Regeneca, Inc.
Form 10-Q
September 14, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

X . **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2010

.**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT**

For the transition period from ______ to _______

Commission File Number 000-30237

REGENECA, INC.

(Exact name of issuer as specified in its charter)

Nevada	**88-0467241**
(State of incorporation)	(I.R.S. Employer Identification No.)

1 Technology, Suite C515

Irvine, CA 92618

(Address of principal executive offices)

(800) 690-6958
(Registrant's telephone number, including area code)

Ethos Environmental, Inc.

(Former Name)

with a copy to:

Christopher A. Wilson, Esq.

Wilson, Haglund & Paulsen, P.C.

9110 Irvine Center Drive

Irvine, CA 92618

Telephone: (949) 752-1100 ext. 302

Facsimile (949) 752-1144

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 X .

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 (§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). .

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

Large accelerated filer .	Accelerated filer .
Non-accelerated filer . (Do not check if a smaller reporting company)	Smaller reporting company X .

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

As of March 31, 2010, (the last day of the fiscal quarter to which this report relates), there were 102,226,177 shares of the registrant s $.0001 par value common stock issued and outstanding, and as of September 2, 2011 (the latest practical date) there were 952,844,037 shares outstanding.

REGENECA, INC.

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Special Note Regarding Forward-Looking Statements

Information included in this Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). This information may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Regeneca, Inc., formerly know as Ethos Environmental, Inc. (the Company), to be materially different from future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words may, will, should, expect, anticipate, estimate, believe, intend, or project or the negative of these words or on these words or comparable terminology. These forward-looking statements are based on assumptions that may be incorrect, and there can be no assurance that these projections included in these forward-looking statements will come to pass. Actual results of the Company could differ materially from those expressed or implied by the forward-looking statements as a result of various factors. Except as required by applicable laws, the Company has no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

**Please note that throughout this Quarterly Report, and except as otherwise indicated by the context, references in this report to Company, ETEV, RGNA Ethos Environmental, Inc. , Ethos we, us and our are referenc Inc.*

PART I - FINANCIAL INFORMATION

ITEM 1.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

REGENECA, INC.

(Formerly Known As Ethos Environmental, Inc.)

Condensed Consolidated Balance Sheets

		March 31, 2010 (unaudited)		December 31, 2009
ASSETS				
Current Assets				
Cash	$	287,841	$	347,954
Accounts Receivable, net of allowance of doubtful accounts		21,631		14,593
Inventory		61,835		89,678
Total Current Assets		**371,307**		**452,225**
Property and Equipment		16,958		22,992
Other Assets		12,500		417,917
Total Assets	**$**	**400,765**	**$**	**893,134**
LIABILITIES AND STOCKHOLDERS DEFICIT				
Current Liabilities				
Accounts Payable and Accrued Liabilities	$	1,167,647	$	1,467,605
Notes Payable		1,950,000		1,750,000
Convertible Debenture		902,334		859,102
Total Liabilities		**4,019,981**		**4,076,707**
Stockholders Deficit				
Common Stock				
Authorized: 1,000,000,000 shares, par value: $0.0001 per share issued and outstanding: 102,226,177 and 102,150,306 shares, respectively		10,223		10,215
Additional Paid-In Capital		62,027,082		62,018,089
Accumulated Deficit		(65,656,521)		(65,211,877)

Total Stockholders Deficit		**(3,619,216)**		**(3,183,573)**
Total Liabilities and Stockholders Deficit	**$**	**400,765**	**$**	**893,134**

The accompanying notes are an integral part of these condensed consolidated financial statements.

REGENECA, INC.

(Formerly Known As Ethos Environmental, Inc.)

Condensed Consolidated Statements of Operations

(Unaudited)

	For the three months ended March 31, 2010	March 31, 2009
Revenue	$ 142,702	$ 138,070
Cost of Sales	71,567	75,074
Gross Profit	**71,135**	**62,996**
Operating Expenses		
Depreciation and Amortization Expense	49,266	12,416
General and Administrative	326,441	1,610,086
Selling Expense	68,253	26,301
Total Operating Expenses	**443,960**	**1,648,803**
Total Operating Loss	**(372,825)**	**(1,585,807)**
Other Income (Expenses)		
Interest Expense	(85,875)	(52,412)
Other Income	14,056	4,118
Net Loss	**$ (444,644)**	**$ (1,634,101)**
Net Loss Per Share Basic and Diluted	**$ (0.00)**	**$ (0.04)**
Weighted Average Shares Outstanding	**102,188,242**	**45,988,639**

The accompanying notes are an integral part of these condensed consolidated financial statements.

