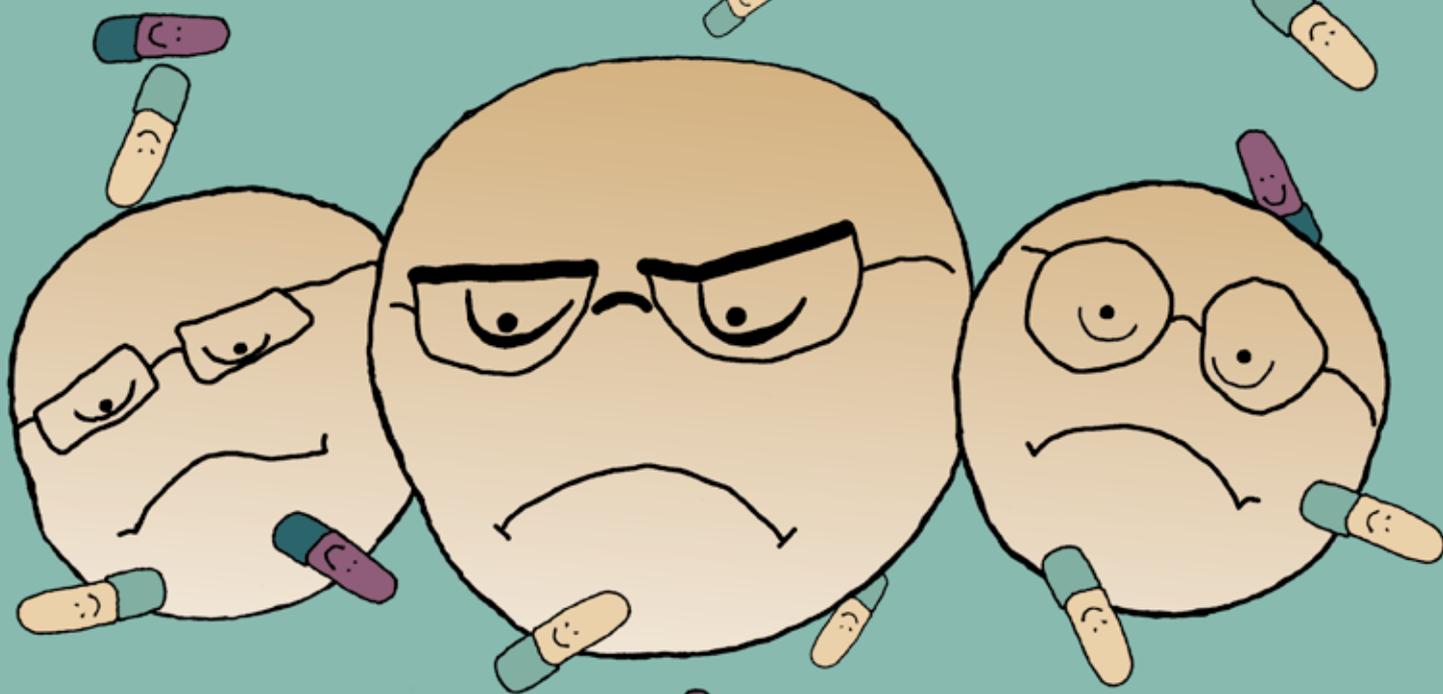


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Unhealthy

A Full Dose of Promotion

Cartoon by
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for J Capital

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After months of examining ChromaDex (CDXC), we have come to the conclusion that the company is pure hype, dished up by an Oceans 11 of stock promoters. CDXC promotes its single product, a health supplement, with iterative press releases that boost share price long enough for insider sales before the vaunted advantages contained in those press releases quietly disappear.

The SEC has labeled the team behind CDXC “micro-

cap fraudsters” who manipulate share prices and then “dump” the stock.¹ These same “fraudsters” are also behind the utter wipeouts of Opko Health (OPK),² MGT Capital Investments Inc. (OTC: MGTI),³ Cococrystal Pharma Inc. (OTC: COCP),⁴ Mabvax Therapeutics Holdings Inc. (MBVX),⁵ Pershing Gold Corp. (PGLC),⁶ Senesco Technologies Inc. (SNTI),⁷ and many more. Key members of the team, Barry Honig, Phillip Frost, and Michael Brauser, have been targeted in a dozen lawsuits and SEC enforcement

1 <https://www.sec.gov/news/press-release/2018-182>

2 <https://www.opkohealthsecuritieslitigation.com/admin/services/connectedapps.cms.extensions/1.0.0.0/asset?id=c4b8fa07-f52a-41be-8de2-7113db35f15e&languageId=1033&inline=true>

3 <https://casetext.com/case/sec-exch-comm-v-honig-2>

4 <https://www.nasdaq.com/press-release/cococrystal-pharma-announces-notice-of-pendency-and-proposed-settlement-of-stockholder>

5 https://securities.stanford.edu/filings-documents/1066/MTH00_01/20181010_r01c_18CV01160.pdf

6 <https://www.valuwalk.com/2018/09/idi-pump-stopper/>

7 <https://chimicles.com/wp-content/uploads/2020/03/Opko-Public-Complaint.pdf>

ChromaDex (CDXC)

June 24, 2021



JCAP

actions.⁸ Why would you trust them with CDXC?

Not only is the management team dubious, but so is the auditor. CDXC uses Marcum LLP, which the PCAOB says is riddled with deficiencies.⁹ That supervisory body has banned Marcum from conducting some audits in China—where CDXC reports substantial revenue.

The latest promote is a Walmart distribution deal, announced twice, in March and in June, for full effect. Should investors be in doubt about whether this will mean anything, a deal involving Walmart came and went in 2016, when CDXC said that a product containing Niagen would be distributed in Walmart. The company frequently announces deals that end up producing virtually no sales. A few examples:

- ▶ **Nestle:** The December 20, 2018 announcement of a deal with Nestle sent the CDXC share price up by 30% yet yielded just \$559,000 over the following two years in licensing fees.¹⁰ That's because, despite tricky wording that makes the deal sound big, it's actually for a trivial product, an energy drink mix.¹¹
- ▶ **5Linx:** CDXC announced in January 2014 that 5Linx Enterprises had agreed to buy \$60 mln worth of product. Then CDXC amended the agreement to lower the minimum purchase to \$1.52 mln in 2016-17.¹² Given that the founder of 5Linx was later sentenced to jail for his role in the now-defunct company, we question whether the deal should have been relied upon in the first place.
- ▶ **Nectar7:** On October 1, 2015, CDXC disclosed that Nectar7 LLC had agreed to purchase \$2 mln of Niagen in 2016 and \$3 mln in each of 2017 and 2018. The agreement contained the right to cancel for any reason on 90 days' written notice, and CDXC never mentioned Nectar7 again. We can find no evidence online of activity by Nec-

tar7 other than the CDXC deal.

- ▶ **BPI:** In January 2016, CDXC said that BPI Sports would be selling Niagen-based products in Walmart and other stores. No further mention was made of the deal, and the BPI brand containing Niagen as a dietary supplement is no longer found on its own website and is "currently unavailable" on Amazon.
- ▶ **GNC:** On the Q1 2016 earnings call, CDXC said "In January 2016, Specialty Nutrition Group announced the release of NIAGEN in GNC stores nationwide." Neither GNC nor Specialty Nutrition Group was ever mentioned again. We spoke with 10 GNC stores and asked them to check central inventory. None of the clerks we spoke with had ever heard of Niagen, nor did the stores sell any product branded First, which Specialty Nutrition said was the Niagen brand. The website, GNC.com, has no Niagen product or any product from Specialty Nutrition. A Google search finds nothing about Specialty Nutrition since the 2016 announcement. The company has a website (<http://app.specialtynutrition.com/start>), but no purchases are possible.
- ▶ **CVS:** CVS agreed to carry Niagen in September 2015. Web results indicate that CVS did create a Niagen product but withdrew it in early 2016. We were unable to find a reference to Niagen on the CVS website or by telephoning three CVS stores. We could not determine exactly when CVS withdrew the product, but an article on Seeking Alpha¹³ claimed it was early 2016.
- ▶ **Glanbia Nutritionals:** In 2012, CDXC announced a distribution agreement with Glanbia Nutritionals that was to put CDXC's then-product pTeroPure into Walgreens and GNC. That was not mentioned again. None of the Walgreens we contacted had heard of pTeroPure or the ingredient pterostilbene.

8 See, for example, <https://www.opkohealthsecuritieslitigation.com/admin/services/connectedapps.cms.extensions/1.0.0.0/asset?id=c4b8fa07-f52a-41be-8de2-7113db35f15e&languageId=1033&inline=true>

9 See the 2019 Deficiencies Report: https://pcaob-assets.azureedge.net/pcaob-dev/docs/default-source/inspections/reports/documents/104-2021-010-marcum.pdf?sfvrsn=8486d19d_2

10 Recognition of a \$4 mln pre-payment. CDXC 2020 10K page F-15 <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001386570/ebec88c7-b9f1-4de6-ba57-1c641392f30e.pdf>

11 <https://www.celltrient.com/energy-drink-mix/12912910.html>

12 <https://investors.chromadex.com/news/news-details/2014/ChromaDex-Reports-Second-Quarter-Ingredient-Sales-Grew-155-Year-Over-Year-and-52-Sequentially/default.aspx>

13 Seeking Alpha January 9, 2017: <https://seekingalpha.com/article/4035303-learning-from-chromadexs-high-drama-top-customer>

Selected store: [625 MASSACHUSETTS AVE](#) ▾

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Mysteriously, since 2016, CDXC has had a revolving credit facility with an obscure bank called Western Alliance, received via a consulting arrangement for which it paid Trump Securities LLC and Credo 180 LLC \$100,000 in fees. The mystery is why CDXC has repeatedly renewed this credit agreement without drawing down the loan. Trump Securities appears not to be connected with Donald Trump, although Trump Securities has directed funds to former Trump advisor Anthony Scaramucci.¹⁴

