LIVEWIRE ERGOGENICS INC.
Form 10-Q
May 20, 2014

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2014
OR

[ ] TRANSITION REPORT UNDER SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________ to _____________

LIVEWIRE ERGOGENICS INC.
(Exact name of registrant as specified in its charter)

Nevada	000-54588	26-1212244
(State or other jurisdiction of incorporation or organization)	(Commission file no.)	(IRS Employee Identification No.)

24845 Corbit Place
Yorba Linda, CA 92887
(Current Address of Principal Executive Offices)

Phone number: (714) 940-0155
(Issuer Telephone Number)

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, as amended (the "Exchange Act") during the past 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 [X] No [ ]

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2of the Exchange Act). Check one:

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [ ] 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]

The number of shares of Common Stock of the issuer outstanding as of May 19, 2014 was 134,424,423.

1

Table of Contents

Table of Contents

LiveWire Ergogenics, Inc.
Condensed Consolidated Balance Sheets

		March 31, 2014 (Unaudited)		December 31, 2013
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$	67,458	$	8,342
Accounts receivable, net		31,025		-
Other receivable		27,035		-
Advance to suppliers		61,750		-
Inventory, net		66,823		46,234
Prepaid and other current assets		23,430		930
Total current assets		277,521		55,506
Property and equipment, net		10,565		7,456
Total assets	$	288,086	$	62,962
LIABILITIES AND STOCKHOLDERS' DEFICIT				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$	93,006	$	104,145
Accounts payable - related party		206,341		236,341
Notes payable		66,500		165,096
Convertible debentures, net		237,939		322,859
Total liabilities		603,786		828,441
STOCKHOLDERS' DEFICIT				
Preferred stock, $0.0001 par value, 10,000,000 shares authorized		-		-
Series B convertible preferred stock, $0.0001 par value, 150,000 shares designated, 134,724 shares issued and outstanding at March 31, 2014 and December 31, 2013, liquidation preference is $1 per share		13		13
Series C convertible preferred stock, $0.0001 par value, 75 shares designated, 75 and 0 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively, liquidation preference is $200 per share		-		-
Common stock, $0.0001 par value, 150,000,000 and 100,000,000 shares authorized, respectively, 131,120,297 and 86,807,868 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively		13,111		8,681
Class A convertible common stock, $0.0001 par value, 1,000,000 shares designated, 0 shares issued and outstanding at March 31, 2014 and December 31, 2013		-		-
Subscription receivable		(45,000)		(45,000)
Additional paid-in-capital		6,484,371		3,221,758
Accumulated deficit		(6,768,195)		(3,950,931)
Total stockholders' deficit		(315,700)		(765,479)

Total liabilities and stockholders' deficit	$	288,086	$	62,962

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

Table of Contents

LiveWire Ergogenics, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Income:		
Sales	$ 63,034	$ 17,788
Cost of goods sold	18,449	8,297
Gross Profit	44,585	9,491
Operating Expenses:		
Selling costs	19,252	13,751
General and administrative costs	2,075,380	233,165
Depreciation	1,891	1,898
Total Operating Expenses	2,096,523	248,814
Loss from operations	(2,051,938)	(239,323)
Other Expenses (Income):		
Gain on change in fair value of derivative liability	-	(42,767)
Loss on settlement of debt	99,988	-
Amortization of debt discount	42,128	79,420
Interest expense	623,210	4,900
Total other expenses	765,326	41,553
Net Loss Before Provision for Income Taxes	$ (2,817,264)	$ (280,876)
Income Tax	-	-
Net Loss	$ (2,817,264)	$ (280,876)
Basic and diluted loss per share	$ (0.03)	$ (0.00)
Weighted average shares outstanding - basic and diluted	106,586,999	68,460,139

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

Table of Contents

LiveWire Ergogenics, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	For the three months ended March 31, 2014	2013
Cash Flows From Operating Activities:		
Net loss	$ (2,817,264)	$ (280,876)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,891	1,898
Loss on settlement of debt	99,988	-
Change in fair value of derivative liability	-	(42,767)
Amortization of debt discount	42,128	79,420
Stock based compensation expense	1,891,183	-
Common stock issued for interest expense	614,200	-
Bad debt expense	-	4,515
Change in operating assets and liabilities:		
Accounts receivable	(31,025)	(40)
Other receivables	(27,035)	-
Advance to suppliers	(61,750)	-
Inventory	(20,590)	(39,049)
Prepaid and other assets	(22,500)	-
Accounts payable and accrued expenses	6,040	3,431
Accounts payable - related parties	(30,000)	134,000
Net cash used in operating activities	(354,734)	(139,468)
Cash Flows From Investing Activities		
Purchase of equipment	(5,000)	-
Net cash used in investing activities	(5,000)	-
Cash Flows From Financing Activities		
Cash overdraft	-	957
Proceeds from notes payable	-	11,500
Proceeds from convertible notes payable	78,500	100,000
Advance from stockholders	-	34,946
Repayment of advances to stockholders	-	(10,045)
Repayment of shareholder loans	(23,000)	-
Repayment of note payable	(5,000)	-
Share issued for cash	368,350	-
Net cash provided by financing activities	418,850	137,358
Net increase (decrease) in Cash	59,116	(2,110)
Cash at Beginning of Period	8,342	2,110
Cash at End of Period	$ 67,458	$ -

Supplemental Disclosure of Cash Flow Information				
Cash paid for interest	$	3,354	$	-
Cash paid for income taxes	$	-	$	-
Non Cash Investing and Financing Activities				
Beneficial conversion feature on convertible notes	$	78,500	$	161,478
Conversion of accounts payable - related party to convertible notes payable	$	-	$	90,045
Common stock issued for payment of notes payable	$	50,000	$	-
Common stock issued for payment of convertible notes payable	$	81,300	$	-
Conversion of interest to note payable	$	1,233	$	-
Conversion of debt to class A common stock	$	20,596	$	-
Conversion of Class A common stock to common stock	$	100	$	-
Accounts payable settled by issuance of common stock	$	12,973	$	-

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

Table of Contents

LIVEWIRE ERGOGENICS INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

NOTE 1 – BASIS OF PRESENTATION AND NATURE OF OPERATIONS

The Company

LiveWire MC2, LLC ("LVWR") was organized under the laws of the State of California on January 7, 2008 as a limited liability company. LVWR was formed for the purpose of developing and marketing consumable energy supplements. LVWR adopted December 31 as the fiscal year end.

On June 30, 2011, LVWR, together with its members, entered into a purchase agreement (the "Purchase Agreement"), for a share exchange with SF Blu Vu, Inc., ("SF Blu"), a public Nevada shell corporation. SF Blu Vu Inc. was formed in Nevada on October 9, 2007 under the name Semper Flowers, Inc. On May 15, 2009 the Company changed its name to SF Blu Vu, Inc. The Purchase Agreement was ultimately completed on August 31, 2011. Under the terms of the purchase agreement (the "Purchase Agreement"), SF Blu issued 36,000,000 (30,000,000 shares pre stock split of 1 additional share for every five shares held) of their common shares for 100% of the members' interest in LVWR. Subsequent to the Purchase Agreement, the members of LVWR owned 60% of common shares of SF Blu, effectively obtaining operational and management control of SF Blu. For accounting purposes, the transaction has been accounted for as a reverse acquisition under the purchase method of business combinations, and accordingly the transaction has been treated as a recapitalization of LVWR, the accounting acquirer in this transaction, with SF Blu (the shell) as the legal acquirer.