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REGENECA, INC.

(Formerly Known As Ethos Environmental, Inc.)

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	For the three months ended March 31, 2010	March 31, 2009
Cash Flows From Operating Activities		
Net Loss	$ (444,644)	$ (1,634,101)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and Amortization Expense	49,266	26,886
Common Stock Issued for Services and Interest	9,001	314,000
Common Stock Issued as Incentive Shares		35,970
Common Stock Issued for Settlement of Debt		83,898
Issuance of Common Stock Purchase Warrants		452,111
Changes in operating assets and liabilities:		
Accounts Receivable	(7,038)	66,767
Inventory	27,843	34,437
Prepaid Expense		(150,000)
Other Assets	405,417	(12,500)
Accounts Payable and Accrued Liabilities	(299,958)	265,175
Net Cash Used In Operating Activities	**(260,113)**	**(517,357)**
Cash Flows From Financing Activities		
Proceeds from Issuance of Notes Payable, net	200,000	517,500
Net Cash Provided By Financing Activities	**200,000**	**517,500**
Increase (Decrease) in Cash	**(60,113)**	**143**
Cash Beginning of Period	**347,954**	**72,232**
Cash End of Period	**$ 287,841**	**$ 72,375**

The accompanying notes are an integral part of these condensed consolidated financial statements.

REGENECA, INC.

(Formerly Known As Ethos Environmental, Inc.)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.

Nature of Operations and Continuance of Business

Regeneca, Inc. (the Company or Regeneca), formerly Ethos Environmental, Inc., was incorporated under the laws of the State of Nevada on January 19, 1926. Until January 1, 2011, the Company was in the business of manufacturing and distribution of a unique line of engine cleaning and lubrication.

On December 31, 2010, Regeneca merged into a wholly-owned subsidiary of the Company (the Merger) and in which the Company issued to the former shareholders of Regeneca approximately 420,466,422 shares of its common stock such that immediately after the Merger Regeneca s former shareholders owned approximately 51% of the combined post-Merger entity. The Company subsequently changed its name to Regeneca, Inc. The Merger was accounted for as a capital reorganization or a reverse merger.

The Company ceased operations of its engine cleaning and lubrication business in January 2011.

Going Concern

These condensed consolidated financial statements have been prepared on a going concern basis, which implies that the Company will continue to realize its assets and discharge its liabilities in the normal course of business. As noted above, Ethos Environmental, Inc. merged with the Company on December 31, 2010 and ceased its operations in January 2011. These condensed consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2.

Summary of Significant Accounting Policies

a)

Basis of Presentation and Principles of Consolidation

These condensed consolidated financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States. These condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Regeneca International, Inc. All intercompany transactions and balances have been eliminated in consolidation.

b)

Interim Financial Statements

These interim unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and in accordance with the instructions of the Securities and Exchange Commission (SEC) for Form 10-Q. They do not include all of the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements. Therefore, these condensed consolidated financial statements should be read in conjunction with the Company s audited financial statements and notes thereto for the year ended December 31, 2009 filed with the SEC on Form 10-K. The condensed consolidated balance sheet as of December 31, 2009 has been derived from the audited consolidated financial statements filed with Form 10-K for the year ended December 31, 2009.

The condensed consolidated financial statements included herein are unaudited; however, they contain all normal recurring accruals and adjustments that, in the opinion of management, are necessary to present fairly the Company s financial position, and the results of its operations and cash flows. The results of operations for the period ended March 31, 2010 are not necessarily indicative of the results to be expected for future quarters or the full year.

c)

Use of Estimates

The preparation of these unaudited condensed consolidated financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to valuation allowances on accounts receivable and inventory, valuation and amortization policies on property and equipment, and valuation allowances on deferred income tax losses. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company s estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

d)