Virtually every distribution announcement contains more hype than substance. CDXC issued two virtually identical announcements, March 10¹⁵ and June 7,¹⁶ announcing that the company's single product, Tru Niagen, would be sold in about 80% of the Walmart stores in the U.S. We spoke with and visited seven Walmart stores in different states. Four carried a Tru Niagen 100 mg tablet, 30 count, for \$19.97, meaning a 10-day supply at the recommended dose. Based on the slew of disappointing results from previous deals, we expect that the Walmart agreement—shamelessly announced twice—may similarly turn up empty. CDXC shares popped on both announcements, 14% on March 10 and 7% on June 7. Director Stephen Block profited from the first bump, selling 52,500 shares on March 16.¹⁷

CDXC not only hypes its distribution deals—the

company has been warned by the FDA and twice by the FTC, to stop making claims that Tru Niagen helps combat Covid19.¹⁸ The first letter said: "The FDA has observed that . . . [Tru Niagen] products are intended to mitigate, prevent, treat, diagnose, or cure COVID-19." The letter called the products "unapproved new drugs" and "misbranded drugs."¹⁹

After reviewing the company's reported acquisitions and dispositions since 2012, we believe they have provided negative real value to shareholders but payoff to insiders. We will describe three of these self-serving deals in detail below. Here is a summary:

- ▶ **Healthspan:** CDXC paid current CEO Rob Fried, then a director, about \$1 mln for a company that had produced all of \$20,000 in sales to that company.²⁰ To make things worse, Healthspan had existed mere weeks before CDXC signed an exclusive supply agreement with it.
- ▶ **BluScience:** CDXC handed some of the proceeds from selling its money-losing unit BluScience to two funds that seem to be controlled by Barry Honig. CDXC sold BluScience 13 months after establishing it. Why set it up in the first place?
- ▶ **Spherix Consulting:** When CDXC bought Spher-

14 <https://www.financialish.com/article/trump-securities-purely-coincidental>, <https://sec.report/Document/0001193125-19-205616/>

15 <https://investors.chromadex.com/news/news-details/2021/ChromaDex-Announces-Retail-Distribution-of-Tru-Niagen-in-Walmart-Stores-Across-the-United-States/default.aspx>

16 <https://investors.chromadex.com/news/news-details/2021/ChromaDex-and-Walmart-Launch-Tru-Niagen-in-3800-Walmart-Stores-Across-the-United-States/default.aspx>

17 Form 4 via EZ Insider: <https://ezinsider.washingtonservice.com/ShowForm4.aspx?form4GID=A0E5AF94092F4764BAA312791F43BAD8>

18 See Q1 2021 report page 23: <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001386570/4e3132f9-c03c-42f0-b70d-585dbcee4a3d.pdf>

19 <https://www.fda.gov/inspections-compliance-enforcement-and-criminal-investigations/warning-letters/chromadex-607692-11172020>

20 2016 10K page 79

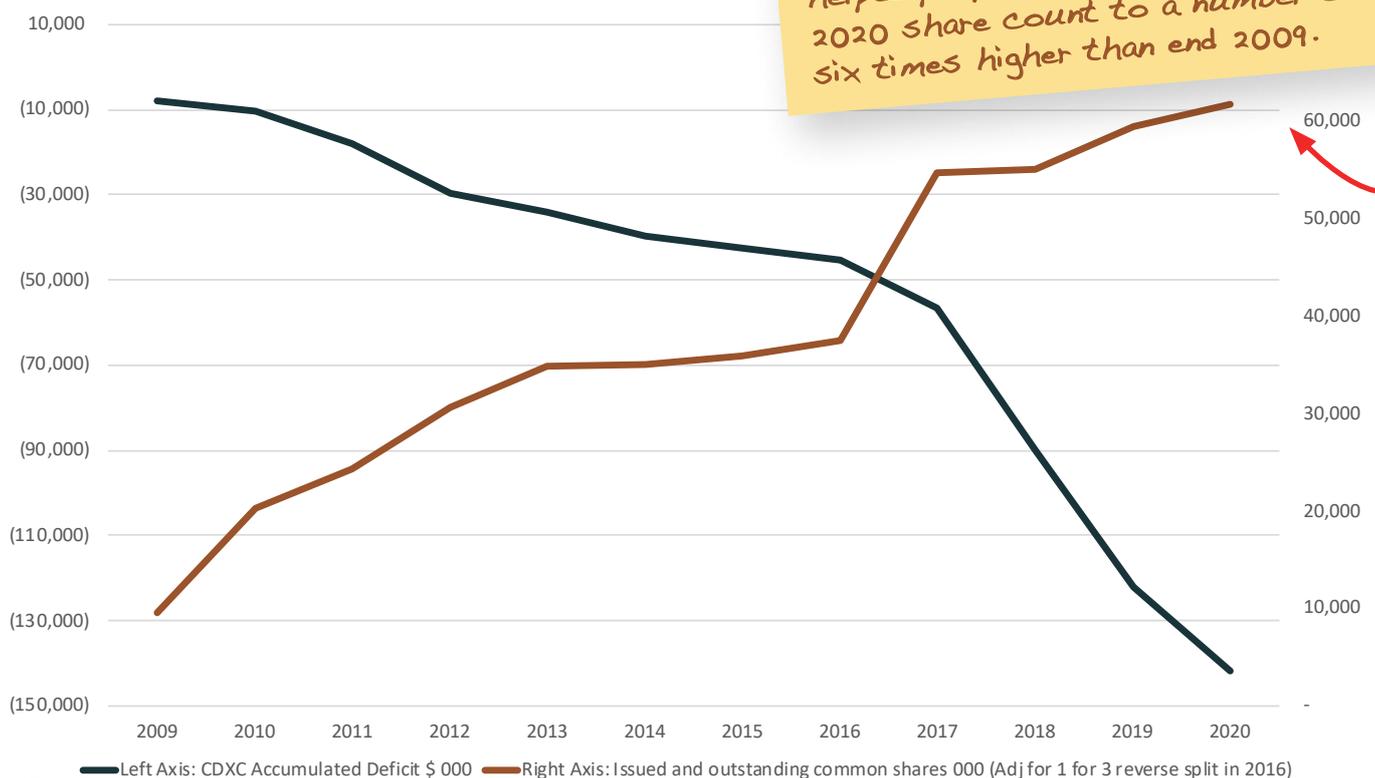
ix Consulting, it did not disclose. that a Barry Honig vehicle and Honig's brother were shareholders of the parent company, Spherix Inc. (now AIKI). Spherix Consulting was a poor acquisition. The unit provided no sales growth to CDXC during the six years of ownership.

CDXC is a loss-making value destroyer that has a very simple business model and product line and can't turn a profit. The company has been selling its version of the chemical nicotinamide riboside (NR)

to health supplement companies since 2013 and to consumers, as TruNiagen, since 2017. Yet CDXC has experienced losses and negative operating cash flows every year since at least 2009, sustained by a series of equity-related offerings.

This report is opinion based upon public materials, which are referenced in links. All comments are based on such public materials unless specifically stated otherwise.

CDXC Accumulated Deficit (in ,000 USD) and share count (in ,000)



CDXC's Accumulated Deficit stood at a whopping \$141.8m by end 2020, primarily funded by consistent waves of dilutive equity linked share capital raises. These capital raises, together with share compensation awards to executives, helped propel the company's end 2020 share count to a number over six times higher than end 2009.

If CDXC's Accumulated Deficit gets much worse, we may have to change this chart's Y axis to a logarithmic scale...

How long does it take to make a profit from a supplement priced at \$85 a bottle for a month's supply at recommended daily amounts, a price well in excess of that of similar products readily available?

Source: CDXC disclosures and J Capital

Déjà vu all over again

CDXC claims that its trademarked version of NR boosts energy, improves memory, and slows aging. Back in 2011, CDXC made exactly the same claims for a different supplement.

That supplement was the ingredient pterostilbene, called pTeroPure when sold directly to consumers. It was described as an antioxidant naturally found in blueberries.²¹ pTeroPure has disappeared.

CDXC’s “BluScience” consumer products line advertised that pTeroPure promoted cardio-vascular health (HeartBlu), anti-aging (EternalBlu), energy boost (Blu2Go), memory improvement (MemoryBlu), and weight loss (TrimBlu).

The claims are strikingly similar to those made for CDXC’s current miracle ingredient, Niagen.

Product Claims

Property	pTeroPure	TruNiagen
Anti-aging	"has anti-aging properties"	"Research indicates that anti-aging benefits of TruNiagen include increasing metabolism and energy production in every cell"
Heart health	"supports cardiovascular health"	"Published study reveals Niagen...is an effective NAD precursor to protect cardiac function"
Cognitive function	"supports concentration, memory, and cognitive function"	"Niagen was shown to prevent neurological damage and improve both cognitive and physical function in Alzheimer's disease mouse model study"
Weight loss	"helps control appetite"	"Niagen may have tremendous appeal to approximately 150 million Americans who are obese or overweight"
Energy	"provides a sustained energy boost and supports focus and mental clarity"	"There has been a lot of activity lately around the importance of NAD+ to energy metabolism"

Source: CDXC presentations

CDXC constantly told the market that new scientific studies had proven the value of pTeroPure.

21 For example, PR Newswire, July 29, 2013: <https://www.prnewswire.com/news-releases/chromadex-enters-into-agreement-with-beckman-research-institute-of-city-of-hope-to-supply-pteropure-pterostilbene-for-cancer-research-217370821.html>

Clinical Study Showed a Blueberry Antioxidant, pTeroPure® (pterostilbene), Significantly Reduced Blood Pressure in Adults



- Efficacy Data for ChromaDex®'s Patented pTeroPure® Presented at American Heart Association's High Blood Pressure Research 2012 Scientific Sessions -

Source: ChromaDex via Cision PR Newswire, September 20, 2012¹⁹

The company no longer sells pTeroPure, having quietly removed it from disclosures of “products sold” from the time of the 2019 10K. We believe Niagen will meet a similar fate.

