152
Cash Ending of Year	\$2,261,336	\$520,000
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash payments for interest	\$34,330	\$29,006



Edgar Filing: ChromaDex Corp. - Form 10-K

Supplemental Schedule of Noncash Investing Activity

Capital lease obligation incurred for the purchase of equipment	\$302,017	\$69,619
---	-----------	----------

Supplemental Schedule of Noncash Share-based Compensation

Stock awards earned but not issued	\$-	\$14,560
Stock awards issued for services rendered in prior period	\$14,560	\$-
Changes in stock and warrant awards issued for future services	\$32,053	\$23,579
Warrants issued, net of offering costs	\$-	\$44,610

Supplemental Schedule of Noncash Activities Related to

Sale of BluScience Consumer Product Line

Assets transferred	\$3,526,677	\$-
Liabilities transferred	\$368,873	\$-
Carrying value of long-term investment in affiliate, net of \$1,000,000 cash proceeds	\$2,157,804	\$-

See Notes to Consolidated Financial Statements.

Table of Contents

Note 1. Nature of Business and Liquidity

Nature of business: ChromaDex Corporation and its wholly owned subsidiaries, ChromaDex, Inc., Chromadex Analytics, Inc. and Spherix Consulting, Inc. (collectively, the “Company”) are a natural products company that discovers, acquires, develops and commercializes proprietary-based ingredient technologies through its business model that utilizes its wholly owned business units, including ingredient technologies, catalog of natural product fine chemicals, chemistry and analytical testing services, and product regulatory and safety consulting services. The Company provides science-based solutions to the nutritional supplement, food and beverage, animal health, cosmetic and pharmaceutical industries. The Company acquired Spherix Consulting, Inc. on December 3, 2012, which provides scientific and regulatory consulting to the clients in the food, supplement and pharmaceutical industries to manage potential health and regulatory risks. In 2011, the Company launched its BluScience retail consumer line based on its proprietary ingredients. However, on March 28, 2013, the Company entered into an asset purchase and sale agreement with NeutriSci International Inc. and consummated the sale of BluScience consumer product line to NeutriSci.

Liquidity: The Company has incurred a loss from operations of \$4,386,446 and a net loss of \$4,419,525 for the year ended December 28, 2013, and a net loss of \$11,662,426 for the year ended December 29, 2012. As of December 28, 2013, the cash and cash equivalents totaled approximately \$2,261,336.

Subsequent to the period ended December 28, 2013, the Company assigned a senior convertible secured note issued by NeutriSci to an unrelated party. At the date of assignment, \$2,275,000 remained outstanding on the senior secured convertible note. The transaction amount was for \$1,250,000 and the Company received net proceeds of \$1,092,500 after deducting transaction costs. The Company also agreed to transfer a number of shares of preferred stock of NeutriSci having a value of \$550,000 at a later date. For more information regarding this assignment transaction is set forth in Note 4 Sale of Product Line and Investment in Affiliate.

By curtailing certain expenditures, management believes it will be able to support operations of the Company with its current cash, cash equivalents and cash from operations through March, 2015. However, if the Company determines that it shall require additional financing to further enable it to achieve its long-term strategic objectives, there can be no assurance that such financing will be available on terms favorable to it or at all. If adequate financing is not available, the Company will further delay, postpone or terminate product and service expansion and curtail certain selling, general and administrative operations. The inability to raise additional financing may have a material adverse effect on the future performance of the Company.

Note 2. Significant Accounting Policies

Significant accounting policies are as follows:

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. The fiscal years ended December 28, 2013 (referred to as 2013), and December 29, 2012 (referred to as 2012), each consisted of 52 weeks. Every fifth or sixth fiscal year, the inclusion of an extra week occurs due to the Company’s floating year-end date. The fiscal year 2014 will include 53 weeks instead of the normal 52 weeks.

Accounting estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

F-7

---

Table of Contents

Revenue recognition: The Company recognizes sales and the related cost of sales at the time the merchandise is shipped to customers or service is performed, when each of the following conditions have been met: an arrangement exists, delivery has occurred, there is a fixed price, and collectability is reasonably assured. Discounts, returns and allowances related to sales, including an estimated reserve for the returns and allowances, are recorded as reduction of revenue.

Shipping and handling fees billed to customers and the cost of shipping and handling fees billed to customers are included in net sales. For the year ending in December 28, 2013, shipping and handling fees billed to customers were approximately \$110,000 and the cost of shipping and handling fees billed to customers was approximately \$128,400. For the year ending in December 29, 2012, shipping and handling fees billed to customers were approximately \$109,000 and the cost of shipping and handling fees billed to customers was approximately \$123,000. Shipping and handling fees not billed to customers are recognized as cost of sales.

Taxes collected from customers and remitted to governmental authorities are excluded from revenue, which is presented on a net basis in the statement of operations.

Cash concentration: The Company maintains substantially all of its cash in one bank account.

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

Other receivables: Other receivables are amounts due for payment to the Company other than the Company's normal customer invoices for merchandise shipped or services performed. The other receivable amount was from a legal settlement agreement, which the settlement was reached at arbitration form a lawsuit for the violation of the Company's trademarks. The counterparty had already remitted the payment to a third party escrow agent prior to December 28, 2013. This payment was deposited by the Company on January 14, 2014. The other receivable amount was recorded as a gain in general and administrative expenses in the statement of operations for the period ended December 28, 2013.

Inventories: Inventories are comprised of raw materials, work-in-process and finished goods. They are stated at the lower of cost, determined by the first-in, first-out method (FIFO) method, or market. The inventory on the balance sheet is recorded net of valuation allowances. Labor and overhead has been added to inventory that was manufactured or characterized by the Company. The amounts of major classes of inventory for the periods ended December 28, 2013 and December 29, 2012 are as follows:

	2013	2012
Reference standards	\$1,769,160	\$1,614,755
Bulk ingredients	694,965	432,230
Dietary supplements – raw materials	-	401,809
Dietary supplements – work in process	-	465,253
Dietary supplements – finished goods	-	2,657,257

Edgar Filing: ChromaDex Corp. - Form 10-K

	2,464,125	5,571,304
Less valuation allowance	260,000	366,000
	\$2,204,125	\$5,205,304

F-8

---

Table of Contents

The Company regularly reviews inventories on hand and records a provision for slow-moving and obsolete inventory, inventory not meeting quality standards and inventory subject to expiration. The provision for slow-moving and obsolete inventory is based on current estimates of future product demand, market conditions and related management judgment. Any significant unanticipated changes in future product demand or market conditions that vary from current expectations could have an impact on the value of inventories.

**Intangible assets:** Intangible assets include licensing rights and are accounted for based on the fair value of consideration given or the fair value of the net assets acquired, whichever is more reliable. Intangible assets with finite useful lives are amortized using the straight-line method over a period of 10 years, or, for licensed patent rights, the remaining term of the patents underlying licensing rights (considered to be the remaining useful life of the license).

**Leasehold improvements and equipment:** Leasehold improvements and equipment are carried at cost and depreciated on the straight-line method over the lesser of the estimated useful life of each asset or lease term. Leasehold improvements and equipment are comprised of leasehold improvements, laboratory equipment, furniture and fixtures, and computer equipment. Depreciation on equipment under capital lease is included with depreciation on owned assets. The costs incurred for a routine maintenance to keep the asset operating at its present condition are expensed. Useful lives of leasehold improvements and equipment for each of the category are as follows:

	Useful Life
Leasehold improvements	Until the end of the lease term
Computer equipment	3 to 5 years
Furniture and fixtures	7 years
Laboratory equipment	10 years

Long-lived assets are reviewed for impairment on a periodic basis and when changes in circumstances indicate the possibility that the carrying amount may not be recoverable. Long-lived assets are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. If the forecast of undiscounted future cash flows is less than the carrying amount of the assets, an impairment charge would be recognized to reduce the carrying value of the assets to fair value. If a possible impairment is identified, the asset group's fair value is measured relying primarily on a discounted cash flow methodology.

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

**Customer deposits and other:** Customer deposits and other represent either (i) cash received from customers in advance of product shipment or delivery of services; or (ii) cash received from government as research grants, which the Company has yet to complete the research activities.

The cash received from government as research grants is recognized as a liability until the research is performed. Other than a nominal management fee, which the Company is entitled to earn when the research is performed, the research activities related to the grants are excluded from revenue and are presented on a net basis in the statement of operations.

F-9

---

## Table of Contents

**Income taxes:** Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred 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 changes in tax laws and rates on the date of enactment.

The Company has not recorded a reserve for any tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. The Company files tax returns in all appropriate jurisdictions, which include a federal tax return and various state tax returns. Open tax years for these jurisdictions are 2010 to 2013, which statutes expire in 2014 to 2016, respectively. When and if applicable, potential interest and penalty costs are accrued as incurred, with expenses recognized in general and administrative expenses in the statements of operations. As of December 28, 2013, the Company has no liability for unrecognized tax benefits.

**Research and development costs:** Research and development costs consist of direct and indirect costs associated with the development of the Company's technologies. These costs are expensed as incurred. Research and development costs for the periods ended December 28, 2013 and December 29, 2012 were approximately \$134,000 and \$142,000, respectively.

**Advertising:** The Company expenses the production costs of advertising the first time the advertising takes place. Advertising expense for the periods ended December 28, 2013 and December 29, 2012 were approximately \$355,000 and \$2,565,000, respectively.

**Share-based compensation:** The Company has an Equity Incentive Plan under which the Board of Directors may grant restricted stock or stock options to employees and non-employees. For employees, share-based compensation cost is recorded for all option grants and awards of non-vested stock based on the grant date fair value of the award, and is recognized over the period the employee is required to provide services for the award. For non-employees, share-based compensation cost is recorded for all option grants and awards of non-vested stock and is remeasured over the vesting term as earned. The expense is recognized over the period the non-employee is required to provide services for the award.

The Company recognizes compensation expense over the requisite service period using the straight-line method for option grants without performance conditions. For stock options that have both service and performance conditions, the Company recognizes compensation expense using the graded attribution method. Compensation expense for stock options with performance conditions is recognized only for those awards expected to vest.

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

**Fair Value Measurement:** The Company follows the provisions of the accounting standard which defines fair value, establishes a framework for measuring fair value and enhances fair value measurement disclosure. Under these provisions, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.



The standard establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use on unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is described below:

F-10

---

Table of Contents

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Financial instruments: The carrying amounts reported in the balance sheet for accounts receivable and accounts payable approximate their fair values. The carrying amounts reported in the balance sheet for capital lease obligations are present values of the obligations, excluding the interest portion. Capital lease obligations with maturities less than one year are classified as current liabilities.

### Note 3. Earnings Per Share

Potentially dilutive common shares consist of the incremental common shares issuable upon the exercise of common stock options for the period ending in December 28, 2013 and common stock options and warrants for the period ending in December 29, 2012. For all periods presented, the basic and diluted shares reported are equal because the common shares equivalents are anti-dilutive. Below is a tabulation of the potentially dilutive securities that were “in the money” for the periods ended December 28, 2013 and December 29, 2012.

	Years Ended	
	2013	2012
Basic weighted average common shares outstanding	99,987,443	90,268,802
Warrants and options in the money, net	605,567	5,720,320
Weighted average common shares outstanding assuming dilution	100,593,010	95,989,122

Total warrants and options that were not “in the money” at December 28, 2013 and December 29, 2012 were 145,000 and 14,914,696, respectively.

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

On March 28, 2013, the Company entered into an asset sale agreement with NeutriSci and consummated the sale of the BluScience consumer product line to NeutriSci. The Company is using the cost recovery method to account for the sale transaction, which is estimated at approximately \$3,157,804. The consideration received consists of the following: (a) a \$250,000 cash payment, which NeutriSci paid as a deposit in February 2013; (b) an additional \$250,000 cash payment, which was paid at the closing of the sale; (c) an additional cash payment of \$500,000 due no later than 60 days after the closing of the sale, which has been fully paid as of December 28, 2013; (d) a \$2,500,000 senior convertible secured note (the “Senior Note”) (convertible into 625,000 shares of NeutriSci Series I Preferred Stock) payable in quarterly installments of \$416,667 beginning August 15, 2013, of which a partial payment of \$225,000 was received for the first installment on September 27, 2013 and an amendment to extend the repayment schedule was executed on October 18, 2013; and (e) 669,708 shares of Series I Preferred Shares that are convertible into 2,678,832 Class A common shares of NeutriSci, representing an aggregate of 19% of the NeutriSci shares at a deemed price for each Class A common share of \$1.00 per share at March 28, 2013. The transaction documents contain certain equity blockers that preclude the Company’s ownership in NeutriSci in excess of 9.99% and 19% without obtaining a waiver from NeutriSci. The Company is contractually entitled to receive revenue through a royalty on 6% of future net sales of BluScience products as well as a supply agreement with NeutriSci for the Company’s patented pTeroPure pterostilbene. As of December 28, 2013, the Company did not have any sales to NeutriSci under this supply agreement for pTeroPure pterostilbene.



Table of Contents

The Company has applied the equity method of accounting due to a significant influence that it has obtained from the financial instruments noted above, and the carrying value, which includes the Senior Note, is reflected as long-term investment in affiliate in the Company's consolidated balance sheet as of December 28, 2013. The initial carrying value of this investment recognized as of March 28, 2013 was \$2,157,804, which is the Company's unrecovered cost or the difference between the net assets transferred to NeutriSci and the initial monetary consideration received. Management believed that \$2,157,804 was the appropriate aggregate carrying value for the investment in affiliate under the cost recovery method, considering the fact that (a) NeutriSci is a start-up company and has historically recorded significant operating losses; (b) lack of operations beyond the acquired BluScience assets and the uncertainty surrounding the repayment of the note based on both ongoing sales of BluScience by NeutriSci as well as NeutriSci's plans to raise additional funds to support the business and repayment of the note; and (c) the Company cannot reasonably estimate the collectability of the note receivable. The 669,708 shares of Series I Preferred Shares and the senior convertible secured note were accounted for as one long-term investment in NeutriSci. Under the cost recovery method, no gain on the sale will be recognized until the Company's cost basis in the net assets transferred has been recovered. Prospective collection of payments under the note will be charged against the carrying value of the long-term investment in affiliate. The below table illustrates how the carrying value was determined.

	At March 28, 2013
Assets transferred	
Trade receivables, less allowance for returns	\$(16,984 )
Inventories	3,467,530
Prepaid expenses and other assets	76,131
Total assets transferred	3,526,677
Liabilities transferred	
Accounts payable	368,873
Total liabilities transferred	368,873
Total net assets transferred	\$3,157,804
Initial monetary consideration received	
Cash	\$500,000
Non-trade receivable	500,000
Total initial monetary consideration received	\$1,000,000
Carrying Value of Long Term Investment in Affiliate	\$2,157,804

The Company has elected to record equity method adjustments in gains (losses) on the investment in NeutriSci, with a three-month lag, as the financial information of NeutriSci was not available in a timely manner. Due to the three-month lag, the loss reported for the Company's period ended December 28, 2013 represents our percentage interest in the results of NeutriSci's operations from April 1, 2013 to September 30, 2013. The Company expects that the effect of the three-month lag will not result in a material difference in the accounting as the Company expects its ownership in NeutriSci to continue to decrease in the future.



Table of Contents

Sales, gross profit, net loss of NeutriSci for the six months ended September 30, 2013 and the changes in carrying value and the Company ownership percentage through December 28, 2013 are summarized as follows:

	September 30, 2013
Sales	\$36,451
Gross profit	13,310
Net loss	\$(813,212 )

## Changes in Carrying Value and Ownership Percentage for ChromaDex Corporation

	Carrying Value	Ownership Percentage
At March 28, 2013	\$2,157,804	5.7 %
Company's share of NeutriSci's loss through September 30, 2013	(44,961 )	-
Proceeds from investment in affiliate	(225,000 )	-
At December 28, 2013	\$1,887,844	4.9 %

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

During the year ended December 28, 2013, the Company fully received the \$500,000 cash payment that was reflected as non-trade receivable as of March 28, 2013. Also, during the year ended December 28, 2013, the Company received a partial payment of \$225,000 for the first installment of \$416,667 that was due under the Senior Note.

## Subsequent event – Sale of Senior Secured Convertible Note

Subsequent to the year ended December 28, 2013, the Company assigned the Senior Note to an unrelated third party for \$1,250,000. \$2,275,000 remained outstanding on the Senior Note at the date of the assignment. The Company also paid legal fee of \$7,500 out of the proceeds of the purchase price. The Company also agreed to transfer to the third party a number of shares of preferred stock of NeutriSci having a value of \$500,000 upon the earlier of (a) December 31, 2014; or (b) the consummation by NeutriSci of any action resulting in the shares of its common stock being listed on an exchange. There is no recourse provision to the Company associated with the assignment of the note. In connection with the assignment of the note, the Company paid Palladium Capital Advisors, LLC as a placement agent a cash fee of \$150,000 and agreed to transfer to Palladium a number of shares of preferred stock of NeutriSci having a value of \$50,000 upon the consummation by NeutriSci of any action resulting in the shares of its common stock being listed on an exchange.