Accounts Receivable

Accounts receivable are stated at their principal balances and are non-interest bearing and unsecured. Management conducts a periodic review of the collectability of accounts receivable and deems all unpaid amounts greater than 30 days to be past due. If uncertainty exists with respect to the recoverability of certain amounts based on historical experience or economic climate, management will establish an allowance against the outstanding receivables.

e)

Inventory

Inventory is comprised of raw materials, work-in-progress, and finished goods of its fuel reformulating products and is recorded at the lower of cost or net realizable value on a first in first out (FIFO) basis. The Company establishes inventory reserves for estimated obsolete or unmarketable inventory equal to the differences between the cost of inventory and the estimated realizable value based upon assumptions about future and market conditions. Shipping and handling costs are classified as a component of cost of sales in the statement of operations.

f)

Revenue Recognition

The Company recognizes revenue from the sale of its fuel reformulating products in accordance with ASC 605, *Revenue Recognition*. Revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is provided, and collectability is assured.

g)

Basic and Diluted Net Loss Per Share

The Company computes net loss per share in accordance with ASC 260, *Earnings Per Share,* which requires presentation of both basic and diluted earnings per share (EPS) on the face of the statement of operations. Basic EPS is computed by dividing net loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti dilutive. As at March 31, 2010 and 2009, the Company had no potentially dilutive shares due to its net loss per share.

3.

Inventory

A summary of inventories are as follows:

	March 31, 2010	December 31, 2009
Raw Materials	$ 43,285	$ 61,883
Finished Goods	18,550	27,795
	$ 61,835	$ 89,678

4.

Other Assets

As at March 31, 2010, the Company had security deposits of $12,500 relating to the Company s property and equipment.

5.

Notes Payable

At March 31, 2010, the Company owed $1,150,000 to a third party under an unsecured promissory note, bearing interest at 10% per annum, and due on demand. At March 31, 2010, the Company owed $58,750 of accrued interest under such note. Such note was subsequently exchanged for shares of the Company s common stock in connection with the Merger.

At March 31, 2010, the Company owed $500,000 to another third party under an unsecured promissory note bearing interest at 10% per annum. Related accrued interest approximated $62,500 at March 31, 2010. Such note was subsequently exchanged for shares of the Company s common stock in connection with the Merger.

At March 31, 2010, the Company owed $250,000 to another third party under an unsecured promissory note, bearing interest at 12% per annum, and due on demand. Related accrued interest approximated $36,800 at March 31, 2010. Such note was subsequently exchanged for shares of the Company s common stock in connection with the Merger.

At March 31, 2010, the Company owed $50,000 to a third party under an unsecured promissory note, bearing interest at 10% per annum, and due on demand. At March 31, 2010, the Company owed $3,300 of accrued interest under such note. Such note was subsequently exchanged for shares of the Company s common stock in connection with the Merger.

6.

Convertible Debentures

On August 3, 2009, the Company issued units (the August Units) of convertible promissory notes. Under the terms of the note agreement, each August Unit is comprised of a $100,000 convertible note, due interest at 12% per annum, secured by the Company s assets, and due in two years from the date of issuance, and convertible into common shares of the Company at the option of the note holder at a fixed conversion rate of $0.225 per common share. Furthermore, each August Unit includes 100,000 share purchase warrants, where each warrant allows the warrant holder to purchase one additional common share of the Company at a fixed rate $0.30 per common share for a period of three years from the date of issuance. Such note was exchanged for shares of the Company s common stock in connection with the Merger. At March 31, 2010, the Company has recognized accretion expense of $32,169, which is included in depreciation and amortization expense in the statement of operations and increased the carrying value of the August Units to $85,911.

From November 2008 to June 2009, the Company issued units (the 12% Units) of convertible promissory notes. Under the terms of the note agreement, each 12% Unit is comprised of a $50,000 convertible note due interest at 12% per annum, secured by the Company s assets, and due in two years from the date of issuance, and convertible into common shares of the Company at the option of the note holder at a fixed conversion rate of $0.25 per common share. Furthermore, each 12% Unit includes 100,000 share purchase warrants, where each warrant allows the warrant holder to purchase one additional common share of the Company at a fixed rate of $0.25 per common share for a period of three years from the date of issuance. Such note was exchanged for shares of the Company s common stock in connection with the Merger. At March 31, 2010, the Company has recognized accretion expense of $196,396, which is included in depreciation and amortization expense in the statement of operations and increased the carrying value of the remaining 12% Units to $352,112.

