

ChromaDex Corp.
Form 10-Q/A
December 05, 2013

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

FORM 10-Q /A
(Amendment No. 1)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 29, 2013

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 or (I.R.S. Employer Identification No.)
organization)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer
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 Exchange Act).
Yes No

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Number of shares of common stock of the registrant: 101,307,164 outstanding as of August 12, 2013.



CHROMADDEX CORPORATION

2013 QUARTERLY REPORT ON FORM 10- Q/A

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Explanatory Note

This Quarterly Report on Form 10-Q/A of ChromaDex Corporation (the “Company”) for the quarterly period ended June 29, 2013 includes restated condensed consolidated balance sheet as of June 29, 2013, condensed consolidated statements of operations for the three and six months ended June 29, 2013, condensed consolidated statement of cash flows for the six months ended June 29, 2013 and restated notes to such condensed consolidated financial statements. This restatement is to reflect a correction in the manner in which the Company has accounted for the sale of the BluScience assets to NeutriSci International, Inc. (“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 their stated values which resulted in the Company recognizing a gain on the sale of the BluScience assets. Due to the inability to make a reliably determinable estimate of the fair value of the NeutriSci equity securities and the ultimate collectability of the note received as consideration, management has determined that the proper accounting for the sale transaction is the cost recovery method. Under the cost recovery method, no gain on the sale will be recognized until the Company’s cost basis in the net assets sold has been recovered. In addition, the Company originally accounted for its investment in NeutriSci under the cost method and the Company has now determined that the equity method should have been used. The restatement of the Company’s previously issued condensed consolidated financial statements to reflect its correction in accounting for the sale of BluScience assets to NeutriSci is referred to herein as the “Restatement.”

For further information regarding the Restatement, see the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission (the “SEC”) on November 21, 2013 (the “Restatement 8-K”), and for detailed financial information with respect to the Restatement, see Note 2 of the notes to condensed consolidated financial statements included in this Quarterly Report on Form 10-Q/A.

The following items of the Form 10-Q have been modified or revised in this Form 10-Q/A to reflect the Restatement:

- Part I, Item 1. Financial Statements;
- Part I, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations;
- Part I, Item 4. Controls and Procedures; and
- Part II, Item 6. Exhibits

The Company’s Chief Executive Officer and Chief Financial Officer have provided currently dated certifications pursuant to Section 302 and 906 of the Sarbanes-Oxley Act of 2002 in connection with this Amendment on Form 10-Q/A; the certifications are filed as Exhibits 31.1, 31.2 and 31.3.

This amended Quarterly Report on Form 10-Q/A sets forth the original Quarterly Report on Form 10-Q in its entirety, except as required to reflect the effects of the Restatement. Except for disclosures affected by the Restatement, this amended Quarterly Report on Form 10-Q/A speaks as of the original filing date of May 10, 2013 and does not modify or update disclosures in the Form 10-Q, including the nature and character of such disclosures, to reflect events occurring or items discovered after the original filing date of the Form 10-Q.

This amended Quarterly Report on Form 10-Q/A should be read in conjunction with the Company’s other filings, as amended, made with the Securities and Exchange Commission subsequent to December 29, 2012, including the Restatement 8-K, the Company’s Annual Report on Form 10-K for the year ended December 29, 2012, as filed with the SEC on March 29, 2013 and the Company’s amended Quarterly Report on Form 10-Q/A for the three month period ended March 30, 2013, as filed with the SEC concurrently with this amended Quarterly Report on Form 10-Q/A.

PART I – FINANCIAL INFORMATION (UNAUDITED)

ITEM 1. FINANCIAL STATEMENTS

ChromaDex Corporation and Subsidiaries
Condensed Consolidated Balance Sheets (Unaudited)
June 29, 2013 and December 29, 2012