Subsequent to the Purchase Agreement the financial statements presented are those of LVWR, as if the Purchase Agreement had been in effect retroactively for all periods presented. Immediately following completion of the Purchase Agreement, LVWR and their stockholders had effective control of SF Blu even though SF Blu had acquired LVWR. For accounting purposes, LVWR will be deemed to be the accounting acquirer in the transaction and, consequently, the transaction will be treated as a recapitalization of LVWR i.e., a capital transaction involving the issuance of shares by SF Blu for the members' interest in LVWR. Accordingly, the assets, liabilities and results of operations of LVWR, became the historical financial statements of SF Blu at the closing of the Purchase Agreement, and SF Blu's assets, liabilities and results of operations have been consolidated with those of LVWR commencing as of August 31, 2011, the date the Purchase Agreement closed. SF Blu is considered the accounting acquiree, or legal acquirer, in this transaction. No step-up in basis or intangible assets or goodwill will be recorded in this transaction. As this transaction is being accounted for as a reverse acquisition, all direct costs of the transaction have been charged to additional paid-in capital. All professional fees and other costs associated with transaction have been charged to additional paid-in-capital.

Subsequent to the Purchase Agreement being completed, SF Blu as the legal acquirer and surviving company, together with their controlling stockholders from LVWR changed the name of SF Blu to LiveWire Ergogenics, Inc. ("LiveWire") on September 20, 2011. Hereafter, SF Blu, LVWR, or LiveWire are referred to as the "Company", unless specific reference is made to an individual entity.

Table of Contents

NOTE 1 – BASIS OF PRESENTATION AND NATURE OF OPERATIONS (CONTINUED)

In contemplation, and in connection with the Purchase Agreement, the Company's directors on July 19, 2011 adopted resolutions determining the Designations, Rights and Preferences of the Series A Preferred Stock ("Series A") consisting of One Million (1,000,000) shares. The Series A is senior to the common stock and all other shares of Preferred Stock that may be later authorized. Each outstanding share of Series A has One Thousand (1,000) votes on all matters submitted to the stockholders and votes with the common stock on all matters. The Series A shares vote separately as a class has the right to elect three persons to serve on the board of directors. The shares of Series A (i) do not have a liquidation preference; (ii) do not accrue, earn, or participate in any dividends; (iii) are not subject to redemption by the Corporation; and (iv) each share of Series A has one thousand (1,000) votes per share and votes with the common stock on all matters. As such, the Series A has voting control of the Company and may use its majority control to affect the interests of the Company's common stockholders.

After December 31, 2012, each outstanding share of Series A may be converted, at the option of the owner, into fifty (50) shares of the Company's common stock; provided however, that no conversion shall be permitted unless (i) the Company's common stock is quoted for public trading in the United States or other international securities market and (ii) the Company's market capitalization (i.e., the number of issued and outstanding shares of common stock multiplied by the daily closing price) has exceeded Fifty Million Dollars ($50,000,000) for 90 consecutive trading days. These provisions, if executed by the holders of the Series A, may significantly dilute the Company's common stockholders after December 31, 2012.

On July 19, 2011, the Company issued 1,000,000 shares of the newly created Series A to Weed & Co. LLP, ("Weed & Co") or its designee, in exchange for a $100,000 reduction of the outstanding accounts payable, being the equivalent of One Cent ($0.1) per share of Series A. Weed & Co., had provided legal services to SF Blu as a shell prior to the Purchase Agreement, and to the Company subsequent to the Purchase Agreement. Subsequent to the issuance of the Series A, Weed & Co assigned the Series A to a third party. On July 21, 2011 in connection with this Series A issuance, a Contingent Option Agreement ("Contingent Option") was entered into between the two primary members of LVWR and the holder of the issued Series A. Under the terms of this Contingent Option the holder of the Series A is not allowed to transfer, sell or borrow against the Series A shares. Under the Contingent Option the two members of LVWR could purchase the issued Series A under the following circumstances:

- Provided that LVWR becomes a subsidiary of a public entity any time prior to December 31, 2012, the two members of LVWR could purchase the Series A for $400,000.
- Provided that LVWR becomes a subsidiary of a public entity, and that entity has not secured an investment of $350,000 prior to December 31, 2011 or March 31, 2012, the two members of LVWR could purchase the Series A for $2.
- Provided that LVWR becomes a subsidiary of a public entity, and that entity has not secured an investment of $600,000 prior to June 30, 2012, the two members of LVWR could purchase the Series A for $2.
- Provided that LVWR becomes a subsidiary of a public entity, and that entity has not secured an investment of $850,000 prior to December 31, 2012, the two members of LVWR could purchase the Series A for $2.
- Provided that LVWR becomes a subsidiary of a public entity, and that entity reports cumulative gross revenue of $600,000 by June 30, 2012, the two members of LVWR could purchase the Series A for $2.
- Provided that LVWR becomes a subsidiary of a public entity, and that entity reports cumulative gross revenue of $1,500,000 by December 31, 2012, the two members of LVWR could purchase the Series A for $2.
-

Provided that LVWR becomes a subsidiary of a public entity, and that entity secures funding in excess of $200,000 through the efforts of the two members, then the two members of LVWR could purchase the Series A for $2.

Based on the above noted terms of the Contingent Option the Company accounted for the issued Series A, similar to that of the 36,000,000 (30,000,000 shares pre stock split of 1 additional share for every five shares held) shares of common stock issued with the Purchase Agreement, as the terms of the Contingent Option are effectively made to ensure that the Series A, and any benefit there under, would ultimately reside with the LVWR members. Accordingly, the Series A are treated as having been issued by the accounting acquirer, or LVWR, since inception for all periods presented.

In March 2012, Bill Hodson and Brad Nichols exercised their rights under the Contingent Option Agreement dated July 21, 2011 with Rick Darnell. Based upon the Agreement and fulfillment of contingencies in the Agreement, Bill Hodson and Brad Nichols each acquired 500,000 shares of the Series A from Rick Darnell for $2.00.

On December 4, 2012, the Company reached an agreement with the holders of the Company's Series A Preferred Stock to surrender and cancel all outstanding shares of the Company's Series A Preferred Stock. A copy of the Acknowledgement of Surrender and Cancelation of the Series A Preferred Stock is attached as Exhibit 4.4 to the Form 8-k filed on December 4, 2012. The surrender and cancelation of the Series A Preferred Stock improves the Company's capital structure because it eliminated the super voting provisions and conversion features that, if exercised by the holders, might dilute the common stockholders of the Company.

Table of Contents

NOTE 1 – BASIS OF PRESENTATION AND NATURE OF OPERATIONS (CONTINUED)

Interim Financial Statements

These unaudited condensed consolidated financial statements as of and for the three months ended March 31, 2014 and 2013 reflect all adjustments which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows for the periods presented in accordance with the accounting principles generally accepted in the United States of America. All adjustments are of a normal recurring nature.

These interim unaudited condensed consolidated financial statements should be read in conjunction with LVWR's financial statements and notes thereto for the years ended December 31, 2013 and 2012 included in the Company's Form 10-K filed with the United States Securities and Exchange Commission on April 14, 2014. The Company assumes that the users of the interim financial information herein have read, or have access to, the audited consolidated financial statements for the preceding period, and that the adequacy of additional disclosure needed for a fair presentation may be determined in that context. The results of operations for the three month period ended March 31, 2014 are not necessarily indicative of results for the entire year ending December 31, 2014.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Advertising

Advertising is expensed as incurred and is included in selling costs on the accompanying statements of operations. Advertising and marketing expense for the three months ended March 31, 2014 and 2013 was approximately $19,000 and $14,000, respectively.

