DNA BRANDS INC
Form 10-K
April 15, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

Form 10-K

(Mark One)

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

o TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to _________

Commission file number 000-53086

DNA BRANDS, INC.
(Exact name of registrant as specified in its Charter)

Colorado (State or Other Jurisdiction of Incorporation or Organization)	26-0394476 (I.R.S. Employer Identification No.)
544 NW 77th Street Boca Raton, Florida (Address of Principal Executive Offices)	33487 (Zip Code)

(954) 970-3826
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Securities registered pursuant to Section 12(g) of the Act:

Common Stock
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act.
Yes ¨ No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
Yes ¨ No þ

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 þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ¨ No þ

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	o	Accelerated filer	o
Non-accelerated filer (Do not check if a smaller reporting company)	o	Smaller reporting company	þ

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of June 28, 2013, the last business day of the registrant's most recently completed second fiscal quarter was approximately $1,622,724 based on the average closing bid and asked prices of such stock on that date as quoted on the Over the-Counter Bulletin Board.

There were 195,691,669 shares of common stock outstanding as of April 9, 2014.

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FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISKS

Information included or incorporated by reference in this filing may contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. This information may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project" or the negative of these words or other variations on these words or comparable terminology.

This filing contains forward-looking statements, including statements regarding, among other things, (a) our projected sales and profitability, (b) our Company's growth strategies, (c) our Company's future financing plans and (d) our Company's anticipated needs for working capital. These statements may be found under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," as well as in this Report generally. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks outlined under "Risk Factors" and matters described in this filing generally. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this filing will in fact occur.

PART I

ITEM 1. BUSINESS

Company Overview and History

DNA Brands, Inc. (hereinafter referred to as "us," "our," "we," the "Company" or "DNA") was incorporated in the State Colorado on May 23, 2007 under the name Famous Products, Inc. Prior to July 6, 2010 we were a holding company operating as a promotion and advertising company. We currently produce, market and sell a proprietary line of five carbonated blends of DNA Energy Drink®, Citrus, Sugar Free Citrus, Original (a unique combination of Red Bull® and Monster® energy drinks), Cryo-Berry (a refreshing mix of cranberry and raspberry) and Molecular Melon (a cool and refreshing taste); as well as three milk based energy coffees fortified with Omega 3. These flavors are Mocha Vanilla Latte and Carmel Macchiato.

Our current business commenced in May 2006 in the State of Florida under the name Grass Roots Beverage Company, Inc. ("Grass Roots"). Initial operations of Grass Roots included development of our energy drinks, sampling and other marketing efforts and initial distribution in the State of Florida. In May 2006 we formed DNA Beverage Corporation, a Florida corporation ("DNA Beverage"). Our early years were devoted to brand development, creating awareness through heavy sampling programs and creating credibility among our then core demographic by concentrating marketing efforts on action sports locations and events (surf, motocross, skate, etc.).

Effective July 6, 2010, we executed agreements to acquire all of the assets, liabilities and contract rights of DNA Beverage and 100% of the common stock of DNA Beverage's wholly owned subsidiary Grass Roots Beverage Company, Inc. ("Grass Roots") in exchange for the issuance of 31,250,000 shares of our common stock. The share issuance represented approximately 94.6% of our outstanding shares at the time of issuance. As a result of this transaction we also changed our name to "DNA Brands, Inc."

Grass Roots was dissolved and ceased activity on December 31, 2013.

Our principal offices are located at 544 NW 77th Street, Boca Raton, Florida, 33487, telephone (954) 970-3826. Our website is www.dnabrandsusa.com.

Current Business

As stated above, we currently produce, market and sell a proprietary line of five carbonated blends of DNA Energy Drink®, Citrus, Sugar Free Citrus, Original (a unique combination of Red Bull® and Monster® energy drinks), Cryo-Berry and Molecular Melon; as well as three milk based energy coffees fortified with Omega 3. These flavors are Mocha, Vanilla Latte and Carmel Macchiato. Until 2012 we also marketed and sold a line of beef jerky and meat sticks but these products were discontinued in late 2012. We sell and market our products either directly to distributors for resale to retailers, supermarkets, convenience stores, and independents or through regional distributors servicing these same outlets. In addition, we maintain own distribution operation which services parts of Florida.