## Valuation assessment of Investment

As of December 28, 2013, the Company has determined that there is no other-than-temporary impairment of the carrying amounts of its investment in NeutriSci. The Company will continue to monitor NeutriSci's performance and evaluate if there are any such events or indicators to consider.

Table of Contents

## Note 5. Intangible Assets

Intangible assets consisted of the following:

	2013		2012	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
License agreements and other	\$ 1,075,285	\$ 873,635	\$ 986,285	\$ 850,103

Amortization expense on amortizable intangible assets included in the consolidated statement of operations for the year ended December 28, 2013 and December 29, 2012 was approximately \$24,000 and \$16,000, respectively. The unamortized expense is expected to be recognized over a weighted average period of 7.9 years as of December 28, 2013.

Estimated aggregate amortization expense for each of the next five years is as follows:

Years ending December:

2014	\$28,000
2015	28,000
2016	28,000
2017	28,000
2018	23,000
Thereafter	67,000
	\$202,000

## Note 6. Leasehold Improvements and Equipment

Leasehold improvements and equipment consisted of the following:

	2013	2012
Laboratory equipment	\$2,782,364	\$2,439,688
Leasehold improvements	491,125	403,971
Computer equipment	372,851	363,739
Furniture and fixtures	18,313	18,313
Office equipment	7,877	7,877
Construction in progress	40,126	106,080
	3,712,656	3,339,668
Less accumulated depreciation	2,649,417	2,403,242
	\$1,063,239	\$936,426

Depreciation expense on leasehold improvements and equipment included in the consolidated statement of operations for the year ended December 28, 2013 and December 29, 2012 was approximately \$246,000 and \$328,000, respectively.





Table of Contents

## Note 7. Capitalized Lease Obligations

The Company leases equipment under capitalized lease obligations with a total cost of \$695,461 and \$381,888 and accumulated amortization of \$136,358 and \$90,960 as of December 28, 2013 and December 29, 2012, respectively.

Minimum future lease payments under capital leases as of December 28, 2013, are as follows:

Year ending December:	
2014	\$ 172,948
2015	112,794
2016	99,902
2017	79,054
2018	30,198
Total minimum lease payments	494,896
Less amount representing interest at a rate of approximately 9.8% per year	75,667
Present value of net minimum lease payments	419,229
Less current portion	138,887
Long-term obligations under capital leases	\$ 280,342

Interest expense related to capital leases was approximately \$34,000 and \$29,000 for the years ended December 28, 2013 and December 29, 2012, respectively.

## Note 8. Income Taxes

A reconciliation of income tax expense (benefit) computed at the statutory federal income tax rate of 34% for 2013 and 2012 compared to the Company's income tax expense for the years ended December 28, 2013 and December 29, 2012 is as follows:

	2013	2012
Income tax expense (benefit) at statutory rate	\$(1,503,000)	\$(3,965,000)
(Increase) decrease resulting from:		
State income taxes, net of federal tax effect	(189,000 )	(428,000 )
Nondeductible expenses	117,000	134,000
Change in effective tax rate	(166,000 )	194,000
Change in valuation allowance	1,732,000	4,136,000
Other	9,000	(71,000 )
	\$-	\$-

Table of Contents

The deferred income tax assets and liabilities consisted of the following components as of December 28, 2013 and December 29, 2012:

	2013	2012
Deferred tax assets:		
Net operating loss carryforward	\$8,953,000	\$8,512,000
Stock options and restricted stock	1,945,000	1,679,000
Investment in affiliate related to BluScience transaction	1,187,000	-
Inventory reserve	100,000	138,000
Allowance for doubtful accounts	3,000	169,000
Accrued expenses	164,000	134,000
Intangibles	36,000	48,000
Deferred rent	99,000	76,000
	12,487,000	10,756,000
Less valuation allowance	12,361,000	10,629,000
	126,000	127,000
Deferred tax liabilities:		
Leasehold improvements and equipment	(100,000 )	(101,000 )
Prepaid expenses	(26,000 )	(26,000 )
	(126,000 )	(127,000 )
	\$-	\$-

The Company has tax net operating loss carryforwards and other tax attributes available to offset future federal taxable income and future state taxable income of approximately \$23,329,000 and \$19,227,000, respectively which begin to expire in the year ending December 31, 2023 and 2014, respectively. The net operating loss can be carried forward up to 20 years for federal tax returns and from 5 to 20 years for various state tax returns. Under the Internal Revenue Code, certain ownership changes may subject the Company to annual limitations on the utilization of its net operating loss carryforward. The Company has determined that the stock issued in the year 2010 created a change in control under the Internal Revenue Code Section 382. This limitation when applying to future taxable income is not expected to be significant. The Company will continue to analyze the potential impact of any additional transactions undertaken upon the utilization of the net operating losses on a go forward basis.

#### Note 9. Employee Equity Incentive Plan

##### Stock Option Plans

At the discretion of the Company's compensation committee (the "Compensation Committee"), and with the approval of the Company's board of directors (the "Board of Directors"), the Company may grant options to purchase the Company's common stock to certain individuals from time to time. Management and the Compensation Committee determine the terms of awards which include the exercise price, vesting conditions and expiration dates at the time of grant. Expiration dates for stock options are not to exceed 10 years from their date of issuance. The Company, under its Second Amended and Restated 2007 Equity Incentive Plan, is authorized to issue stock options that total no more than 20% of the shares of common stock issued and outstanding, as determined on a fully diluted basis. Beginning in 2007, stock options were no longer issuable under the Company's 2000 Non-Qualified Incentive Stock Plan. The remaining amount available for issuance under the Second Amended and Restated 2007 Equity Incentive Plan totaled 6,953,940 at December 28, 2013. The stock option awards generally vest ratably over a four-year period following grant date after a passage of time. However, some stock option awards are performance based and vest based on the achievement of certain criteria established by the Compensation Committee, subject to approval by the Board of

Directors.

F-16

---

Table of Contents

The fair value of the Company's stock options was estimated at the date of grant using the Black-Scholes based option valuation model. The table below outlines the weighted average assumptions for options granted to employees during the years ended December 28, 2013 and December 29, 2012.

Year Ended December	2013		2012	
Volatility	32.75	%	33.22	%
Expected dividends	0.00	%	0.00	%
Expected term	6.0 years		5.8 years	
Risk-free rate	1.51	%	0.96	%

The Company calculated expected volatility from the volatility of publicly held companies in similar industries, as the historical volatility of the Company's common stock does not cover the period equal to the expected life of the options. The dividend yield assumption is based on the Company's history and expectation of future dividend payouts on the common stock. The risk-free interest rate is based on the implied yield available on U.S. treasury zero-coupon issues with an equivalent remaining term. For the expected term, the Company used SEC Staff Accounting Bulletin No. 107 simplified method since most of the options granted were "plain vanilla" options with following characteristics: (i) the share options are granted at the market price on the grant date; (ii) exercisability is conditional on performing service through the vesting date on most options; (iii) If an employee terminates service prior to vesting, the employee would forfeit the share options; (iv) if an employee terminates service after vesting, the employee would have 30 days to exercise the share options; and (v) the share options are nontransferable and nonhedgeable. The estimation process for the fair value of performance based stock options was the same as for service period based options.

## 1) Service Period Based Stock Options

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

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

	Number of Shares	Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 29, 2012	12,202,558	\$1.08		
Options Granted	805,000	0.81		
Options Exercised	(26,038 )	0.51		
Options Expired	(75,000 )	0.50		
Options Forfeited	(792,865 )	1.19		
Outstanding at December 28, 2013	12,113,655	\$1.06	7.43	\$6,513,219
Exercisable at December 28, 2013	8,184,312	\$1.14	6.76	\$3,767,235

During the year ended December 29, 2012, the Company granted option awards to 7 directors and 2 employees who are all accredited investors at an exercise price of \$0.945, on the condition that certain option awards with exercise prices of \$1.50 or higher, which the Company had previously granted are terminated. Such directors and employees accepted these conditional option awards and agreed to terminate previously granted options to purchase an aggregate of 7,765,512 shares at exercise prices of \$1.50 or higher and receive new option awards to purchase an aggregate of

4,777,878 shares at an exercise price of \$0.945. The incremental compensation cost, which is the excess of the fair value of the replacement awards over the fair value of the cancelled awards at the cancellation date, was measured using the Black-Scholes based option valuation model. The total incremental compensation cost was \$970,071 and this cost together with the unrecognized compensation cost of the cancelled awards will be amortized over the vesting periods of replacement awards which range from 1 to 3 years. The existing expense of the cancelled awards through cancellation date remains and is not reversed.

F-17

---

Table of Contents

The aggregate intrinsic values in the table above are before income taxes, based on the Company's closing stock price of \$1.60 on the last day of business for the year ended December 28, 2013. The weighted average fair value of options granted during the years ended December 28, 2013, and December 29, 2012 was \$0.29, and \$0.27 respectively. The aggregate intrinsic value for options exercised during the years ended December 28, 2013, and December 29, 2012 was approximately \$7,000 and \$1,000 respectively.

## 2) Performance Based Stock Options

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

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

	Number of Shares	Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 29, 2012	145,834	\$1.59		
Options Granted	200,000	0.63		
Options Exercised	-	-		
Options Expired	-	-		
Options Forfeited	(145,834 )	1.59		
Outstanding at December 28, 2013	200,000	\$0.63	9.08	\$194,000
Exercisable at December 28, 2013	-	\$-	-	\$-

The aggregate intrinsic value in the table above are before income taxes, based on the Company's closing stock price of \$1.60 on the last day of business for the period ended December 28, 2013. The weighted average fair value of options granted during the year ended December 28, 2013 was \$0.22. The Company did not grant any performance based stock options during the year ended December 29, 2012.

As of December 28, 2013, there was approximately \$1,628,000 of total unrecognized compensation expense related to non-vested share-based compensation arrangements granted under the plans for employee stock options. That cost is expected to be recognized over a weighted average period of 2.32 years. The realized tax benefit from stock options for the years ended December 28, 2013, and December 29, 2012 was \$0, based on the Company's election of the "with and without" approach.

## Restricted Stock with Market Conditions

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

Table of Contents

The following table summarizes activity of restricted stock awards granted to employees at December 28, 2013 and changes during the twelve months then ended:

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

Certain restricted stock awards had market conditions. The fair values of these restricted stock awards were estimated at the dates of award using the Hull-White based binomial valuation model. The table below outlines the weighted average assumptions of these market conditioned restricted stock awarded to employees during the year ended December 29, 2012.

Year Ended December 29, 2012	2012	
Expected Term	3.00	
Expected Volatility	69.98	%
Expected Dividends	0.00	%
Risk Free Rate of Return	0.39	%

The Company calculated expected volatility from the volatility of publicly held companies in similar industries as well as the historical volatility of the Company's common stock. Less weight was assigned to the volatility of the Company's common stock as the historical volatility of Company's common stock covers only about four and a half years in a thinly traded market. The dividend yield assumption is based on the Company's history and expectation on future dividend payouts on the common stock. The risk-free interest rate is based on the implied yield available on U.S. treasury zero-coupon issues with an equivalent remaining term. The Company used the expected vesting period of the restricted stock for estimating the expected term of the restricted stock.

Certain restricted stock awards had both market and service conditions and the awards become vested on the satisfaction of either condition. The fair values of these restricted stock awards were estimated at the date of award using the Company's stock price as the service condition prevailed over the market condition.

On February 13, 2012, William Spengler, our former President, ceased serving in all positions he held with the Company. 1,000,000 restricted shares of our common stock held by Mr. Spengler were forfeited. Expense recognized related to this forfeited restricted stock award was reversed during the year ended December 29, 2012, as the vesting conditions established by the Company, including continuous employment through November 15, 2013, were not met. The reversed expense amount the Company had recognized through December 31, 2011 was \$476,411.

On February 7, 2012, the Company awarded 1,000,000 shares of restricted stock to our former Chief Executive Officer and President, Jeffrey Himmel and on February 21, 2012, the Company awarded 750,000 shares of restricted stock to our former Chief Operating Officer, Debra Heim. On June 11, 2012, both Mr. Himmel and Ms. Heim ceased serving in all positions held with the Company and restricted shares held by Mr. Himmel and Ms. Heim were forfeited. Expense recognized related to these forfeited restricted stock awards was reversed.

On June 6, 2012, the Company awarded 250,000 shares of restricted stock to each of our Chief Executive Officer, Frank Jaksch and our Chief Financial Officer, Thomas Varvaro. These shares shall vest upon the earlier to occur of the following: (i) the market price of the Company's stock exceeds a certain price, or (ii) one of other certain triggering events, including the termination of Mr. Jaksch or Mr. Varvaro for any reason. As of December 29, 2012, these shares have not been vested.

F-19

---



Table of Contents

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

## Stock Awards

From time to time, the Company awards shares of its common stock to executives and members of the Board of Directors as part of its overall compensation program. On February 7, 2012, the Company awarded 100,000 shares of common stock to Jeffrey Himmel, our former Chief Executive Officer and President, pursuant to an employment agreement with Mr. Himmel. The fair value of these awarded shares was estimated at the date of award using the Company's stock price. Since these shares are immediately vested, the award is deemed to be fully earned upon issuance and the full fair value of \$94,000 was expensed on the date of award. On February 21, 2012, the Company awarded 75,000 shares of common stock to Debra Heim, our former Chief Operating Officer, pursuant to an employment agreement with Ms. Heim. The fair value of these awarded shares was estimated at the date of award using the Company's stock price. Since these shares are immediately vested, the award is deemed to be fully earned upon issuance and the full fair value of \$60,000 was expensed on the date of award. On June 6, 2012, the Company awarded 500,000 shares of common stock to each of Michael Brauser and Barry Honig, who are Co-Chairmen of the Board of Directors. The fair value of these awarded shares was estimated at the date of award using the Company's stock price. Since these shares are immediately vested, the awards are deemed to be fully earned upon issuance and the full fair value of \$690,000, or \$345,000 each was expensed on the date of award.

For employee share-based compensation, the Company recognized share-based compensation expense of approximately \$958,000 in general and administrative expenses in the statement of operations for the year ended December 28, 2013. The Company recognized \$1,498,000 in share-based compensation expense for the year ended December 29, 2012.

## Note 10. Non-Employee Share-Based Compensation

## Stock Option Plans

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

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

	Number of Shares	Weighted Average Exercise Price	Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 29, 2012	1,097,300	\$1.23		
Options Granted	-	-		
Options Exercised	(250,000 )	0.50		
Options Forfeited	-	-		

Edgar Filing: ChromaDex Corp. - Form 10-K

Outstanding at December 28, 2013	847,300	\$1.44	5.74	\$131,627
Exercisable at December 28, 2013	847,300	\$1.44	5.74	\$131,627

F-20

---

Table of Contents

The aggregate intrinsic values in the table above are before income taxes, based on the Company's closing stock price of \$1.60 on the last day of business for the year ended December 28, 2013. The aggregate intrinsic value for options exercised during the year ended December 28, 2013 was \$35,000. There were no options exercised during the year ended December 29, 2012.

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

## Stock Awards

During the year ended December 28, 2013, the Company awarded an aggregate of 600,000 shares of the Company's common stock that were fully vested and non-refundable to non-employees. The fair values of the awards were based on the trading price of the Company's stock on the date of issuance. The expense the Company recognized for these awards was approximately \$325,000 for the year ended December 28, 2013. During the year ended December 29, 2012, the Company awarded an aggregate of 1,234,851 shares and recognized a total expense of approximately \$790,000.

## Warrant Awards

During the year ended December 28, 2013, the Company recognized an expense of approximately \$4,094 for the warrants that were previously awarded to a certain non-employee during the year ended December 29, 2012. During the year ended December 28, 2013, these warrants were exercised and the Company issued 74,186 shares of common stock. The non-employee who held these warrants elected a cashless exercise pursuant to the provisions of the warrants and received 74,186 shares of common stock in lieu of 250,000 shares for a cash payment of \$0.75 per share. The intrinsic value of the warrants exercised was \$90,507.

The fair value of these warrants was estimated at the date of award using the Black-Scholes based valuation model. The table below outlines the assumptions for the warrants granted.

Year Ended December 29, 2012	2012	
Volatility	28.2	%
Expected dividends	0.00	%
Expected term	2.0 years	
Risk-free rate	0.27	%

The Company calculated expected volatility from the volatility of publicly held companies in similar industries. The Company did not use the volatility of the Company's common stock as the historical volatility of Company's common stock covers only about four and a half years in a thinly traded market. The dividend yield assumption is based on the Company's history and expectation of future dividend payouts on the common stock. The risk-free interest rate is based on the implied yield available on U.S. treasury zero-coupon issues with an equivalent remaining term. The expected term of the warrants represents the contractual terms. For the year ended December 29, 2012, the expense the Company recognized for this warrant award was \$4,731.