Alternate forms of self-enrichment

Every CDXC transaction we have examined since 2012 looks suspiciously like a path to director enrichment. Here are a few:

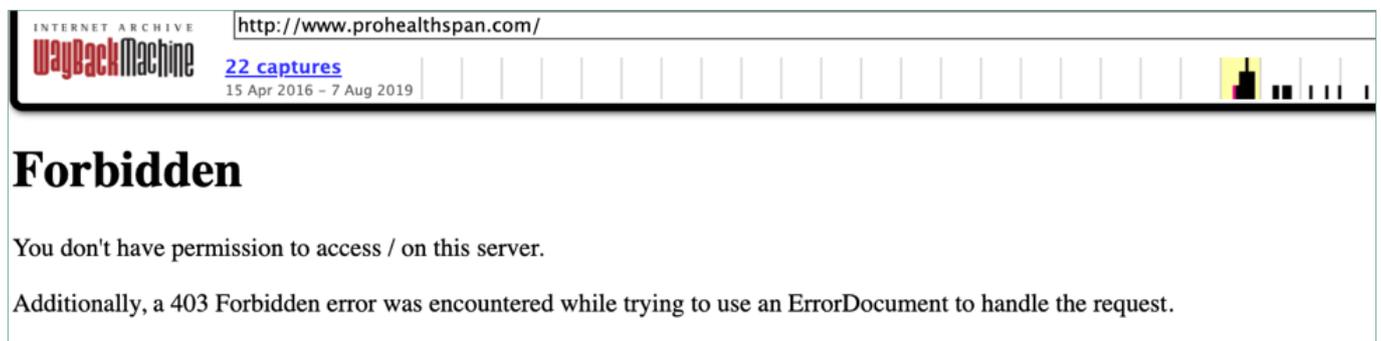
Healthspan: We conclude that Healthspan was nothing more than a mechanism for Rob Fried, who subsequently became CEO, to pull money out of CDXC.

CDXC signed an exclusive distribution deal with Healthspan on August 28, 2015, weeks after the company had been founded by Charles Brenner, a member of the CDXC’s Scientific Advisory Board since September 4, 2014, and Robert Fried, who was a CDXC director from July 2015 and has been CEO of CDXC since June 2018.

Healthspan was formed in August 2015 to offer and sell finished bottle products that contain NIAGEN® directly to consumers through internet-based selling platforms. NIAGEN® is the leading ingredient the Company currently sells. Prior to the acquisition, the Company has supplied certain amount of NIAGEN® to Healthspan as a raw material inventory in exchange for a 4% equity interest in Healthspan. An additional 5% equity interest was received for granting certain exclusive rights to resell NIAGEN®.

Source: CDXC Q3 2017 report, November 9, 2017 page 9

Healthspan Research, a Delaware LLC, had no website, according to the Wayback Machine, until October 2016.



The first Prohealthspan.com screen capture April 15, 2016 from The Waybackmachine

22 <https://www.dropbox.com/s/3hmkmgwjx6abdc/Screen%20Shot%202021-06-14%20at%205.30.49%20PM.png?dl=0>

Healthspan was to pay CDXC royalties on the cumulative worldwide net sales of its finished products containing Niagen. But there was little opportunity for payment: CDXC reported no shipments to Healthspan in 2015 and just \$20,000 worth of product in 2016. For this, CDXC had gotten 9% of Healthspan. CDXC acquired the remaining 91% equity in Healthspan in Q1 2017 for \$1 mln in shares—plus \$178,000 in transaction expenses.

As part of the acquisition, CDXC repaid \$132,500

in loans Healthspan had received from Fried. Healthspan itself had a negative net asset value of \$148,000, including a credit card bill of some \$30,000. The total fair value of Healthspan's acquired assets amounted to only \$91,000, barely worth bothering about and hardly reflecting a successful "internet-based selling business model," yet the acquisition's transaction fees, excluding the cost of the purchase itself, were \$178,000 - almost double the value of Healthspan's acquired gross assets.

Healthspan was formed in August 2015 to offer and sell finished bottle products that contain NIAGEN® directly to consumers through internet-based selling platforms. NIAGEN® is the leading ingredient the Company currently sells. Prior to the acquisition, the Company has supplied certain amount of NIAGEN® to Healthspan as a raw material inventory in exchange for a 4% equity interest in Healthspan. An additional 5% equity interest was received for granting certain exclusive rights to resell NIAGEN®.

The Company acquired the Direct-To-Consumer ("DTC") internet based selling business model that Healthspan has established. Included in the business model acquired is the know-how marketing to date, and the designs and procedures needed to operate a DTC internet based selling business. This transaction was accounted for as an acquisition of assets. An intangible asset of approximately \$1.35 million was recorded as a result of this acquisition, which is the difference of consideration transferred and the net amount of assets acquired and liabilities assumed.

(A) Consideration transferred		(B) Net amount of assets and liabilities	
	Fair value	Assets acquired	Fair value
Common Stock	\$ 1,000,000	Cash and cash equivalents	\$19,000
Transaction costs	178,000	Trade receivables	11,000
Previously held equity interest	20,000	Inventory	61,000
	\$ 1,198,000	Liabilities assumed	
		Due to officer	(132,000)
		Accounts payable	(74,000)
		Credit card payable	(30,000)
		Other accrued expenses	(3,000)
DTC business model,			
Intangible asset (A) -(B)	\$ 1,346,000	Net assets	\$ (148,000)

The acquired intangible asset is considered to have a useful life of 10 years as we believe the economic benefits from the acquisition will last at least 10 years. The expense is amortized using the straight-line method over the useful life.

In cancellation of a loan owed by Healthspan to Mr. Fried prior to the acquisition, the Company repaid \$32,500 to Mr. Fried on March 13, 2017 and will also repay \$100,000 on March 12, 2018. No interest is to be paid for the outstanding \$100,000 due to Mr. Fried.

Source: May 11, 2017 10Q page 8

Consistent with this appalling corporate governance, Fried's employment compensation was linked to direct-to-consumer sales and gross profits for supplied ingredients. This ignores much of the mammoth sales, marketing, and G&A expenses that plunged the company into huge net losses.

Employment Agreement with Robert Fried

On March 12, 2017, the Company entered into an Employment Agreement (the "Fried Agreement") with Robert Fried. Mr. Fried is entitled to receive certain severance payments per the terms of the Fried Agreement. The key terms of the Fried Agreement, including the severance terms are as follows:

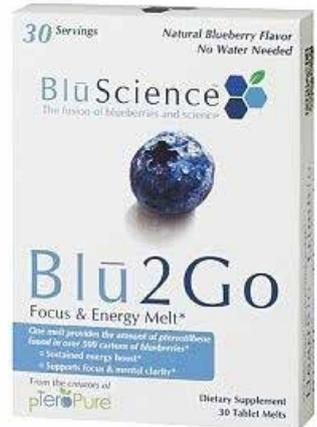
Mr. Fried is entitled to: (i) an annual base salary of \$300,000; (ii) an annual cash bonus equal to (a) 1% of net direct-to-consumer sales of products with nicotinamide riboside as a lead ingredient by the Company plus (b) 2% of direct to consumer net sales of products with nicotinamide riboside as a lead ingredient for the portion of such sales that exceeded prior year sales plus (c) 1% of the gross profit derived from nicotinamide riboside ingredient sales to dietary supplement producers; (iii) an option to purchase up to 500,000 shares of Common Stock under the 2007 Plan, subject to monthly vesting over a three-year period, which option grant Mr. Fried received on March 12, 2017; and (iv) 166,667 shares of restricted Common Stock, which vested on December 20, 2017 in connection with an amendment to the Fried Agreement (the "Fried Amendment") by and between the Company and Mr. Fried, dated December 20, 2017. In addition, Mr. Fried received 333,333 shares of restricted stock on December 20, 2017, which were immediately vested in connection with the Fried Amendment.

Subject to Mr. Fried's continuous service through such date, Mr. Fried is also eligible to receive up to 500,000 shares of fully-vested restricted Common Stock that will be granted upon the achievement of certain performance goals. The Fried Amendment also provides that Mr. Fried will be granted these shares of performance-based restricted Common Stock immediately prior to the consummation of a change in control of the Company, subject to Mr. Fried's continuous service through such change in control.

BluScience: CDXC sold a commercial unit then shifted some of the proceeds to two funds apparently affiliated with Co-Chairman Barry Honig.

In Q4 2011, CDXC launched a consumer-facing product line called BluScience, which allegedly contained an "antioxidant found in blueberries."²³

"ChromaDex is at an inflection point, as it launches BluScience and commercializes its pipelines of proprietary products," the company said in an investor presentation in January 2012.²⁴ CDXC claimed that its trademarked version of pterostilbene, called pTeroPure, had cardiovascular benefits, improved cogni-



Source: Nutra-ingredients-usa²²

23 CDXC PR August 5, 2013

24 <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001386570/fbfc313-5180-4d96-a4c5-8f8e5704c51c.pdf>

25 <https://www.nutraingredients-usa.com/Article/2012/04/10/ChromaDex-secures-first-patent-for-pterostilbene-cardio-benefits>

tive function, and had anti-ageing qualities.²⁶

On March 28, 2013, little more than a year after launching BluScience and incurring huge losses, CDXC transferred the unit to NeutriSci International for cash proceeds of \$1 mln, together with a senior convertible secured note and preferred shares of NeutriSci that were later disposed. According to the company's 2013 and 2014 cash flow statement, total net cash proceeds from the company's ownership exit in NeutriSci were about \$3.1 mln, slightly below the net book value of BluScience assets, which were mostly inventory.

Bluscience sales following disposal to NeutriSci were only \$36,451 for the six months ending September 2013.

Following the disposal of Bluscience to NeutriSci, the company wrote down most of the acquired inventory:

4. INVENTORY (continued)

The inventory at September 30, 2013 and December 31, 2014 consists of the BluScience™ product line which was acquired March 27, 2013 [Note 8]. There has been no significant inventory movement since the acquisition date. As at December 31, 2014, due to management's decision to focus its sales and marketing strategy on its newest product, NeuEnergy™, the Company recognized an impairment of \$3,048,644, related to the Company's inventory of BluScience™ products.