Since early 2012 we have experienced a severe shortage of working capital which curtailed our sales and marketing efforts and was a primary factor in the material decline in revenues from previous years' results. We believe a significant reason behind our cash shortage was as a result of the failure of a licensed investment banking firm to deliver on its promises. Specifically, on April 9, 2012, we executed an Investment Banking and Advisory Agreement with Charles Morgan Securities, Inc., New York, NY ("CMI"), wherein CMI agreed to provide consulting, strategic business planning, financing on a "best efforts" basis and investor and public relations services, as well as to raise us capital through the issuance of our debt or equity securities. CMI agreed to engage in two separate private offerings with the initial private placement offering up to $3.0 million and the second private placement offering up to an additional $3.0 million; each on a "best efforts" basis. Mr. Paul Taboada, the then President of CMI, made numerous promises, both verbally and in emails, assuring us that CMI had already raised a major portion of the initial funds in the first offering. Despite such promises and assurances that they would successfully raise funding for us, CMI did not deliver these funds to us as promised but only raised an aggregate of $119,255, which was not sufficient to meet our needs to support our sales and marketing efforts. In connection with this agreement we issued CMI or their assigns 750,000 shares of our Common Stock valued at $0.36 per share, or a total value of $270,000, plus $84,128.24 in additional fees, commissions, non-accountable expenses and their legal fees. As of the date of this Report we are considering taking action against both CMI and Mr. Taboada, if and when we have the financial resources to do so.

In an industry where only 5% of new companies survive we feel our success will be based upon a methodical approach. We started out with the idea that energy drinks could be functional and delicious tasting at the same time. At our inception, we made a conscious decision not to follow the industry leaders taste profile and created energy drinks to set us apart from the competition. In January 2013 these efforts were acknowledged for the second time in three years with receipt of the "1st Place "Platinum Award" as the best tasting energy drink at the prestigious World Beverage Competition held in Geneva, Switzerland. More than 30 counties and over 10,000 entries were submitted in all beverage categories.

In October 2013, Messrs. Marks and Leiner, our officers and directors at that time, converted approximately $1,800,000 million in loans they had previously made to us into 1,800,000 million shares of Series D Convertible Preferred Stock ("Series D"). Each share of Series D was convertible into 68.02721 shares of our Common Stock. On December 27, 2013 Messrs. Marks and Leiner returned their Series D shares and these shares were cancelled. Additionally on December 27, 2013 they converted another $100,000 of officer loans into Series E Preferred Stock ("Series E"). Each share of Series E stock has voting rights equal to 68.02721 common shares. The Series E is not convertible into any of our common shares. As a result of these transactions we reduced our debt and increased our equity by $1,900,000.

Also in October 2013, Messrs. Marks and Leiner agreed to forgive $944,000 in accrued salaries which represented the value of substantially all of their compensation from 2010 through July 1, 2013. As a result of this forgiveness we reduced our debt and increased our equity by $944,000.

Products

We produce, market and sell a proprietary line of five carbonated blends of DNA Energy Drink® ("DNA®"), a line of three milk based DNA Energy Coffee drinks. Each of these drinks is sold in a 16 ounce can styled with the name DNA® prominently placed and a corresponding logo that includes our marketing logo, a double helix. We believe the name DNA, our new edgy color schemes, logo and other graphics stand out on store shelves and coolers. Retailers, distributors and industry professionals we have spoken with have offered high praise to our new look and flavors. Our product flavors include:

DNA Energy Drink®

- Cellular Citrus –Two time winner of World's Best Tasting Energy Drink - the taste of real oranges with specific citrus nuances;
- Cellular Citrus Zero Sugar - High end orange soda taste but with a jolt of energy;
- Molecular Melon – Velvety and smooth lemon lime mix
- Cryo Berry – Mixture of cranberries and raspberries, a blast to drink; and
- Original - Our unique proprietary blend taste is sure to resonate favorably with the Red Bull® and Monster® consumer.