For non-employee share-based compensation, the Company recognized share-based compensation expense of approximately \$330,000 in general and administrative expenses in the statement of operations for the year ended December 28, 2013. The Company recognized approximately \$1,206,000 in share-based compensation expense for the year ended December 29, 2012.

Note 11. Stock Issuance

On October 17, 2013, the Company sold an aggregate of 2,941,176 shares of the Company's common stock, with gross proceeds to the Company of \$2,500,000 to a certain strategic accredited investor pursuant to a subscription agreement. Each share of common stock was sold for a purchase price of \$0.85 per share. There is no put provision to the Company associated with the issuance of the Company's common stock.

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

Table of Contents

On January 31, 2012, the Company entered into a definitive agreement with investors in a registered direct offering of common stock at a price per share of \$0.75. On February 9, 2012, the registered direct offering was consummated and the Company sold 9,966,666 shares of common stock at a price per share of \$0.75 for gross proceeds of \$7,475,000, or net proceeds of \$6,739,498 after deducting offering costs. As a part of the offering commission to its placement agent, the Company issued warrants to purchase 300,000 shares of the Company's common stock to the placement agent, Aegis Capital Corp. and its designees. These warrants have an exercise price of \$0.85 per share, a term of 2.5 years and a cashless exercise feature. The aggregate estimated fair value of these warrants was \$44,610 and these warrants were determined to be equity awards. The fair value was estimated at the date of issuance using the Black-Scholes based valuation model. The table below outlines the assumptions for the warrants issued to Aegis Capital Corp. and its designees.

Year Ended December 29, 2012	2012	
Volatility	29.7	%
Expected dividends	0.00	%
Expected term	2.5 years	
Risk-free rate	0.28	%

The Company calculated expected volatility from the volatility of publicly held companies in similar industries. The dividend yield assumption is based on the Company's history and expectation of future dividend payouts on the common stock. The risk-free interest rate is based on the implied yield available on U.S. treasury zero-coupon issues with an equivalent remaining term. The expected term of the warrants represents the contractual terms.

In addition, on January 31, 2012, the Company entered into an agreement with investors, including several members of the Company's management, for the sale of restricted shares of common stock at a price per share of \$0.75 per share in a private placement. On February 10, 2012, the sale to investors in a private placement was consummated and the Company sold 4,933,329 restricted shares of common stock at a price per share of \$0.75 per share for gross proceeds of \$3,699,997, or net proceeds of \$3,330,740 after deducting offering costs.

## Note 12. Warrants

The following table summarizes activity of warrants at December 28, 2013 and changes during the year then ended:

	Number of Shares	Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 29, 2012	10,056,914	\$0.72		
Warrants Granted	-	-		
Warrants Exercised	(8,338,564 )	0.25		
Warrants Expired	(1,718,350 )	3.00		
Outstanding at December 28, 2013	-	\$-	-	\$-
Exercisable at December 28, 2013	-	\$-	-	\$-

During the year ended December 28, 2013, 7,803,564 warrants with an exercise price of \$0.21 per share were exercised and the Company received proceeds of \$1,638,748 from exercise of these warrants. These warrants were issued during the year ended January 1, 2011 pursuant to a subscription agreement entered into by the holders of such warrants and the Company on April 22, 2010.



Table of Contents

During the year ended December 28, 2013, the warrants awarded to a certain non-employee during the year ended December 29, 2012 with an exercise price of \$0.75 per share were exercised and the Company issued 74,186 shares of common stock. The non-employee who held these warrants elected a cashless exercise pursuant to the provisions of the warrants and received 74,186 shares of common stock in lieu of 250,000 shares for a cash payment of \$0.75 per share.

During the year ended December 28, 2013, the warrants issued to Aegis Capital Corp. and its designees during the year ended December 29, 2012 with an exercise price of \$0.85 per share were exercised and the Company issued 101,477 shares of common stock. The warrant holders elected a cashless exercise pursuant to the provisions of the warrants and received 101,477 shares of common stock in lieu of 285,000 shares and a cash payment of \$0.85 per share.

During the year ended December 29, 2012, 750,000 warrants with an exercise price of \$0.21 per share were exercised and the Company received proceeds of \$157,500 from exercise of these warrants. These warrants were issued during the year ended January 1, 2011 pursuant to a subscription agreement entered into by the holders of such warrants and the Company on April 22, 2010.

During the year ended December 29, 2012, a part of the warrants issued to Aegis Capital Corp. and its designees, warrants with an exercise price of \$0.85 per share were exercised and the Company issued 4,103 shares of common stock. The warrant holder elected a cashless exercise pursuant to the provisions of the warrants and received 4,103 shares of common stock in lieu of 15,000 shares and a cash payment of \$0.85 per share. These warrants were issued during the year ended December 29, 2012 as part of Aegis Capital Corp.'s services as a placement agent in conjunction with the registered direct offering concluded during the year ended December 29, 2012.

During the year ended December 29, 2012, the Company awarded warrants to purchase 250,000 shares of the Company's common stock to a certain non-employee. The exercise price of these warrants was \$0.75 per share and the term for these warrants was 2 years.

Note 13. Commitments and Contingencies

Lease

The Company leases its office and research facilities in California, Colorado and Maryland under operating lease agreements that expire at various dates from August 2014 through September 2019. Monthly lease payments range from \$1,214 per month to \$22,124 per month, and minimum lease payments escalate during the terms of the leases. Generally accepted accounting principles require total minimum lease payments to be recognized as rent expense on a straight-line basis over the term of the lease. The excess of such expense over amounts required to be paid under the lease agreement is carried as a liability on the Company's consolidated balance sheet.

Minimum future rental payments under all of the leases are as follows:

Fiscal years ending:	
2014	\$524,000
2015	515,000
2016	319,000
2017	225,000
2018	233,000
	\$1,816,000





Table of Contents

Rent expense was approximately \$519,000, and \$512,000 for the years ended December 28, 2013 and December 29, 2012, respectively.

## Royalty

The Company has 8 royalty agreements related to certain products the Company offers to its customers. These agreements expire at various dates from December 31, 2019 through April 12, 2032. Yearly minimum royalty payments including license maintenance fees range from \$1,000 per year to \$35,000 per year, however, these minimum payments escalate each year with a maximum of \$50,000 per year. In addition, the Company is required to pay a range of 2% to 5% of sales related to the licensed products under these agreements. Total royalty expense including license maintenance fees from continuing operations for the year ended December 28, 2013 and December 29, 2012 was approximately \$111,000 and \$75,000, respectively under these agreements. Minimum royalties including license maintenance fees for the next five years are as follows:

Fiscal years ending:

2014	\$ 150,000
2015	179,000
2016	199,000
2017	201,000
2018	200,000
	\$929,000

## Legal proceedings

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

## Severance payments to executive officers

As of December 28, 2013, the Company has two executive officers, Frank Jaksch, Jr., Chief Executive Officer and Thomas Varvaro, Chief Financial Officer. Upon termination, Mr. Jaksch and Mr. Varvaro will receive severance payments per the terms of the respective employment agreements entered with the Company. The key terms of the employment agreements, including the severance terms are as follows:

## Employment Agreement with Frank L. Jaksch Jr.

On April 19, 2010, the Company entered into an Amended and Restated Employment Agreement (the “Amended Jaksch Agreement”) with Frank L. Jaksch Jr. The Amended Jaksch Agreement has a three year term, beginning on the date of the Agreement, that automatically renews unless the Amended Jaksch Agreement is terminated in accordance with its terms. On January 2, 2014, the Board approved the recommendations of the Company’s Compensation Committee raising the annual base salary of Mr. Jaksch to \$275,000 per year and raising the annual cash bonus target for Mr. Jaksch up to 50% of his base salary.

The severance terms of the Amended Jaksch Agreement provide that in the event Mr. Jaksch’s employment with the Company is terminated voluntarily by Mr. Jaksch, he will be entitled to any accrued but unpaid base salary, any stock vested through the date of his termination and a pro-rated portion of 50% of his salary (50% of his salary being the “Maximum Annual Bonus”) for the year of termination. In addition, if Mr. Jaksch leaves the Company for “Good

Reason”, (as defined in the Amended Jaksch Agreement), he will also be entitled to severance equal to the Maximum Annual Bonus, and he will be deemed to have been employed for the entirety of such year. Severance will then consist of 16 weeks of paid salary, unless Mr. Jaksch signs a release, in which case he will receive compensation equal to the lesser of the remainder of the term of the agreement, or up to 12 months paid salary.

In the event that Mr. Jaksch is terminated by the Company for “Cause” (as defined in the Amended Jaksch Agreement), he will only be entitled to his accrued but unpaid base salary, and any stock vested through the date of his termination.

Table of Contents

In the event that Mr. Jaksch is terminated due to “Cessation of Business” (as defined in the Amended Jaksch Agreement), Mr. Jaksch will be entitled to a lump sum payment of base salary and an amount equal to the Maximum Annual Bonus, and continuation of health benefits until the earlier of the last to occur of the term or renewal term of the agreement or 12 months from the date of termination.

In the event the Company terminates Mr. Jaksch’s employment “without Cause” (as defined in the Amended Jaksch Agreement), Mr. Jaksch will be entitled to severance in the form of any stock vested through the date of his termination and continuation of his base salary for a period of eight weeks, or, if Mr. Jaksch enters into a standard separation agreement, Mr. Jaksch will receive continuation of base salary and health benefits, together with applicable fringe benefits as provided to other executive employees until the last to occur of the expiration of the term or renewal term then in effect or 24 months from the date of termination (the “Severance Period”), and he will receive his Maximum Annual Bonus if the Severance Period is equal to 24 months or a pro rata portion thereof if less, as well as the full vesting of any otherwise unvested stock.

Employment Agreement with Thomas C. Varvaro

On April 19, 2010, the Company entered into an Amended and Restated Employment Agreement (the “Amended Varvaro Agreement”) with Thomas C. Varvaro. The Amended Varvaro Agreement has a three year term beginning on the date of the agreement that automatically renews unless the Amended Varvaro Agreement is terminated in accordance with its terms. On January 2, 2014, the Board approved the recommendations of the Company’s Compensation Committee raising the annual base salary of Mr. Varvaro to \$225,000 per year and raising the annual cash bonus target for Mr. Varvaro up to 40% of his base salary.

The severance terms of the Amended Varvaro Agreement provide that in the event Mr. Varvaro’s employment with us is terminated voluntarily by Mr. Varvaro he will be entitled to any accrued but unpaid base salary, any stock vested through the date of his termination and a pro-rated portion of 40% of his salary (40% of this salary being the “Maximum Annual Bonus”) for the year of termination. In addition, if Mr. Varvaro leaves the Company for “Good Reason” (as defined in the Amended Varvaro Agreement), he will also be entitled to severance equal to the Maximum Annual Bonus, and he shall be deemed to have been employed for the entirety of such year. Severance will then consist of 16 weeks of paid salary, unless Mr. Varvaro signs a release, in which case he will receive compensation equal to the lesser of the remainder of his agreement or 12 months paid salary.

In the event that Mr. Varvaro is terminated by the Company for “Cause” (as defined in the Amended Varvaro Agreement), he will only be entitled to his accrued but unpaid base salary, and any stock vested through the date of his termination.

In the event that Mr. Varvaro is terminated due to a “Cessation of Business” (as defined in the Amended Varvaro Agreement), Mr. Varvaro will be entitled to a lump sum payment of base salary and an amount equal to the Maximum Annual Bonus, and continuation of health benefits until the last to occur of the term or renewal term of the agreement or 12 months from the date of termination.

In the event the Company terminates Mr. Varvaro’s employment “without Cause,” Mr. Varvaro will be entitled to severance in the form of any stock vested through the date of his termination and continuation of his base salary for a period of eight weeks, or, if Mr. Varvaro enters into a standard separation agreement, Mr. Varvaro will receive continuation of base salary and health benefits, together with applicable fringe benefits as provided to other executive employees until the last to occur of the expiration of the term or renewal term then in effect or 24 months from the date of termination (the “Severance Period”), will receive his Maximum Annual Bonus if the Severance Period is equal to 24 months or a pro rata portion thereof if less, as well as the full vesting of any otherwise unvested stock.



Table of Contents

## Note 14. Business Segmentation and Geographical Distribution

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

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

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

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

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

Year ended December 28, 2013	Core Standards, Contract Services and Ingredients segment	Scientific and Regulatory Consulting segment	Retail Dietary Supplement Products segment	Other	Total
Net sales	\$9,074,531	\$1,146,718	\$(60,285 )	\$-	\$10,160,964
Cost of sales	6,394,836	632,037	955	-	7,027,828
Gross profit (loss)	2,679,695	514,681	(61,240 )	-	3,133,136
Operating expenses:					
Sales and marketing	2,211,741	14,705	131,159	-	2,357,605
General and administrative	-	-	-	5,117,016	5,117,016
Loss from investment in affiliate	-	-	-	44,961	44,961
Operating expenses	2,211,741	14,705	131,159	5,161,977	7,519,582
Operating income (loss)	\$467,954	\$499,976	\$(192,399 )	\$(5,161,977)	\$(4,386,446 )

Table of Contents

Year ended December 29, 2012	Core Standards, Contract Services and Ingredients segment	Scientific and Regulatory Consulting segment	Retail Dietary Supplement Products segment	Other	Total
Net sales	\$8,458,082	\$69,718	\$3,082,694	\$-	\$11,610,494
Cost of sales	6,075,050	25,729	3,234,278	-	9,335,057
Gross profit (loss)	2,383,032	43,989	(151,584 )	-	2,275,437
Operating expenses:					
Sales and marketing	2,227,934	-	3,292,207	-	5,520,141
General and administrative	-	-	-	8,391,730	8,391,730
Operating expenses	2,227,934	-	3,292,207	8,391,730	13,911,871
Operating income (loss)	\$155,098	\$43,989	\$(3,443,791)	\$(8,391,730)	\$(11,636,434)

At December 28, 2013	Core Standards, Contract Services and Ingredients segment	Scientific and Regulatory Consulting segment	Retail Dietary Supplement Products segment	Other	Total
Total assets	\$4,036,126	\$139,765	\$-	\$4,811,001	\$8,986,892

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

Revenue from international sources for the core standards, contract services and ingredients segment approximated \$1,510,000 and \$1,690,000 for the years ended December 28, 2013 and December 29, 2012, respectively. Revenues from international sources for the scientific and regulatory consulting segment approximated \$450,000 and \$4,000 for the years ended December 28, 2013 and December 29, 2012, respectively. International sources which the Company generates revenue include Europe, North America, South America, Asia, and Oceania. We did not have any revenue from international sources for the retail dietary supplement products segment for the years ended December 28, 2013 and December 29, 2012.

The Company's long-lived assets are located within the United States.

F-27

---

Table of Contents

Note 15.                    Related-Party Transactions

On February 9, 2012, the Company and Opko Health, Inc. (“OPKO”) entered into a license, supply and distribution agreement. Pursuant to this agreement, the Company has licensed to OPKO certain new product offerings and health care technologies for distribution and business development throughout Latin America. As of December 28, 2013, there were no transactions between the Company and OPKO under this agreement, but the initial product to be commercialized is our proprietary product pterostilbene. On July 10, 2012, the Company and OPKO entered into another agreement, pursuant to which OPKO was retained to serve as management consultant and advisor to the Company. That agreement expired on October 10, 2012. As a consideration for the services, the Company granted OPKO 500,000 shares of its common stock. The fair value of this stock award was \$320,000 and was measured using the Company’s stock price on the date of award. The expense was amortized over the three month period which the services had been provided. Dr. Phillip Frost, who beneficially owns 15,252,937 shares of the Company’s common stock, or 14.5% of the Company’s outstanding shares as of December 28, 2013, is Chairman of the Board and Chief Executive Officer of OPKO.

Note 16.                    Subsequent Events

Subsequent to the year ended December 28, 2013, the Company assigned a senior convertible secured note issued by NeutriSci to an unrelated third party. At the date of assignment, \$2,275,000 remained outstanding on the senior secured convertible note. The transaction amount was for \$1,250,000 and the Company received net proceeds of \$1,092,500 after deducting transaction costs of \$150,000 cash fee paid to a placement agent, Palladium Capital Advisors, LLC, and \$7,500 legal fee. There is no recourse provision to the Company associated with the assignment of the note. The Company also agreed to transfer a number of shares of preferred stock of NeutriSci having a value of \$500,000 to an unrelated third party and \$50,000 to Palladium at a later date.

