Regeneca, Inc.
Form 10-Q
December 20, 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 June 30, 2011

. **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)

with a copy to:

Christopher A. Wilson, Esq.

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Irvine, CA 92618

Telephone: (949) 752-1100 ext. 302

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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 June 30, 2011, (the last day of the fiscal quarter to which this report relates), there were 847,858,592 common shares of the registrant s $.0001 par value common stock issued and outstanding, and as of December 20, 2011 (the latest practical date) there were 875,999,590 common shares outstanding.

REGENECA, INC.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

ITEM 1.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

REGENECA, INC.

Condensed Consolidated Balance Sheets

	June 30, 2011 (unaudited)	December 31, 2010
ASSETS		
Current assets		
Cash	$ 464,401	$ 216,476
Accounts receivable	90,200	1,982
Inventory	259,435	129,541
Prepaid license fee	102,638	102,638
Other current assets	279,249	8,027
Total current assets	**1,195,923**	**458,664**
Prepaid license fee long-term	45,249	96,568
Furniture and equipment, net	8,253	6,302
Other long-term assets	131,250	
Total assets	$ **1,380,675**	$ **561,534**
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities		
Accounts payable	$ 478,239	$ 208,902
Accrued liabilities	713,155	26,498
Convertible notes payable, net of discounts	940,526	204,717
Derivative liabilities	1,085,054	108,576
Advances payable to related parties	171,962	180,555
Total current liabilities	**3,388,936**	**729,248**
Commitments and contingencies (note 8)		
Stockholders deficit:		
Common stock, $0.0001 par value; 1,900,000,000 and 1,000,000,000 shares authorized, 847,858,592 and 824,444,037 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	84,786	82,444
Additional paid-in capital	3,790,640	3,172,151
Accumulated deficit	(5,883,687)	(3,422,309)
Total stockholders deficit	**(2,008,261)**	**(167,714)**

Total liabilities and stockholders equity	$	**1,380,675**	$	**561,534**

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

REGENECA, INC.

Condensed Consolidated Statements of Operations

(unaudited)

	For the three months ended		For the six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Revenue	$ 1,284,931	$ 64,274	$ 2,071,836	$ 68,982
Cost of sales	322,404	7,407	503,152	8,002
Gross profit	**962,527**	**56,867**	**1,568,684**	**60,980**
Operating expenses				
Depreciation and amortization expenses	26,146	26,437	52,596	52,735
Selling, general and administrative expenses	2,527,410	323,836	4,316,489	420,198
Total operating expenses	**2,553,556**	**350,273**	**4,369,085**	**472,933**
Loss from operations	**(1,591,029)**	**(293,406)**	**(2,800,401)**	**(411,953)**
Other (income) expenses				
Change in fair value of derivative liabilities	(937,460)		(692,510)	
Loss on disposal of assets			5,511	
Interest	251,208	394	347,976	807
	(686,252)	394	(339,023)	807
Net loss before income taxes	**(904,777)**	**(293,800)**	**(2,461,378)**	**(412,760)**
Income taxes				
Net loss	$ **(904,777)**	$ **(293,800)**	$ **(2,461,378)**	$ **(412,760)**
Basic and diluted loss per common share:				
Basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Weighted average common shares outstanding - basic and diluted	846,320,130	202,374,929	842,164,488	177,776,651

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

5

REGENECA, INC.

Condensed Consolidated Statements of Cash Flows

(unaudited)

	For the six months ended June 30, 2011	June 30, 2010
Cash flows from operating activities		
Net loss	$ (2,461,378)	$ (412,760)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	146,346	52,735
Change in estimated fair value of derivative liabilities	(692,510)	
Amortization of debt discount	267,298	
Loss on disposal of asset	5,511	
Fair value of stock issued for services	-	308,289
Stock based compensation	70,830	
Changes in operating assets and liabilities:		
Accounts receivable	(88,218)	(925)
Inventories	(129,894)	(136,136)
Other current assets	(46,222)	29,216
Accounts payable	269,337	63,839
Accrued liabilities	686,657	1,541
Advances payable to related parties	(8,593)	91,108
Net cash used in operating activities	**(1,980,836)**	**(3,093)**
Cash flows from investing activities		
Purchases of furniture and equipment	(8,739)	(2,500)
Net cash used in investing activities	**(8,739)**	**(2,500)**
Cash flows from financing activities		
Proceeds from issuance of convertible debentures	2,137,500	
Net proceeds from sale of common stock for cash	100,000	3,550
Net cash provided by financing activities	**2,237,500**	**3,550**
Net increase (decrease) in cash	**247,925**	**(2,043)**
Cash beginning of period	**216,476**	**2,672**
Cash end of period	$ **464,401**	$ **629**
Supplemental disclosure of cash flow information		
Interest paid during the period	$ 17,527	$ 807
Issuance of common stock in connection with consulting agreement	$ 450,000	$ -

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

REGENECA, INC.