4. INVENTORY

	Raw Materials	Finished Goods	Total
Balance, September 30, 2012	\$ -	\$ -	\$ -
Additions	713,307	2,756,101	3,469,408
Cost of sales	-	(27,977)	(27,977)
Impairment	-	(117,174)	(117,174)
Balance, September 30, 2013	713,307	2,610,950	3,324,257
Additions	-	891,756	891,756
Impairment of inventory valuation	(713,307)	(2,335,337)	(3,048,644)
Balance, December 31, 2014	\$ -	\$ 1,167,369	\$ 1,167,369

Some of the shares in NeutriSci received in partial payment to CDXC were transferred to Honig-connected vehicles:

On November 26, 2014, ChromaDex Corporation, a Delaware corporation (the "Company"), pursuant to a Transfer and Notice of Conversion, assigned 108,676 of its 670,658 series I preferred shares (the "Preferred Shares") of NeutriSci International, Inc. ("NS") to Alpha Capital Anstalt and 10,868 Preferred Shares to Palladium Capital Advisors, LLC.

CDXC December 3, 2014 8K²⁴

" 670,658 shares of Series I Preferred Shares of NeutriSci International Inc. ("NeutriSci"), an Alberta corporation located in Canada. Of this amount, a number of shares having a value of \$500,000 will be transferred to Alpha Capital Anstalt, a Lichtenstein anstalt 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. In addition, a number of shares having a value of \$50,000 will be transferred to Palladium Capital Advisors, LLC upon the consummation by NeutriSci of any action resulting in the shares of its common stock being listed on an exchange."

CDXC 2014 10K Loan Agreement

Barry Honig is connected to both Palladium and Alpha Capital Anstalt. He led a financing round for Palladium Capital,²⁸ a Florida fund with which he is a frequent collaborator,²⁹ and was a co-defendant in an SEC case against Alpha Capital Anstalt that was settled in 2019.^{30,31}

The compensation was in part conditional upon NeutriSci becoming listed on a stock exchange. NeutriSci International listed in Toronto as NU in 2014 through a reverse merger with Disani Capital Corporation. NU sells an energy tablet called Neuenergy.

26 <https://www.nutraingredients-usa.com/Article/2012/04/10/ChromaDex-secures-first-patent-for-pterostilbene-cardio-benefits>, <https://www.qualitystocks.com/chromadex-corp-cdxc-to-partner-with-glanbia-nutritionals-for-distribution-of-pteropure-throughout-north-america/>

27 <https://d18rnOp25nwr6d.cloudfront.net/CIK-0001386570/b8056038-1eaf-44b3-8caf-fed2b52989d4.pdf>

28 <https://palladiumcapital.com/2014/06/>

29 <https://theactivist.news/featured/enveric-biosciences-inc-envb/>

30 <https://www.sec.gov/litigation/litreleases/2019/lr24431.htm>

31 <https://sharesleuth.com/former-trump-cabinet-member-has-90000-consulting-deal-with-questionable-mining-company/>

The bulk of the BluScience assets disposed was inventory valued at about \$3.5 mln.

	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

Source: May 10, 2013 10Q page 10

In keeping with accounting window dressing that seems typical for this company, CDXC initially claimed proceeds of \$6 mln and a \$2.9 mln gain on the disposal - profit booked on otherwise loss-making inventory - much of it subsequently written off - by transferring it to another entity via a reverse merger.

Note 3. Gain on sale of assets

On March 28, 2013, we entered into an asset purchase and sale agreement with NeutriSci and consummated the sale of BluScience consumer product line to NeutriSci. The total sale transaction value is estimated at approximately \$6.0 million and consists of following: (a) a \$250,000 cash payment, which NeutriSci paid as a deposit in February 2013; (b) an additional \$250,000 cash payment, which was paid at the closing of the sale; (c) an additional cash payment of \$500,000 due no later than 60 days after the closing of the sale; (d) \$2,500,000 senior convertible secured note (convertible into 625,000 shares Series I Preferred Stock as described below) payable in quarterly installments of \$416,667 beginning August 15, 2013; 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. The transaction documents contain certain equity blockers that preclude our ownership in NeutriSci in excess of 9.99% and 19% without obtaining a waiver from NeutriSci. We will continue to generate revenue through a royalty on 6% of future net sales of BluScience products as well as a supply agreement with NeutriSci for our patented pTeroPure pterostilbene. The Company does not yet have enough information to make a determination if the equity method accounting will apply to the equity investment in NeutriSci. For the period ended March 30, 2013 the Company held this investment for only 3 days and, as such, the amount of any impact if the Company determines that the equity method should be applied on the financials for the period ended March 30, 2013, is immaterial.

The Company has earned a net profit of \$1,468,525 for the three-month period ended March 30, 2013. This profit for the three-month period ended March 30, 2013 is mainly due to gain of \$2,891,917 on sale of BluScience consumer product line to NeutriSci.

But the auditor differed, and as result, the final proceeds were only half that amount and the gains reversed. On November 18, 2013, CDXC issued an 8K saying that its accounting of the BluScience transaction could not be relied upon.

4.02(a) On November 18, 2013, the Company's Chief Financial Officer, the Company's management and the Company's Audit Committee, concluded that the previously issued financial statements contained in the Company's Quarterly Reports should no longer be relied upon because of the accounting treatment of certain non-cash items in the Quarterly Reports and that those financial statements would be restated to make the necessary accounting corrections.

Source: CDXC 8K November 21, 2013³²

32 <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001386570/b4ca34a1-3df6-4365-b71a-1257292d7ae2.pdf>

This restatement to a lower valuation should be no surprise. In the NeutriSci vehicle for the Bluscience asset transfer - then known as "Disani" - audited financial statements for the company warned that its going-concern status could be threatened:

The Company has a history of losses and anticipates further losses in its search for and evaluation of new business opportunities. As at June 30, 2014, the Company has an accumulated deficit of \$11,469,073 (March 31, 2014 - \$11,399,165). The future success of the Company is dependent on the identification and successful negotiation/acquisition of a sustainable/viable business operation together with the ability to finance the necessary funding, at agreeable terms, to support a business or asset acquisition. There can be no assurances that the Company will be able to secure a new business or will be able to obtain the financing required to support a new business acquisition. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

source: Disani Capital Corp. (NU) Interim report August 28, 2014³²

Before Bluscience was sold, it generated NEGATIVE net sales for CDXC:

The Company has incurred a net loss of \$4,431,853 for the three month period ended March 31, 2012. The loss for the three month period ended March 31, 2012 is largely due to sales promotions and sales discounts related to the launch of BluScience retail dietary supplement products at retail distribution channels. For the three months ended March 31, 2012, sales promotions, sales discounts and returns for BluScience retail dietary supplement products segment totaled \$2,249,168. This resulted in negative net sales of \$69,742 for BluScience retail dietary supplement products segment for the three months ended March 31, 2012, as the gross sales were \$2,179,426. In addition, we incurred heavy sales and marketing expenses in support of the launch of BluScience retail dietary supplement products. For the three months ended March 31, 2012, sales and marketing expenses for BluScience retail dietary supplement products segment was \$1,383,718. We expect the launch of BluScience (and future new products) to consume significant selling and marketing expenses. We are evaluating the revenues from BluScience and adjusting our expected expenditures in light of our remaining capital available and expected revenues to account for the possibility that we may not be able to raise additional capital in the near term.

Spherix: The Spherix deal looks like it was a way to unload a loss-making business on CDXC in order to pump the stock of the seller, whose owners included many of the same team as CDXC's. Here's what we know:

On December 1, 2012, CDXC acquired Spherix Consulting, Inc., a regulatory consulting company, from Spherix Inc., now called Alkido Pharma (AIKI), for \$1,000. CDXC reported "considerable revenue" from Spherix in 2013. On December 31, 2016, CDXC dissolved Spherix Consulting and later disposed of the business, including all of its contracts, in 2019.

The operations of Spherix Consulting, Inc. have been retroactively adjusted as discontinued operations as a result of the December 3, 2012 sale. The Spherix Consulting segment generated nearly all of the Company's revenue and provided technical support for the Company's Biospherics segment.

F-9

	2012	2011
Revenue	\$ 728,312	\$ 820,925
Direct cost and operating expense	(417,428)	(388,065)
Selling, general and administrative expense	(1,279,875)	(816,389)
Loss from discontinued operations before taxes	\$ (968,991)	\$ (383,529)

Source: AIKI Prospectus December 10, 2013 pages F-9 to F-10

33 <https://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&issuerNo=00015938>

After its acquisition at the start of December 2012, Spherix was separately classified in the Scientific and Regulatory Consulting segment, reporting a first full-year revenue at CDXC of around \$1.1 mln in 2013. AIKI included associated general and administration expense allocation in its itemization of Spherix's profitability, whereas CDXC excluded and separated out this cost item by placing it under an "Other" category, giving the impression of improved segment profitability. By the time what remained of Spherix was disposed at the start of November 2019, its reported revenue was \$0.694 mln for the 10 months of that year, or about \$833,000 on an annualized basis - a decline compared to its first full year of ownership in 2013.

From the 2013 10K

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)

Source: AIKI Prospectus December 10, 2013 pages F-9 to F-10

Spherix Inc., the listed parent of Spherix Consulting, was owned by a group of Honig confederates. Barry Honig's brother Jonathan was a 7.5% shareholder, according to 13G filings in Q4 2012, and his father, Alan Honig, held 6.79%. Barry Honig himself by Q3 2013 owned 7.47% of Spherix Inc. and owned shares in Q4 2012. Barry Honig, Jonathan Honig, and Barry's GRQ Consultants together owned more than 20% of the AIKI shares.³⁴ Honig and friends sold out of Spherix, which later became AIKI, in 2014.

CDXC did not disclose any relationship between the Honigs and Spherix.