On January 2, 2014, the Company awarded 1,090,000 shares of the Company’s restricted stock, subject to certain vesting provisions to the Company’s officers and the members of the board of directors.



Table of Contents

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

We have had no disagreements with our independent registered public accounting firm on accounting and financial disclosure.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our principal executive officer and principal financial officer carried out an evaluation of the effectiveness of our disclosure controls and procedures as of December 28, 2013. Pursuant to Rule 13a-15(e) promulgated by the Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act") "disclosure controls and procedures" means controls and other procedures that are designed to insure that information required to be disclosed by us in the reports that we file with the Commission is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. "Disclosure controls and procedures" include, without limitation, controls and procedures designed to insure that information that we are required to disclose in the reports we file with the Commission is accumulated and communicated to our principal executive officer and principal financial officer as appropriate to allow timely decisions regarding required disclosure. Based on their evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of December 28, 2013, based upon the material weakness described below. However, since identifying the material weakness described below, our management has developed a remediation plan prior to December 28, 2013 and is in the process of implementing the plan. While our management believes that the implementation of this plan will result in the Company's disclosure controls and procedures becoming effective, it is unknown at this time if our disclosure controls and procedures will in fact become effective.

Inherent Limitations on Disclosure Controls and Procedures

The effectiveness of our disclosure controls and procedures is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the soundness of our systems, the possibility of human error, and the risk of fraud. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and the risk that the degree of compliance with policies or procedures may deteriorate over time. Because of these limitations, there can be no assurance that any system of disclosure controls and procedures, no matter how well conceived, will be successful in preventing all errors or fraud or in making all material information known in a timely manner to the appropriate levels of management.

Changes in Internal Controls

Except as discussed below with respect to the development and implementation of our remediation plan, there was no change in internal controls over financial reporting (as defined in Rule 13a-15(f) promulgated under the Exchange Act) that occurred during our fourth fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

Table of Contents

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Our internal control over financial reporting include those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of our consolidated financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Our management, including the undersigned principal executive officer and principal financial officer, assessed the effectiveness of our internal control over financial reporting as of December 28, 2013. In conducting its assessment, our management used the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework (1992). Based on this assessment, our management concluded that, as of December 28, 2013, our internal control over financial reporting was not effective based on those criteria due to the material weakness disclosed below.

During our review of the interim financial statements for the three and nine months ended September 28, 2013, the Company determined that the financial statements filed for the three month period ended March 30, 2013 and the six month period ended June 29, 2013 (the "Financial Statements") contained a misstatement pertaining to the accounting treatment of the sale of the BluScience assets to NeutriSci. The value of the equity and the senior secured convertible note that the Company received from NeutriSci as part of the purchase price were originally accounted for at the face value of the assets for recognizing a gain on the sale of the BluScience assets. Due to the inability to make a reliably determinable estimate of the fair value of the NeutriSci equity securities and the ultimate collectability of the notes received as consideration, management has determined that the proper accounting for the sale transaction is the cost recovery method. Under the cost recovery method, no gain on the sale will be recognized until the Company's cost basis in the net assets sold has been recovered. The Company originally accounted for its investment in NeutriSci under the Cost method where it has now been determined that the equity method should have been used. All amendments and restatements to the Financial Statements affected were non-cash in nature.

The Company has determined that the restatements of its Financial Statements resulted from a material weakness in its internal control over financial reporting, specifically related to its process and procedures related to the accounting sale of assets in exchange for non-cash consideration. The Company has developed a remediation plan to address the material weakness. Implementation of the remediation plan is in process and consists of, among other things, redesigning the procedures to enhance its identification, capture, review, approval and recording of contractual terms included in asset sales and its treatment of equity method investments. The Company will also seek, when necessary, the counsel of experts in accounting on future unusual and non-recurring transactions.



Table of Contents

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Inherent Limitations on Internal Control

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations, including the possibility of human error and circumvention by collusion or overriding of control. Accordingly, even an effective internal control system may not prevent or detect material misstatements on a timely basis. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, our internal control over financial reporting is designed to provide reasonable assurance of achieving their objectives.

Item 9B. Other Information

None.

Table of Contents

## PART III

## Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth the names, ages, and positions of our current directors and executive officers. Our directors hold office for one-year terms until the following annual meeting of stockholders and until his or her successor has been elected and qualified or until the director's earlier resignation or removal. Officers are elected annually by the Board of Directors (the "Board") and serve at the discretion of the Board.

Name	Age	Position
Frank Jaksch, Jr.	45	Chief Executive Officer and Director
Thomas Varvaro	44	Chief Financial Officer
Troy Rhonemus	41	Chief Operating Officer
Michael Brauser	58	Co-Chairman of the Board
Barry Honig	42	Co-Chairman of the Board
Stephen A. Block (1)(2)	69	Director
Reid Dabney (1)	62	Director
Hugh Dunkerley (2)	40	Director
Mark S. Germain (3)	63	Director
Glenn L. Halpryn (1)(3)	53	Director
Stephen Allen (2)(3)	64	Director

(1) Member of our Audit Committee.

(2) Member of our Compensation Committee.

(3) Member of our Nominating and Corporate Governance Committee.

## Board of Directors

The Board currently consists of nine members, eight of whom are independent within the meaning of Marketplace Rule 5605(a)(2) of the NASDAQ Stock Market, Inc. On December 31, 2013, Mr. Curtis Lockshin resigned from the Board. Mr. Lockshin's resignation was not as a result of any disagreements with the Company's operations, policies or practices. At a meeting held on January 2, 2014, the Board appointed Mr. Stephen Allen to serve as a member of the Company's Board. Mr. Allen was appointed to serve on the Board's Compensation Committee and to serve as chairperson of the Board's Nominating and Governance Committee.

Listed below are the biographical summaries and ages as of March 20, 2014 of individuals serving as directors as well as information about each individual's qualification and experience that contributes to the overall needs of the Board as determined by the Nominating and Corporate Governance Committee:

Michael H. Brauser, 58, has served as Co-Chairman of the Board since October 2011 and served on the Compensation Committee of the Company from May 2010 to March 2011. Mr. Brauser has been the manager of, and an investor with, Marlin Capital Partners, LLC, a private investment company, since 2003. From 1999 to 2002, he served as president and chief executive officer of Naviant, Inc. (eDirect, Inc.), an internet marketing company. He also was the founder of Seisant, Inc. (eData.com, Inc.). Mr. Brauser served as co-chairman of the board of directors of InterCLICK (now a part of Yahoo Inc.(NASDAQ: YHOO)), from August 2007 to December 2011. The Nominating and Corporate Governance Committee believes that Mr. Brauser's past experience as co-chairman of the board of directors of InterCLICK and as a manager of an investment company bring extensive business and management expertise to the Board.



Table of Contents

Barry Honig, 42, has served as Co-Chairman of the Board since October 2011. Mr. Honig is a specialist in corporate finance and structuring. He served as co-chairman of board of directors of InterCLICK (now a part of Yahoo Inc.(NASDAQ: YHOO)) from August 2007 to December 2011. Since 2003, Mr. Honig has served as a consultant to numerous emerging growth companies in all stages of the corporate lifecycle from startup through IPO/APO. His expertise includes capital restructuring, debt financing, capital introductions, and mergers and acquisitions. Since 2004, Mr. Honig has served as president and founder of GRQ Consultants Inc., an investor in, and consultant to, early stage companies. From 1998 to 2001, Mr. Honig worked at Ramius Capital trading in distressed equities, arbitrage, long/short and other specialized trading strategies. The Nominating and Corporate Governance Committee believes that Mr. Honig's past experience as co-chairman of the board of directors of InterCLICK and as a consultant to numerous emerging growth companies bring extensive business and management expertise to the Board.

Frank L. Jaksch Jr., 45, is a co-founder of the Company and has served as a member of Board since February 2000. Mr. Jaksch served as Chairman of the Board from May 2010 to October 2011 and was its Co-Chairman from February 2000 to May 2010. Mr. Jaksch currently serves as our Chief Executive Officer. Mr. Jaksch oversees research, strategy and operations for the Company with a focus on scientific and novel products for pharmaceutical and nutraceutical markets. From 1993 to 1999, Mr. Jaksch served as International Subsidiaries Manager of Phenomenex, a life science supply company where he managed the international subsidiary and international business development divisions. Mr. Jaksch earned a B.S. in Chemistry and Biology from Valparaiso University. The Nominating and Corporate Governance Committee believes that Mr. Jaksch's years of experience working in chemistry-related industries, his extensive sales and marketing background, and his knowledge of international business bring an understanding of the industries in which the Company operates as well as scientific expertise to the Board.

Stephen A. Block, 69, has been a director of the Company since October 2007 and Chair of the Compensation Committee and a member of the Audit Committee since October 2007. From May 2010 to October 2011, Mr. Block served as Lead Independent Director to the Board. Mr. Block is also a director and chair of the nominating and corporate governance committee and a member of the audit committee of Senomyx, Inc. (NASDAQ:SNMX). He has served on the board of directors of Senomyx, Inc. since 2005. Since September 2013, he has served as a director of GetThis, Corp., a privately held digital media company bringing real-time shopping through a second screen to consumers watching television programming. Until December 2011, he also served as the chairman of the board of directors of Blue Pacific Flavors and Fragrances, Inc., and, until March 2012, as a director of Allylix, Inc. He served on the boards of directors of these privately held companies since 2008, and 2007, respectively. Mr. Block retired as senior vice president, general counsel and secretary of International Flavors and Fragrances Inc., a leading creator, manufacturer and seller of flavors and fragrances (IFF) in December 2003, having been IFF's chief legal officer since 1993. During his eleven years at IFF he also led the company's Regulatory Affairs Department. Prior to 1993, Mr. Block served as senior vice president, general counsel, secretary and director of GAF Corporation, a company specializing in specialty chemicals and building materials, and its publicly traded subsidiary International Specialty Products Inc., held various management positions with Celanese Corporation, a company specializing in synthetic fibers, chemicals and plastics, and practiced law with the New York firm of Stroock & Stroock & Lavan. Mr. Block currently serves as an industry consultant and as a Managing Director of K5 Venture Partners LLC, an early stage venture capital firm, and its affiliated Orange County accelerator, K5 Launch, and as a member of the executive committee of the Orange County network of Tech Coast Angels, a leading angel investing group. He is also a managing director of Venture Farm LLC, an early stage venture capital firm, and as a Venture Partner of K5 Launch, an Orange County accelerator. Mr. Block received his B.A. cum laude in Russian Studies from Yale University and his law degree from Harvard Law School. The Nominating and Corporate Governance Committee believes that Mr. Block's experience as the chief legal officer of one of the world's leading flavor and fragrance companies contributes to the Board's understanding of the flavor industry, including the Board's perspective on the strategic interests of potential collaborators, the regulation of the industry, and the viability of various commercial strategies. In addition, Mr. Block's experience in the area of corporate governance and public company financial reporting is especially valuable to the

Board in his capacity as a member of both the Audit Committee and the Compensation Committee.

-43-

---



Table of Contents

Reid Dabney, 62, has served as a director of the Company and has chaired the Audit Committee since October 2007. Mr. Dabney is the Company's audit committee financial expert. Since September 2012, he has also served as a managing director of Merriman Capital, Inc. From November 2008 to September 2012, he has also served as a managing director of Monarch Bay Associates, LLC. From March 2005 to November 2008, Mr. Dabney served as Cecors, Inc.'s (OTC Markets: CEOS) (a Software As A Service (SaaS) technology provider's) senior vice president and chief financial officer. From July 2003 to November 2005, Mr. Dabney was engaged by CFO911 as a business and financial consultant. From January 2003 to August 2004, Mr. Dabney served as vice president of National Securities, a broker-dealer firm specializing in raising equity for private operating businesses that have agreed to become public companies through reverse merger transactions with publicly traded shell companies. From June 2002 to January 2003, Mr. Dabney was the chief financial officer of House Ear Institute in Los Angeles, California. Mr. Dabney received a B.A. from Claremont McKenna College and an M.B.A. in Finance from the University of Pennsylvania's Wharton School. Mr. Dabney also holds Series 7, 24 and 63 licenses from the Financial Industry Regulatory Authority (FINRA). The Nominating and Corporate Governance Committee believes that Mr. Dabney's experience as chief financial officer of a public company and his extensive experience dealing with financial markets qualify him to chair the Audit Committee and that Mr. Dabney brings financial, merger and acquisition experience, and a background working with public marketplaces to the Board.

Hugh Dunkerley, 40, has served as a director of the Company since December 2005 and has served on the Compensation Committee since May 2010 and has served on the Nominating and Governance Committee from October 2007 to December 2013. From October 2002 to December 2005, Mr. Dunkerley served as Director of Corporate Development at ChromaDex. Since September 2013, Mr. Dunkerley has been a Managing Director of Burnham Securities Inc, a New York based investment bank, and has been setting up their new operations in Irvine, CA. Prior to Burnham, Mr. Dunkerley was an EVP, Capital Markets of COR Capital LLC, an investment fund based in Santa Monica, CA. He is a director and sits on the compensation committee for COR Securities Holdings, Inc., the parent company of COR Clearing LLC, a national clearing and settlements firm. Mr. Dunkerley is also the President and Director of Wealth Assurance Holdings a Bermudian based and listed company that oversees a portfolio of insurance assets in the EU. Mr. Dunkerley was a Manager of Capital Markets for the FDIC, Division of Resolutions and Receiverships, from February 2009 to March 2011 where he was active in implementing the Dodd-Frank Wall Street Reform Act, along with the oversight of securities and derivatives portfolios for large money center banks. He was president and chief executive officer of Cecors, Inc. (OTCBB:CEOS.OB), a Software As A Service (SaaS) technology provider, from October, 2007 to February, 2009. He had served as Cecor's chief operating officer and as vice president of corporate finance starting in June 2006. During 2006 Mr. Dunkerley also served as VP of Small-Mid Cap Equities at Hunter Wise Financial Group, LLC, specializing in investment banking advisory services to US and EU companies. Mr. Dunkerley received his undergraduate degree from the University of Westminster, London and earned a MBA from South Bank University, London. Mr. Dunkerley also holds Series 7, 24, 66 and 79 licenses from FINRA. The Nominating and Corporate Governance Committee believe that Mr. Dunkerley's experience as the chief executive officer of a public company and his extensive financial market experience qualify him to sit on the Compensation Committee and that Mr. Dunkerley brings financial and mergers and acquisitions experience, and experience with public marketplaces and regulatory oversight to the Board. His previous experience as an employee of the Company also allows him to provide a unique perspective of and extensive knowledge on the industries in which the Company operates.

Table of Contents

Mark S. Germain, 63, is a co-founder of the Company and has served on the Nominating and Corporate Governance since May 2010. He served on the Audit Committee from October 2007 to May 2010, and as Co-Chairman of the Board from February 2000 to May 2010. Mr. Germain has extensive experience as a merchant banker in the biotech and life sciences industries. He has been involved as a founder, director, chairman of the board of directors of, and/or investor in over twenty companies in the biotech field, and assisted many of them in arranging corporate partnerships, acquiring technology, entering into mergers and acquisitions, and executing financings and going public transactions. He was a partner in a New York law firm practicing corporate and securities law until 1986. Between 1986 and 1991, he served businesses in senior executive capacities, including as president of a public company sold in 1991. Mr. Germain is currently a director of the following publicly traded companies: Omnimmune Holdings, Inc. (OTC Markets: OMMH), a biotechnology company, Stem Cell Innovations, Inc. (OTC Markets: SCLL), a cell biology company, Collexis Holdings, Inc. (OTC Markets: CLXS), a developer of semantic search and knowledge discovery software, and Pluristem Therapeutics, Inc. (NASDAQ: PSTI), a bio-therapeutics company. During the past five years, Mr. Germain also served as a board member of two publicly traded companies, Reis, Inc. (NASDAQ: REIS), a commercial real estate market information provider, and Intellect Neurosciences, Inc. (OTC Markets: ILNS), a biopharmaceutical company. He is also a co-founder and director of a number of private companies in the biotechnology field. He graduated from New York University School of Law, Order of the Coif, in 1975. The Nominating and Corporate Governance Committee believes that Mr. Germain's past experience as the president of a public company and as the board member of other public companies bring financial expertise, industry knowledge, and merger and acquisition experience to the Board.