Notes to Consolidated Financial Statements

(unaudited)

June 30, 2011

1.

Organization and Business

Regeneca International, Inc. was formed on January 9, 2009 in Nevada to create and commercialize a family of natural and organic compound infused products designed to help improve health. The Company currently conducts operations primarily in the United States using a Direct Response Network Marketing business model. The Company s primary products are RegenErect, an all-natural male enhancement product, and RegeneSlim, a natural appetite suppressant. Sales are made to the consumer through the Company s website and by independent representatives.

On December 31, 2010, Regeneca International, Inc. merged into a wholly-owned subsidiary of the Company (the Merger), and in which the Company issued to the former stockholders of Regeneca International, Inc. 420,466,494 shares of its common stock such that, immediately after the Merger, Regeneca International, Inc. s former stockholders 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 public shell reverse merger, and, as such, the consolidated financial statements reported herein reflect the operations of Regeneca, Inc. within the new capital structure of the Company.

Going Concern

The financial statements have been prepared assuming that the Company will continue as a going concern. This basis of accounting contemplates the recovery of the Company s assets and the satisfaction of its liabilities in the normal course of business. Since inception, the Company has been engaged in obtaining financing, recruiting personnel, establishing office facilities and developing its sales and marketing strategy.

The Company does not have sufficient cash on hand to fund its administrative and other operating expenses or its proposed sales and marketing programs for the next twelve months. In 2011 through the date of this report, the Company issued $2,992,500 in convertible notes payable and issued common stock for $150,000 in cash to fund operations.. The Company s ability to become a profitable operating company is dependent upon obtaining financing adequate to fulfill its market introduction activities, and achieving a level of revenues adequate to support the Company s cost structure. Management intends to finance the Company s operations from loans and advances from current stockholders, future public and private debt and equity offerings and proceeds from product sales. However, there can be no assurance that additional capital will be available, which may affect the Company s ability to continue as a going concern. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

Risks and Uncertainties

The Company s research and development activities and the manufacturing and marketing of the Company s products may be subject to the laws, regulations and guidelines, and, in some cases, regulatory approvals, of governmental authorities in the United States and other countries in which the Company s products are or will be marketed. Specifically, in the United States, the Food and Drug Administration (the FDA) regulates, among other areas, new drug and cosmetic product approvals, over the counter drugs and clinical trials of new products and services to establish the proper labeling, safety and efficacy of these products and services and the accuracy of certain marketing claims.

On May 27, 2011, the Company received a warning letter from the FDA dated May 25, 2011 (the Warning Letter). The Warning Letter asserts that the FDA tested lots of the Company s dietary supplement, RegenErect , and concluded that it contained a pharmaceutical ingredient and is, therefore, subject to regulation as a new prescription drug, requiring FDA approval before introduction and delivery. FDA lab analysis has confirmed the presence of Sulfoaildenafil, an analogue of Sildenafil, making these products unapproved new drugs. Sildenafil is an FDA-approved drug used as treatment for male Erectile Dysfunction (ED). The active drug ingredient is not listed on the label for these products.

According to the FDA, use of these products may pose a threat to consumers because the analogue may interact with nitrates found in some prescription drugs (such as nitroglycerin) and may lower blood pressure to dangerous levels. FDA has advised that consumers with diabetes, high blood pressure, high cholesterol, or heart disease often take nitrates. FDA has advised that ED is a common problem in men with these conditions, and consumers may seek these types of products to enhance sexual performance.

The FDA also asserts that, because it is a new prescription drug, RegenErect is misbranded as a dietary supplement, and that the advertising and promotional claims of the Company exceed the claims permitted for dietary supplements. The Warning Letter required the Company to respond within 15 days, disclosing the specific steps taken to correct the alleged violations. The Company responded to the Warning Letter and also undertook a voluntary national recall of certain lots of the Company s RegenErect product.

If unresolved, the claims in the Warning Letter would have a substantial impact on the Company s ability to market and sell RegenErect and would materially affect the business, operations and financial condition of the Company. However, the Company believes that it can adequately address all of the FDA s concerns without a material impact on the Company s business. Nonetheless, the Company cannot give any assurance that the FDA will be satisfied with the Company s response or remedial plan and cannot estimate the date on which these concerns will be resolved, if ever.

2.

Summary of Significant Accounting Policies

a)

Basis of Presentation and Principles of Consolidation

These consolidated financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated.

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, 2010 filed with the SEC on Form 10-K. The condensed consolidated balance sheet as of December 31, 2010 has been derived from the audited consolidated financial statements contained in the annual report on Form 10-K for the year ended December 31, 2010.