34 https://edgar.brand.edgar-online.com/efxapi/EFX_dll/EDGARpro.dll?FetchFilingHtmlSection1?SectionID=9718405-182363-198492&SessionID=xpTheW-QIYtHuw7

They keep pumping

Item 1.01 Entry into a Material Definitive Agreement

On January 3, 2014, ChromaDex Corporation (the "Company") entered into two 4-year supply agreements (the "Agreements") with 5Linx Enterprises Inc. ("5Linx®") pursuant to which 5Linx® shall purchase and market for use in dietary supplements in the MLM sales channel both (i) the Company's patented nicotinamide riboside which is branded as NIAGEN™ ("NIAGEN™"), and (ii) the Company's patented pterostilbene-caffeine co-crystal with the trade name PUREENERGY™ ("PUREENERGY™").

Under the terms of the Agreements, 5Linx® received marketing rights for NIAGEN™ and PUREENERGY™ for use in dietary supplements in melt format exclusively in the MLM sales channel in the U.S., Canada and the Philippines. The NIAGEN™ supply agreement specifies a take or pay guarantee of at least \$1.5 million in 2014 with a minimum purchase requirement of \$2.1 million in order to retain exclusivity. In order to retain exclusivity of NIAGEN™ in the MLM channel, 5Linx® must purchase an aggregate of at least \$46 million of NIAGEN™ in years 2015 through 2017. The PUREENERGY™ supply agreement requires \$520,000 of purchases of PUREENERGY™ in 2014 in order to retain exclusivity. In order to retain exclusivity of PUREENERGY™ in the MLM channel, 5Linx® must purchase an aggregate of at least \$14.1 million of PUREENERGY™ in years 2015 through 2017. The exclusivity for PUREENERGY™ can be modified even if these purchase amounts are met at the Company's limited discretion.

Source: CDXC January 6, 2014 8K

Pump #1: 5Linx: On January 3, 2014, just four months after the new team had taken over CDXC, the company signed a supply agreement with 5Linx Enterprises, which agreed to sell Niagen and a caffeine product called Pureenergy in an MLM format, purchasing a minimum of \$46 mln of Niagen and \$14.1 mln of Pureenergy in 2015-17.³⁵ On August 12, 2014, CDXC announced: "early indications are that 5LINX® will likely easily exceed the first year minimum ingredient purchase requirements set out in our agreement."³⁶ CDXC never reported on how much Niagen 5Linx purchased, but in 2016, CDXC amended the agreement to set the minimum purchase of Niagen down to \$1.52 mln in 2016-17.

In 2018, 5Linx former CEO Craig Jerabeck was sentenced to 14 months in prison for conspiracy to commit wire fraud and filing a false tax return. He pleaded guilty to taking \$2.3 mln directly from one of 5Linx's vendors. Two of the firm's co-founders, Jeb Tyler and Jason Guck, admitted to doing the

same. All three men also admitted to withholding hundreds of thousands of dollars in tax filings.³⁷ The conduct occurred in 2014, the year of the agreement with CDXC. We question whether 5Linx was a reliable counterparty.

Pump #2: Green Molecular: In August 2013, CDXC licensed a chemical called pterostilbene from Green Molecular, a Spanish company funded by a biotech fund called CRB II. This was puzzling, since the agreement came *after* CDXC had licensed its pterostilbene product to the Honig/Frost company OPKO in February 2012.³⁸ Shortly after the licensing deal between OPKO and CDXC, OPKO bought CDXC shares. Multiple companies sell pterostilbene products, indicating that the rights "exclusivity" may be exceptionally limited.

Furthermore, back in 2010, CDXC had claimed full rights to pterostilbene:

On April 26, 2010, the Company issued a press release announcing that an affiliate of The Frost Group, LLC and Dr. Phillip Frost has agreed to make an investment in the Company. The investment is being made as part of the Private Placement described in Item 1.01 of this Current Report on Form 8-K. The press release also announced that the Company has entered into an exclusive worldwide license with the University of Mississippi and the USDA Agricultural Research Service for all patent rights of the botanical compound, pterostilbene.

CDXC April 25, 2010 8K page 2

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 products to be commercialized are BluScience products, as well as our proprietary product pterostilbene. We believe that partnering with OPKO provides a unique opportunity as we see Latin America as offering significant long-term economic prospects.

CDXC May 10, 2012 10Q page 18

35 CDXC 8K January 3, 2014: <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001386570/de2673ff-b172-41f7-a0e3-ce8cd62f3b75.pdf>

36 <https://investors.chromadex.com/news/news-details/2014/ChromaDex-Reports-Second-Quarter-Ingredient-Sales-Grew-1-55-Year-Over-Year-and-52-Sequentially/default.aspx>

37 <https://13wham.com/news/local/former-5linx-president-sentenced-to-federal-prison-for-taking-millions-from-investors>

38 https://webcache.googleusercontent.com/search?q=cache:hVJ_ON9xmhsJ:https://www.bizjournals.com/southflorida/news/2012/02/16/opko-in-licensing-deal-with-chromadex.html+&cd=3&hl=en&ct=clnk&gl=us

Pump #3: BPI Sports: In January 2016, CDXC announced an exclusive licensing deal with BPI Sports to sell products including Niagen at retail. The main BPI Sports dietary supplement brand containing Niagen is no longer found on its own or Amazon's website.

IRVINE, Calif., Jan. 27, 2016 (GLOBE NEWSWIRE) -- **ChromaDex Corp.** (OTCQX:CDXC), an innovator of proprietary health, wellness and nutritional ingredients, that creates science-based solutions to dietary supplement, food and beverage, skin care, sports nutrition, and pharmaceutical products, announced today a retail commercialization deal with **BPI Sports** for its patented lead ingredient, **NIAGEN®** (Nicotinamide Riboside - NR).

Under the terms of the agreement, BPI will have exclusive rights to introduce dietary supplement products featuring NIAGEN® in Costco, **Walmart**, Walgreens, Target, Miejer, Kroger, Publix, Vitacost, QVC, Home Shopping Network, **Shopko**, **Ahold**, eVine Live, Ulta, and Wegmans.

CDXC PR January 27, 2016³⁹

The January 12, 2016 statement from BPI Sports on the same thing excludes Walmart. Whom to believe?

BPI Sports Announces Exclusive Retail Rights to ChromaDex's Lead Ingredient NIAGEN® Nicotinamide Riboside

- Deal with BPI Sports to Result in Availability of NIAGEN® at Numerous Mainstream Retail Locations -

NEWS PROVIDED BY
BPI Sports →
Jan 12, 2016, 08:39 ET

HOLLYWOOD, Fla., Jan. 12, 2016 /PRNewswire/ -- BPI Sports announced today an agreement with ChromaDex Corp. for exclusive retail rights to ChromaDex's first ever commercially available anti-aging ingredient, NIAGEN® Nicotinamide Riboside.

ChromaDex is one of the most credible, innovative, and respected natural products companies in the world. In August 2015, ChromaDex announced results from the first human clinical study which demonstrated that a single dose of NIAGEN® can elevate the co-enzyme NAD+ in the blood by as much as 2.7-fold and was safe.

ChromaDex's NIAGEN® is the first and only commercially available form of nicotinamide riboside (NR) and is supported by five patents issued and several pending. **BPI Sports plans to market the ingredient under the trade name "The Anti Aging Pill™" and "Enedrex™". Under the agreement, BPI holds the exclusive retail rights to NIAGEN® in Costco, Meyers, Kroger, Walgreens, Publix, Vitacost, Ulta, Ahold, QVC, eVine Live, Home Shopping Network, Target, and Wegmans.**

39 <https://www.globenewswire.com/en/news-release/2016/01/27/805042/35171/en/ChromaDex-Announces-Retail-Commercialization-Deal-With-BPI-Sports.html>

Pump #4: Nestle: CDXC got extra traction from a December 20, 2018 deal with Nestle Health Science by being vague about what product NHSc planned: it turned out to be a powdered health drink that uses Tru Niagen. Nestle provided a \$4 mln up-front payment plus a further \$1 mln but by the end of 2020, the cumulative revenue actually generated by this exclusive right to Nestle was only \$559,000.

Note 10. Deferred Revenue

In December 2018, the Company entered into a supply agreement with Nestec Ltd. ("Nestlé"), pursuant to which Nestlé is the exclusive customer for NIAGEN® for human use in the (i) medical nutritional and (ii) functional food and beverage categories in certain territories. As consideration for the rights granted to Nestlé, the Company received an upfront fee of \$4.0 million in January 2019. In December 2020, the Company also received \$1.0 million for the launch of product in certain territory pursuant to the supply agreement. The Company determined that both the \$4.0 million upfront fee and the \$1.0 million product launch fee are treated as advance payments for future performance obligations, and utilized output method to recognize the allocated transaction price for this performance obligation as products are supplied over the duration of the exclusivity period. In utilizing output method, the Company estimated total delivery volume based on forecast inputs received from Nestle on expected purchases of NIAGEN® over the course of the supply agreement.

Revenue recognized from deferred revenue were as follows:

(In thousands)	Year ending		At	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Revenue recognized from deferred revenue	\$ 432	\$ 127	\$ 4,441	\$ 3,873
Deferred Revenue Balance				

Source: CDXC 2018 10K page 71

The \$4 mln exclusivity and co-exclusivity rights agreements granted to Nestle to receive Niagen for human use in medical nutritional and food and beverages were for certain geographic territories, together with an additional \$1 mln to assist with product launches. These were advance payments. The subsequent recognition of the payment was linked to product volume supplied to Nestle. The small amount of revenue recognized since this upfront amount was received some two years ago does not support evidence of material volume supply to Nestle, nor is Nestle indicated as a major customer of CDXC. The term of the agreement is subjectively open-ended, lasting until NR product patent expires or when Nestle cancels the exclusivity agreement.

"Term" shall mean the term of this Agreement, which shall commence on the Effective Date and shall remain in effect until the expiration or abandonment of all applicable issued patents and applicable filed patent applications for the NR Product, unless earlier terminated in accordance with the provisions of this Agreement.

The deal cuts CDXC out of launching "medical nutrition" products in virtually all major geographic markets save China. The agreement requires CDXC to make "best efforts" to end any existing supply agreements in the designated territories.