On May 11, 2009, the Company issued units (the 10% Units) of convertible promissory notes. Under the terms of the note agreement, each 10% Unit is comprised of a $25,000 convertible note due interest at 10% per annum, secured by the Company s assets, and due in two years from the date of issuance, and convertible into common shares of the Company at the option of the note holder at a fixed conversion rate of $0.40 per common share. Furthermore, each 10% Unit includes 50,000 share purchase warrants, where each warrant allows the warrant holder to purchase one additional common share of the Company at a fixed rate of $0.40 per common share for a period of three years from the date of issuance. Such note was exchanged for shares of the Company s common stock in connection with the Merger. At March 31, 2010, the Company has recognized accretion expense of $5,756, which is included in depreciation and amortization expense in the statement of operations and increased the carrying value of the 10% Units to $11,560.

On January 9, 2009, the Company terminated a $300,000 unsecured promissory note that bore interest at 10% per annum and was due on February 11, 2009 and replaced it with a new $550,000 promissory note that was unsecured, bore interest at 10% per annum, and was due on September 30, 2009. Such note was converted to shares of the Company s common stock as a result of the Merger. At March 31, 2010, the Company owed $56,003 of accrued interest on such note.

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7.

Common Shares

All common shares issued for non-cash purposes have been valued using the end-of-day trading price on the over-the-counter bulletin board (OTCBB) on the date of issuance.

During the quarter ended March 31, 2010, the Company issued 50,000 common shares with a fair value of $5,000 for the settlement of debt and, additionally, the Company issued 25,871 common shares with a fair value of $4,000 for services rendered.

8.

Share Purchase Warrants

During the three months ended March 31, 2010, the Company did not issue any share purchase warrants. Warrants outstanding at March 31, 2010 can be summarized as follows:

		Number of Warrants	Weighted Average Exercise Price	Weighted Average Contractual Life (years)	Aggregate Intrinsic Value
			$		
Balance	December 31, 2008	3,400,000	1.55		
	Granted	3,125,000	0.25		
	Granted	150,000	0.40		
	Granted	200,000	0.30		
	Cancelled	(1,500,000)	(0.35)		
Balance	December 31, 2009	5,375,000	1.05	1.94	
Balance	March 31, 2010	5,375,000	1.05	1.69	

At March 31, 2010, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
1,900,000	$2.50	May 23, 2010
400,000	$0.25	January 1, 2012
200,000	$0.25	January 8, 2012
200,000	$0.25	February 19, 2012
100,000	$0.25	March 9, 2012
100,000	$0.25	April 1, 2012
625,000	$0.25	April 21, 2012
50,000	$0.40	May 11, 2012
100,000	$0.40	May 14, 2012
200,000	$0.30	August 5, 2012
1,500,000	$0.25	January 9, 2014
5,375,000		

9.

Stock Options

During the three months ended March 31, 2010, the Company did not issue any stock options. Options to purchase common stock can be summarized as follows at March 31, 2010:

		Number of Options	Weighted Average Exercise Price $	Weighted Average Contractual Life (years)	Aggregate Intrinsic Value
Balance	December 31, 2008	2,400,000	0.22		
	Granted	7,500,000	0.25		
	Cancelled	(7,500,000)	(0.25)		
Balance	December 31, 2009	2,400,000	0.22	3.67	

10.

Commitments and Contingencies

In October 2007, the Company completed a sale and leaseback agreement with respect to its building. Commencing November 1, 2007, the Company entered into a 15-year lease agreement, with monthly lease payments of $63,000, to a company controlled by directors of the Company. During the three months ended March 31, 2010, the Company incurred lease payments of $189,000. As a condition of the Merger, the lease agreement was terminated prior to the effective date of such Merger without any further payments or obligations due thereunder.

11.

Subsequent Events

Management has evaluated events subsequent to March 31, 2010 through the date that the accompanying financial statements were filed with the Securities and Exchange Commission for transactions and other events which may require adjustment of and/or disclosure in such financial statements.