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 June 30, 2011 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)

Cash Equivalents

The Company considers all highly liquid short-term investments with maturities of less than three months when acquired to be cash equivalents. The Company had no cash equivalents at June 30, 2011 and December 31, 2010.

e)

Concentration of Credit Risk and Off-Balance Sheet Risk

The Company has no material concentrations of credit risk, nor is it a party to any financial instruments with material off-balance sheet risk. Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash and accounts receivable. The Company places its cash with major financial institutions.

Reserves for uncollectible amounts are provided, based on past experience and a specific analysis of the accounts. Management determined there was no such allowance necessary at June 30, 2011.

f)

Inventory

At June 30, 2011 and December 31, 2010, inventory consisted of finished goods and is stated at the lower of cost or market. Cost is based on the first in, first out method. The Company regularly reviews inventory quantities on hand and, when required, provisions are made to reduce excess and obsolete inventories to their estimated net realizable value. No such provision was recorded in 2011 or 2010.

g)

Revenue Recognition and Accounts Receivable

Sales primarily represent sales generated to consumers and independent representatives less any discounts and other deductions. The Company recognizes revenue upon delivery, when both title and the risks and rewards of ownership pass to the independent representatives. More specifically, the Company recognizes revenues when all of the following conditions exist: a) persuasive evidence of an arrangement exists in the form of an accepted purchase order; b) delivery has occurred, based on shipping terms, or services have been rendered; c) the Company s price to the buyer is fixed or determinable, as documented on the accepted purchase order; and d) collectibility is reasonably assured. The Company provides for an estimated allowance for sales returns based on historical product return experience.

Other revenue represents shipping and handling fees billed to consumers and independent representatives.

h)

Stock-based Compensation

The Company records stock-based compensation in accordance with ASC 718, Share-Based Payments, using the fair value method. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. Equity instruments issued to employees and the cost of the services received as consideration are measured and recognized based on the fair value of the equity instruments issued.

i)

Derivative Instruments

The Company evaluates free-standing derivative instruments (or embedded derivatives) to properly classify such instruments within equity or liabilities in our consolidated financial statements.

The classification of a derivative instrument is reassessed at each reporting date. If the classification changes as a result of events during a reporting period, the instrument is reclassified as of the date of the event that caused the reclassification. There is no limit on the number of times a contract may be reclassified.

Instruments classified as derivative liabilities are remeasured each reporting period (or upon classification) and the change in fair value is recorded on our consolidated statement of operations in other (income) expense.

j)

Beneficial Conversion Feature of Convertible Notes Payable

The convertible feature of certain notes payable provides for a rate of conversion that is below market value. Such feature is normally characterized as a "Beneficial Conversion Feature" ("BCF"). We measure the estimated fair value of the BCF in circumstances in which the conversion feature is not required to be separated from the host instrument and accounted for separately, and record that value in the consolidated financial statements as a discount from the face amount of the notes. Such discounts are amortized to interest expense over the term of the notes.

k)

Basic and Diluted Loss Per Common Share

Basic loss per common share is calculated by dividing the net loss by the weighted-average number of common shares outstanding for the period, without consideration for common stock equivalents. Diluted net loss per common share is computed by dividing the net loss by the weighted-average number of common share equivalents outstanding for the period determined using the treasury-stock method if their effect is dilutive. For all periods presented, the effects of all stock-based awards were anti-dilutive due to the net loss incurred and therefore, they were not included in the computation of per share amounts. At June 30, 2011 and December 31, 2010, there were 30,000,000 options to acquire shares of common stock outstanding.

3.

License Agreement

In December 2009, the Company entered into a license agreement with Vivakor, Inc. (Vivakor), a publicly traded company and related party by way of common executive officers, whereby the Company has been granted exclusive worldwide distribution rights to Vivakor s VivaBoost nutraceutical beverage in the direct-to-consumer market. The Company has agreed to purchase $5,000,000 in product over the initial thirty-six month term and, in the event specified purchase milestones are not met during the initial thirty-six month term, Vivakor has the option to modify or terminate the agreement upon 60 days notice. Upon execution of the license agreement, the Company issued to Vivakor 22,734,236 of its common shares, which were valued at $307,915 and recorded as a prepaid license fee. The prepaid license fee is being expensed on a straight-line basis over the initial thirty-six month term of the license agreement. For the three months and six months ended June 30, 2011 and 2010, the Company recognized amortization expense of $25,660 and $51,320, respectively, which decreased the carrying value of the license to a net total of $147,887 ($102,638 short-term and $45,249 long-term) at June 30, 2011.

4.