DNA Energy Coffee

Cold coffee has become very trendy and approximately 20% of US consumers drink iced coffee. Consumers in the 18-24 age demographic are the largest consumers of iced coffee, says Jonny Forsyth, Global Drink Analyst at Mintel. The coffee category generated annual sales of $1.1 billion last year according to Symphony IRI, a consumer goods market research firm According to vendingmarketwatch.com it is anticipated that the market will reach $1.9 billion by 2017.

In order to compete in this exciting category we created what we believe to be a great tasting line of milk based iced energy coffees that are fortified with Omega3. We feel that to succeed in this category a product will not only have to taste great but be functional as well and that is what we think we have created.

Mocha
Caramel Macchiato
Vanilla Latte

Bag-in-the-Box ("BIB")

Bag-in-the-Box is a fountain delivery system for our Original flavor energy drink used at on premise locations such as bars, convenience stores and restaurants. We believe Original flavor is a great tasting and money saving alternative, for on premise customers that are currently using one of the leading energy drinks as a mixer. BIB is manufactured by Tone Products, Inc. located in Melrose Park, IL

Energy Drinks

We believe we have formulated DNA® to the highest flavor profile standard of any of the other energy drink brands in the industry. We also believe DNA® also competes on at least an equal level with any of the name brands on a functionality profile. We have attempted to incorporate the best and highest quality ingredient mix in our proprietary blends which have been formulated to tap into the body's seven energy sources to maximize energy and awareness levels that result in improved performance on demand.

We believe that DNA® makes an immediate and lasting difference in elevating energy levels of consumers. This category is the only one that creates an immediate expectation of an effect on consumer bodily functions. There are many energy drinks that have compromised functionality for cost savings. We believe they have learned all too late that if an energy drink does not deliver on its promise for an immediate and lasting increase in energy levels, it is no more than an expensive soda. Energy drink consumers will go to another reliable brand. We believe one of the several principal reasons new energy drinks entrants commercially fail soon after introduction is because they use inferior ingredients and as a result do not provide the expected results.

We believe we have formulated DNA® to ensure that DNA® drinkers will, upon first drink, experience a taste that is "delicious" beyond the typical expected institutionalized medicinal taste that has been the main negative reaction associated with the vast number of brands of energy drinks, including the major brands. We have not sacrificed taste for functionality and performance which we believe gives us a major competitive advantage over other energy drinks and has awarded us with high accolades from distributors and industry insiders, as well as from numerous action sports publications. These early taste accolades for DNA® have converted numerous energy drink consumers to us in those geographic areas of our distribution. We believe that on taste tests alone we are able to quickly convert consumers from other brands. In fact, our tag line, "Human Performance Liquified," was given to us by a first time consumer in our initial sampling program. Our taste and functionality profiles have begun to create a positive response in the marketplace, including with distributors and with convenience store chains that dominate energy drink distribution.

DNA® has also captured industry attention at the highest levels. DNA was awarded the 1st Prize "Platinum Award" by the World Beverage Competition for 2010 which was held in Geneva, Switzerland. More than 30 countries participated and more than 10,000 entrants in all beverage categories submitted for judging. One winner from each category was selected in double blind tasting tests. Lightning then struck for the second time when we again received the same award in December 2012.

Potential New Products

We are experimenting with line extensions on these blends and also on completely new items that are in the R & D process. Possible additions to the product line would be a low-calorie coffee, a reintroduction of our discontinued meat snack line, and a proprietary functional beverage. We will not introduce these new items until significant distribution and wide name recognition is obtained for our core line offerings.

Rebranding

In July 2013 we undertook a major rebranding and launch of our products. New vibrant graphics have been created to reflect and take advantage of our DNA name. At the same time we introduced three new flavors to complement our award winning citrus and sugar free citrus. The new energy drink flavors are: (i) Original - A unique combination of the tastes of Red Bull® and Monster® energy drinks, our principal competitors, but we believe to be better with no aftertaste; (ii) Cryo-Berry – a refreshing mix of cranberry and raspberry; and (iii) Molecular Melon – a cool and refreshing taste. We also launched a line of three milk based ready-to-drink energy coffees, Mocha, Vanilla Latte and Caramel Macchiato. The energy coffee market is a category segment that we believe is on the rise and which has been heavily requested by distributors.