Accounts Receivable

Accounts receivable are presented net of an allowance for doubtful accounts. The Company maintains allowances for doubtful accounts for estimated losses. The Company reviews the accounts receivable on a periodic basis and makes general and specific allowances when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, the Company considers many factors, including the age of the balance, a customer's historical payment history, its current credit-worthiness and current economic trends. Accounts are written off after exhaustive efforts at collection. At March 31, 2014 and December 31, 2013, the Company has established, based on a review of its outstanding balances, an allowance for doubtful accounts in the amount of $28,098.

Basis of Accounting

These unaudited condensed consolidated financial statements have been prepared using the basis of accounting generally accepted in the United States of America for interim financial statements and with Form 10-Q and article 8 of the Regulation S-X of the United States Securities and Exchange Commission ("SEC"). Under this basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Cash and Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less and money market accounts to be cash equivalents. There were no cash equivalents at March 31, 2014 and December 31, 2013.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Derivative Liabilities

The Company assessed the classification of its derivative financial instruments as of March 31, 2014, which consist of convertible instruments and rights to shares of the Company's common stock, and determined that such derivatives meet the criteria for liability classification under ASC 815.

ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to the requirements of ASC 815. ASC 815 also provides an exception to this rule when the host instrument is deemed to be conventional, as described.

Table of Contents

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory is stated at the lower of cost or market value using the FIFO method. Inventory consists primarily of finished goods and packaging materials and production supplies, i.e. packaged consumable energy supplements, manufactured under contract, and the wrappers and containers they are sold in. A periodic inventory system is maintained by 100% count. Inventory is replaced periodically to maintain the optimum stock on hand available for immediate shipment.

Fair Value of Financial Instruments

Effective January 1, 2008, the Company adopted FASB ASC 820-Fair Value Measurements and Disclosures, or ASC 820, for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements establishes a framework for measuring fair value and expands disclosure about such fair value measurements. The adoption of ASC 820 did not have an impact on the Company's financial position or operating results, but did expand certain disclosures.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1:	Observable inputs such as quoted market prices in active markets for identical assets or liabilities
Level 2:	Observable market-based inputs or unobservable inputs that are corroborated by market data
Level 3:	Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The Company did not have any Level 2 or Level 3 assets or liabilities as of March 31, 2014, with the exception of its convertible notes payable. The carrying amounts of these liabilities at March 31, 2014 approximate their respective fair value based on the Company's incremental borrowing rate.

Cash is considered to be highly liquid and easily tradable as of March 31, 2014 and therefore classified as Level 1 within our fair value hierarchy.

In addition, FASB ASC 825-10-25 Fair Value Option, or ASC 825-10-25, was effective for January 1, 2008. ASC 825-10-25 expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. The Company did not elect the fair value options for any of its qualifying financial instruments.

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with professional standards for "Accounting for Derivative Instruments and Hedging Activities".

Professional standards generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. Professional standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as "The Meaning of "Conventional Convertible Debt Instrument".

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with professional standards when "Accounting for Convertible Securities with Beneficial Conversion Features," as those professional standards pertain to "Certain Convertible Instruments." Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note.

ASC 815-40 provides that, among other things, generally, if an event is not within the entity's control could or require net cash settlement, then the contract shall be classified as an asset or a liability.

Income Taxes

Prior to the Purchase Agreement LVWR was taxed as a limited liability company, which is a 'pass through entity' for tax purposes. Taxable income flowed through to its members, and income taxes were not levied at the company level. Subsequent to the reverse merger LVWR became a subsidiary of the SF Blu and is taxed at the Company's marginal corporate rate. The Company accounts for income taxes under the provisions of ASC Section 740-10-30, which is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in their consolidated financial statements or tax returns.

Stock Based Compensation

The Company accounts for the grant of stock options and restricted stock awards in accordance with ASC 718, "Compensation-Stock Compensation." ASC 718 requires companies to recognize in the statement of operations the grant-date fair value of stock options and other equity based compensation.

Table of Contents

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of Revenue

Sales are recorded at the time title of goods sold passes to customers, which based on shipping terms which generally occurs when the product is shipped to the customer and collectability is reasonably assured. Based on prior experience, the Company reasonably estimates its sales returns and warranty reserves. Sales are presented net of discounts and allowances. Discounts and allowances are determined when a sale is negotiated. The Company does not grant price adjustments after a sale is complete. The Company warrants its products sold on the internet with a right of exchange by means of an approved Return Merchandise Authorization (RMA). Returns of unused merchandise are similarly authorized. Warranty and return policy for product sold through retail distribution channels is negotiated with each customer.

The Company's revenue is primarily derived from sales of their consumable energy supplement products through distributors who distribute their products to retailers. The Company also sells their products directly to consumers; this is normally done through internet sales. This portion of their sales is minimal.

Shipping costs

Shipping costs are included in cost of goods sold and totaled approximately $4,400 and $2,900 for the three months ended March 31, 2014 and 2013, respectively.

Earnings (loss) per common share

The Company utilizes the guidance per FASB Codification "ASC 260 "Earnings Per Share". Basic earnings per share is calculated on the weighted effect of all common shares issued and outstanding, and is calculated by dividing net income available to common stockholders by the weighted average shares outstanding during the period. Diluted earnings per share, which is calculated by dividing net income available to common stockholders by the weighted average number of common shares used in the basic earnings per share calculation, plus the number of common shares that would be issued assuming conversion of all potentially dilutive securities outstanding, is not presented separately as it is anti-dilutive. Such securities, shown below, presented on a common share equivalent basis and outstanding as of March 31, 2014 and 2013 have been excluded from the per share computations:

	For the Three Months Ended March 31,	
	2014	2013
Convertible Notes Payable	9,769,389	6,183,732
Warrants	6,680,002	5,805,002
Series B Preferred Stock	134,724	-
Series C Preferred Stock	600,000	-

Long Lived Assets

The Company follows Accounting Standards Codification subtopic 360-10, Property, Plant and Equipment ("ASC 360-10"). ASC 360-10 requires those long-lived assets and certain identifiable intangibles held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. The Company evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should impairment in value be indicated, the carrying value of intangible assets will be adjusted, based on estimates of future discounted cash flows resulting from the use and ultimate disposition of the asset. ASC 360-10 also requires assets to be disposed of be reported at the lower of the carrying amount or the fair value less costs to sell.

Reclassification

Certain reclassifications have been made to conform the prior period data to the current presentation. These reclassifications had no effect on reported net loss.

Recent Accounting Pronouncements

A variety of accounting standards have been issued or proposed by FASB that do not require adoption until a future date. We regularly review all new pronouncements that have been issued since the filing of our Form 10-K for the year ended December 31, 2013 to determine their impact, if any, on our consolidated financial statements. The Company does not expect the adoption of any of these standards to have a material impact once adopted.

Table of Contents

NOTE 3 – GOING CONCERN

The Company's unaudited condensed consolidated financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has a net loss of $2,817,264 for the three months ended March 31, 2014, and has an accumulated deficit of $6,768,195 as of March 31, 2014. The Company has not yet established an adequate ongoing source of revenues sufficient to cover its operating costs and to allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease development of operations.

In order to continue as a going concern, develop a reliable source of revenues, and achieve a profitable level of operations the Company will need, among other things, additional capital resources. Management's plans to continue as a going concern include raising additional capital through increased sales of product and by sale of common shares. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans. The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying unaudited condensed consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 4 – PROPERTY AND EQUIPMENT

	March 31, 2014 (Unaudited)	December 31, 2013
Equipment	$ 31,338	$ 26,338
Accumulated depreciation	(20,773)	(18,882)
Total	$ 10,565	$ 7,456

Equipment is stated at cost less accumulated depreciation and depreciated using straight line methods over the estimated useful lives of the related assets ranging from three to five years. Maintenance and repairs are expensed currently. The cost of normal maintenance and repairs is charged to operations as incurred. Major overhaul that extends the useful life of existing assets is capitalized. When equipment is retired or disposed, the costs and related accumulated depreciation are eliminated and the resulting profit or loss is recognized in income.