Other Assets

In February 2011, the Company entered into a two-year agreement with Goal Capital for investor relations consulting services. In connection with the agreement, ten million shares of the Company s common stock were issued to Goal Capital. The shares were valued at a total of $450,000 based on the current stock price of $0.045 per share at time of issuance, which was recorded as a prepaid asset. In the three months and six months ended June 30, 2011, $56,250 and $93,750 was recorded as compensation expense, respectively, which decreased the carrying value of the prepaid asset to $356,250 at June 30, 2011.

5.

Convertible Notes Payable

In the three months ended March 31, 2011, the Company issued $1,122,500 of convertible promissory notes. Under the terms of the note agreements, each note is due interest at 12% per annum, secured by the Company s assets, due in two years from the date of issuance. The notes, along with any accrued interest, shall be convertible into common shares of the Company at the option of the note holder at the lesser of 1) $0.025 per share or 2) 90% of such common stock s fair market value. The notes contain "anti-dilution" protection, such that if the Company issues and sells common stock, or securities convertible into or exercisable for common stock of the Company, at a price per share that is less than the applicable Conversion Price, then the Conversion Price is adjusted downward to match such lower issuance price. On these notes, a debt discount was recorded of approximately $905,500 related to management s determination that under ASC 815, the anti-dilution features of the notes resulted in a derivative liability. Using a binomial lattice valuation model, management determined that the derivative fair value was $905,500 upon issuance of such notes. Accordingly, management recorded a liability of $905,500 and a debt discount of equal amount.

In the three months ended June 30, 2011, the Company issued $1,015,000 of convertible promissory notes. Under the terms of the note agreements, each note is due interest at 12% per annum, secured by the Company s assets, due in two years from the date of issuance. The notes, along with any accrued interest, shall be convertible into common shares of the Company at the option of the note holder at the lesser of 1) $0.025 per share or 2) 90% of such common stock s fair market value. The notes contain "anti-dilution" protection, such that if the Company issues and sells common stock, or securities convertible into or exercisable for common stock of the Company, at a price per share that is less than the applicable Conversion Price, then the Conversion Price is adjusted downward to match such lower issuance price. On these notes, a debt discount was recorded of approximately $763,500 related to management s determination that under ASC 815, the anti-dilution features of the notes resulted in a derivative liability. Using a binomial lattice valuation model, management determined that the derivative fair value was $763,500 upon issuance of such notes. Accordingly, management recorded a liability of $763,500 and a debt discount of equal amount.

Significant assumptions used in such valuation include:

	Three months ended June 30, 2011
Expected life	2 years
Estimated volatility	33.9%
Risk-free interest rate	0.40% 0.81%
Expected dividends	None

In the three months and six months ended June 30, 2011, the Company recognized interest expense of $195,899 and $267,298, respectively, related to such notes. The balance of convertible notes payable is shown net of unamortized discounts in the accompanying condensed consolidated balance sheet.

Below is a table summarizing the Company s balances as of June 30, 2011 related to its convertible notes payable:

	Issue Date	Face Amount	Unamortized Discount	Net Amount	Fair Value of Convertible Option Derivative Value
1)	12/20/2010	$120,000	$40,590	$79,410	$54,443
2)	12/29/2010	130,000	44,643	85,357	59,955
3)	12/31/2010	100,000	23,476	76,524	46,281
4)	1/12/2011	100,000	46,795	53,205	39,122
5)	1/24/2011	175,000	128,825	46,175	71,806
6)	1/28/2011	100,000	53,921	46,079	41,554
7)	2/9/2011	75,000	46,628	28,372	32,192
8)	2/23/2011	375,000	264,356	110,644	166,033
9)	3/9/2011	72,500	42,853	29,647	32,957
10)	3/11/2011	25,000	17,337	7,663	11,404
11)	3/16/2011	200,000	138,513	61,487	92,004
12)	4/7/2011	150,000	138,960	11,040	57,623
13)	4/15/2011	240,000	197,944	42,056	96,398
14)	4/22/2011	100,000	65,930	34,070	41,563
15)	5/18/2011	325,000	168,309	156,691	147,304
16)	5/20/2011	100,000	71,473	28,527	45,562
17)	6/21/2011	100,000	56,421	43,579	48,853
		$2,487,500	$1,546,974	$940,526	$1,085,054

For the three and six months ended June 30, 2011, the change in the estimated fair value of derivative liability resulted in a gain of $937,460 and $692,510, respectively, and is included in other income in the accompanying condensed consolidated statements of operations.

6.

Advances Payable to Related Parties

Advances payable to related parties are noninterest bearing and represent cash advances directly to the Company as well as Company expenditures that were paid for directly by the related parties on behalf of the Company for which the related parties have not been reimbursed. These advances are unsecured and came from directors and officers of the Company.