	June 29, 2013 (Restated, Note 2)	December 29, 2012
Assets		
Current Assets		
Cash	\$ 826,631	\$ 520,000
Trade receivables, less allowance for doubtful accounts and returns June 29, 2013 \$17,000; December 29, 2012 \$450,000	1,186,529	1,940,539
Non-trade receivable	250,000	-
Inventories	1,944,597	5,205,304
Prepaid expenses and other assets	436,455	261,297
Total current assets	4,644,212	7,927,140
Leasehold Improvements and Equipment, net	1,012,963	936,426
Other Noncurrent Assets		
Deposits	41,192	34,773
Long-term investment in affiliate (Note 4)	2,157,804	-
Intangible assets, net	165,561	136,182
Total other noncurrent assets	2,364,557	170,955
Total assets	\$ 8,021,732	\$ 9,034,521
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 2,152,023	\$ 3,428,233
Accrued expenses	711,503	876,158
Current maturities of capital lease obligations	110,382	77,259
Customer deposits and other	336,824	310,267
Deferred rent, current	51,743	71,042
Total current liabilities	3,362,475	4,762,959
Capital lease obligations, less current maturities	238,287	148,374
Deferred rent, less current	152,456	129,859
Stockholders' Equity		
Common stock, \$.001 par value; authorized 150,000,000 shares; issued and outstanding June 29, 2013 100,807,164 and December 29, 2012 92,140,062 shares	100,807	92,140
Additional paid-in capital	36,329,257	33,617,801

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Accumulated deficit	(32,161,550)	(29,716,612)
Total stockholders' equity	4,268,514	3,993,329
Total liabilities and stockholders' equity	\$ 8,021,732	\$ 9,034,521

See Notes to Condensed Consolidated Financial Statements.

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ChromaDex Corporation and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)
For the Three Month Periods Ended June 29, 2013 and June 30, 2012

	June 29, 2013 (Restated, Note 2)	June 30, 2012
Sales	\$ 2,706,896	\$ 2,670,611
Cost of sales	1,746,158	1,905,916
Gross profit	960,738	764,695
Operating expenses:		
Sales and marketing	631,559	1,868,418
General and administrative	1,342,280	2,883,728
Operating expenses	1,973,839	4,752,146
Operating loss	(1,013,101)	(3,987,451)
Nonoperating income (expense):		
Interest income	296	1,056
Interest expense	(8,061)	(7,562)
Nonoperating expenses	(7,765)	(6,506)
Net loss	\$ (1,020,866)	\$ (3,993,957)
Basic and Diluted net loss per common share	\$ (0.01)	\$ (0.04)
Basic and Diluted weighted average common shares outstanding	99,833,963	91,362,664

See Notes to Condensed Consolidated Financial Statements.

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ChromaDex Corporation and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)
For the Six Month Periods Ended June 29, 2013 and June 30, 2012

	June 29, 2013 (Restated, Note 2)	June 30, 2012
Sales	\$ 5,041,462	\$ 4,455,617
Cost of sales	3,407,884	4,295,136
Gross profit	1,633,578	160,481
Operating expenses:		
Sales and marketing	1,360,983	3,727,080
General and administrative	2,702,181	4,845,639
Operating expenses	4,063,164	8,572,719
Operating loss	(2,429,586)	(8,412,238)
Nonoperating income (expense):		
Interest income	500	2,255
Interest expense	(15,852)	(15,827)
Nonoperating expenses	(15,352)	(13,572)
Net loss	\$ (2,444,938)	\$ (8,425,810)
Basic and Diluted net loss per common share	\$ (0.03)	\$ (0.10)
Basic and Diluted weighted average common shares outstanding	97,230,043	88,034,429

See Notes to Condensed Consolidated Financial Statements.

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ChromaDex Corporation and Subsidiaries
Condensed Consolidated Statement of Stockholders' Equity (Unaudited)
Six Months Ended June 29, 2013

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

See Notes to Condensed Consolidated Financial Statements.

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ChromaDex Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)
For the Six Month Periods Ended June 29, 2013 and June 30, 2012