Depreciation expense amounted to $1,891 and $1,898 for the three months ended March 31, 2014 and 2013, respectively. During the three months ended March 31, 2014, the Company purchased equipment for cash totaling $5,000.

Table of Contents

NOTE 5 – INVENTORY

The Company outsources the manufacturing of their consumable energy supplements. The wife of the Company's CEO owns approximately 8% of this food outsource producer. The Company believes that they are a minor customer of this outsource producer and that production terms with this outsourcer are conducted on an arms-length basis.

	March 31, 2014 (Unaudited)	December 31, 2013
Finished Goods	$ 182	$ 423
Packaging materials and production supplies	84,539	66,445
	84,721	66,868
Reserve on inventory	(17,898)	(20,634)
	$ 66,823	$ 46,234

NOTE 6 – RELATED PARTY TRANSACTIONS AND LOANS FROM STOCKHOLDERS

Included in accounts payable – related parties as of March 31, 2014 and December 31, 2013, $0 and $70,045, respectively, related to legal fees payable to a related party Richard Weed and Weed & Co. During the quarter ended March 31, 2014 the Company issued 1,500,000 shares of its common stock for conversion of $24,300 and the balance of $45,745 was forgiven by the note holder.

Also included in accounts payable – related parties as of March 31, 2014 and December 31, 2013, $206,341 and $236,341, respectively, payable to an entity owned by the controlling shareholders of the Company. The related entity provides marketing and product development costs and general and administrative expenses to the Company. During the quarter ended March 31, 2014, the Company repaid $30,000 in cash.

As of March 31, 2014 and December 31, 2013 the Company, CEO and President advanced $0 and $43,596, respectively. During the quarter ended March 31, 2014, the Company repaid $23,000 in cash and issued 1,000,000 shares of Class A common stock to convert the balance of $20,596 valued at $67,000. In addition, the $4,404 was recorded as a stock based compensation and $42,000 was recorded as a loss on settlement of debt.

Table of Contents

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Employment Agreements

On July 20, 2011 the Company entered into two employment agreements. The agreements have a five year term and may be terminated upon mutual agreement. The salary associated with each of the agreements is $260,000 annually, A portion of which will be paid in cash and a portion of which will be deferred until the Company achieves certain levels of sales and or enters into a merger, purchase or sale agreement and or if the Company is sold.

During the year ended December 31, 2012, a total of $209,448, due under these employment agreements, were converted into 1,256,688 (1,047,240 shares pre stock split of 1 additional share for every five shares held) shares of the Company's common stock and Class A warrants to purchase 1,256,688 (1,047,240 Class A warrants pre stock split of 1 additional share for every five shares held) shares of the Company's common stock at $1 per shares. These warrants expire on January 31, 2016.

On September 3, 2013, Bill Hodson, the chief executive officer, and Brad Nichols, the president of the Company, agreed to forgive their deferred salaries to date, the total amount of which is $460,667, and shall no longer hold the Company responsible for payment of that amount. This has been recorded as a capital contribution. In addition, Mr. Hodson and Mr. Nichols agreed to change the terms of their employment agreements to a salary of $1.00 per year. All other details of employment agreements shall remain in full effect.

Litigation

The Company is subject to certain legal proceedings and claims, which arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters should not have a material adverse effect on its financial position, results of operations or liquidity.

NOTE 8 – NOTES PAYABLE

During the quarter ended March 31, 2014, the Company repaid $5,000 in cash and issued 2,000,000 shares of common stock valued at $74,000 to satisfy $50,000 of notes payable. The remaining $24,000 was recorded as loss on settlement of debt. As of March 31, 2014, the remaining balance for notes payable totaled $66,500.

As of March 31, 2014 and December 31, 2013 the Company, CEO and President advanced $0 and $43,596, respectively. During the quarter ended March 31, 2014, the Company repaid $23,000 in cash and issued 1,000,000 shares of Class A common stock to convert the balance of $20,596 valued at $67,000. In addition, the $4,404 was recorded as a stock based compensation and $42,000 was recorded as a loss on settlement of debt.

As of March 31, 2014 and December 31, 2013, the Company had accrued interest of $18,655 and $32,562 respectively, related to notes payable.

Table of Contents

NOTE 9 – CONVERTIBLE NOTES PAYABLE

At March 31, 2014 and December 31, 2013 convertible debentures consisted of the following:

	March 31, 2014 (Unaudited)	December 31, 2013
Convertible notes payable	$ 356,000	$ 404,545
Unamortized debt discount	(118,061)	(81,686)
Total	$ 237,939	$ 322,859

Notes issued on January 8, 2013:

On January 8, 2013 the Company entered three agreements with third party non-affiliates to 6% interest bearing convertible debentures totaling $50,000 due on July 31, 2013, with the conversion features commencing immediately. The loans are convertible at 40% of the lowest closing price during the five days immediately prior to the date of the conversion notice. In connection with this debenture, the Company recorded a $43,185 discount on debt, related to the beneficial conversion features of the notes to be amortized over the lives of the notes or until the notes are converted or repaid. During the year ended December 31, 2013 one of the agreements was repaid in full for $15,000, a second agreement valued at $20,000 was assigned to another debt holder and in October 2013 the remaining note was restructured. During the quarter ended March 31, 2014, the Company converted the remaining balance of $15,000 to 925,926 shares of common stock.

Note issued on January 23, 2013:

On January 23, 2013, the Company entered into an agreement with a third party non-affiliate to a 6% interest bearing convertible debentures for $25,000 due on July 31, 2013, with the conversion features commencing immediately. The loan is convertible at 40% of the lowest closing bid price during the five days immediately prior to the date of the conversion notice. In connection with this debenture, the Company recorded a $21,258 discount on debt, related to the beneficial conversion feature of the note to be amortized over the life of the note or until the note is converted or repaid. As of December 31, 2013 this note has not been converted. In October 2013 this note was restructured. During the quarter ended March 31, 2014, the Company converted the remaining balance of $25,000 to 1,543,210 shares of common stock.

Table of Contents

NOTE 9 – CONVERTIBLE NOTES PAYABLE (CONTINUED)

Note issued on February 1, 2013:

On February 1, 2013, the Company entered into an agreement with a related party for conversion of accounts payable to a 6% interest bearing convertible debentures for $90,045 due on July 31, 2013, with the conversion features commencing immediately. The loan is convertible at 40% of the lowest closing bid price during the five days immediately prior to the date of the conversion notice. In connection with this debenture, the Company recorded a $75,824 discount on debt, related to the beneficial conversion feature of the note to be amortized over the life of the note or until the note is converted or repaid. As of December 31, 2013 this note has been partially converted into 2,604,167 shares of common stock valued at $20,000. In October 2013 this note was restructured. During the quarter ended March 31, 2014 the Company converted $24,300 to 1,500,000 shares of common stock and the balance of $45,745 was forgiven by the note holder and was recorded as a gain on settlement of debt during the three months ended March 31, 2014.