Questionable customers

We suspect that many of CDXC's counterparties may themselves be shady. A 2019 article entitled "Elysium Basis Review: Another fountain of youth scam"⁴⁰ details unfounded claims and is typical of articles about Elysium, once the largest customer.⁴¹ The founder of major customer 5Linx, no longer in business⁴², was sentenced to seven months in prison for his role in the company, called a \$2.3 mln fraud.⁴³ Customer BPI Sports has been repeatedly sued for allegedly making false claims.^{44,45} We question how real Nectar7⁴⁶ and Specialty Nutrition were before they disappeared.

"Stealth promotion network"

Once the Frost, Honig, and Brauser promotion team entered CDXC in Q2 2010, articles began appearing on sites like Seeking Alpha,⁴⁷ Trefis.com,⁴⁸ and Guru Focus⁴⁹ that may have formed part of what the SEC labeled⁵⁰ a "stealth promotion network."⁵¹ Share Sleuth documented⁵² how CDXC and other companies deploy bands of promoters to publish positive information online.

Some of the writers who were charged by the SEC last year wrote bullish articles about companies backed by Honig, Brauser and Frost, including ChromaDex Corp. (Nasdaq: CDXC), Pershing Gold Corp. (Nasdaq: PGLC) and Senesco Technologies Inc. (formerly OTC: SNTI). Those articles appeared in the period covered by the SEC actions.

A recent false Covid19 claim indicates that the promotion network remains in place.

40 <https://www.vaga.org/nootropics/elysium-basis-review/>

41 See also: <https://www.technologyreview.com/2017/01/06/154714/critics-blast-star-studded-advisory-board-of-anti-aging-company/amp/>

42 <https://www.bbb.org/us/ny/rochester/profile/multilevel-sales/5linx-enterprises-inc-0041-66002480>

43 <https://www.democratandchronicle.com/story/news/2019/05/08/5-linx-co-founder-sentenced-seven-months-2-3-million-fraud-jason-guck-craig-jerabeck-jeb-tyler/1145013001/>

44 <https://www.prnewswire.com/news-releases/thermolife-international-llc-files-suit-against-bpi-sports-alleging-bpis-best-bcaa-products-are-misbranded-underdosed-and-falsely-advertised-300764861.html>

45 <https://www.classaction.org/media/garcia-v-bpi-sports-llc.pdf>

46 <https://pitchbook.com/profiles/company/153723-25>

47 See, for example, "It's Game Time for ChromaDex," August 8, 2011: <https://seekingalpha.com/article/285682-its-game-time-for-chromadex>

48 <https://www.trefis.com/stock/pfe/articles/124309/investing-in-obesity-killers-orlistat-and-the-competition/2012-06-04>

49 <https://www.gurufocus.com/news/264930/opko-ceo-is-building-a-pharma-powerhouse-and-continuously-buying-shares>

50 <https://www.sec.gov/news/press-release/2017-79>

51 <https://sharesleuth.com/pretenders-and-ghosts-stealth-promotion-network-exploits-financial-sites-to-tout-stocks/>

52 <https://sharesleuth.com/pretenders-and-ghosts-stealth-promotion-network-exploits-financial-sites-to-tout-stocks/>

On March 12, 2020, a mysterious company called Merkel Media Group with only a Gmail address put out a press release claiming that TruNiagen is effective against Covid19.

Here's Why Chromadex Corp's, TRU NIAGEN, May Be An Important Immune Boosting Product To Combat Flu and Virus Strains

M2 Communications

As a concerned population continues to run around looking for masks, food and making sure the grandparents are taking their proper anti-viral precautions, they may be overlooking the more obvious proactive option that should be first-up in the daily regimen - taking immune boosters that can help build resistance to not only Coronavirus (COVID-19) but to other flu like strains. A popular choice, with supporting clinical and peer-reviewed data, is TRU NIAGEN, a product sold by **Chromadex Corp.** (NASDAQ: CDXC)

TRU NIAGEN Is Showing Powerful Effectiveness

Source: Press release March 12, 2020

“

For coverage of Chromadex Corp, Merkel Research Group has been compensated two-thousand dollars plus the cost of distribution by a third-party shareholder.

”

Merkel disclosed: “For coverage of Chromadex Corp, Merkel Research Group has been compensated two-thousand dollars plus the cost of distribution by a third-party shareholder.”

CDXC immediately issued a press release claiming it had no affiliation with Merkel. Nevertheless, the FDA in a warning letter⁵³ said that CDXC itself claimed “that these products are intended to mitigate, prevent, treat, diagnose, or cure COVID-19.” The FTC issued a second warning letter in April 2021, CDXC reported.⁵⁴

53 https://www.fda.gov/inspections-compliance-enforcement-and-criminal-investigations/warning-letters/chromadex-607692-11172020#_ftn2

54 Q1 2021 10Q

Bench team

Promoted companies in which Honig, Frost, and Brauser have been major investors and/or directors include marketing and infomercial company Yes-DTC,⁵⁵ IDI Inc. (IDI), a data and analytics provider, a biotech company focusing on human viruses called Cocystal Pharma (OTC COCP), e-cigarette company Vapor Corp., Usell.com, which arbitrated the value of used cell phones, an online content creator called Izea Inc., and many more.

Nearly every CDXC board member has been implicated in alleged stock promotion.⁵⁶

- ▶ Former Co-Chairman Michael Brauser had to pay a \$1.1 mln settlement in a “pump and dump” case brought by the SEC. The SEC said in an amended complaint that Brauser had participated in manipulating the shares of 40 different stocks.⁵⁷
- ▶ The SEC called major shareholder Phillip Frost a participant in a “group of prolific South Florida-based microcap fraudsters led by Barry Honig.” Frost settled SEC charges of stock promotion for \$5.5 mln plus an agreement to cease trading in penny stocks.⁵⁸
- ▶ CEO Robert Fried was sued for allegedly manipulating the price of tiny debt-collections business IDI and engaging in material, misleading statements. The suit was partially settled for \$2.75 mln in 2011.
- ▶ Director Hugh Dunkerley settled with the SEC⁵⁹ in a “conspiracy to commit securities fraud” in the period 2014-16, while he was a director of CDXC.
- ▶ Director Kurt Gustafson was named in a class-action suit alleging misrepresentation of Spectrum Pharmaceuticals.⁶⁰

- ▶ Director Steven Rubin is accused in a lawsuit of submitting false and misleading information to the SEC in order to effect the merger of Castle Brands into a subsidiary of Pernod Ricard.⁶¹ Rubin is also among the defendants in the Opko Health case⁶² against Frost, Honig, and Brauser.
- ▶ Director Glenn Halpryn was named in a 2010 lawsuit alleging manipulation in the IDI/SearchMedia case, which held that SearchMedia had lied about its revenues in its merger with IDI.⁶³

The list goes on.

In addition to stock promotion, the CDXC CEO Rob Fried has been accused of appalling office conduct, including hurling his shoes, flying into a rage, and physically threatening a female employee. Filed in 2018, the case remains open. A motion for dismissal has not been ruled upon.⁶⁴

The cast of professionals is likewise unsavory. CDXC’s auditor is Marcum LLP, a firm whose audit deficiencies⁶⁵ as identified by the PCAOB would fill an encyclopedia. The PCAOB in 2020 barred Marcum LLP from conducting audits for clients with substantially all of their operations in China for three years after Marcum had failed to scrutinize “significant unusual transactions” between one of its client’s wholly owned Chinese subsidiaries and a Chinese purchasing agent.⁶⁶

CDXC’s engagement partner at Marcum, Edward Francis Bechold, is also the engagement partner for Alkido Pharma Inc. (AIKI), which sold CDXC the Spherix Consulting division.

Brokers with Meyers Associates who helped sell the CDXC IPO were barred by the SEC from any role with a FINRA firm after they illegally provided material, non-public information about the CDXC IPO to clients.⁶⁷

55 <https://www.teribuhl.com/2019/06/18/sec-pump-dump-case-leads-to-barry-honig-banned-from-penny-stocks/>
56 <https://www.teribuhl.com/2020/03/09/sec-gets-penny-stock-bans-for-florida-men-in-honig-pump-dump-scheme/>
57 https://www.scribd.com/document/450909737/Final-SEC-Judgment-as-to-Defendant-Michael-Brauser-3-6-20#from_embed
58 <https://www.miamiherald.com/news/miami-billionaire-phillip-frost-sued-for-additonal-stock-fraud-10971262>
59 <https://www.sec.gov/litigation/admin/2019/34-86105.pdf>
60 https://www.rosenlegal.com/chinese/media/cncasestudy/725_713_Spectrum%20Pharma%20Initial%20Complaint%20-%20web.pdf
61 https://securities.stanford.edu/filings-documents/1071/CBI400_04/2019913_f01c_19CV08550.pdf
62 <https://chimicles.com/wp-content/uploads/2020/03/Opko-Public-Complaint.pdf>
63 https://securities.stanford.edu/filings-documents/1045/ID110_01/201188_r01x_1120549.pdf
64 <https://trellis.law/case/18STCV00825/SARAH-M-GOODCHILD-VS-HALLMARK-LABS-LLC-ET-AL>
65 https://pcaob-assets.azureedge.net/pcaob-dev/docs/default-source/inspections/reports/documents/104-2021-010-marcum.pdf?sfvrsn=8486d19d_2
66 <https://www.accountingtoday.com/news/pcaob-sanctions-marcum-from-doing-china-audits>
67 https://www.finra.org/sites/default/files/order_accepting_offer_johnson.pdf

Suspicious costs

Eight years after launching its health supplement product, CDXC is still making losses. That is because G&A plus sales and marketing costs were an amazing 87% of net revenue in 2020. Adding Cost of Sales and Research & Development costs pushes the company into a net loss. None of this is for a new sales push: in 2018 and 2019, the G&A and Sales/Marketing costs already exceeded revenue. Even stripping out legal costs, which were \$5.1 mln,

\$9.8 mln, \$11.3 mln, and \$8.6 mln in 2017, 2018, 2019 and 2020 respectively and appear ongoing, G&A costs are still exceptionally high. At end 2020, the company reported six months of inventory, half of which was “work in process,” even though the ingredients for the product are very cheap.