Rebranding efforts began in several geographic regions based upon opportunities that include retail schedules, store sets, seasonality and distributor needs. Our re-branding efforts were targeted at markets where we expected the fastest turn-around. This rebranding is being concentrated on the Midwest, Mid-Atlantic and Southeast regions of the US. While no assurance can be given, in addition to the distribution networks that service major convenience store chains and independents we anticipate that our selling efforts will lead to direct sales to the larger retail operations. We have entered into discussions to place our products with large retailers including Casey's, Dollar General, Family Dollar and, The Pantry, Inc. Currently, no definitive agreements have been reached with these companies and no assurances can be provided that any definitive agreement will be reached in the future.

Through rebranding and expansion efforts we are currently seeking mainstream acceptance by marketing our products based upon our belief of their exceptional taste, functionality and innovation which we believe separates our products from our competitors. Previously, our marketing focus was on the action sports community where a majority of energy drinks were sold and we committed heavily to marketing that demographic. We have been the "title" sponsor of a factory Yamaha AMA super cross team the "DNA Shred Stix Star/Yamaha Racing Team." AMA Motocross/Supercross is only second to NASCAR in motor sport attendance. While we received very significant brand exposure through this process, it did not generate revenues and profitability. We believe that our revised marketing campaign focusing on a more main-stream, regionally directed approach which includes distributor crew drives, can-in-hand sampling, retail in-store promotions and sales incentives, will be more effective. We are confident that targeting a wider customer base which includes the newest recognized segment the "Young Bustling Families" will provide the positive results that both our management and our investors expect. There are no assurances our belief will result in additional revenues.

On April 1, 2014, we announced the promotion of industry veteran, Eric Fowler to the role of President and CEO. Prior to his promotion Mr. Fowler held the position of Vice President Sales and Marketing since joining the firm in January 2013. Mr. Fowler has been instrumental in the early success of our rebranding campaign.

Distribution

Currently we are distributing our products in Michigan, Illinois, Missouri, Kentucky, Tennessee, Arkansas, Mississippi, Texas and Florida. Several new distributors have also agreed to begin distribution in these same markets to fill out the territories not being serviced. Distribution will begin this spring in Georgia, and Alabama. We are now seeking to bolster distribution in these territories by working directly with retailers. We recently gained authorization for product placement from Quick-Trip Stores in Texas. We expect that new distributors will continue to be added over the coming months but there are no assurances that this will occur.

It is our goal to have nationwide distribution by the end of 2016 provided we are able to obtain the financing necessary to accomplish this objective. There are no assurances that this will occur within the time parameters referenced herein, or at all.

Recent Developments

While no assurances can be provided, we believe we are on the verge of significantly increasing our revenues for the following reasons:

Rebranding. Energy drinks have evolved into a mainstream product. What was once a product geared to a younger consumer now appeals to a much broader base, with the sale of energy drinks becoming $12.5 billion market with expected growth to $21.5 billion in 2017 according to (prbeb.com 2/10/13). In order to appeal to and capture a greater percentage of the market it became necessary for us to take certain affirmative steps including gearing our marketing efforts to emphasize the great taste of our products, as well as to update our can graphics. Before doing so we sought out the advice of the top industry beverage professionals and graphic designers experienced in the creation and launching of numerous brands. Our new can graphics have received a very positive response from distributors and retailers alike.

Expansion of Product Line. Building upon the success of our award winning citrus flavor we have created four new energy drink flavor profiles and three brand new ready-to-drink energy coffees. Line expansion has many benefits not the least of which is the ability to command a larger shelf presence emphasizing our brand name. With additional products we will have a larger shelf presence in two separate drink segments, energy drinks and ready-to-drink coffee.