Note issued on April 29, 2013:

On April 29, 2013, the Company entered into an agreement with a third party non-affiliate to a 6% interest bearing convertible debentures for $5,000 due on April 29, 2014, along with redemption premium of 110% of principal amount and conversion features commencing immediately. The loan is convertible at $0.03 per share. In connection with this debenture, the Company recorded a $333 discount on debt, related to the beneficial conversion feature of the note to be amortized over the life of the note or until the note is converted or repaid. During the quarter ended March 31, 2014 the Company converted the balance of $5,000 to 46,296 shares. In addition, the Company issued 153,704 shares of common stock valued at $16,600 which was recorded as interest expense.

During the three months ended March 31, 2014, the Company fully amortized and wrote off a total debt discount of $333 of which $95 was recorded to current operation as interest expense.

Note issued on May 7, 2013:

On May 7, 2013, the Company entered into an agreement with a third party non-affiliate to a 6% interest bearing convertible debentures for $12,000 due on May 6, 2014, along with redemption premium of 110% of principal amount and conversion features commencing immediately. The loan is convertible at $0.03 per share. In connection with this debenture, the Company recorded a $12,000 discount on debt, related to the beneficial conversion feature of the note to be amortized over the life of the note or until the note is converted or repaid. As of March 31, 2014 this note has not been converted.

During the three months ended March 31, 2014, the Company amortized and wrote off a total debt discount of $2,967 to current period operations as interest expense. As of March 31, 2014, a net discount of $1,187 remained.

Table of Contents

NOTE 9 – CONVERTIBLE NOTES PAYABLE (CONTINUED)

Note issued on May 23, 2013:

On May 23, 2013, the Company entered into an agreement with a third party non-affiliate to a 6% interest bearing convertible debentures for $12,000 due on May 22, 2014, along with redemption premium of 110% of principal amount and conversion features commencing immediately. The loan is convertible at $0.03 per share. In connection with this debenture, the Company recorded a $5,200 discount on debt, related to the beneficial conversion feature of the note to be amortized over the life of the note or until the note is converted or repaid. During the quarter ended March 31, 2014 the Company converted the balance of $12,000 to 111,111 shares. In addition, the Company issued 288,889 shares of common stock valued at $31,200 which was recorded as interest expense.

During the three months ended March 31, 2014, the Company fully amortized and wrote off a total debt discount of $5,200 of which $2,029 was recorded to current operation as interest expense.

Note issued on August 16, 2013:

On August 16, 2013, the Company entered into an agreement with a third party non-affiliate to a 10% interest bearing convertible debentures for $100,000 due on August 16, 2016. The loan is convertible immediately at $0.25 per share. In connection with this debenture, the note holder was issued 500,000 warrants and recorded a $5,167 discount, related to the beneficial conversion feature of the note to be amortized over the life of the note or until the note is converted or repaid. As of March 31, 2014 this note has not been converted.

During the quarter ended March 31, 2014, the Company amortized and wrote off a total debt discount of $431 to current period operations as interest expense. As of March 31, 2014, a net discount of $4,073 remained.

Note issued on October 3, 2013:

On October 3, 2013, the Company entered into an agreement with a third party non-affiliate to a 10% interest bearing convertible debentures for $25,000 due on October 2, 2016. The loan is convertible immediately at $0.25 per share. In connection with this debenture, the note holder was issued 125,000 warrants and recorded a $3,637 discount, related to the beneficial conversion feature of the note to be amortized over the life of the note or until the note is converted or repaid. As of March 31, 2014 this note has not been converted.

During the quarter ended March 31, 2014, the Company amortized and wrote off a total debt discount of $296 to current period operations as interest expense. As of March 31, 2014, a net discount of $3,042 remained.

Table of Contents

NOTE 9 – CONVERTIBLE NOTES PAYABLE (CONTINUED)

Note issued on October 3, 2013:

On October 3, 2013, the Company entered into an agreement with a third party non-affiliate to a 10% interest bearing convertible debentures for $25,000 due on October 2, 2016. The loan is convertible immediately at $0.25 per share. In connection with this debenture, the note holder was issued 125,000 warrants and recorded a $3,637 discount, related to the beneficial conversion feature of the note to be amortized over the life of the note or until the note is converted or repaid. As of March 31, 2014 this note has not been converted.

During the quarter ended March 31, 2014, the Company amortized and wrote off a total debt discount of $296 to current period operations as interest expense. As of March 31, 2014, a net discount of $3,042 remained.

Note issued on October 30, 2013:

On October 30, 2013, the Company entered into an agreement with a third party non-affiliate to a 10% interest bearing convertible debentures for $25,000 due on October 29, 2016. The loan is convertible immediately at $0.25 per share. In connection with this debenture, the note holder was issued 125,000 warrants and recorded a $2,687 discount, related to the beneficial conversion feature of the note to be amortized over the life of the note or until the note is converted or repaid. As of March 31, 2014 this note has not been converted.

During the quarter ended March 31, 2014, the Company amortized and wrote off a total debt discount of $218 to current period operations as interest expense. As of March 31, 2014, a net discount of $2,314 remained.

Note issued on October 30, 2013:

On October 30, 2013, the Company entered into an agreement with a third party non-affiliate to a 8% interest bearing convertible debentures for $53,000 due on July 27, 2014, with conversion features commencing after 180 days following the date of this note. The loan is convertible at 58% of average of the lowest three trading prices for the common stock during the ten trading day prior to the conversion date. In connection with this debenture, the Company recorded a $53,000 discount on debt, related to the beneficial conversion feature of the note to be amortized over the life of the note or until the note is converted or repaid. As of March 31, 2014 this note has not been converted.

During the quarter ended March 31, 2014, the Company amortized and wrote off a total debt discount of $12,793 to current period operations as interest expense. As of March 31, 2014, a net discount of $16,773 remained.

Note issued on December 17, 2013:

On December 17, 2013, the Company entered into an agreement with a third party non-affiliate to a 8% interest bearing convertible debentures for $37,500 due on September 7, 2014, with conversion features commencing after 180 days following the date of this note. The loan is convertible at 58% of average of the lowest three trading prices for the common stock during the ten trading day prior to the conversion date. In connection with this debenture, the Company recorded a $37,500 discount on debt, related to the beneficial conversion feature of the note to be amortized over the life of the note or until the note is converted or repaid. As of March 31, 2014 this note has not been converted.

During the quarter ended March 31, 2014, the Company amortized and wrote off a total debt discount of $11,373 to current period operations as interest expense. As of March 31, 2014, a net discount of $20,218 remained.

Note issued on February 19, 2014:

On February 19, 2014, the Company entered into an agreement with a third party non-affiliate to a 8% interest bearing convertible debentures for $78,500 due on November 16, 2014, with conversion features commencing after 180 days following the date of this note. The loan is convertible at 58% of average of the lowest three trading prices for the common stock during the ten trading day prior to the conversion date. In connection with this debenture, the Company recorded a $78,500 discount on debt, related to the beneficial conversion feature of the note to be amortized over the life of the note or until the note is converted or repaid. As of March 31, 2014 this note has not been converted.

During the quarter ended March 31, 2014, the Company amortized and wrote off a total debt discount of $11,630 to current period operations as interest expense. As of March 31, 2014, a net discount of $66,870 remained.

Table of Contents

NOTE 10 – STOCKHOLDERS' DEFICIT

Common Stock

As a result of the reverse merger, the shares of the Company outstanding prior to the closing of the Purchase Agreement are treated as having been issued as of that date, whereas the shares issued in connection with the purchase Agreement are treated as having been issued since inception for all periods presented.

On January 8, 2014, the Company issued 6,100,000 shares of the Company's common stock. The Company issued the 6,100,000 shares as follows: (i) 3,969,136 shares of common stock at $0.0162 per share for conversion of two convertible debentures totaling $64,300 and 130,864 shares of common stock at $0.0162 per share for conversion of accrued interest totaling $2,120; (ii) 2,000,000 shares at $0.037 per share for conversion of a note payable totaling $50,000 and excess was recorded as a loss on settlement of debt totaling $24,000.