We question the costs. The company reports that the auditor, Marcum LLP, hardly a Tier 1 company, has serious problems with internal controls at CDXC.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer carried out an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2020. 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 ensure 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 ensure 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 31, 2020 as a result of the material weakness in our internal control over financial reporting discussed below.

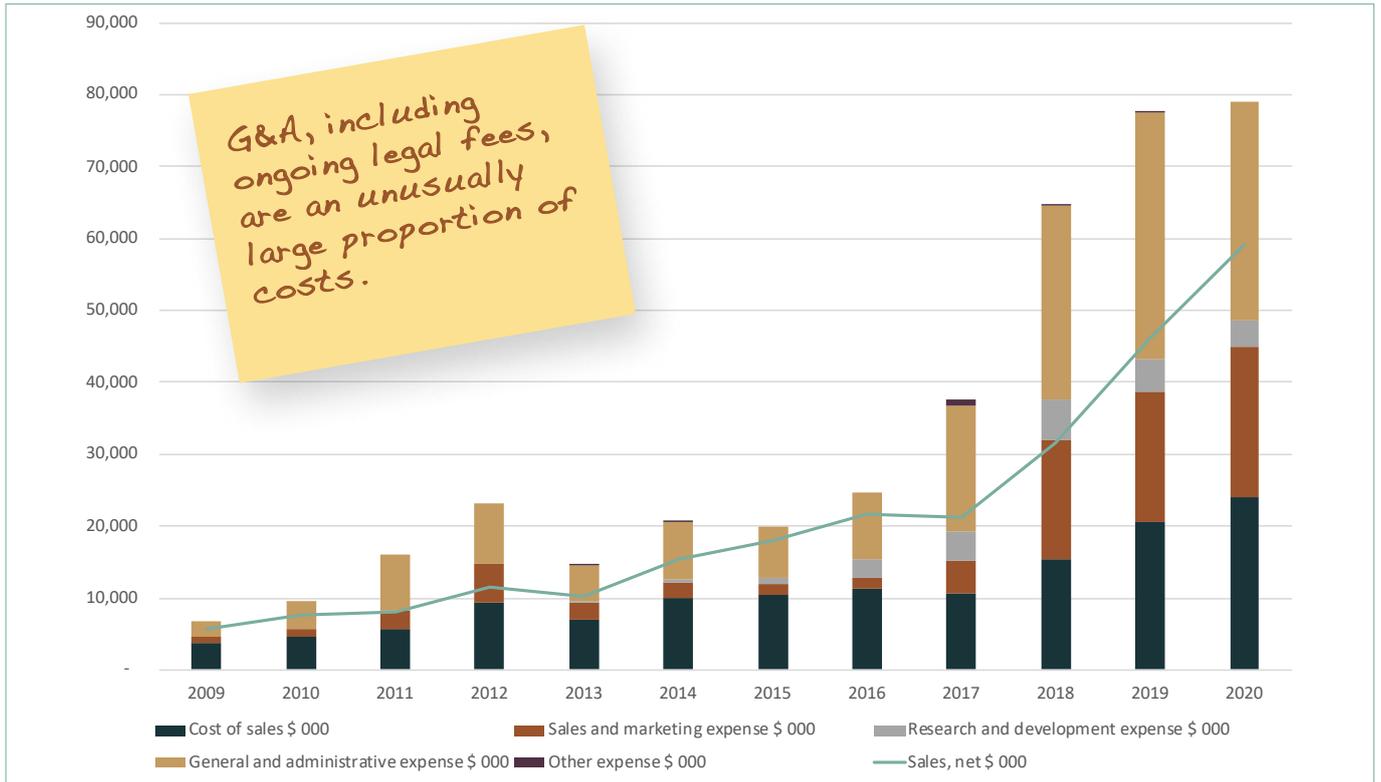
Management Report on Internal Control over Financial Reporting

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 31, 2020. 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 in 2013*. Based on this assessment, our management concluded that, as of December 31, 2020, our internal control over financial reporting was not effective based on those criteria because of a material weakness described below.

CDXC Sales Vs G&A and Other Expenses \$ 000

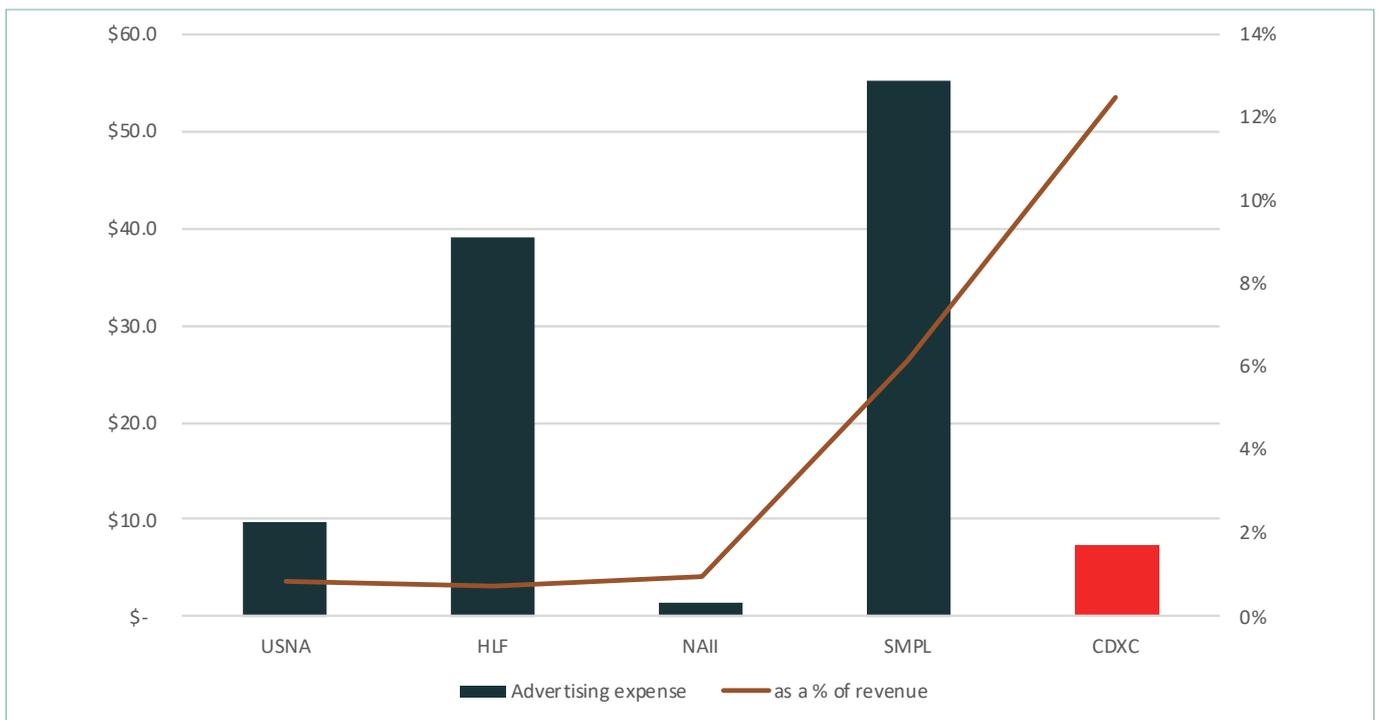


Source: Company financial statements

Sales and marketing: CDXC managed to spend \$20.9 mln on sales and marketing in 2020. Of that, \$7.4 mln was reportedly spent on advertising. That would represent 16% of total revenue from consumer products and 12% of revenue overall. Comparable

companies making branded health supplements top out at 6% of revenue spent on advertising. In our interviews, former sales executives could not name any major advertising expenditures.

Advertising as a % of Revenue: Comparables (In Millions for expense)



Source: Company disclosures

Former executives complained that the company was tight-fisted on staff and marketing expenses and very dedicated to the bottom line. Three former executives questioned why CDXC would choose to sell through brick-and-mortar retail, where, according to a former executive, CDXC gives up about 45% of revenue to the channel. All three said the strategy was expensive and did not move product in volume.

Sales and marketing expenses consist of advertising and PR, share compensation, and salary/bonus.

Operating Expenses - Sales and Marketing. Sales and Marketing Expenses consist of salaries, advertising, public relations and marketing expenses.

(In thousands)	Twelve months ending		
	December 31, 2020	December 31, 2019	Change
Sales and marketing expenses:			
Consumer Products	\$ 20,323	\$ 17,343	17%
Ingredients	41	245	-83%
Analytical reference standards and services	584	628	-7%
Total sales and marketing expenses	\$ 20,948	\$ 18,216	15%

CDXC spent \$18.2 mln in 2019 and \$20.9 mln in 2020 on sales and marketing. After adjusting for share compensation and advertising expense, CDXC spent \$10.7 and \$12.2 mln for 2019 and 2020, respectively on sales and marketing. We find this implausible.

Sales and Marketing components	2019	2020
Share-based compensation		\$731
Advertising expense		\$6,689
Total		\$ 18,216
		\$ 10,796
		\$ 12,249

Source: CDXC 2020 20F page 42

Revenue recognition: The Company recognizes sales and the related cost of sales when the performance obligations are satisfied. The performance obligations are typically satisfied upon shipment of physical goods or as the services are performed over time. In addition to the satisfaction of the performance obligations, the following conditions are required for revenue recognition: an arrangement exists, 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.**

The Company accounts for shipping and handling activities performed as cost of sales under a fulfillment cost and any fee received for shipping and handling as part of the transaction price and recognize revenue when control of the good transfers. Shipping and handling fees billed to customers included in net sales for the years ending December 31, 2020 and December 31, 2019 are as follows:

(In thousands)	2020	2019
Shipping and handling fees billed	\$ 278	\$ 360

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.

Source: CDXC 2020 10K

Two former high-level sales and marketing executives from CDXC said that sales and marketing staff numbered fewer than 25 in 2019 and 2020. Most of those people were in the marketing department and were “mid- or low-level creative people” paid toward the bottom of industry averages, according to one executive. Average pay for salespeople was “in the 40th percentile, the bottom half” of the standard range for the industry, according to another executive.