7.

Stock Incentive Plan

On December 31, 2010, the Company adopted the 2010 Stock Incentive Plan, 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 December 31, 2010, the Company issued certain employees, executives, and consultants 30,000,000 options to purchase Company common stock at $0.025 per share, with vesting ranging from 2 years to 3 years. At June 30, 2011, there were 212,000,000 shares available for future grants under the plan.

The Company recorded compensation costs related to options granted under the 2010 Incentive Plan of $35,415 and $70,830 during the three months and six months ended June 30, 2011, respectively, and total unrecognized compensation costs related to nonvested options as of June 30, 2011 amounted to approximately $299,170. Assuming the grantees continue to be employed by or remain as directors of the Company, that amount will be recognized as compensation expense as follows:

Years ending December 31,		
2011 (remainder of year)	$	70,837
2012		141,667
2013		86,666
	$	299,170

There was no stock option activity during the six months ended June 30, 2011.

8.

Commitments and Contingencies

Operating Leases

The Company leases approximately 8,700 square feet of office space under a lease due to expire on April 30, 2016. Rent expense totaled $38,219 and $18,743 in the six months ended June 30, 2011 and 2010, respectively.

As of June 30, 2011, the Company s future annual minimum lease payments are as follows:

		Amount
2011 (remainder of year)	$	46,962
2012		90,448
2013		97,404
2014		102,624
Thereafter		145,452
	$	482,890

Legal

The Company may be involved from time to time in various claims, lawsuits, disputes with third parties, actions involving allegations or discrimination or breach of contracts actions incidental to the normal course of operations. Other than what is disclosed below, the Company is currently not involved in any such litigation that management believes could have a material adverse effect on its financial position or results of operations.

The Company is presently involved in the following material pending legal proceedings not incidental to the business of the Company:

In March 2009, a lawsuit was filed in the United States District Court, District of Utah, Central Division, against the Company by Republic Bank. The lawsuit alleged that the Company breached the terms of a Lease Agreement involving Mazuma Capital Corp. and the Company. Republic Bank sought monetary damages and return of certain equipment. On February 9, 2011, Summary Judgment was entered in favor of Republic Bank. Subsequently, the

Company and Republic Bank finalized the terms of a settlement agreement during the 2nd quarter of 2011. The terms of the settlement are the forfeiture of the security deposit on the lease, the leased property, and payments totaling $200,000. The Company was indemnified by a group of stockholders against claims originating before the Merger, and as of December 1, 2011 such stockholders have paid approximately $150,000 and are obligated to make monthly payments of $8,791 per month per month for six more months. If not paid by such stockholders, the Company would still be obligated to pay Republic Bank and then pursue its claim for indemnification against the stockholders.

In March 2011, a lawsuit was filed in the Superior Court of California, County of San Diego, South County Division against the Company by Frederick Chorney. The lawsuit alleges that the Company breached the terms of a consulting agreement between the Company and Mr. Chorney. Mr. Chorney is seeking monetary damages in the amount of $150,000. Mr. Chorney has requested a jury trial which is currently in the discovery stage. The Company, based on advice from counsel, cannot provide assurances as to the outcome of this matter.

9.

Equity Transactions

During the three months ended June 30, 2011, the Company issued 4,000,000 common shares for cash proceeds of $100,000.

10.

Subsequent Events

Management has evaluated events subsequent to June 30, 2011 through the date that the accompanying condensed consolidated 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.

On July 15, 2011, the Company s Board of Directors filled two vacancies on the Board of Directors by appointing Mr. Hector Albert Sectzer and Mr. Dwight D. Baron to serve as directors until the next annual shareholders meeting or until their successors are elected and qualified.

Effective August 19, 2011, the Board of Directors terminated Adam Vincent Gilmer as President of the Company. The role of President and Chief Executive Officer (CEO) was combined and Matt Nicosia, the Company s CEO, assumed the duties of President. Pursuant to the Employment Agreement with Mr. Gilmer, any termination of employment is also deemed to be a voluntary resignation from the Board of Directors. As a result of the termination, one vacancy was created on the Board of Directors.

In August 2011, the Company issued 30,000,000 common shares with a fair value of $600,000 in connection with an employment agreement and license agreement with Shirish Phulgaonkar, valued at $.02 per share based on the Company s common stock trading price at the time of issuance.

In August 2011, the Company issued 5,000,000 common shares with a fair value of $100,000 for services rendered, valued at $.02 per share based on the Company s commons stock trading price at the time of issuance

In August 2011, the Company issued 26,842,727 common shares in connection with the conversion of convertible notes payable with a face amount of $475,000 and accrued interest of $30,878, in accordance with the terms of conversion in the notes.