On January 21, 2014, the Company issued 400,000 shares of common stock pursuant to a stock purchase agreement at approximately $0.02 per share for a total of $8,050.

On January 23, 2014, the Company issued 5,600,000 shares of common stock at $0.032 per share to two professional advisors for services rendered totaling $140,000 and additional compensation of $39,200 recorded as a loss on settlement of debt.

On January 31, 2014, the Company issued 1,200,000 shares of common stock pursuant to a stock purchase agreement at approximately $0.03 per share for a total of $30,000.

On February 3, 2014, the Company issued 96,000 shares of common stock pursuant to a stock purchase agreement at approximately $0.05 per share for a total of $4,800.

On February 4, 2014, the Company issued 500,000 shares of common stock pursuant to a stock purchase agreement at approximately $0.05 per share for a total of $25,000.

On February 6, 2014, the Company converted 1,000,000 shares of Class A convertible Common Stock into 1,000,000 shares of restricted Common Stock.

On February 10, 2014, the Company issued 2,000,000 bonus shares of common stock to an investor valued at $4,800 ($0.0024 per share). These shares have been recorded as interest expense.

NOTE 10 – STOCKHOLDERS' DEFICIT (CONTINUED)

On February 11, 2014, the Company issued 1,000,000 shares of common stock pursuant to a stock purchase agreement at approximately $0.07 per share for a total of $70,000.

On February 14, 2014, the Company issued 3,000,000 shares of common stock pursuant to a stock purchase agreement at approximately $0.05 per share for a total of $150,000.

On February 25, 2014, the Company issued 1,000,000 shares of common stock pursuant to a stock purchase agreement at approximately $0.07 per share for a total of $70,000.

On February 28, 2014, the Company issued 150,000 shares of common stock pursuant to a stock purchase agreement at approximately $0.07 per share for a total of $10,500.

On March 13, 2014, the Company issued 22,266,428 shares of the Company's common stock. The Company issued the 22,266,428 shares as follows: (i) 16,035,000 shares of common stock at $0.108 per share to twelve employees and eight professional advisors for compensation totaling $1,731,780; (ii) 5,200,000 bonus shares to two investors valued at $0.108 per share totaling $561,600 (iii) 157,407 shares of common stock at $0.108 per share for conversion of two notes payable totaling $17,000 and 442,593 additional shares of common stock at $0.108 per share for recorded as interest expense totaling $47,800; (iv) 431,428 shares of common stock at $0.108 per share to a professional advisor for accrued services totaling $12,973 and additional compensation of $33,621 recorded as a loss on settlement of debt.

Subscription Receivable

The Company issued 216,000 (180,000 shares pre stock split of 1 share for every five shares held) shares (valued at $54,000) for the year ended December 31, 2012 of the Company's restricted common stock. In April 2012, $9,000 was paid and the balance at December 31, 2012 is $45,000. These shares were not issued as of March 31, 2014.

Series B Convertible Preferred Stock

Designation and Rank

On October 17, 2013, the Company created its new Series B preferred class of stock. The series of Preferred Stock shall be designated the "Series B Preferred Stock" and shall consist of 150,000 shares. The Series B Preferred Stock shall be senior to the common stock and all other shares of Preferred Stock that may be later authorized. Each share of Series B Preferred Stock shall have a Stated Par Value of $1.00 per share.

Voting, Liquidation, Dividends, and Redemption

Each outstanding share of Series B Preferred Stock shall vote with the common stock on all matters. The shares of Series B Preferred Stock shall (i) have a liquidation preference of $1.00 per share; (ii) accrue, earn, or participate in any dividends on the common stock; and (iii) shall be subject to redemption by the Corporation prior to December 31, 2014 at a fixed redemption price of $1.10 per share.

Conversion

After March 31, 2014, each outstanding share of Series B Preferred Stock may be converted, at the option of the owner, into common stock using a conversion formula the delivers common stock worth $1.25 for every $1.00 of

Series B converted. The owner shall provide a written Notice of Conversion that specifies the amount of Series B Preferred Stock to be converted into common stock and the lowest closing bid price of the Corporation's common stock during the preceding 10 trading days.

Limitation on Conversion

In no event (except while there is outstanding a tender offer for any or all of the shares of the Company's Common Stock) shall the owner be entitled to convert any shares of Series B Preferred Stock to the extent that, after such conversion the sum of (1) the number of shares of Common Stock then beneficially owned by the owner and its affiliates, and (2) the number of shares of Common Stock issuable upon the conversion of the shares of Series B Preferred Stock with respect to which the determination of this proviso is being made, would result in beneficial ownership by the owner and its affiliates of more than 9.99% of the outstanding shares of Common Stock (after taking into account the shares to be issued to the owner upon such conversion). For purposes of the proviso to the preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. Nothing herein shall preclude the owner from disposing of a sufficient number of other shares of Common Stock beneficially owned by the owner so as to thereafter permit the continued conversion of shares of Series B Preferred Stock.

On October 17, 2013, the Company issued 134,724 shares of Series B convertible preferred stock as the result of the conversion of debt and accrued liabilities totaling $134,724, valued at $1 per share.

Equity Designation and Issuances:

Effective January 29, 2014 the Company amended its Series B Preferred Stock designation in order to permit the issuance of junior Preferred Stock which have enhanced or "super-majority" voting rights. The amendment was approved by the holders of the Series B Preferred Stock. The amended Series B Preferred Stock designation is attached as Exhibit 10.1 in Form 8-K filed with the SEC on February 6, 2014.

NOTE 10 – STOCKHOLDERS’ DEFICIT (CONTINUED)

Series C Convertible Preferred Stock

Effective January 29, 2014 the Board of Directors authorized the creation of 75 shares of a new Series C convertible preferred stock. Each share of Series C Preferred has the right to convert into 8,000 shares of the Company’s common stock and have a liquidation preference of $200. Additionally, the Series C Preferred is allowed to cast a vote, on all matters that the Company's shareholders are permitted to vote upon, equal to .7% of all outstanding securities that are eligible to vote at the time of such shareholder action for each share of Series C Preferred (.7% X 75 shares = 52.5% of total vote).

On January 31, 2014 the Company issued 75 shares of Series C Preferred Stock valued at $24,000 to its Chief Executive Officer, Bill Hodson in exchange for a $15,000 as stock based compensation to the Executive by the Company. In addition the remaining $9,000 was recorded as a loss on settlement of debt.

Class A Convertible Common Stock

Effective February 3, 2014 the Board of Directors recommended, and the Company’s shareholders approved by written consent, the creation of 1,000,000 shares of Class A Convertible Common Stock. Each share of Class A Convertible Common Stock is entitled to convert into one (1) share of regular common stock at any time at the option of the holder and to cast two hundred (200) votes on all matters as to which holders of the common stock, voting together as a class, are entitled to vote.

On February 3, 2014 the Company issued 1,000,000 shares of Class A Convertible Common Stock valued at $67,000 to its Chief Executive Officer, Bill Hodson in exchange for $20,596 owed to the Executive by the Company. In addition, the $4,404 was recorded as a stock based compensation and $42,000 was recorded as a loss on settlement of debt.

On February 6, 2014 Bill Hodson converted his 1,000,000 shares of Class A Convertible Common Stock into 1,000,000 shares of regular Common Stock. Following the conversion the Class A Convertible Common Stock is no longer outstanding.