Glenn L. Halpryn, 53, has served on the Nominating and Corporate Governance Committee since 2010 and has served as Chairman of the Nominating and Corporate Governance Committee from May 2010 to December 2013. Mr. Halpryn has also served on the Audit Committee since May 2010. Mr. Halpryn has been the chief executive officer and a director of Transworld Investment Corporation, a private investment company, since June 2001. Mr. Halpryn currently serves as a director of Castle Brands Inc. (AMEX: ROX), a developer and international marketer of premium branded spirits and served as a director of Sorrento Therapeutics (OTC Markets:SRNE), a biopharmaceutical company until September 2012. Mr. Halpryn served as a director of Tiger Media Inc. f/k/a SearchMedia Holdings Limited (NYSE:IDI), a China-based billboard and in-elevator advertising company until June 2011. From April 2010 until October 2011, Mr. Halpryn served as a director of CDSI Holdings, Inc., a public shell company seeking new business opportunities. From September 2008 until May 2010, Mr. Halpryn also served as a director of Winston Pharmaceuticals, Inc. (OTC Markets: WPHM), a pharmaceutical company specializing in skin creams and pain medications. From October 2002 to September 2008, Mr. Halpryn served as a director of Ivax Diagnostics, Inc. (AMEX: IVD). From June 1987 until April 2012, Mr. Halpryn served as the president of and a beneficial owner of United Security Corporation, a broker-dealer registered with FINRA. The Nominating and Corporate Governance Committee believes that Mr. Halpryn's past experience as the board member of other public companies bring financial expertise and industry knowledge to the Board.

Stephen Allen, 64, has been a director of the Company since January 2014 and Chair of the Nominating and Corporate Governance Committee and a member of the Compensation Committee since January 2014. Until 2009, Mr. Allen worked for Nestlé, at which point he retired from a 30 year career where he served in various sales, marketing and management roles, including 7 years serving in Nestlé's Mergers and Acquisitions department. Until 2012, Mr. Allen served on the Advisory Board of Vitamin Angels, an organization focused on eliminating childhood malnutrition in Africa and the Middle East. Currently, Mr. Allen serves as the non-executive Vice Chairman of 6 Pacific group, a Los Angeles based boutique advisory and investment firm. Mr. Allen also serves as the Managing Partner of California Agricultural Orchards LLC and California Nut Orchards LLC which, along with growing almonds and grapes, manages the assets of high net-worth individuals. Mr. Allen also serves as the President of the Board of the North American Foundation for the University of Leeds where Mr. Allen plays a key role in fundraising efforts. Mr. Allen received his B.Sc. with honors from the University of Leeds and his M.Sc. at the University of London, School of Hygiene & Tropical Medicine. The Nominating and Corporate Governance Committee believes that Mr. Allen's past

experience in the nutritional industry bring financial expertise, industry knowledge, and merger and acquisition experience to the Board.

-45-

---

Table of Contents

Executive Officers

Thomas C. Varvaro, 44, has served as the Company's Chief Financial Officer since January 2004 and Secretary since March 2006. He also served as a director from March 2006 until May 2010. Mr. Varvaro is responsible for overseeing all of Company's operations including all aspects of accounting, information technology, inventory, distribution, and human resources management. Mr. Varvaro has extensive process mapping and business process improvement skills, along with a solid information technology background that includes management and implementation experiences ranging from custom application design to enterprise wide system deployment. Mr. Varvaro also has hands-on experience in integrating acquisitions and in new facility startups. In working with manufacturing organizations Mr. Varvaro has overseen plant automation, reporting and bar code tracking implementations. Mr. Varvaro also has broad legal experience in intellectual property (IP), contract and employment law. From 1998 to 2004, Mr. Varvaro was employed by Fast Heat Inc., a Chicago, Illinois based Global supplier to the plastics, HVAC, packaging, and food processing industries, where he began as controller and was promoted to chief information officer and then chief financial officer during his tenure. During his time there Mr. Varvaro was responsible for all financial matters including accounting, risk management and human resources. From 1993 to 1998, Mr. Varvaro was employed by Leaf Bakery, Inc., Chicago, Illinois, during its rise to becoming a national leader in specialty products. During his tenure Mr. Varvaro served in information technology and accounting roles, helping to shepherd the company from a single facility to national leader in specialty food products. Mr. Varvaro has a B.S. in Accounting from University of Illinois, Urbana-Champaign and has been certified as a Certified Public Accountant.

Troy Rhonemus, 41, has served as the Company's Chief Operating Officer since March 2014 and a Director of New Technology and Supply Chain from January 2013 to February 2014. Mr. Rhonemus is responsible for overseeing all of Company's operations including all aspects of sales, marketing, supply chain management, distribution, and new technology development. Mr. Rhonemus also consults with customers to improve the supply chain management of raw materials to meet government regulations, which includes developing supply chain strategies, auditing manufacturers and developing an understanding of how to manage supplies from countries outside the United States. Mr. Rhonemus has extensive experience in managing operations and supply chain, business strategies, and the roll-out of new processes, technologies and products. From 2006 to 2012, Mr. Rhonemus held several positions at Cargill, Inc. As Truvia® Business Process Manager, he served as the product line lead for managing the operations and supply chain of the Truvia® enterprise from leaf to consumer products. As Technology Manager, Mr. Rhonemus served as technical lead for process and product development for Truvia® consumer products and ingredient business. From 2004 to 2006, Mr. Rhonemus served as Principal Research Scientist at E&J Gallo Winery, where he developed experimental designs to ensure that all project work was statistically valid in the lab, pilot and production wineries. From 1998 to 2004, Mr. Rhonemus served as Senior Research Scientist and as Process Technology Manager at Cargill, Inc. In these positions, Mr. Rhonemus solved technical problems and implemented new technologies into production. He identified potential tolling facilities, coordinated tolling efforts, directly supervised and developed new processes and solved technical issues in existing business units in Cargill. Mr. Rhonemus has earned a M.S. in Chemistry and a B.S. in Chemistry from Ball State University.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16 of the Exchange Act of 1934, as amended (the "Exchange Act") requires our executive officers, directors and persons who own more than 10% of our common stock to file initial reports of ownership and reports of changes in ownership with the SEC and to furnish us with copies of such reports. Based solely on our review of the copies of such forms furnished to us and written representations by our officers and directors regarding their compliance with applicable reporting requirements under Section 16(a) of the Exchange Act, we believe that all Section 16(a) filing requirements for our executive officers, directors and 10% stockholders were met during the year ended December 28, 2013 except as follows: Barry Honig was late in filing two reports for two transactions.

Family Relationships

There are no family relationships between any of our directors, executive officers or directors.

-46-

---

## Table of Contents

### Involvement in Certain Legal Proceedings

During the past ten years, none of our officers, directors, promoters or control persons have been involved in any legal proceedings as described in Item 401(f) of Regulation S-K.

### Code of Conduct

The Board has established a corporate Code of Conduct which qualifies as a “code of ethics” as defined by Item 406 of Regulation S-K of the Exchange Act. Among other matters, the Code of Conduct is designed to deter wrongdoing and to promote:

honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

- full, fair, accurate, timely and understandable disclosure in our SEC reports and other public communications;
- compliance with applicable governmental laws, rules and regulations;
- prompt internal reporting of violations of the Code of Conduct to appropriate persons identified in the code; and
- accountability for adherence to the Code of Conduct.

Waivers to the Code of Conduct may be granted only by the Board. In the event that the Board grants any waivers of the elements listed above to any of our officers, we expect to announce the waiver within four business days on a Current Report on Form 8-K.

The Code of Conduct applies to all of the Company’s employees, including our principal executive officer, the principal financial and accounting officer, and all employees who perform these functions. A full text of our Code of Conduct is published on our website at [www.chromadex.com](http://www.chromadex.com) under the tab “Investor Relations-Corporate Governance-Highlights.” If we amend our Code of Conduct as it applies to the principal executive officer, principal financial officer, principal accounting officer or controller (or persons performing similar functions) or grant a waiver from any provision of the code of conduct to any such person, we shall disclose such amendment or waiver on our website at [www.chromadex.com](http://www.chromadex.com) under the tab “Investor Relations-Corporate Governance-Highlights.”

### Public Availability of Corporate Governance Documents

Our key corporate governance documents, including our Code of Conduct and the charters of our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are:

- available on our corporate website at [www.chromadex.com](http://www.chromadex.com); and
- available in print to any stockholder who requests them from our corporate secretary.

### Director Attendance

The Board held 3 meetings during 2013. Each director attended at least 75% of Board meetings and meetings of the committees on which he served.



## Table of Contents

### Board Qualification and Selection Process

The Nominating and Corporate Governance Committee does not have a specific written policy or process regarding the nominations of directors, nor does it maintain minimum standards for director nominees. However, the Nominating and Corporate Governance Committee does consider the knowledge, experience, integrity and judgment of potential candidates for nominations to the Board. The Nominating and Corporate Governance Committee will consider persons recommended by stockholders for nomination for election as directors. The Nominating and Corporate Governance Committee will consider and evaluate a director candidate recommended by a stockholder in the same manner as a committee-recommended nominee. Stockholders wishing to recommend director candidates must follow the prior notice requirements as described under “Stockholder Proposals,” below.

### Board Leadership Structure and Risk Oversight

The leadership of the Board is structured so that it is led by two non-executive co-chairmen, Michael H. Brauser and Barry Honig. The Nominating and Corporate Governance Committee believes it is in the best interest of the Company to have two independent directors as co-chairmen of the Board considering past experience of Mr. Brauser and Mr. Honig, which include serving as co-chairmen of the board of directors of another public company and extensive business and management expertise in emerging growth companies.

The entire Board of Directors is responsible for oversight of our Company’s risk management process. Management furnishes information regarding risk to the Board as requested. The Audit Committee discusses risk management with the Company’s management and independent public accountants as set forth in the Audit Committee’s charter. The Compensation Committee reviews the compensation programs of the Company to make sure economic incentives are tied to the long-term interests of the stockholders. The Company believes that innovation and the building of long-term stockholder value are impossible without taking risks. We recognize that imprudent acceptance of risk and the failure to identify risks could be a detriment to stockholder value. The executive officers of the Company are responsible for assessing these risks on a day-to-day basis and for how to best identify, manage and mitigate significant risks that the Company may face.

### Board Committees

The Board has established an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Other committees may be established by the Board from time to time. The following is a description of each of the committees and their composition

#### Audit Committee

Our Audit Committee currently consists of three directors: Messrs. Reid Dabney (chairman), Stephen Block and Glenn L. Halpryn. The Board has determined that:

• Mr. Dabney qualifies as an “audit committee financial expert,” as defined by the SEC in Item 407(d)(5) of Regulation S-K; and

• all members of the Audit Committee (i) are “independent” under the independence requirements of Marketplace Rule 5605(a)(2) of the NASDAQ Stock Market, Inc., (ii) meet the criteria for independence as set forth in the Exchange Act, (iii) have not participated in the preparation of our financial statements at any time during the past three years and (iv) are financially literate and have accounting and finance experience.



The designation of Mr. Dabney as an “audit committee financial expert” will not impose on him any duties, obligations or liability that are greater than those that are generally imposed on him as a member of our Audit Committee and our Board, and his designation as an “audit committee financial expert” will not affect the duties, obligations or liability of any other member of our Audit Committee or Board.

Table of Contents

Audit Committee Report

The Audit Committee reviews our financial reporting process on behalf of the Board. Management has the primary responsibility for the financial statements and the reporting process. Our independent registered public accounting firm is responsible for expressing an opinion on the conformity of the audited financial statements with generally accepted accounting principles.

In this context, the Audit Committee has reviewed and discussed with management our audited consolidated financial statements for the fiscal year ended December 28, 2013 (our 2013 fiscal year) and the notes thereto. It has discussed with Marcum, LLP, our independent registered public accounting firm for the 2013 fiscal year, the matters required to be discussed by Statement of Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee also received the written disclosures and the letter from Marcum, LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding Marcum's communications by the Audit Committee concerning independence and discussed with Marcum, LLP its independence from us. Based on such review and discussions, the Audit Committee recommended to the Board that our audited consolidated financial statements be included in this Annual Report on Form 10-K for the fiscal year ended December 28, 2013 and be filed with the SEC.

Submitted by:

The Audit Committee Of  
The Board of Directors

Reid Dabney (Chairman)  
Stephen Block  
Glenn L. Halpryn

Compensation Committee

Our Compensation Committee currently consists of three directors: Messrs. Stephen Block (chairman), Hugh Dunkerley and Stephen Allen. The Board has determined that:

• all members of the Compensation Committee qualify as “independent” under the independence requirements of Marketplace Rule 5605(a)(2) of the NASDAQ Stock Market, Inc.;

• all members of the Compensation Committee qualify as “non-employee directors” under Exchange Act Rule 16b-3; and

• all members of the Compensation Committee qualify as “outside directors” under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”).

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee currently consists of three directors: Stephen Allen (chairman), Glenn L. Halpryn and Mark Germain. The Board has determined that all members of the Nominating and Corporate Governance Committee qualify as “independent” under the independence requirements of Marketplace Rule 5605(a)(2) of the NASDAQ Stock Market, Inc.



Table of Contents

Item 11. Executive Compensation

Compensation Committee Report

Under the rules of the SEC, this Compensation Committee Report is not deemed to be incorporated by reference by any general statement incorporating this Annual Report by reference into any filings with the SEC.

The Compensation Committee has reviewed and discussed the following Compensation Discussion and Analysis with management. Based on this review and these discussions, the Compensation Committee recommended to the Board of Directors that the following Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

Submitted by the Compensation Committee

Stephen A. Block, Chairman

Hugh Dunkerley

Stephen Allen

Compensation Discussion and Analysis

The following discussion and analysis of compensation arrangements of our named executive officers for 2013 should be read together with the compensation tables and related disclosures set forth below.

We believe our success depends on the continued contributions of our named executive officers. Personal relationships and experience are very important in our industry. Our named executive officers are primarily responsible for many of our critical business development relationships. The maintenance of these relationships is critical to ensuring our future success as is experience in managing these relationships. Therefore, it is important to our success that we retain the services of these individuals.

General Philosophy

Our overall compensation philosophy is to provide an executive compensation package that enables us to attract, retain and motivate executive officers to achieve our short-term and long-term business goals. The goals of our compensation program are to align remuneration with business objectives and performance, and to enable us to retain and competitively reward executive officers who contribute to the long-term success of the Company. We attempt to pay our executive officers competitively in order that we will be able to retain the most capable people in the industry. In making executive compensation and other employment compensation decisions, the Compensation Committee considers achievement of certain criteria, some of which relate to our performance and others of which relate to the performance of the individual employee. Awards to executive officers are based on achievement of Company and individual performance criteria.

The Compensation Committee will evaluate our compensation policies on an ongoing basis to determine whether they enable us to attract, retain and motivate key personnel. To meet these objectives, the Compensation Committee may from time to time increase salaries, award additional stock grants or provide other short and long-term incentive compensation to executive officers and other employees.

Compensation Program and Forms of Compensation

We provide our executive officers with a compensation package consisting of base salary, bonus, equity incentives and participation in benefit plans generally available to other employees. In setting total compensation, the Compensation Committee considers individual and company performance, as well as market information regarding compensation paid by other companies in our industry. All executive officers have employment agreements that establish their initial base salaries and set pre-approved goals -- and minimum and maximum opportunities -- for the bonuses and equity incentive awards. Both the Compensation Committee and the Board have approved these agreements.

-50-

---

## Table of Contents

**Base Salary.** Salaries for our executive officers are initially set based on negotiation with individual executive officers at the time of recruitment and with reference to salaries for comparable positions in the industry for individuals of similar education and background to the executive officers being recruited. We also consider the individual's experience, reputation in his or her industry and expected contributions to the Company. Base salary is regularly evaluated by competitive pay and individual job performance. In each case, we take into account the results achieved by the executive, his or her future potential, scope of responsibilities and experience, and competitive salary practices. In some circumstances our executive officers have elected to take less than market salaries. These salaries may be increased in the future to market conditions with a competitive base salary that is in line with his or her role and responsibilities when compared to peer companies of comparable size in similar locations.

**Bonuses.** We design our bonus programs to be both affordable and competitive in relation to the market. Our bonus program is designed to motivate employees to achieve overall corporate goals. Our programs are designed to avoid entitlements, to align actual payouts with the actual results achieved and to be easy to understand and administer. The Compensation Committee and the executive officer, with input from the other executive officers, work together to identify targets and goals for the executive officer; however, the targets and goals themselves are established after deliberation by the Compensation Committee alone. Upon completion of the fiscal year, the Compensation Committee assesses the executive officer's performance and, with input from management and the Board, determines the achievement of the bonus targets and the amount to be awarded within the parameters of the executive officer's agreement with us subject to the impact paying such bonuses will have on the Company's financial position.

### Equity-Based Rewards

We design our equity programs to be both affordable and competitive in relation to the market. We monitor the market and applicable accounting, corporate, securities and tax laws and regulations and adjust our equity programs as needed. Stock options and other forms of equity compensation are designed to reflect and reward a high level of sustained individual performance over time. We design our equity programs to align employees' interests with those of our stockholders. The Compensation Committee and the executive officer, with input from the other executive officers, work together to identify targets and goals for the executive officer; however, the targets and goals themselves are established after deliberation by the Compensation Committee alone. Upon completion of the fiscal year, the Compensation Committee assesses the executive officer's performance and, with input from management and the Board, determines the achievement of the vesting targets and the amount to be awarded within the parameters of the executive officer's agreement with us.