	June 29, 2013 (Restated, Note 2)	June 30, 2012
Cash Flows From Operating Activities		
Net loss	\$ (2,444,938)	\$ (8,425,810)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of leasehold improvements and equipment	134,325	166,748
Amortization of intangibles	10,621	6,799
Share-based compensation expense	728,349	1,264,524
Loss from disposal of equipment	-	1,879
Changes in operating assets and liabilities:		
Trade receivables	770,994	(264,536)
Inventories	(206,824)	(2,348,197)
Prepaid expenses and other assets	(51,010)	369,527
Accounts payable	(907,337)	1,151,141
Accrued expenses	(150,095)	(213,521)
Customer deposits and other	26,557	(30,081)
Deferred rent	3,298	(30,034)
Net cash used in operating activities	(2,086,060)	(8,351,561)
Cash Flows From Investing Activities		
Purchases of leasehold improvements and equipment	(39,011)	(12,214)
Purchase of intangible assets	(40,000)	(2,000)
Proceeds from sale of assets	750,000	-
Net cash provided by (used in) investing activities	670,989	(14,214)
Cash Flows From Financing Activities		
Proceeds from issuance of common stock, net of issuance costs	-	10,158,438
Proceeds from exercise of stock options	131,769	-
Proceeds from exercise of warrants	1,638,748	45,000
Principal payments on capital leases	(48,815)	(44,806)
Net cash provided by financing activities	1,721,702	10,158,632
Net increase in cash	306,631	1,792,857
Cash Beginning of Period	520,000	420,152
Cash Ending of Period	\$ 826,631	\$ 2,213,009
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	\$ 15,852	\$ 15,827
Supplemental Schedule of Noncash Investing Activity		
Capital lease obligation incurred for the purchase of equipment	\$ 171,851	\$ 50,786

Supplemental Schedule of Noncash Share-based Compensation

Stock awards issued for services prior to the period	\$	14,560	\$	-
Changes in stock and warrant awards issued for future services	\$	206,697	\$	-

Supplemental Schedule of Noncash Activities Related to

Sale of BluScience Consumer Product Line

Assets transferred	\$	3,526,677	\$	-
Liabilities transferred	\$	368,873	\$	-
Carrying value of long-term investment in affiliate, net of \$750,000 cash proceeds and \$250,000 non-trade receivable	\$	2,157,804	\$	-

See Notes to Condensed Consolidated Financial Statements.

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Note 1. Interim Financial Statements

The accompanying financial statements of ChromaDex Corporation (the "Company") and its wholly owned subsidiaries, ChromaDex, Inc., ChromaDex Analytics, Inc. and Spherix Consulting, Inc. include all adjustments, consisting of normal recurring adjustments and accruals, that, in the opinion of the management of the Company, are necessary for a fair presentation of the Company's financial position as of June 29, 2013 and results of operations and cash flows for the three and six months ended June 29, 2013 and June 30, 2012. These unaudited interim financial statements should be read in conjunction with the Company's audited financial statements and the notes thereto for the year ended December 29, 2012 appearing in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "Commission") on March 29, 2013. Operating results for the six months ended June 29, 2013 are not necessarily indicative of the results to be achieved for the full year ending on December 28, 2013. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

The balance sheet at December 29, 2012 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements.

Note 2. Restatement of Previously Issued Financial Statements

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

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

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

The restatement adjustments to the previously issued financial statements for the six month period ended June 29, 2013 are as follows:

ChromaDex Corporation and Subsidiaries
Condensed Consolidated Balance Sheet (Unaudited)
June 29, 2013

	Previously Reported	Restatement Adjustments	As Restated
Assets			
Current Assets			
Cash	\$ 826,631	\$ -	\$ 826,631
Trade receivables	1,186,529	-	1,186,529
Non-trade receivable	250,000	-	250,000
Note receivable, current	1,623,508	(1,623,508)	-
Inventories	1,944,597	-	1,944,597
Prepaid expenses and other assets	436,455	-	436,455
Total current assets	6,267,720	(1,623,508)	4,644,212
Leasehold Improvements and Equipment, net	1,012,963	-	1,012,963
Other Noncurrent Assets			
Deposits	41,192	-	41,192
Note receivable, less current	779,205	(779,205)	-
Long-term equity investment	2,678,832	(2,678,832)	-
Long-term investment in affiliate	-	2,157,804	2,157,804
Intangible assets, net	165,561	-	165,561
Total other noncurrent assets	3,664,790	(1,300,233)	2,364,557
Total assets	\$ 10,945,473	\$ (2,923,741)	\$ 8,021,732
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable	\$ 2,152,023	\$ -	\$ 2,152,023
Accrued expenses	711,503	-	711,503
Current maturities of capital lease obligations	110,382	-	110,382
Customer deposits and other	336,824	-	336,824
Deferred rent, current	51,743	-	51,743
Total current liabilities	3,362,475	-	3,362,475
Capital lease obligations, less current maturities	238,287	-	238,287
Deferred rent, less current	152,456	-	152,456
Stockholders' Equity			
Common stock	100,807	-	100,807
Additional paid-in capital	36,329,257	-	36,329,257
Accumulated deficit	(29,237,809)	(2,923,741)	(32,161,550)
Total stockholders' equity	7,192,255	(2,923,741)	4,268,514
Total liabilities and stockholders' equity	\$ 10,945,473	\$ (2,923,741)	\$ 8,021,732