In September 2011, the Company issued 18,888,890 common shares in connection with the conversion of convertible notes payable with a face amount of $340,000, in accordance with the terms of conversion in the notes.

In October 2011, the Company issued 2,800,000 common shares with a fair value of $42,000 in connection with convertible notes payable issued in October 2011, in accordance with the terms of conversion in the notes.

In October 2011, the Company issued 500,000 common shares with a fair value of $7,500 for services rendered, valued at $.015 per share based on the Company s common stock trading price at the time of issuance.

In November 2011, the Company issued 3,267,974 common shares for cash proceeds of $50,000, at $.015 per share.

In December 2011, Dr. Shirish Phulgaonkar resigned from his position as Chief Scientific Officer of the Company citing personal and health reasons.

ITEM 2.

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

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) contains forward-looking statements that involve known and unknown risks, significant uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed, or implied, by those forward-looking statements. You can identify forward-looking statements by the use of the words may, will, should, could, expects, plans, anticipates, believes, estimates, predicts, intends, potential, proposed, or continue or the negative of those terms. These statements are only predictions. In evaluating these statements, you should consider various factors which may cause our actual results to differ materially from any forward-looking statements. Although we believe that the exceptions reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update publicly any forward-looking statements for any reason.

BUSINESS

The Company s business strategy is a hybrid model combining the best of network marketing and direct response marketing. The Company pre-launched its network marketing activities in February 2011 along with the launch of its male enhancement product RegenErect™. The Company launched its direct response marketing activities in the second quarter of 2011, as well as its appetitie control product RegeneSlim™. The Company officially launched its entire functional business model, including both network marketing and direct response marketing, in November 2011.

The Company drives customer acquisition through direct response marketing channels, such as television and radio, while concurrently developing a customer base and sales organization that stretches across the United States and, eventually, the globe. The Company s customer acquisition activities support the efforts of the network marketing organization by providing customers and creating brand recognition.

Subsequent Events

This Quarterly Report on Form 10-Q for the period ended June 30, 2011 is being filed with the Securities and Exchange Commission on or about December 20, 2011. Due to the delay in filing this report, a number of material subsequent events have occurred since June 30, 2011. These events include:

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On July 15, 2011, the Company s Board of Directors filled two vacancies on the Board of Directors by appointing Mr. Hector Albert Sectzer and Mr. Dwight D. Baron to serve as directors until the next annual shareholders meeting or until their successors are elected and qualified.

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Effective August 19, 2011, the Board of Directors terminated Adam Vincent Gilmer as President of the Company. The role of President and CEO was combined and Matt Nicosia, the Company s CEO, assumed the duties of President. Pursuant to the Employment Agreement with Mr. Gilmer, any termination of employment is also deemed to be a voluntary resignation from the Board of Directors. As a result of the termination, one vacancy was created on the Board of Directors.

RESULTS OF OPERATIONS

Operating Revenues

During the three and six months ended June 30, 2011, the Company recognized revenues of $1,284,931 and $2,071,836 compared with $64,274 and $68,982 for the three and six months ended June 30, 2010, respectively. The operating revenues are comprised primarily of sales of the Company s RegenErect™ product. Other components of revenue include freight and service. The increase in revenues is attributable to the change in the Company s business strategy, the introduction of RegenErect and the pre-launch of the Company s networking marketing program in February 2011. Revenues for the three months ended June 30, 2011 were lower due to the FDA recall of RegenErect on April 29, 2011. The Company began shipment of a new formulation of RegenErect in late May 2011, but sales of the new formulation were much less than they had been for the original product.

Operating Expenses and Net Loss

Operating expenses for the three and six months ended June 30, 2011 were $2,553,556 and $4,369,085 and are comprised of costs associated with general and administrative costs such as staff salaries, consulting, marketing, and legal and accounting, and selling expenses such as marketing and business development, specifically the marketing costs associated with the increased advertising and media expenses surrounding the launch of RegeneSlim™ and launch of the Company s direct response marketing program.

Operating expenses for the three and six months ended June 30, 2010 were $350,273 and $472,933 and are comprised of costs associated with general and administrative costs such as staff salaries, consulting, marketing, and legal and accounting, and selling expenses such as marketing and business development.

Other income for the three months ended June 30, 2011 totaled $904,777. This total includes again recorded for the change in value of the derivative liability associated with the Company s convertible notes payable of $937,460, as well as the accretion of the related debt discount totaling $195,899 which was recorded as interest expense.