Subsequent to March 31, 2010, the Company issued 846,693,731 shares of its common stock in the aggregate for consulting services, to settle outstanding debt, and pursuant to various agreements, including the transaction with Regeneca as more specifically reported on the Company s current report on Form 8-K as filed with the SEC on January 4, 2011.

On May 31, 2010, the Company and AL Global Corporation, a California corporation (d.b.a. Youngevity) ("Youngevity") agreed to terminate the Agreement and Plan of Merger entered into on November 21, 2009 providing for the acquisition of Youngevity by the Company.

Effective May 31, 2010, the Company accepted the resignations of both Mr. Joel D. Wallach as Chairman of the Board of Directors and Mr. Stephan R. Wallach as the Chief Executive Officer, President and Secretary.

On December 31, 2010, the Company and Regeneca International, Inc. entered into an Agreement and Plan of Merger (Merger Agreement), pursuant to which EEI Acquisition Corporation, Inc., a wholly-owned subsidiary of the Company, merged with and into Regeneca. As a result of the Merger between Regeneca International, Inc. and the Company, all of Regeneca International s common stock was converted into approximately 420,466,422 shares of the Company s common stock that represented approximately fifty-one percent (51%) of the outstanding shares of the Company, on a fully diluted basis, immediately after the Merger.

As of December 31, 2010, Bruce Tackmann resigned as the only officer and director of the Company. Matthew Nicosia, Adam Vincent Gilmer, Jan Hall, Francis Chen and James C. Short were appointed as directors of the Company (with Francis Chen being the Chairman of the Board). Matthew Nicosia, Adam Vincent Gilmer, Daniel R. Kerker and Christopher A. Wilson were appointed as the Chief Executive Officer, President, Chief Financial Officer/Treasurer and Secretary, respectively.

On December 31, 2010, the Company entered into an Employment Agreement with Matthew Nicosia who shall serve as the Chief Executive Officer of the Company for a term of two (2) years in exchange for a base salary of two hundred seventy-five thousand dollars ($275,000).

On December 31, 2010, the Company entered into an Employment Agreement with Adam Vincent Gilmer who shall serve as the President of the Company for a term of two (2) years in exchange for a base salary of two hundred seventy thousand dollars ($270,000). On August 19, 2011, the Company s Board of Directors terminated Adam Vincent Gilmer as President of the Company, and Matt Nicosia, the Company s CEO, assumed the duties of President.

On December 31, 2010, the Company entered into an Employment Agreement with James C. Short who shall serve as the Vice President of Investor Relations for the Company for a term of two (2) years in exchange for a base salary of one hundred twenty thousand dollars ($120,000).

On December 31, 2010, the Company entered into an Employment Agreement with Daniel R. Kerker who shall serve as the Chief Financial Officer of the Company in exchange for base salary of two hundred twenty thousand dollars ($220,000).

On December 31, 2010, the Company adopted the 2010 Equity Incentive Plan, subject to shareholder approval, pursuant to which the Company is authorized to issue up to 20% of its outstanding shares of common stock to its employees, executives and consultants.

On March 2, 2011, the Company entered into a License Agreement with Mitch Huhem and One Step Millionaire, LLC (collectively, Licensor), whereby the Licensor granted to the Company a perpetual, royalty-bearing, exclusive, worldwide, transferable, sublicensable license to the One Step Millionaire program (Licensed Product) to formulate, design, develop, improve, produce, distribute, sell and use and exploit the Licensed Product for a period of twenty (20) years.

On May 6, 2011, each of Francis W. Chen and Jan Hall, directors of the Company, resigned from their position on the Board of Directors.

On June 10, 2011, the Company reached a settlement agreement with Republic Bank resulting from a lease agreement it had defaulted on with Mazuma Capital Corp. for equipment. Republic Bank had been awarded a judgment in excess of $400,000. The settlement agreement provided that the Company would forfeit its security deposit on the lease of approximately $400,000, the leased equipment itself, and make additional payments totaling $200,000. The Company was indemnified by a group of shareholders against claims originating prior to the Merger, and as of September 1, 2011 such shareholders had made payments in excess of $117,000. As a result, the Company did not record any accrual related to this matter as of March 31, 2010. The balance is payable $8,791 per month until paid in full.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OR PLAN OF OPERATION

FORWARD-LOOKING STATEMENTS