Amendment of Articles of Incorporation

Effective February 3, 2014, following the enactment of the First Amendment, Article Eight of the Company’s Articles of Incorporation was amended to (i) increase the authorized common stock from 100,000,000 shares to 150,000,000 shares, and (ii) to permit the holders of the Corporation’s outstanding Preferred Stock voting together as a class to effect a change in the number of authorized shares of regular Common Stock or Class A Convertible Common Stock by amending the Articles of Incorporation without the affirmative vote, either separately or as a class, of the holders of regular Common Stock and Class A Convertible Common Stock.

As of March 31, 2014 and December 31, 2013, the Company had 131,120,297 and 86,807,868 shares of its common stock issued and outstanding, respectively.

As of March 31, 2014 and December 31, 2013, the Company had 0 shares of its Class A convertible common stock issued and outstanding.

As of March 31, 2014 and December 31, 2013, the Company had 134,724 shares of its series B convertible preferred stock issued and outstanding.

As of March 31, 2014 and December 31, 2013, the Company had 75 and 0 shares of its series C convertible preferred stock issued and outstanding, respectively.

Table of Contents

NOTE 10 – STOCKHOLDERS' DEFICIT (CONTINUED)

Warrants

The following table summarizes the changes in warrants outstanding and related prices for the shares of the Company's common stock issued to shareholders at March 31, 2014:

	Warrants Outstanding				Warrants Exercisable
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise price	Number Exercisable	Weighted Average Exercise Price
$ 0.20 - 1.00	6,680,002	1.92	$ 0.90	6,680,002	$ 0.90

Transactions involving the Company's warrant issuance are summarized as follows:

	Number of Shares	Weighted Average Price Per Share
Outstanding at December 31, 2012	5,805,002	$ 1.00
Issued	875,000	0.20
Exercised	—	—
Expired	—	—
Outstanding at December 31, 2013	6,680,002	$ 0.90
Issued	—	—
Exercised	—	—
Expired	—	—
Outstanding at March 31, 2014	6,680,002	$ 0.90

NOTE 11 - CONCENTRATIONS

The following table sets forth information as to each customer that accounted for 10% or more of the Company's revenues for the three months ended March 31, 2014 and 2013. At March 31, 2014, four customers accounted for 86% of the Company's total revenue. At March 31, 2013, two customers accounted for 95% of the Company's total revenue.

Customer	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
A	27%	-
B	22%	-
C	21%	-
D	16%	-
E	-	55%
F	-	40%

For the three months ended March 31, 2014, the Company had one supplier who accounted for approximately $3,077 of their purchases used for production or approximately 17% of total purchases for the three months then ended. For the three months March 31, 2013, the Company had one supplier who accounted for approximately $40,000 of their purchases used for production or approximately 89% of total purchases for the three months then ended.

NOTE 12 - SUBSEQUENT EVENTS

The Company evaluated subsequent events through the date the unaudited condensed consolidated financial statements were available to be issued as follows:

Acquisition

On May 13, 2014 the Company completed the acquisition of a majority stake of Apple Rush Company, Inc. (“APRU”), pursuant to a Memorandum of Understanding which the Company had disclosed on Form 8K filed on March 10, 2014.

Under the final terms of the transaction, the Company acquired from Robert Corr, the former CEO of APRU, and members of Mr. Corr’s family, 10,000,000 shares of super-majority convertible preferred stock (the “Preferred Stock”) for a purchase price of $50,000 and 4 million restricted shares of the Company’s common stock. Each share of Preferred Stock has a face value of $1.00 and is convertible into APRU common stock at a conversion price equal to the average closing price of APRU for the ten (10) trading days immediately prior to a notice of conversion, less a discount of twenty percent (20%). As of May 13, 2014, the Preferred Stock was convertible into 18,115,942,028 shares of APRU and as of that date the Company provided to APRU a notice of conversion for 5,000,000 shares of the Preferred Stock convertible into 9,057,971,014 restricted shares of APRU. The Company also reached an agreement with APRU on May 13, 2014, to acquire from APRU 7,252,034,443 newly issued restricted shares of APRU common stock (the “Common Stock”) in exchange for 1,000,000 restricted shares of the Company’s common stock. As a result of the conversion of the Preferred Stock and the acquisition of the Common Stock the Company owns 16,310,005,457 shares of APRU common stock representing approximately 77% of the outstanding common stock of APRU.

The Company intends to treat the acquisition of the Preferred Stock and the Common Stock as an acquisition of property and APRU will continue to operate and trade as a separate public company.

Equity Issuance

In April 2014, the Company issued 519,751 shares of common stock valued at $0.048 per share totalling $25,000 for partial conversion of a $53,000 convertible note.

In April 2014, the Company entered in to a consulting agreement and issued 2,000,000 shares pursuant to the agreement.

In May 2014, the Company issued 784,375 shares of common stock valued at $0.0384 per share totalling $28,000 in principal and $2,120 in accrued interest for the remaining conversion of a $53,000 convertible note.

Promissory Note:

On April 22, 2014, the Company entered into an agreement with a third party non-affiliate to a 12% interest bearing promissory note for $150,000 due on October 22, 2014. Monthly interest payments of $1,500 in interest shall be payable every 30 days beginning on May 22, 2014.

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

The following discussion and analysis should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes included elsewhere in this report. It contains forward-looking statements that reflect our future plans, estimates, beliefs and expected performance. The forward-looking statements are dependent upon events, risks and uncertainties that may be outside our control. Our actual results could differ materially from those discussed in these forward-looking statements.

Factors that could cause or contribute to such differences include, but are not limited to, market prices for natural gas and oil, economic and competitive conditions, capital expenditures and other uncertainties, as well as those factors discussed below, all of which are difficult to predict and which expressly qualify all subsequent oral and written forward-looking statements attributable to us or persons acting on our behalf. In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur. We do not have any intention or obligation to update forward-looking statements included in this report after the date of this report, except as required by law.

INTRODUCTION

The following discussion and analysis summarizes the significant factors affecting: (i) our plan of operations for the three months ended March 31, 2014. This discussion and analysis should be read in conjunction with our consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2013.

EXECUTIVE SUMMARY

We are engaged in the sale and marketing of energy chew products. Our product delivers a blend of ingredients that provides an energy boost similar to a large cup of coffee, but is about the size of a Starburst candy. The product is not a gum; it dissolves quickly and is an alternative to drinks or shots.

Results of Operations

The financial information with respect to the three months ended March 31, 2014 and 2013 that is discussed below is unaudited. In the opinion of management, such information contains all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of the results for such periods. The results of operations for interim periods are not necessarily indicative of the results of operations for the full fiscal years.

Company Overview for the three months ended March 31, 2014 and 2013

During the three months ended March 31, 2014, we incurred a net loss of $2,817,264. During the three months ended March 31, 2013, we incurred a net loss of $280,876. The increase in 2014 is primarily attributable to an increase of $1,891,000 in stock based compensation as well as an increase of $618,310 in interest expense.

Comparison of the results of operations for the three months ended March 31, 2014 and 2013

Sales. During the three months ended March 31, 2014, sales of our products amounted to $63,034, as compared to $17,788 in the corresponding 2013 period. The increase is primarily attributable to finalizing the education process with new distributors. The company signed several new distributors in the fourth quarter of 2013, but due to the amount of time required for new distributors to become fully educated on the product line, it can take up to 30 days before the company will start receiving purchase orders. The first quarter of 2014, the Company received purchase orders from several of the aforementioned distributors that are now offering LiveWire product in five new territories.

Costs and Expenses

Cost of goods sold. For the three months ended March 31, 2014, cost of goods sold was $18,449 compared to $8,297 for the three months ended March 31, 2013. The increase in revenue had a direct effect on the cost of sales for the three month period ended March 31, 2014.