### Timing of Equity Awards

Only the Board may approve stock option grants to our executive officers, which grants are recommended to it by the Compensation Committee. Stock options are generally granted at predetermined meetings of the Board. On limited occasions, grants may occur upon unanimous written consent of the Board, which occurs primarily for the purpose of approving a compensation package for a newly hired or promoted executive under an employment agreement with the executive. The exercise price of a newly granted option is the average price of our common stock on the date of grant.

### Benefits Programs

We design our benefits programs to be both affordable and competitive in relation to the market while conforming to local laws and practices. We monitor the market, local laws and practices and adjust our benefits programs as needed. We design our benefits programs to provide an element of core benefits, and to the extent possible, offer options for additional benefits, be tax-effective for employees in each country and balance costs and cost sharing between us and our employees.



## Table of Contents

### Performance-Based Compensation and Financial Restatement

We have implemented a policy regarding retroactive adjustments to any cash or equity-based incentive compensation paid to our executives where such payments were predicated upon the achievement of certain financial results that were subsequently the subject of a financial restatement and have included this policy in the employment contracts with our executives.

### Tax and Accounting Considerations

In the review and establishment of our compensation programs, we consider the anticipated accounting and tax implications to us and our executives. Section 162(m) of the Code imposes a limit on the amount of compensation that we may deduct in any one year with respect to our chief executive officer and each of our next four most highly compensated executive officers, unless certain specific and detailed criteria are satisfied. Performance-based compensation, as defined in the Code, is fully deductible if the programs are approved by stockholders and meet other requirements. We believe that grants of equity awards under our Second Amended and Restated 2007 Equity Incentive Plan, or the 2007 Plan, may qualify as performance-based for purposes of satisfying the conditions of Section 162(m), thereby permitting us to receive a federal income tax deduction, if applicable, in connection with such awards. In general, we have determined that we will not seek to limit executive compensation so that it is deductible under Section 162(m). From time to time, however, we monitor whether it might be in our interests to structure our compensation programs to satisfy the requirements of Section 162(m). We seek to maintain flexibility in compensating our executives in a manner designed to promote our corporate goals and therefore our compensation committee has not adopted a policy requiring all compensation to be deductible. Our compensation committee will continue to assess the impact of Section 162(m) on our compensation practices and determine what further action, if any, is appropriate.

### Severance and Change in Control Arrangements

Several of our executives have employment and other agreements that provide for severance payment arrangements and/or acceleration of stock option vesting in the event of an acquisition or other change in control of our company. See “Employment and Consulting Agreements” below for a description of the severance and change in control arrangements for our named executive officers.

### Role of Executives in Executive Compensation Decisions

The Board and our Compensation Committee generally seek input from our executive officers when discussing the performance of, and compensation levels for, executives. The Compensation Committee also works with our Chief Executive Officer and our Chief Financial Officer to evaluate the financial, accounting, tax and retention implications of our various compensation programs. None of our other executives participates in deliberations relating to his or her compensation.



Table of Contents

## Summary Compensation Table

The following table sets forth information concerning the annual and long-term compensation earned by our Chief Executive Officer (the principal executive officer) and our Chief Financial Officer (the principal financial officer), each of whom served during the year ended December 28, 2013 as our executive officers.

Name	Year	Salary	Bonus	Stock Awards (1)	Option Awards (2)	All Other Compensation	Total (\$)
Frank L. Jaksch Jr.	2013	\$225,000	\$51,242	-	-	-	\$276,242
	2012	\$225,000	-	\$172,500 (3)	\$648,048 (4)	\$149	\$1,045,697
Thomas C. Varvaro	2013	\$175,000	\$29,891	-	-	-	\$204,891
	2012	\$175,000	-	\$172,500 (5)	\$125,702 (6)	-	\$473,202

(1) The amounts in the column titled "Stock Awards" above reflect the aggregate award date fair value of restricted stock awards. These restricted stock awards had both market and service conditions and the awards became vested on the satisfaction of either condition. The fair values of these restricted stock awards were estimated at the date of award using the Company's stock price as the service condition prevailed over the market condition.

(2) The amounts in the column titled "Option Awards" above reflect the aggregate grant date fair value of stock option awards for the fiscal year ended December 29, 2012. See Note 9 of the ChromaDex Corporation Consolidated Financial Report included in this Form 10-K for the year ended December 28, 2013 for a description of certain assumptions in the calculation of the fair value of the Company's stock options.

(3) On June 6, 2012, Frank L. Jaksch Jr. was awarded 250,000 shares of restricted stock. These shares shall vest upon the earlier to occur of the following: (i) the market price of the Company's stock exceeds a certain price, or (ii) one of other certain triggering events, including the termination of Mr. Jaksch for any reason. As of December 28, 2013, these shares have not vested.

(4) On August 28, 2012, Frank L. Jaksch Jr. was granted options to purchase 250,000 shares of ChromaDex common stock at an exercise price of \$0.64. These options expire on August 28, 2022 and 25% of the options vested on August 28, 2013 and the remaining 75% vest 2.083% monthly thereafter. In addition, on September 15, 2012, Frank L. Jaksch Jr. was granted option awards to purchase certain number of shares of ChromaDex common stock at an exercise price of \$0.945, on the condition that Mr. Jaksch terminates certain option awards with exercise prices of \$1.50 or higher, which the Company had previously granted. Mr. Jaksch agreed to terminate previously granted options to purchase 3,075,000 shares of ChromaDex common stock at exercise prices of \$1.50 or higher and was newly awarded with options to purchase 1,901,418 shares of ChromaDex common stock at an exercise price of \$0.945. These options expire on September 15, 2022, and 33% of the options vested on September 15, 2013 and the remaining 67% vest 2.778% monthly thereafter.

(5) On June 6, 2012, Thomas C. Varvaro was awarded 250,000 shares of restricted stock. These shares shall vest upon the earlier to occur of the following: (i) the market price of the Company's stock exceeds a certain price, or (ii) one of other certain triggering events, including the termination of Mr. Varvaro for any reason. As of December 28, 2013, these shares have not vested.

(6)

On August 28, 2012, Thomas C. Varvaro was granted options to purchase 250,000 shares of ChromaDex common stock at an exercise price of \$0.64. These options expire on August 28, 2022 and 25% of the options vested on August 28, 2013 and the remaining 75% vest 2.083% monthly thereafter. In addition, on September 15, 2012, Thomas C. Varvaro was granted option awards to purchase certain number of shares of ChromaDex common stock at an exercise price of \$0.945, on the condition that Mr. Varvaro terminates certain option awards with exercise prices of \$1.50 or higher, which the Company had previously granted. Mr. Varvaro agreed to terminate previously granted options to purchase 1,387,512 shares of ChromaDex common stock at exercise prices of \$1.50 or higher and was newly awarded with options to purchase 863,511 shares of ChromaDex common stock at an exercise price of \$0.945. These options expire on September 15, 2022, and 33% of the options vested on September 15, 2013 and the remaining 67% vest 2.778% monthly thereafter.

## Table of Contents

### Employment and Consulting Agreements

The material terms of employment agreements with the named executive officers previously entered into by the Company are described below.

#### Employment Agreement with Frank L. Jaksch Jr.

On April 19, 2010, the Company entered into an Amended and Restated Employment Agreement (the “Amended Jaksch Agreement”) with Frank L. Jaksch Jr. The Amended Jaksch Agreement has a three year term, beginning on the date of the Agreement, that automatically renews unless the Amended Jaksch Agreement is terminated in accordance with its terms. The Amended Jaksch Agreement provides for a base salary of \$225,000 (subject to an increase of \$50,000 in the event the Company’s common stock is listed on a stock exchange), and provides for an annual cash bonus (based on performance targets) of up to 40% of his base salary, and two option grants of 800,000 shares of Common Stock in aggregate. The option grants were awarded on May 20, 2010.

On January 2, 2014, the Board approved the recommendations of the Company’s Compensation Committee raising the annual base salary of Mr. Jaksch to \$275,000 per year and raising the annual cash bonus target for Mr. Jaksch up to 50% of his base salary. In addition, the Board approved granting 250,000 shares of the Company’s restricted stock, subject to certain vesting provisions to Mr. Jaksch.

The severance terms of the Amended Jaksch Agreement provide that in the event Mr. Jaksch’s employment with the Company is terminated voluntarily by Mr. Jaksch, he will be entitled to any accrued but unpaid base salary, any stock vested through the date of his termination and a pro-rated portion of 50% of his salary (50% of his salary being the “Maximum Annual Bonus”) for the year of termination. In addition, if Mr. Jaksch leaves the Company for “Good Reason” he will also be entitled to severance equal to the Maximum Annual Bonus, and he will be deemed to have been employed for the entirety of such year. “Good Reason” means any of the following: (A) the assignment of duties materially inconsistent with those of other employees in similar employment positions, and Mr. Jaksch provides written notice to the Company within 60 days of such assignment that such duties are materially inconsistent with those duties of such similarly-situated employees and the Company fails to release Mr. Jaksch from his obligation to perform such inconsistent duties and to re-assign Mr. Jaksch to his customary duties within 20 business days after the Company’s receipt of such notice; or (B) if, without the consent of Mr. Jaksch, Mr. Jaksch’s normal place of work is or becomes situated more than 50 linear miles from Mr. Jaksch’s personal residence as of the effective date of the Amended Jaksch Agreement, or (C) a failure by the Company to comply with any other material provision of the Amended Jaksch Agreement which has not been cured within 60 days after notice of such noncompliance has been given by Mr. Jaksch to the Company, or if such failure is not capable of being cured in such time, a cure shall not have been diligently pursued by the Company within such 60 day period. Severance will then consist of 16 weeks of paid salary, unless Mr. Jaksch signs a release, in which case he will receive compensation equal to the lesser of the remainder of the term of the agreement, or up to 12 months paid salary.

In the event Mr. Jaksch’s employment terminates as a result of his death or disability, he, or his estate, as the case may be, will be entitled to his accrued but unpaid base salary, stock vested through the date of his termination and, notwithstanding any policy of the Company to the contrary, any annual bonus that would be due to him for the fiscal year in which termination pursuant to death or disability took place in an amount no less than the prorated portion of his Maximum Annual Bonus. At the option of the Board, Mr. Jaksch’s bonus will be either prorated or paid in full to him, or his estate, as the case may be, at the time he would have received such bonus had he remained an employee of the Company.

In the event that Mr. Jaksch is terminated by the Company for “Cause” (as defined in the Amended Jaksch Agreement), he will only be entitled to his accrued but unpaid base salary, and any stock vested through the date of his termination.

In the event that Mr. Jaksch is terminated due to “Cessation of Business” (as defined in the Amended Jaksch Agreement), Mr. Jaksch will be entitled to a lump sum payment of base salary and an amount equal to the Maximum Annual Bonus, and continuation of health benefits until the earlier of the last to occur of the term or renewal term of the agreement or 12 months from the date of termination.

-54-

---

Table of Contents

In the event the Company terminates Mr. Jaksch's employment "without Cause", Mr. Jaksch will be entitled to severance in the form of any stock vested through the date of his termination and continuation of his base salary for a period of eight weeks, or, if Mr. Jaksch enters into a standard separation agreement, Mr. Jaksch will receive continuation of base salary and health benefits, together with applicable fringe benefits as provided to other executive employees until the last to occur of the expiration of the term or renewal term then in effect or 24 months from the date of termination (the "Severance Period"), and he will receive his Maximum Annual Bonus if the Severance Period is equal to 24 months or a pro rata portion thereof if less, as well as the full vesting of any otherwise unvested stock.

Employment Agreement with Thomas C. Varvaro

On April 19, 2010, the Company entered into an Amended and Restated Employment Agreement (the "Amended Varvaro Agreement") with Thomas C. Varvaro. The Amended Varvaro Agreement has a three year term beginning on the date of the agreement that automatically renews unless the Amended Varvaro Agreement is terminated in accordance with its terms. The Amended Varvaro Agreement provides for a base salary of \$175,000 (subject to an increase of \$50,000 in the event the Company's common stock is listed on a stock exchange), and provides for an annual cash bonus (based on performance targets) of up to 30% of his base salary, and provides for two option grants of 400,000 shares of Common Stock in aggregate. The option grants were awarded on May 20, 2010.

On January 2, 2014, the Board approved the recommendations of the Company's Compensation Committee raising the annual base salary of Mr. Varvaro to \$225,000 per year and raising the annual cash bonus target for Mr. Varvaro up to 40% of his base salary. In addition, the Board approved granting 250,000 shares of the Company's restricted stock, subject to certain vesting provisions to Mr. Varvaro.

The severance terms of the Amended Varvaro Agreement provide that in the event Mr. Varvaro's employment with us is terminated voluntarily by Mr. Varvaro he will be entitled to any accrued but unpaid base salary, any stock vested through the date of his termination and a pro-rated portion of 40% of his salary (40% of this salary being the "Maximum Annual Bonus") for the year of termination. In addition, if Mr. Varvaro leaves the Company for Good Reason he will also be entitled to severance equal to the Maximum Annual Bonus, and he shall be deemed to have been employed for the entirety of such year. "Good Reason" means any of the following: (A) the assignment of duties materially inconsistent with those of other employees in similar employment positions, and Mr. Varvaro provides written notice to the Company within 60 days of such assignment that such duties are materially inconsistent with those duties of such similarly-situated employees and the Company fails to release Mr. Varvaro from his obligation to perform such inconsistent duties and to re-assign Mr. Varvaro to his customary duties within 20 business days after the Company's receipt of such notice; or (B) the termination of Frank Jaksch as the Company's Chief Executive Officer either by the Company without "Cause" or by the Mr. Jaksch for "Good Reason," and Mr. Varvaro provides written notice within 60 days of such termination, or (C) a failure by the Company to comply with any other material provision of the Amended Varvaro Agreement which has not been cured within 60 days after notice of such noncompliance has been given by Mr. Varvaro to the Company, or if such failure is not capable of being cured in such time, a cure will not have been diligently pursued by the Company within such 60 day period. Severance will then consist of 16 weeks of paid salary, unless Mr. Varvaro signs a release, in which case he will receive compensation equal to the lesser of the remainder of his agreement or 12 months paid salary.

In the event Mr. Varvaro is terminated as a result of his death or disability he will be entitled to his accrued but unpaid base salary, stock vested through the date of his termination and, notwithstanding any policy of the Company to the contrary, any annual bonus that would be due to him for the fiscal year in which termination pursuant to death or disability took place in an amount no less than the prorated portion of his Maximum Annual Bonus. Mr. Varvaro's bonus will be either prorated or paid in full to him, or his estate, as the case may be, at the time he would have received such bonus had he remained an employee of the Company.

In the event that Mr. Varvaro is terminated by the Company for “Cause” (as defined in the Amended Varvaro Agreement), he will only be entitled to his accrued but unpaid base salary, and any stock vested through the date of his termination.

-55-

---

Table of Contents

In the event that Mr. Varvaro is terminated due to a “Cessation of Business” (as defined in the Amended Varvaro Agreement), Mr. Varvaro will be entitled to a lump sum payment of base salary and an amount equal to the Maximum Annual Bonus, and continuation of health benefits until the last to occur of the term or renewal term of the agreement or 12 months from the date of termination.

In the event the Company terminates Mr. Varvaro’s employment “without Cause,” Mr. Varvaro will be entitled to severance in the form of any stock vested through the date of his termination and continuation of his base salary for a period of eight weeks, or, if Mr. Varvaro enters into a standard separation agreement, Mr. Varvaro will receive continuation of base salary and health benefits, together with applicable fringe benefits as provided to other executive employees until the last to occur of the expiration of the term or renewal term then in effect or 24 months from the date of termination (the “Severance Period”), will receive his Maximum Annual Bonus if the Severance Period is equal to 24 months or a pro rata portion thereof if less, as well as the full vesting of any otherwise unvested stock.

Employment Agreement with Troy Rhonemus

On March 6, 2014, the Company entered into an Employment Agreement (the “Rhonemus Agreement”) with Troy Rhonemus. The Rhonemus Agreement has a one year term beginning on the date of the agreement that automatically renews unless the Rhonemus Agreement is terminated in accordance with its terms. The Rhonemus Agreement provides for a base salary of \$180,000, and provides for an annual cash bonus (based on performance targets) of up to 30% of his base salary (30% of this salary being the “Maximum Annual Bonus”), and provides for option grants of 250,000 shares of Common Stock. The option grants were awarded on February 21, 2014.