Distribution Opportunities. Subject to our ability to raise additional capital, several additional states in the Midwest, Mid-Atlantic and Northeast regions will launch over the summer months. In addition to the distribution networks that service major convenience stores chains and independents we are making an effort and have engaged in direct sales efforts with some of the larger retail operations including Casey's, Dollar General and Wal-Mart who in many instances demand product to be shipped to central distribution centers where they disburse to their locations.

Sales and Marketing

We believe DNA Energy Drink® and coffee products provide immediate and sustained energy of all groups of people in need of an energy lift to meet the challenges of the day. These groups may include parents, office workers, truck drivers, postal carriers, laborers, students, night watchmen and scores of others in every walk of life. Our new marketing efforts will be focused on re-introducing the ‘new” DNA to the mass market while keeping our original demographic loyal to the brand. As the energy drink market continues to show double digit growth more product choices are being added. An interesting fact is that energy coffee drinks are also trending up in large part due to it attracting a younger consumer.

In order to reach a wider demographic we will utilize several methods including viral campaigns, grass roots sampling programs, tab and coupon redemption, media advertising and regional athlete/celebrity awareness programs. We do not believe this change in our marketing efforts will have any impact upon our existing loyal base of customers, but we do expect this new campaign to allow us to introduce our product to the general population.

Sampling Programs

We train our people to distinguish the benefits of DNA® from other brands in the market. We have outfitted DNA® vehicles, apparel, and signage and take them to locations where people congregate whether it is schools, concerts, festivals, grand openings, conventional sporting events, and extreme sports venues and begin to systematically sample DNA® with our “Cans In Hands” program.

Our sampling techniques are programmed to create interest, trial and demand. We engage consumers about their experiences regarding taste and functionality. We acquire lists of distributors' store accounts and begin a very organized sampling program both outside and within stores which are designed to create requests for our products before it is available.

The objective of our "Cans In Hands" sample programs is not only to build awareness, introduce newcomers to the category and to our brand but also to compete with the established brands on taste and functionality. We want the consumer to experience and believe that DNA® tastes better and is as effective, if not more effective than all the other brands. We then extend our expansion to the next geographic target.

When our sales team calls on beverage distributors and convenience store retailers in areas where we have begun to market our products, whether chain or independently owned, we believe we are already known to them. Because of the grass roots pull we have created for DNA®, they have been eager to accept meetings with us as we represent a legitimate revenue opportunity for them. Today, we are receiving calls from a wide range of outlets as a result of our grass roots efforts. This effort has built good will with distributors and retailers who frequently express their appreciation to us for developing awareness, expectation and demand ahead of the date the product is on the shelf.

We have successfully developed DNA Facebook, Twitter, My Space, and a fully interactive website. Our web site includes videos of our teams' performances, daily updates, events and relevant brand news and also includes music components and music tours. We recognize that this is a key component to building a brand.

Although we are expanding our focus to attract and encompass a much larger demographic we will attempt to continue to maintain and grow our original target demographic, the 18-39 year old according to numerous industry publication who still makes up the largest percentage of energy drink consumers. This group tends to be on the cutting edge of style and have a profound influence on cultural trends and fashion.

Media Advertising

Our budget as it relates to traditional media advertising in the energy drink market is relatively small. Our current anticipated budget of approximately $50,000 will not support traditional advertising on television or radio that would support our growth, as we cannot and will not be able to afford to compete by matching our competitor's budget for this type of exposure until we successfully raise additional equity capital. However, we do recognize its importance and are close to being able to address these markets in what we believe is an economical and inventive way. One way we have been able to accomplish this is through unique arrangements with recognizable personalities. We have developed a strong marketing relationship with radio talk show host "Bubba-The-Love-Sponge" ("Bubba"), who is broadcasted nationally. We believe this arrangement has brought significant attention to DNA Energy Drinks. Going forward we are seeking to continue our relationship with Bubba and add other recognized personalities to support our products.

We are looking at blending TV, radio and Internet as our source for advertising. We are looking at compiling all of the action sport web sites and creating a linked presence in each of them. We are developing search engine optimization and key Google and Yahoo ad words to ensure that DNA® is one of the first places to go when energy drinks are searched online. This process is being handled by our own in-house IT specialist who is also responsible for keeping our website current and updating Facebook, Twitter, and MySpace. We intend to expand these programs as a strategy of high effective low cost advertising.