For the three and six months ended June 30, 2011, the Company incurred a net loss of $904,777 and $2,461,378 compared with a net loss of $293,800 and $412,760 for the three and six months ended June 30, 2010, respectively. The increase in net loss is due to increased marketing expenses related to the introduction of RegenSlim™ and the launch of the Company s direct response marketing program. A decrease in sales due to the FDA recall of our original formulation of RegenErect™ also contributed to the increase in net loss. In the three months ended June 30, 2011, the net loss was lower than in the three months ended March 31, 2011 primarily due to a gain of $937,460 on the change of value of the derivative liability from the Company s convertible notes payable.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

	June 30, 2011	June 30, 2010
Current Assets	$ 1,195,923	$ 262,853
Current Liabilities	3,388,936	260,228
Working (Deficit) Capital	$ (2,193,013)	$ 2,625

Cash Flows

	For the six months ended	
	June 30, 2011	June 30, 2010
Cash Flows used in Operating Activities	$ (1,980,836)	$ (3,093)
Cash Flows used in Investing Activities	(8,739)	(2,500)
Cash Flows from Financing Activities	2,237,500	3,550
Net Increase (Decrease) in Cash During Period	$ 247,925	$ (2,043)

At June 30, 2011, the Company had cash of $464,401, current assets of $1,195,923, total assets of $1,380,675, total liabilities of $3,388,936, and a stockholders deficit of $2,008,261.

At June 30, 2011, the Company had negative working capital of $2,193,013 compared with a working capital of $2,625 at June 30, 2010. The increase in working capital deficit was attributed to the fact that the Company had higher accrued liabilities due to its expanded operating expenses, as well as liabilities related to its convertible notes payable and derivative liabilities.

Cash Flows from Operating Activities

During the six months ended June 30, 2011, the Company used $1,980,836 of cash for operating activities compared to the use of $3,093 of cash from operating activities during the six months ended June 30, 2010. The change in net cash used in operating activities is attributed to the fact that the Company was launching RegenErect™ and RegeneSlim™ and its network marketing and direct response programs in the six months ended June 30, 2011.

Cash Flows from Financing Activities

During the six months ended June 30, 2011, the Company received $2,237,500 of cash from financing activities compared to $3,550 for the six months ended June 30, 2010. The change in cash flows from financing activities is attributed to the fact that the Company issued notes payable in the six months ended June 30, 2011 in order to fund the Company s launch activities.

Going Concern

The Company does not have sufficient cash on hand to fund its administrative and other operating expenses or its proposed sales and marketing programs for the next twelve months. During the first nine months of 2011, the Company has issued $2,587,500 in convertible promissory notes in exchange for cash to fund operations. The Company s ability to become a profitable operating company is dependent upon obtaining financing adequate to fulfill its market introduction activities, and achieving a level of revenues adequate to support the Company s cost structure. Management intends to finance the Company s operations from loans and advances from current stockholders, future public and private debt and equity offerings and proceeds from product sales. However, there can be no assurance that additional capital will be available, which may affect the Company s ability to continue as a going concern. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

OFF-BALANCE SHEET ARRANGEMENT

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.

CRITICAL ACCOUNTING POLICIES

Our financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We believe that the estimates and assumptions that are most important to the portrayal of our financial condition and results of operations, in that they require the most difficult, subjective or complex judgments, form the basis for the accounting policies deemed to be most critical to us. These critical accounting policies relate to beneficial conversion feature of convertible notes payable, impairment of long lived assets, stock compensation, and evaluation of contingencies. We believe estimates and assumptions related to these critical accounting policies are appropriate under the circumstances; however, should future events or occurrences result in unanticipated consequences, there could be a material impact on our future financial condition or results of operations.

There have been no changes to our critical accounting policies as disclosed in our Form 10-K for the year ended December 31, 2010.

ITEM 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 4.

CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by our company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our management carried out an evaluation under the supervision and with the participation of our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act"). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective based on our material weakness in the form of lack of segregation of duties, which stems from our early stage status and limited capital resources to hire additional financial and administrative staff. Please refer to our Annual Report on Form 10-K as filed with the SEC on December 20, 2011, for a complete discussion relating to the foregoing evaluation of Disclosures and Procedures.

Changes in Internal Control over Financial Reporting

Our management has also evaluated our internal control over financial reporting, and there have been no significant changes in our internal controls or in other factors that could significantly affect those controls subsequent to the date of our last evaluation.

PART II - OTHER INFORMATION

ITEM 1.

LEGAL PROCEEDINGS.

From time to time, we are involved in routine legal matters incidental to our business. In the opinion of management, the ultimate resolution of such matters will not have a material adverse effect on our financial position, results of operations or liquidity.