The severance terms of the Rhonemus Agreement provide that in the event Mr. Rhonemus’ employment with us is terminated voluntarily by Mr. Rhonemus, he will be entitled to any accrued but unpaid base salary and any accrued but unpaid welfare and retirement benefits. In addition, if Mr. Rhonemus leaves the Company for Good Reason he will also be entitled to severance equal to two weeks of base salary for each full year of service to a maximum of eight weeks of the base salary. “Good Reason” means a failure by the Company to comply with any other material provision of the Rhonemus Agreement which has not been cured within 60 days after notice of such failure has been given by Mr. Rhonemus to the Company, or if such failure is not capable of being cured in such time, a cure will not have been diligently pursued by the Company within such 60 day period.

In the event Mr. Rhonemus is terminated as a result of his death or disability he will be entitled to his accrued but unpaid base salary, and, notwithstanding any policy of the Company to the contrary, any annual bonus that would be due to him for the fiscal year in which termination pursuant to death or disability occurs will be prorated to Mr. Rhonemus (or his estate, as the case may be) at the time Mr. Rhonemus would have received such bonus had he remained an employee of the Company.

In the event that Mr. Rhonemus is terminated by the Company for “Cause” (as defined in the Rhonemus Agreement), he will only be entitled to his accrued but unpaid base salary, and any accrued but unpaid welfare and retirement benefits.

In the event that Mr. Rhonemus is terminated due to a “Cessation of Business” (as defined in the Rhonemus Agreement), Mr. Rhonemus will be entitled to a lump sum payment of (i) base salary until the last to occur of (A) the expiration of the remaining portion of the initial term or the then applicable renewal term, as the case may be, or (B) the expiration of the 12-month period commencing on the date Employee is terminated, and (ii) the Maximum Annual Bonus.

In the event the Company terminates Mr. Rhonemus’ employment “without Cause,” Mr. Rhonemus will be entitled to severance equal to two weeks of base salary for each full year of service to a maximum of eight weeks of the base salary, or, if Mr. Rhonemus enters into a standard separation agreement, Mr. Rhonemus will receive continuation of

base salary and health benefits, together with applicable fringe benefits as provided until the expiration of the term or renewal term then in effect, however, that in the case of medical and dental insurance, until the expiration of 12 months from the date of termination.

-56-

---



Table of Contents

## 2013 Director Compensation

From time to time, non-employee directors receive a stock award or a grant of options to buy our common stock. These stock awards and options are granted under the Second Amended and Restated 2007 Equity Incentive Plan of the Company, or the 2007 Plan. The number shares awarded or the number of options granted and the vesting conditions are determined by the Compensation Committee of the Board of Directors. During the year ended December 28, 2013, the non-employee directors did not receive a stock award or a grant of options to buy our common stock.

Subsequent to the year ended December 28, 2013, the Company awarded shares of the Company's restricted stock, subject to certain vesting provisions, to the Company's independent members of the board of directors as follows: Michael H. Brauser 250,000 shares; Barry Honig 250,000 shares, Stephen Block 50,000 shares, Reid Dabney 10,000 shares; Hugh Dunkerley 10,000 shares; Mark S. Germain 10,000 shares; and Glenn L. Halpryn 10,000 shares.

The following table provides information concerning compensation of our directors who were directors for the fiscal year ended December 28, 2013. For the fiscal year ended December 28, 2013, the Company did not provide compensations to directors.

## Summary Compensation Table

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Michael H. Brauser(1)	-	-	-	-	-	-	-
Barry Honig(2)	-	-	-	-	-	-	-
Stephen Block(3)	-	-	-	-	-	-	-
Reid Dabney(4)	-	-	-	-	-	-	-
Hugh Dunkerley(5)	-	-	-	-	-	-	-
Mark S. Germain(6)	-	-	-	-	-	-	-
Glenn L. Halpryn(7)	-	-	-	-	-	-	-
Curtis Lockshin(8)	-	-	-	-	-	-	-
Frank L. Jaksch Jr.(9)	-	-	-	-	-	-	-

- (1) Michael H. Brauser held an aggregate of 166,738 option awards as of December 28, 2013.
- (2) Barry Honig held an aggregate of 125,000 option awards as of December 28, 2013.
- (3) Stephen Block held an aggregate of 444,981 option awards as of December 28, 2013.
- (4) Reid Dabney held an aggregate of 550,200 option awards as of December 28, 2013.
- (5) Hugh Dunkerley held an aggregate of 418,275 option awards as of December 28, 2013.
- (6) Mark S. Germain held an aggregate of 683,524 option awards as of December 28, 2013.
- (7) Glenn L. Halpryn held an aggregate of 189,309 option awards as of December 28, 2013.

- (8) Curtis Lockshin held an aggregate of 113,151 option awards as of December 28, 2013. On December 31, 2013, Curtis Lockshin resigned from the Board.
- (9) Frank L. Jaksch Jr. held an aggregate of 3,626,418 option awards as of December 28, 2013.

Table of Contents

## Outstanding Equity Awards at Fiscal Year End

The following table sets forth certain information regarding stock options and restricted stock granted to our named executive officers outstanding as of December 28, 2013.

## Outstanding Stock Options at 2013 Fiscal Year-End

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards:		
			Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date
Frank L. Jaksch Jr.	300,000	—	—	1.50	12/1/2016
	700,000	—	—	1.50	4/21/2018
	150,000	—	—	1.50	4/21/2018
	100,000	—	—	0.50	5/13/2019
	89,583	10,417 (1)	—	1.70	5/20/2020
	80,729	44,271 (2)	—	1.54	5/10/2021
	83,333	166,667(3)	—	0.64	8/28/2022
	792,258	1,109,160(4)	—	0.945	9/15/2022
Thomas C. Varvaro	240,000	—	—	1.00	1/19/2014
	10,000	—	—	1.00	1/19/2014
	250,000	—	—	1.50	12/1/2016
	100,000	—	—	1.50	4/21/2018
	75,000	—	—	0.50	5/13/2019
	336,700	—	—	1.545	5/20/2020
	67,188	7,812 (5)	—	1.545	5/20/2020
	2,769	1,519 (6)	—	1.54	5/10/2021
	66,667	133,333(7)	—	0.64	8/28/2022
359,796	503,715(8)	—	0.945	9/15/2022	

(1) 2,083 of Mr. Jaksch's options vest on 20th of every month through May 20, 2014.

(2) 2,604 of Mr. Jaksch's options vest on 10th of every month through May 10, 2015.

(3) 5,208 of Mr. Jaksch's options vest on 28th of every month through August 28, 2016.

(4) 52,817 of Mr. Jaksch's options vest on 15th of every month September 15, 2015.

(5) 1,563 of Mr. Varvaro's options vest on 20th of every month through May 20, 2014.

(6) 89 of Mr. Varvaro's options vest on 10th of every month through May 10, 2015.

(7) 4,167 of Mr. Varvaro's options vest on 28th of every month through August 28, 2016.

(8) 23,986 of Mr. Varvaro's options vest on 15th of every month through September 15, 2015.

Table of Contents

## Outstanding Restricted Stock at 2013 Fiscal Year-End

Name	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares of Units of Stock That Have Not Vested (\$)	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested (\$)
Frank L. Jaksch Jr.	—	—	250,000 (2)	\$ 400,000 (1)
Thomas C. Varvaro	—	—	250,000 (3)	\$ 400,000

(1) The amounts in the column titled “Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested” above reflect the aggregate market value based on the closing market price of the Company’s stock on December 28, 2013.

(2) On June 6, 2012, Frank L. Jaksch Jr. was awarded 250,000 shares of restricted stock. These shares shall vest upon the earlier to occur of the following: (i) the market price of the Company’s stock exceeds a certain price, or (ii) one of other certain triggering events, including the termination of Mr. Jaksch for any reason.

(3) On June 6, 2012, Thomas C. Varvaro was awarded 250,000 shares of restricted stock. These shares shall vest upon the earlier to occur of the following: (i) the market price of the Company’s stock exceeds a certain price, or (ii) one of other certain triggering events, including the termination of Mr. Varvaro for any reason.

Table of Contents

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

As of March 20, 2014, there were approximately 106,149,101 shares of our common stock outstanding. The following table sets forth certain information regarding our common stock, beneficially owned as of March 20, 2014, by each person known to us to beneficially own more than 5% of our common stock, each executive officer and director, and all directors and executive officers as a group. We calculated beneficial ownership according to Rule 13d-3 of the Exchange Act as of that date. Shares issuable upon exercise of options or warrants that are exercisable or convertible within 60 days after March 20, 2014 are included as beneficially owned by the holder. Beneficial ownership generally includes voting and dispositive power with respect to securities. Unless otherwise indicated below, the persons and entities named in the table have sole voting and sole dispositive power with respect to all shares beneficially owned.

Name of Beneficial Owner (1)	Shares of Common Stock Beneficially Owned (2)	Aggregate Percentage Ownership	
Dr. Phillip Frost (3)	15,252,937	14.37	%
Black Sheep, FLP (4)	6,225,155	5.86	%
Directors			
Michael H. Brauser (5)	8,658,088	8.14	%
Barry Honig (6)	8,340,216	7.85	%
Stephen Block (7)	494,981	*	
Reid Dabney (8)	560,200	*	
Hugh Dunkerley (9)	428,275	*	
Mark S. Germain (10)	693,524	*	
Glenn L. Halpryn (11)	1,470,737	1.38	%
Stephen Allen (12)	50,000	*	
Frank L. Jaksch Jr. (13)	10,847,580	9.97	%
Named Executive Officers			
Frank L. Jaksch Jr., Chief Executive Officer	(See above)		
Thomas C. Varvaro, Chief Financial Officer (14)	1,906,478	1.77	%
Troy Rhonemus, Chief Operating Officer (15)	125,000	*	
All directors and executive officers as a group (9 Directors plus Chief Financial Officer and Chief Operating Officer) (16)	33,575,079	29.74	%

\* Represents less than 1%.

(1) Addresses for the beneficial owners listed are: Dr. Phillip Frost, 4400 Biscayne Blvd., Suite 1500, Miami, FL 33137; and Black Sheep, FLP 6 Palm Hill Drive, San Juan Capistrano, CA 92675.

(2) Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or dispositive power with respect to shares beneficially owned. Unless otherwise specified, reported ownership refers to both voting and dispositive power. Shares of common stock issuable upon the conversion of stock options or the exercise of warrants within the next 60 days are deemed to be converted and beneficially owned by the individual or group identified in the Aggregate Percentage Ownership column.



Table of Contents

- (3) Includes 5,852,937 shares of common stock held by Frost Gamma Investments Trust and 9,400,000 shares of common stock held by Phillip and Patricia Frost Philanthropic Foundation, Inc. Dr. Phillip Frost is the trustee of Frost Gamma Investments Trust. Frost Gamma Limited Partnership is the sole and exclusive beneficiary of Frost Gamma Investments Trust. Dr. Frost is one of two limited partners of Frost Gamma Limited Partnership. The general partner of Frost Gamma Limited Partnership is Frost Gamma, Inc. and the sole shareholder of Frost Gamma, Inc. is Frost-Nevada Corporation. Dr. Frost is also the sole shareholder of Frost-Nevada Corporation. Dr. Phillip Frost is President of Phillip and Patricia Frost Philanthropic Foundation, Inc. Dr. Frost is a stockholder and chairman of the board of Ladenburg Thalmann Financial Services, Inc. (NYSE:LTS), parent company of Ladenburg Thalmann & Co., Triad Advisors, Inc. and Investacorp Inc., each registered broker-dealers.
- (4) Black Sheep, FLP is a family limited partnership the co-general partners of which are Frank L. Jaksch, Jr. and Tricia Jaksch and the sole limited partners of which are Frank L. Jaksch, Jr., Tricia Jaksch and the Jaksch Family Trust.
- (5) Direct ownership of (i) 1,143,498 shares of common stock; and (ii) through Michael & Betsy Brauser TBE, 3,626,428 shares of common stock. Indirect ownership through (i) 628,570 Shares held by Grander Holdings, Inc. 401K Profit Sharing Plan of which Mr. Brauser is a trustee; (ii) 342,857 Shares held by the Brauser 2010 GRAT of which Mr. Brauser is a trustee; (iii) 342,857 Shares held by Birchtree Capital, LLC of which Mr. Brauser is the manager; (iv) 1,692,856 Shares held by BMB Holdings, LLLP of which Mr. Brauser is the manager of its general partner; and (v) 714,284 Shares held by Betsy Brauser Third Amended Trust Agreement beneficially owned by Mr. Brauser's spouse which are disclaimed by him. Includes 166,738 stock options exercisable within 60 days.
- (6) Direct ownership of 4,824,959 shares of common stock. Indirect ownership includes (i) 230,000 Shares owned by GRQ Consultants, Inc. Defined Benefits Plan for the benefit of Mr. Honig; (ii) 966,786 Shares owned by GRQ Consultants, Inc. 401K of which Mr. Honig is the beneficiary; (iii) 2,103,571 Shares owned by GRQ Consultants Inc. Roth 401K FBO Renee Honig, Mr. Honig's spouse, of which Mr. Honig has voting and investment power and disclaims beneficial ownership; and (iv) 89,900 shares Shares owned by GRQ Consultants, Inc., of which Mr. Honig is the President. Includes 125,000 stock options exercisable within 60 days.
- (7) Includes 444,981 stock options exercisable within 60 days.
- (8) Includes 550,200 stock options exercisable within 60 days.
- (9) Includes 418,275 stock options exercisable within 60 days.
- (10) Includes 683,524 stock options exercisable within 60 days. Does not include 2,053,995 shares beneficially owned by Margery Germain, who is Mr. Germain's wife, as Mr. Germain does not share voting or dispositive control over those shares.
- (11) Direct ownership of 10,000 shares of common stock. Indirect ownership through IVC Investors, LLLP (in which Glenn Halpryn has an interest) of 1,271,428 shares of common stock. Glenn Halpryn disclaims beneficial ownership of these shares except to the extent of any pecuniary interest therein. Includes 189,309 stock options exercisable within 60 days.
- (12) Includes 50,000 stock options exercisable within 60 days.
- (13) Includes 1,429,000 shares owned by the FMJ Family Limited Partnership, beneficially owned by Frank L Jaksch Jr. because Mr. Jaksch Jr. has shared voting power for such shares. Includes 6,225,155 shares owned by Black Sheep, FLP beneficially owned by Mr. Jaksch Jr. because he has shared voting power and shared dispositive

power for such shares. Includes 589,165 shares directly owned by Mr. Jaksch Jr. Includes 2,604,260 stock options exercisable within 60 days.



Table of Contents

- (14) Includes 1,402,978 stock options exercisable within 60 days.
- (15) Includes 125,000 stock options exercisable within 60 days.
- (16) Includes 6,760,265 stock options exercisable within 60 days.

## Equity Compensation Plan Information

The following table provides information about our equity compensation plans as of December 28, 2013:

Plan Category	A  Number of securities to be issued upon exercise of outstanding options, warrants and rights	B  Weighted-average price of outstanding options, warrants and rights	C  Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A))
Equity compensation plans approved by security holders	13,160,955	\$1.08	6,953,940 (1)
Equity compensation plans not approved by security holders	-	-	-
<b>Total</b>	<b>13,160,955</b>	<b>\$1.08</b>	<b>6,953,940 (1)</b>

- (1) Pursuant to our Second Amended and Restated 2007 Equity Incentive Plan, we are authorized to issue shares under this plan that total no more than 20% of our shares of common stock issued and outstanding, as determined on a fully diluted basis.

## Item 13. Certain Relationships and Related Transactions, and Director Independence

## Transactions with Related Persons

On February 9, 2012, the Company and Opko Health, Inc. (“OPKO”) entered into a license, supply and distribution agreement. Pursuant to this agreement, the Company has licensed to OPKO certain new product offerings and health care technologies for distribution and business development throughout Latin America. As of December 28, 2013, there were no transactions between the Company and OPKO under this agreement, but the initial products to be commercialized is our proprietary product pterostilbene. On July 10, 2012, the Company and OPKO entered into another agreement, pursuant to which OPKO was retained to serve as management consultant and advisor to the Company. That agreement expired on October 10, 2012. As a consideration for the services, the Company granted OPKO 500,000 shares of its common stock. The fair value of this stock award was \$320,000 and was measured using the Company’s stock price on the date of award. The expense was amortized over the three month period which the services had been provided. Dr. Phillip Frost, who beneficially owns 15,252,937 shares of the Company’s common

stock, or 14.5% of the Company's outstanding shares as of December 28, 2013, is Chairman of the Board and Chief Executive Officer of OPKO.

-62-

---

Table of Contents

Review, approval or ratification of transactions with related persons.

On an ongoing basis, the Audit Committee reviews all “related party transactions” (those transactions that are required to be disclosed in this Annual Report on Form 10-K by SEC Regulation S-K, Item 404 and under Nasdaq’s rules), if any, for potential conflicts of interest and all such transactions must be approved by the Audit Committee.