Gross profit. For the three months ended March 31, 2104, our gross profit was $44,585 (71% of revenue) compared to a gross profit of $9,491 (53% of revenue) for the three months ended March31, 2013. The increase in our gross profit relates to the streamlining of manufacturing and production as well as the Company's concentration on bulk sales which requires less packaging and in turn increases gross profit.

General and Administrative. During the three months ended March 31, 2014, general and administrative expenses amounted to $2,075,380, as compared to $233,165 in the corresponding 2013 period. The increase in general and administrative expenses resulted from approximately $1,891,000 charged to stock based compensation in 2014 compared to $0 in the corresponding period in 2013.

Table of Contents

Selling Costs. During the three months ended March 31, 2014 and 2013, selling costs amounted to $19,252 and $13,751, respectively. The increase in selling costs is attributed to developing packaging and sales materials for all sales channels as well as an increase in advertising and promotions to stimulate sales growth.

Depreciation. During the three months ended March 31, 2014 and 2013, depreciation expense amounted to $1,891 and $1,898, respectively.

Financing expenses. During the three months ended March 31, 2014 and 2013, finance expenses were $623,210 and $4,900, respectively. The primary increase is due to the issuance of shares recorded as interest totaling $614,200.

Loss on settlement of debt. During the three months ended March 31, 2014 and 2013, loss on settlement of debt totaled $99,988 and $0 respectively. The increase relates to the Company settling debts by issuing shares of common and preferred stock as well as the forgiveness of approximately $45,000 in convertible debt.

Gain on change in fair value of derivative liability. As described in our accompanying unaudited condensed consolidated financial statements, we issued convertible notes with certain conversion features that have certain reset provisions. All of which, we are required to bifurcate from the host financial instrument and mark to market each reporting period. We recorded the initial fair value of the reset provision as a liability with an offset to equity or debt discount and subsequently mark to market the reset provision liability at each reporting cycle.

For the three months ended March 31, 2014 and 2013, we recorded a gain of $0 in change in fair value of the derivative liability including initial non-cash interest as compared to $42,767 for the same period in the previous year. Also, the Company amortized beneficial conversion feature expense on convertible notes of $42,128 during the three months ended March 31, 2014 as compared to $79,420 for the same period in the previous year.

Going Concern

We have an accumulated deficit of $6,768,195 and our current liabilities exceeded our current assets by $326,265 as of March 31, 2014. We may require additional funding to sustain our operations and satisfy our contractual obligations for our planned operations. Our ability to establish the Company as a going concern is may be dependent upon our ability to obtain additional funding in order to finance our planned operations.

Plan of Operations

For the remainder of fiscal 2014, we will focus on attempting to continue increase our revenue through the sale of our products which we hope to achieve through increased market penetration. We have managed both the financial structure and sales of the Company to maximize value for our shareholders. We have seen increases in revenues in each of our last four quarters and have added a couple of new distribution deals that will give us additional traction in key parts of the country. We expect revenues to continue in a strong growth pattern as sales create excitement for our brand and inquiry's increase on a daily basis. We are expanding our national distribution network and with continued growth over the next couple of quarters we can achieve positive cash flow and begin generating operating profits during the current year. We have shored up our balance sheet by converting much of the unfavorable debt to long term financing with several accredited investors with notes convertible at .20/share, eliminating debt of two founders, reducing salaries of key executives to $1/year and paying off debt convertible below the market. These business decisions confirm our commitment to the long term viability of the Company and our desire to become a household name in the future.

Liquidity and Capital Resources

During the three months ended March 31, 2014, our cash flows from operations were not sufficient for us to meet our operating commitments. Our cash flows from operations continue to be, and are expected to continue to be, insufficient to meet our operating commitments throughout the remainder of the fiscal year ending December 31, 2014.

Working Capital. As of March 31, 2014, we had a working capital deficit of $326,265 and cash of $67,458, while at December 31, 2013 we had a working capital deficit of $772,935 and cash of $8,342. The decrease in our working capital deficit is primarily attributable to the decrease in accounts payable, related party payables, convertible debentures and notes payable.

Cash Flow. Net cash used in or provided by operating, investing and financing activities for the three months ended March 31, 2014 and 2013 were as follows:

	Three Months Ended March 31,	
	2014	2013
Net cash used in operating activities	$ (354,734)	$ (139,468)
Net cash used in investing activities	$ (5,000)	$ -
Net cash provided by financing activities	$ 418,850	$ 137,358

Net Cash Used in Operating Activities. The changes in net cash used in operating activities are attributable to our net loss adjusted for non-cash charges as presented in the unaudited condensed consolidated statements of cash flows and changes in working capital as discussed above.

Net Cash Provided by Investing Activities. Net cash provided by investing activities relates to the purchase of equipment.

Net Cash Provided by Financing Activities. Net cash provided by financing activities relates primarily to cash received from the issuance of convertible notes payable and cash received from the issuance of shares offset by the repayment of shareholder loan and a partial payment of a note payable.

Off-Balance Sheet Arrangements

We do not have off-balance sheet arrangements.

Table of Contents

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements have been prepared by management in accordance with U.S. GAAP.

Inflation

The effect of inflation on the Company's revenue and operating results was not significant.

Recently Issued Accounting Pronouncements

The Company has evaluated recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA and the SEC and we have not identified any that would have a material impact on the Company's financial position, or statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures
Our Principal Executive Officer and Principal Accounting Officer have carried out an evaluation of the effectiveness of our disclosure, controls and procedures. Based upon that evaluation, our Principal Executive Officer and Principal Accounting Officer concluded that as of the end of the period covered by this report, our disclosures, controls and procedures are not effective to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. During the most recently completed three months ended March 31, 2014, there has been no significant change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

We do not have an independent body to oversee our internal control over financial reporting and lack segregation of duties due to the limited nature and resources of the Company.

In light of these material weaknesses, we performed additional analysis and procedures in order to conclude that our financial statements included in this report were fairly stated in accordance with accounting principles generally accepted in the United States. Accordingly, we believe that despite our material weaknesses, our financial statements included in this report are fairly stated, in all material respects, in accordance with United States generally accepted accounting principles.

We plan to rectify these weaknesses by implementing an independent board of directors and hiring additional accounting personnel once we have additional resources to do so. We have also hired a new financial consultant who possesses additional financial reporting experience to assist the Company in future fillings.

Changes in Internal Control over Financial Reporting

Our management, with the participation the Principal Executive Officer and Principal Accounting Officer performed an evaluation as to whether any change in our internal controls over financial reporting occurred during the three months ended March 31, 2014. Based on that evaluation, the Company's Principal Executive Officer and Principal Accounting Officer concluded that no change occurred in the Company's internal control over financial reporting during the three months ended March 31, 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Table of Contents

PART II-OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS.

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description of Exhibits
31.1	Section 302 Certification of Principal Executive Officer+
31.2	Section 302 Certification of Principal Financial Officer+
32.1	Section 906 Certification of Principal Executive Officer and Principal Financial Officer +
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Calculation Linkbase Document *
101.LAB	XBRL Taxonomy Labels Linkbase Document *
101.PRE	XBRL Taxonomy Presentation Linkbase Document *
101.DEF	XBRL Definition Linkbase Document *

+filed herewith
* submitted herewith

25

Table of Contents

SIGNATURES

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

	LIVEWIRE ERGOGENICS, INC.	
May 20, 2014	By:	/s/ Bill Hodson Bill Hodson Chief Executive Officer, Treasurer, Principal Accounting Officer