Consistent with Item 103 of Regulation S-K, we are presently involved in the following material pending legal proceedings not incidental to the business of the Company:

In March 2009, a lawsuit was filed in the United States District Court, District of Utah, Central Division, against Ethos Environmental, Inc. by Republic Bank. The lawsuit alleges that the Company breached the terms of a Lease Agreement involving Mazuma Capital Corp. and Ethos. Republic Bank is seeking monetary damages and return of certain equipment. On February 9, 2011, Summary Judgment was entered in favor of Republic Bank. The Company and Republic Bank finalized the terms of a settlement agreement during the 2nd quarter of 2011. The terms of the settlement are the forfeiture of the security deposit on the lease, the leased property, and payments totaling $200,000. The Company was indemnified by a group of shareholders against claims originating prior to the Merger, and as of December 20, 2011 such shareholders have paid approximately $150,000 and are obligated to make monthly payments of $8,334 per month plus interest for through June 2012. If not paid by such shareholders, the Company would still be obligated to pay Republic Bank and then pursue its claim for indemnification against the shareholders.

In March 2011, a lawsuit was filed in the Superior Court of California, County of San Diego, South County Division against the Company by Frederick Chorney. The lawsuit alleges that the Company breached the terms of a consulting agreement between the Company and Mr. Chorney. Mr. Chorney is seeking monetary damages in the amount of $150,000. Mr. Chorney has requested a jury trial which is currently in the discovery stage. The Company, based on advice from council, cannot provide assurances as to the outcome of this matter at this time.

ITEM 1A.

RISK FACTORS

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 2.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

1.

Quarterly Issuances:

In May 2011, the Company issued 4,000,000 common shares for cash proceeds of $100,000.

2.

Subsequent Issuances:

In August 2011, the Company issued 30,000,000 common shares with a fair value of $600,000 in connection with an employment agreement and license agreement with Shirish Phulgaonkar, valued at $.02 per share based on the Company s common stock trading price at the time of issuance.

In August 2011, the Company issued 5,000,000 common shares with a fair value of $100,000 for services rendered, valued at $.02 per share based on the Company s commons stock trading price at the time of issuance

In August 2011, the Company issued 26,842,727 common shares in connection with the conversion of convertible notes payable with a face amount of $475,000 and accrued interest of $30,878, in accordance with the terms of conversion in the notes.

In September 2011, the Company issued 18,888,890 common shares in connection with the conversion of convertible notes payable with a face amount of $340,000, in accordance with the terms of conversion in the notes.

In October 2011, the Company issued 2,800,000 common shares with a fair value of $42,000 in connection with convertible notes payable issued in October 2011, in accordance with the terms of conversion in the notes.

In October 2011, the Company issued 500,000 common shares with a fair value of $7,500 for services rendered, valued at $.015 per share based on the Company s common stock trading price at the time of issuance.

In November 2011, the Company issued 3,267,974 common shares for cash proceeds of $50,000, at $.015 per share.

In December 2011, Dr. Shirish Phulgaonkar resigned from his position as Chief Scientific Officer of the Company citing personal and health reasons.

ITEM 3.

DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4.

[REMOVED AND RESERVED]

ITEM 5.

OTHER INFORMATION

None.

ITEM 6.

EXHIBITS

The following exhibits are filed with this Quarterly Report on Form 10-Q:

Index to Exhibits

Exhibit Number	Description of Exhibit	Filing
3.01	Amended and Restated Articles of Incorporation	Filed with the SEC on May 24, 2011 as part of our Definitive Information Statement on Schedule 14C.
3.02	Amended and Restated Bylaws effective as of January 20, 2011	Filed with the SEC on December 20, 2011 as part of our Annual Report on Form 10-K.
10.1	Agreement and Plan of Merger by and among Ethos Environmental, Inc., EEI Acquisition Corporation and Regeneca International, Inc. dated December 14, 2010	Filed with the SEC on January 4, 2011 as part of our Current Report on Form 8-K.
14.1	Code of Ethics	Filed with the SEC on April 15, 2009 as part of our Annual Report on Form 10-K.
16.1	Letter from former independent public accountant for the registrant, M&K CPAS, PLLC, dated September 16, 2011	Filed with the SEC on September 20, 2011 as part of our Current Report on Form 8-K.
21.1	List of Subsidiaries	Filed with the SEC on December 20, 2011 as part of our Annual Report on Form 10-K.
31.01	Certification of Principal Executive Officer Pursuant to Rule 13a-14	Filed herewith.
31.02	Certification of Principal Financial Officer Pursuant to Rule 13a-14	Filed herewith.
32.01	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act	Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

REGENECA, INC.

Dated: December 20, 2011

By:

*/s/ Matthew Nicosia*____________

MATTHEW NICOSIA

Chief Executive Officer

(Principal Executive Officer),

President and Director

*/s/ Daniel Kerker*______________

DANIEL KERKER

Chief Financial Officer

(Principal Financial Officer

and Principal Accounting

Officer) and Treasurer