ChromaDex Corporation and Subsidiaries
Condensed Consolidated Statement of Operations (Unaudited)
For the Three Month Periods Ended June 29, 2013

	Previously Reported	Restatement Adjustments	As Restated
Sales	\$ 2,706,896	\$ -	\$ 2,706,896
Cost of sales	1,746,158	-	1,746,158
Gross profit	960,738	-	960,738
Operating expenses:			
Sales and marketing	631,559	-	631,559
General and administrative	1,342,280	-	1,342,280
Operating expenses	1,973,839	-	1,973,839
Operating loss	(1,013,101)	-	(1,013,101)
Nonoperating income (expense):			
Interest income	31,440	(31,144)	296
Interest expense	(8,061)	-	(8,061)
Nonoperating income (expenses)	23,379	(31,144)	(7,765)
Net loss	\$ (989,722)	\$ (31,144)	\$ (1,020,866)
Basic and Diluted net loss per common share	\$ (0.01)	\$ (0.00)	\$ (0.01)
Basic and Diluted weighted average common shares outstanding	99,833,963	-	99,833,963

ChromaDex Corporation and Subsidiaries
Condensed Consolidated Statement of Operations (Unaudited)
For the Six Month Period Ended June 29, 2013

	Previously Reported	Restatement Adjustments	As Restated
Sales	\$ 5,041,462	\$ -	\$ 5,041,462
Cost of sales	3,407,884	-	3,407,884
Gross profit	1,633,578	-	1,633,578
Operating expenses:			
Sales and marketing	1,360,983	-	1,360,983
General and administrative	2,702,181	-	2,702,181
Gain on sale of assets	(2,891,917)	2,891,917	-
Operating expenses	1,171,247	2,891,917	4,063,164
Operating income (loss)	462,331	(2,891,917)	(2,429,586)
Nonoperating income (expense):			
Interest income	32,324	(31,824)	500
Interest expense	(15,852)	-	(15,852)
Nonoperating income (expenses)	16,472	(31,824)	(15,352)
Net income (loss)	\$ 478,803	\$ (2,923,741)	\$ (2,444,938)
Basic net income (loss) per common share	\$ 0.00	\$ (0.03)	\$ (0.03)
Diluted net income (loss) per common share	\$ 0.00	\$ (0.03)	\$ (0.03)
Basic weighted average common shares outstanding	97,230,043	-	97,230,043
Diluted weighted average common shares outstanding	97,486,066	(256,023)	97,230,043

ChromaDex Corporation and Subsidiaries
Condensed Consolidated Statement of Cash Flows (Unaudited)
For the Six Month Period Ended June 29, 2013

	Previously Reported	Restatement Adjustments	As Restated
Cash Flows From Operating Activities			
Net income (loss)	\$ 478,803	\$ (2,923,741)	\$ (2,444,938)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation of leasehold improvements and equipment	134,325	-	134,325
Amortization of intangibles	10,621	-	10,621
Share-based compensation expense	728,349	-	728,349
Gain on sale of assets	(2,891,917)	2,891,917	-
Interest added to note receivable	(31,824)	31,824	-
Changes in operating assets and liabilities:			
Trade receivables	770,994	-	770,994
Inventories	(206,824)	-	(206,824)
Prepaid expenses and other assets	(51,010)	-	(51,010)
Accounts payable	(907,337)	-	(907,337)
Accrued expenses	(150,095)	-	(150,095)
Customer deposits and other	26,557	-	26,557
Deferred rent	3,298	-	3,298
Net cash used in operating activities	(2,086,060)	-	(2,086,060)
Cash Flows From Investing Activities			
Purchases of leasehold improvements and equipment	(39,011)	-	(39,011)
Purchase of intangible assets	(40,000)	-	(40,000)
Proceeds from sale of assets	750,000	-	750,000
Net cash provided by investing activities	670,989	-	670,989
Cash Flows From Financing Activities			
Proceeds from exercise of stock options	131,769	-	131,769
Proceeds from exercise of warrants	1,638,748	-	1,638,748