Discounts and rebate allowances are substantial but are not included in sales costs, according to company disclosures, but as a reduction in revenue, whereas shipping and handling expenses, which are very small, are part of cost of sales.

Rent: In 2020, CDXC reported spending \$936,000 on lease and rental expenses. This is for a company with only 110 employees.

Item 2. Properties

As of December 31, 2020, we lease (i) approximately 10,000 square feet of office space in Los Angeles, California with one year remaining on the lease, (ii) approximately 15,000 square feet of office space in Irvine, California on a month to month basis, and (iii) approximately 20,000 square feet of space for research and development laboratory in Longmont, Colorado with five years remaining on the lease. The below table illustrates the use of each property by our business segments.

Business Segment	Property Used
Consumer Products	All properties
Ingredients	All properties
Analytical Reference Standards and Services	Irvine, CA and Longmont, CO

We do not own any real estate. **For the year ended December 31, 2020, our total annual rental expense was approximately \$936,000.**

As of December 31, 2020 and December 31, 2019 the Company had operating lease assets in right of use assets of approximately \$1.2 million and \$0.9 million, respectively, and corresponding operating lease liabilities of approximately \$1.6 million and \$1.4 million, respectively. For the years ended December 31, 2020 and December 31, 2019, **the following were expenses incurred in connection with operating leases:**

(In thousands)	For the Year Ended Dec. 31, 2020	For the Year Ended Dec. 31, 2019
Operating leases		
Operating lease expense	\$ 501	\$ 663
Variable lease expense	182	246
Operating lease expense	683	909
Short-term lease rent expense	253	70
Total expense	\$ 936	\$ 979

(In thousands)

CDXC disclosed paying \$23,471.59 per month in 2016 or \$281,659.03 per year for its 12,413 sqft lab in Boulder, CO, coming to \$22.69 per sqft per year.⁶⁸ That is roughly double what was being advertised at the location, “Transit Village” at 2830

Wilderness Place in Boulder, just last month. The nearby Longmont facility, at 10,052 sqft, was leased for a monthly base rent ranging from \$8,586.08 to \$11,517.92 plus initial estimated operating expenses of \$3,710.86 per month up to September 30, 2023.

There are 4 industrial spaces for lease in the Transit Village neighborhood, totaling 26,156 Sqft of available industrial space. The industrial space availability for the 80301 zip code is 182,544 Sqft, in 38 industrial spaces. The average asking industrial rent per sq. ft. in Transit Village is \$12.49/sqft/year. For Class B industrial buildings the average industrial rate is \$12.49/sqft/year.

Here is a photo of the location from the internet.



Details Location

eBrochure Save

2800, 2810, 2820 & 2830 Wilderness Place

2800 Wilderness Place, Boulder, CO 80301

Source: Commercial Cafe⁵⁷

68 <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001386570/a142f20b-c4c7-409e-83c9-fb6bc03af294.pdf>

69 <https://www.commercialcafe.com/commercial-property/us/co/boulder/2800-2810-2820-2830-wilderness-place/>

CDXC paid the rent to a company called Railhead Partners LLC, apparently a subsidiary of a real estate brokerage.⁷⁰

Legal: CDXC's principal legal cost since 2016 has been a contract dispute with its former largest client, Elysium Health, which hinges on whether CDXC has exclusive rights to the Dartmouth University patent. Such patent disputes, according to the biennial survey of the American Intellectual Property Law Association, cost an average of \$2.8 mln when the amount at stake is up to \$25 mln.⁷¹ CDXC sought \$8.3 mln in damages. Up to end 2020, CDXC claims to have spent \$34.8 mln since 2017 on legal costs, mostly for this case.

Given that CDXC's licensing fees to Dartmouth, its co-plaintiff, spread over a number of different patents, some of which are not at issue in this case, total \$1.9 mln, we do not believe that Dartmouth can be spending a comparable amount to defend its patent. Elysium Health, meanwhile, a private company, has estimated annual revenue of \$6.7 mln⁷² and seems unlikely to have legal spending commensurate with that reported by CDXC. We call on the company to explain why it is spending more than \$10 mln per year in legal costs.

"The legal costs are astronomically high," a former executive said in an interview. "A lot of that is due to Elysium but a lot of it is other stuff... They keep throwing money at defending their patent moat... That has to end," he said.

Inventories: As of end 2020, the company held six months of inventory on hand. We believe this is excessive given the production time and ingredient requirements. None of the former executives we interviewed could explain why the inventory was so high. One executive said that NR takes at most one week to manufacture and putting it into pill form is quick. A former marketing executive suggested that

the number of SKUs could mean high inventory requirements, but the executive could name only four different SKUs.

The company doesn't "have modern inventory management," said one executive. "The company just burns tons and tons of money."

Hyped product

There are a number of companies selling NR more cheaply than CDXC. The company's lawsuit with former customer Elysium⁷³ indicates that CDXC conditions its sale of Niagen on the licensing of its trademarks, which customers including Elysium say are low-value. The lawsuits also divulge that CDXC was encouraging its customers to resell Niagen despite exclusivity agreements. Elysium said it could buy the ingredient more cheaply elsewhere.⁷⁴

In 2019, client Thorne Research informed CDXC that it would terminate its supply agreement, declaring its intention to purchase NR from a third party.

CDXC tells the market that W.R. Grace is its exclusive manufacturer of Niagen. Actually, Grace owns a critical patent on NR, and CDXC is obliged to purchase from Grace, according to our interviews. Grace's patent "ties Grace and Chromadex together," said a former company executive in an interview. "Grace can't make it without Chromadex, and Chromadex can't operate at scale without Grace."

CDXC agreed in 2015 to a "take-or-pay" purchase from Grace of a minimum of \$6.1 mln in NR.⁷⁵ In subsequent years, the "take or pay" reference in related purchase agreement was replaced with the words "binding forecasts."

70 <https://www.coloradogroup.com/>

71 <https://www.nowlandlaw.com/how-much-does-an-intellectual-property-lawsuit-cost/>

72 Grow Jo estimate: https://growjo.com/company/Elysium_Health#:~:text=Elysium%20Health's%20estimated%20annual%20revenue%20is%20currently%20%246.7M%20per%20year.

73 <https://casetext.com/case/chromadex-inc-v-elysium-health-inc-1>

74 <https://casetext.com/case/chromadex-inc-v-elysium-health-inc-1>

75 <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001386570/70888b26-519d-41a8-b683-8bfeda04185f.pdf>



The nicotinic acid supplement pills on the left sell on Amazon for \$0.13 per pill. Tru Niagen on Amazon is \$1.58 per pill.



NAD+ Supplement More Efficient Than NMN - Nicotinamide Riboside for Energy, Metabolism, Vitality, Muscle Health, Healthy Aging, Cellular Repair (Patented Formula) 30ct - 300mg (1 Month / 1 Bottle)

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★★★★☆ 1,984 ratings

| 52 answered questions

Price: **\$47.30** (\$1.58 / Count) ✓prime & FREE Returns

Get \$125 off: Pay \$0.00 upon approval for the **Amazon Business Prime Card**. Terms apply.

Size: **30 Count (Pack of 1)**

Products containing NR	2021 price on Amazon (count)	Notes
Live Cell Research	\$ 0.83	Product is called Niagen, which indicates they license it from CDXC. http://livecellresearch.com/niagen_160728.php
HPN	\$ 0.60	"Nicotinamide Riboside Alternative"
Life Extension Foundation	\$ 0.70	NIAGEN Nicotinamide Riboside 100mg
Thorne	\$ 0.53	Niacel 2000
Double Wood NMN	\$ 0.82	Nicotinamide Mononucleotide
Monoherb	\$ 0.84	Nicotinamide Riboside
Asquared	\$ 0.23	Nicotinamide and Resveratrol
Ultra Health	\$ 0.67	Nicotinamide Riboside (NR) 300mg <i>"ONLY TWO companies in North America manufacture NR(CI), UltraHealth is the one that publishes the percent purity results, allergen report and Certificate of Analysis (COA). Instead of spending huge amounts of money on advertising, UltraHealth puts more care into additional purification and reduces the product cost to the valued customer."</i>
biophix	\$ 0.27	Nicotinamide
Nutricost	\$ 0.05	Niacinamide ⁶⁴
Prime Formulas	\$ 0.19	Nicotinamide 500 mg with Resveratrol
Pure Affinity	\$ 0.23	500mg Nicotinamide
Foxy Doc	\$ 0.13	Nicotinamide
Genex	\$ 0.20	Nicotinamide
Elio Restore	\$ 0.44	"Works with" Nicotinamide Riboside and Niagen
Genius Eternal	\$ 2.17	Nicotinamide Mononucleotide Anti Aging Telomere Capsules
Crystal Star	\$ 0.67	Crystal Star NAD+ supplements are clinically proven to be more efficient than Nicotinamide Riboside (NR) or Nicotinamide mononucleotide (NMN).
Forest Leaf	\$ 0.67	NMN Nicotinamide Mononucleotide
Liveman	\$ 0.83	NMN (beta-nicotinamide mononucleotide),
NasaBe'Ahava	\$ 0.12	NasaBeahava Nicotinamide 500mg
Damacota	\$ 0.11	Vitamin B3 Nicotinamide 500mg
Zenala	\$ 0.13	Vitamin B3 Nicotinamide 500 mg
Baranta	\$ 0.08	Oculus Organics Nicotinamide
Elysium Health	\$ 0.67	Not available on Amazon. Calls its product Basis: nicotinamide riboside plus pterostilbene. https://www.elysiumhealth.com/en-us/basis

Source: Amazon and Elysium Health

Customer commitments can change, and costs can exceed budget. Based on our study of their documents, we believe CDXC never intended for these forgotten or scaled-down distribution deals to go forward, and that CDXC is designed to take money from investors' pockets.

76 Niacinamide and nicotinamide are the same: <https://www.mskcc.org/cancer-care/integrative-medicine/herbs/nicotinamide>

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