## Director Independence

Under the NASDAQ Stock Market Marketplace Rules, a director will only qualify as an independent director if, in the opinion of our Board, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Board has determined that each of Michael H. Brauser, Barry Honig, Stephen Block, Reid Dabney, Hugh Dunkerley, Mark S. Germain, Glenn L. Halpryn and Stephen Allen has no material relationship with our Company and is independent within the independence requirements of Marketplace Rule 5605(a)(2) of the NASDAQ Stock Market, Inc. Frank L. Jaksch Jr. does not meet the independence standards because of he is the Chief Executive Officer of our Company.

## Item 14. Principal Accounting Fees and Services

## Audit Fees

For the fiscal year ending December 29, 2012 and the subsequent period through December 11, 2013, McGladrey, LLP was the Company’s independent registered public accounting firm. On December 11, 2013, the Audit Committee of the Board approved the dismissal of McGladrey LLP as the Company’s independent registered public accounting firm. On December 26, 2013, the Audit Committee of the Board engaged Marcum LLP as its independent registered public accounting firm for the Company’s fiscal year ending December 28, 2013.

The following table sets forth fees billed to us by our independent registered public accounting firms during the fiscal years ended December 28, 2013 and December 29, 2012

McGladrey, LLP	2013	2012
Audit Fees (1)	\$ 37,500	\$ 151,900
Audit-Related Fees (2)	\$ 105,600	\$ 78,000
Tax Fees (3)	\$ 37,000	\$ 37,000
All Other Fees	\$ —	\$ —

Marcum, LLP	2013	2012
Audit Fees	\$ 100,000 (4)	\$ —
Audit-Related Fees	\$ —	\$ —
Tax Fees	\$ —	\$ —
All Other Fees	\$ —	\$ —

(1) Audit fees consist of fees for the audit of the Company’s financial statements and review of financial statements included in the Company’s quarterly reports.

(2) Audit-related fees include costs incurred for reviews of registration statements and consultations on various accounting matters in support of the Company’s financial statements.

- (3) Tax fees consist of fees for tax compliance matters.
- (4) The amount represents an estimated amount from the engagement letter of the Company's current auditors and not the final billed amount associated with the audit of the Company's financial statements.

-63-

---

Table of Contents

Policy for Pre-Approval of Independent Auditor Services

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent auditor. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the specific service or category of service and is generally subject to a specific budget. The independent auditor and management are required to periodically communicate to the Audit Committee regarding the extent of services provided by the independent auditor in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis.

Table of Contents

PART IV

Item 15. Exhibits and Financial Statement Schedules

Financial Statements

Reference is made to Item 8. Financial Statements and Supplementary Data of this Form 10-K.

List of Exhibits

Reference is made to the Exhibit Index immediately preceding such Exhibits of this Form 10-K.

Table of Contents

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, on the 27th day of March 2014.

CHROMADEX CORPORATION

By: /s/ FRANK L. JAKSCH JR.  
 Frank L. Jaksch Jr.  
 Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ FRANK L. JAKSCH JR. Frank L. Jaksch Jr.	Chief Executive Officer and Director (Principal Executive Officer)	March 27, 2014
/s/ THOMAS C. VARVARO Thomas C. Varvaro	Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	March 27, 2014
/s/ MICHAEL BRAUSER Michael Brauser	Co-Chairman of the Board and Director	March 27, 2014
/s/ BARRY C. HONIG Barry C. Honig	Co-Chairman of the Board and Director	March 27, 2014
/s/ STEPHEN BLOCK Stephen Block	Director	March 27, 2014
/s/ REID DABNEY Reid Dabney	Director	March 27, 2014
/s/ GLENN L. HALPRYN Glenn L. Halpryn	Director	March 27, 2014
/s/ STEPHEN ALLEN Stephen Allen	Director	March 27, 2014
/s/ HUGH DUNKERLEY Hugh Dunkerley	Director	March 27, 2014

/s/ MARK S. GERMAIN    Director  
Mark S. Germain

March 27, 2014

-66-

---



Table of Contents

## EXHIBIT INDEX

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of May 21, 2008, among Cody, CDI Acquisition, Inc. and ChromaDex, Inc. as amended on June 10, 2008 (incorporated by reference from, and filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on June 24, 2008)
3.1	Amended and Restated Certificate of Incorporation of ChromaDex Corporation, a Delaware corporation (incorporated by reference from, and filed as Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed with the Commission on May 4, 2010)
3.2	Bylaws of ChromaDex Corporation, a Delaware corporation (incorporated by reference from, and filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the Commission on June 24, 2008)
4.1	Form of Stock Certificate representing shares of ChromaDex Corporation Common Stock (incorporated by reference from, and filed as Exhibit 4.1 of the Company's Annual Report on Form 10-K filed with the Commission on April 3, 2009)
4.2	Investor's Rights Agreement, effective as of December 31, 2005, by and between The University of Mississippi Research Foundation and ChromaDex (incorporated by reference from, and filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on June 24, 2008)
4.3	Tag-Along Agreement effective as of December 31, 2005, by and among the Company, Frank Louis Jaksch, Snr. & Maria Jaksch, Trustees of the Jaksch Family Trust, Margery Germain, Lauren Germain, Emily Germain, Lucie Germain, Frank Louis Jaksch, Jr., and the University of Mississippi Research Foundation (incorporated by reference from, and filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Commission on June 24, 2008)
4.4	License Agreement, effective September 15, 2005 between L&J Becvar, L.P. and ChromaDex, Inc. (incorporated by reference from, and filed as Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Commission on June 24, 2008)
4.5	Form of Warrant to Purchase Shares of Common Stock of ChromaDex Corporation (incorporated by reference from, and filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on July 30, 2008)
4.6	Form of Warrant under the Subscription Agreement, dated as of April 22, 2010 (incorporated by reference from, and filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on April 26, 2010)
4.7	Form of Registered Direct Agreement, dated as of January 31, 2012 (incorporated by reference from, and filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on February 1, 2012)
4.8	Form of Purchase Agreement dated as of January 31, 2012 (incorporated by reference from, and filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Commission on February 1, 2012)
10.1	ChromaDex, Inc. 2000 Non-Qualified Incentive Stock Option Plan effective October 1, 2000 (incorporated by reference from, and filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on June 24, 2008)(1)+
10.2	Second Amended and Restated 2007 Equity Incentive Plan effective March 13, 2007, as amended May 20, 2010 (incorporated by reference from, and filed as Appendix B to the Company's Current Definitive Proxy Statement on Schedule 14A filed with the Commission on May 4, 2010)(1)+

Edgar Filing: ChromaDex Corp. - Form 10-K

- 10.3 Form of Stock Option Agreement under the ChromaDex, Inc. Second Amended and Restated 2007 Equity Incentive Plan (incorporated by reference from, and filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on June 24, 2008)(1)+
- 10.4 Form of Restricted Stock Purchase Agreement under the ChromaDex, Inc. 2007 Equity Incentive Plan (incorporated by reference from, and filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on June 24, 2008)(1)+
- 10.5 Amended and Restated Employment Agreement dated April 19, 2010, by and between Frank L. Jaksch, Jr. and ChromaDex, Inc. (incorporated by reference from, and filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on April 22, 2010)(1)+
- 10.6 Amended and Restated Employment Agreement dated April 19, 2010, by and between Thomas C. Varvaro and ChromaDex, Inc. (incorporated by reference from, and filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on April 22, 2010)(1)+

Table of Contents

- 10.7 Employment Agreement dated as of October 27, 2010, between ChromaDex, Inc. and William F. Spengler (incorporated by reference from, and filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on November 1, 2010)+
- 10.8 Amendment to Employment Agreement, dated as of March 14, 2011, between ChromaDex, Inc. and William F. Spengler (incorporated by reference from, and filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K filed with the Commission on March 16, 2011)+
- 10.9 Separation and Release Agreement, dated as of February 13, 2012 between ChromaDex Corporation and William F. Spengler (incorporated by reference from, and filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 17, 2012)+
- 10.10 Employment Agreement, dated as of February 7, 2012 between ChromaDex Corporation and Jeffrey Himmel (incorporated by reference from, and filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 13, 2012)+
- 10.11 Separation and Release Agreement, dated as of June 11, 2012 between ChromaDex Corporation and Jeffrey Himmel (incorporated by reference from, and filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on June 12, 2012)+
- 10.12 Employment Agreement, dated as of February 21, 2012 between ChromaDex Corporation and Debra Heim (incorporated by reference from, and filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 24, 2012)+
- 10.13 Separation and Release Agreement, dated as of June 11, 2012 between ChromaDex Corporation and Debra Heim (incorporated by reference from, and filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on June 12, 2012)+
- 10.14 Form of Indemnification Agreement entered into between the Company and existing directors and officers on October 27, 2010 (incorporated by reference from and filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on November 1, 2010)+
- 10.15 Standard Industrial/Commercial Multi-Tenant Lease – Net dated December 19, 2006, by and between ChromaDex, Inc. and SCIF Portfolio II, LLC (incorporated by reference from, and filed as Exhibit 10.7 to the Company's Current Report on Form 8-K filed with the Commission on June 24, 2008)
- 10.16 First Amendment to Standard Industrial/Commercial Multi-Tenant Lease, made as of July 18, 2008, between SCIF Portfolio II, LLC (“Lessor”) and ChromaDex, Inc. (“Lessee”) (incorporated by reference from, and filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on July 23, 2008)
- 10.17 Second Amendment to Standard Industrial/Commercial Multi-Tenant Lease, made as of May 7, 2013, between SCIF Portfolio II, LLC (“Lessor”) and ChromaDex, Inc. (“Lessee”) (incorporated by reference from, and filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on May 7, 2013)
- 10.18 Lease Agreement dated October 26, 2001, by and between Railhead Partners, LLC and NaPro BioTherapeutics, Inc., as assigned to Chromadex Analytics, Inc. on April 9, 2003 and amended on September 24, 2003 (incorporated by reference from, and filed as Exhibit 10.8 to the Company's Current Report on Form 8-K filed with the Commission on June 24, 2008)
- 10.19 First Amendment to Standard Industrial/Commercial Multi-Tenant Lease, made as of July 18, 2008, between SCIF Portfolio II, LLC (“Lessor”) and ChromaDex, Inc. (“Lessee”) (incorporated by reference from, and filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on July 23, 2008)
- 10.20 Second Addendum to Lease Agreement, made as of April 27, 2009, by and between Railhead Partners, LLC and Chromadex Analytics, Inc. (incorporated by reference from, and filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on

April 28, 2009)

- 10.21 Licensing Agreement Nutraceutical Standards effective as of December 31, 1999 between the University of Mississippi Research Foundation and ChromaDex (incorporated by reference from, and filed as Exhibit 10.9 to the Company's Current Report on Form 8-K filed with the Commission on June 24, 2008)
- 10.22 Equity Based License Agreement dated October 25, 2001, by and between the Company and Bayer Innovation Beteiligungsgesellschaft mbH, as amended as of October 30, 2003 (incorporated by reference from, and filed as Exhibit 10.10 to the Company's Current Report on Form 8-K filed with the Commission on June 24, 2008)
- 10.23 License Agreement, effective September 15, 2005 between L&J Becvar, L.P. and ChromaDex, Inc. (incorporated by reference from, and filed as Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Commission on June 24, 2008)

Table of Contents

10.24	Patent License Agreement between the Board of Regents of The University of Texas Systems and ChromaDex, Inc. (incorporated by reference from, and filed as Exhibit 10.12 to the Company's Current Report on Form 8-K filed with the Commission on June 24, 2008)
10.25	Stock Redemption Agreement, dated June 18, 2008 between ChromaDex, Inc. and Bayer Innovation GmbH (formerly named Bayer Innovation Beteiligungsgesellschaft mbH) (incorporated by reference from, and filed as Exhibit 10.13 to the Company's Current Report on Form 8-K filed with the Commission on June 24, 2008)
10.26	Promissory Note, dated June 18, 2008 between ChromaDex, Inc. as borrower and Bayer Innovation GmbH as lender (incorporated by reference from, and filed as Exhibit 10.14 to the Company's Current Report on Form 8-K filed with the Commission on June 24, 2008)
10.27	Technology License Agreement dated June 30, 2008 between The Research Foundation of the State University of New York and ChromaDex, Inc. (incorporated by reference from, and filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 12, 2008)*
10.28	Subscription Agreement, dated November 29, 2009, between Jinke Group (Hong Kong) Ltd and ChromaDex Corporation (incorporated by reference from, and filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on December 3, 2009)
10.29	Subscription Agreement, dated April 22, 2010, between ChromaDex Corporation and the subscribers listed on the signature pages thereto (incorporated by reference from, and filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on April 26, 2010)
10.30	Placement Agency Agreement, dated as of January 31, 2012 (incorporated by reference from, and filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 1, 2012)
10.31	License Agreement, dated March 25, 2010 between the University of Mississippi and ChromaDex, Inc. (incorporated by reference from, and filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 18, 2010)*
10.32	First Amendment to License Agreement, made as of June 3, 2011 between the University of Mississippi and ChromaDex, Inc. (incorporated by reference from, and filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 11, 2011)*
10.33	License Agreement, dated July 5, 2011 between ChromaDex, Inc. and Cornell University (incorporated by reference from, and filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 10, 2011)*
10.34	Exclusive License Agreement, dated September 8, 2011 between the Regents of the University of California and ChromaDex, Inc. (incorporated by reference from, and filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 10, 2011)*
10.35	Exclusive License Agreement, dated July 13, 2012 between Dartmouth College and ChromaDex, Inc. (incorporated by reference from, and filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 8, 2012)*
10.36	Exclusive License Agreement, dated March 7, 2013 between Washington University and ChromaDex, Inc. (incorporated by reference from, and filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on May 10, 2013)*
10.37	Asset Purchase and Sale Agreement, dated as of March 28, 2013, by and between ChromaDex Corporation and NeutriSci International, Inc. (incorporated by reference from, and filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on March 29, 2013)
10.38	

Edgar Filing: ChromaDex Corp. - Form 10-K

- Senior Secured Convertible Promissory Note, dated as of March 28, 2013, by NeutriSci International, Inc. (incorporated by reference from, and filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on March 29, 2013)
- 10.39 Security Agreement, dated as of March 28, 2013, by and between ChromaDex Corporation and NeutriSci International, Inc. (incorporated by reference from, and filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on March 29, 2013)
- 10.40 Subsidiary Guaranty, dated as of March 28, 2013, executed by Britlor Health and Wellness, Inc. (incorporated by reference from, and filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on March 29, 2013)
- 10.41 Royalty Agreement, dated as of March 28, 2013, by and between ChromaDex Corporation and NeutriSci International, Inc. (incorporated by reference from, and filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the Commission on March 29, 2013)

Table of Contents

10.42	Sales Confirmation and Contract, dated as of March 28, 2013, by and Between ChromaDex Corporation and NeutriSci International, Inc. (incorporated by reference from, and filed as Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the Commission on March 29, 2013)
10.43	Niagen Supply Agreement, dated July 9, 2013, by and between ChromaDex, Inc. and Thorne Research, Inc. (incorporated by reference from, and filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Commission on July 12, 2013)
10.44	License Agreement, made as of August 1, 2013, between Green Molecular S.L., Inc. and ChromaDex, Inc. (incorporated by reference from, and filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the Commission on November 21, 2013)*
10.45	Form of Subscription Agreement, dated October 17, 2013, between ChromaDex Corporation and the subscribers (incorporated by reference from, and filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on October 18, 2013)
16.1	Letter from McGladrey LLP, Independent Registered Public Accounting Firm, dated December 17, 2013 re change in certifying accountant (incorporated by reference from, and filed as Exhibit 16.1 to the Company's Current Report on Form 8-K filed with the Commission on December 17, 2013)
21.1	Subsidiaries of ChromaDex (incorporated by reference from, and filed as Exhibit 21.1 to the Company's Annual Report on Form 10-K filed with the Commission on March 29, 2013)
23.1	Consent of McGladrey, LLP, Independent Registered Public Accounting Firm <sup>v</sup>
23.2	Consent of Marcum, LLP, Independent Registered Public Accounting Firm <sup>v</sup>
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 <sup>v</sup>
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 <sup>v</sup>
32.1	Certification pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002) <sup>v</sup>

<sup>v</sup> Filed herewith.

(1) Plan and related Forms were assumed by ChromaDex Corporation pursuant to Agreement and Plan of Merger, dated as of May 21, 2008, among ChromaDex Corporation (formerly Cody Resources, Inc.), CDI Acquisition, Inc. and ChromaDex, Inc.

+ Indicates management contract or compensatory plan or arrangement.

\*This Exhibit has been granted confidential treatment and has been filed separately with the Commission. The confidential portions of this Exhibit have been omitted and are marked by an asterisk.