We believe that how we communicate our message must be integrated and coordinated among all of the above initiatives to deliver the message and create the necessary reach. A top down approach as employed by the elite brands is capital intensive and we believe will not allow us to exploit the window of weakness in elite brands' marketing strategy to enter the market. We must communicate with our target market from the ground-up.

While no assurances can be provided, we believe our products can compete on taste and functionality which we hope will allow us to convert a portion of our competitor's market share. However, their vast marketing dollars and existing national presence make it unrealistic to compete successfully with them on an initial national level for their customer base. To succeed, it is our intention to build and maintain prominent positions in each successive phased geographic location we enter. This means our products must have prominent shelf space in the vast majority of stores that the elite brands occupy in each state we enter. Therefore, we understand we must be competitive on quality; we must expand awareness to accelerate trial, and must provide an appealing value proposition to our customers.

We will not extend our presence beyond our human resources, production capability, and capital means to support each market to the levels we promise to our distributors and retailers. If and when we secure a prominent position in a target territory using our grass roots marketing strategy, we will leverage our relationships and achievements to move to the next area and repeat our programs there.

Manufacturing and Production

Energy Drinks

Our energy drink products are based on a proprietary formulation we have created with our contract development group. Pursuant to a confidentiality agreement that is intended to protect our proprietary information our energy drinks are currently manufactured by Cott Beverages USA in Fort Worth, Texas. Cott is a full service contract manufacturer and also manufacture beverages for many others. Cott owns all of the manufacturing equipment and were identified by us as having an excellent record for contract manufacturing and the capacity to meet all of our initial growth expectations in the southeastern United States. Cott has manufacturing plants located throughout the United States, which is expected to provide us a significant benefit as our operations expand. As we expand geographically, we believe we can use any of these manufacturing plants to expand capacity and save costs on transportation. We believe these facilities can manufacture enough cases to meet all of our immediate needs in the Southeast. Production turnaround time is 14-30 days. Our terms of payment are C.O.D. We do not believe there are any problems that may obstruct the procurement of raw materials. Raw materials are ordered 2-4 weeks in advance. Payment terms for ingredients are 30 days after receipt.

Our 16 oz. cans are now manufactured by Crown Cork and Seal Crown at their Pennsylvania facility. Crown, is one of the largest producers of cans in the world. Estimated turn-around time varies from season to season and runs between 14-30 days. The manufacturer has the capacity to produce over 50 billion cans per annum. Upon completion, the cans are shipped by truck to the contract manufacturer where they are filled. We do not believe there are any problems in procuring the raw materials to manufacture the cans.

We purchase our raw materials for our energy drink and flavors from Fortitech, Inc. of Schenectady, NY, which provides our energy blend and Synergy Flavors, of OH, which provides our flavors. Prices are fixed for a period of one year and are bought against purchase orders. The raw materials portion of our beverage represents approximately 33% of the cost of goods sold of our product. Can costs represent approximately 33% percent of our cost of goods sold. Typically we receive delivery of shipments from contract manufacturers (cans & producer) within 14 days of our order for which we pay C.O.D.

Coffee Drinks

As with our DNA Energy Drinks®, our three flavors of coffee drinks are also based on proprietary formulas created with a development group, in this case Dairy Farmers of America located in Missouri. A retort process which is a form of sterilization used in pasteurization is utilized during the production to make the 16 ounce milk based product shelf stable for a 14 month period. Because of the retort process, special coating is required which is supplied by Ball

Corporation of Colorado, another of the world's largest can producers.

Bag-in-Box

Bag-in-the-Box is a fountain delivery system for our Original flavor energy drink used at on premise locations such as bars, convenience stores and restaurants. We are in the initial launch stages of this concept. We believe our Original flavor is a great tasting and money saving alternative, for on premise customers that are presently using one of the leading energy drinks as a mixer. It is to be manufactured by Tone Products, Inc. located in Melrose Park, IL

Private Label Opportunities

We are engaged in on-going discussions with a national retail chain to provide them with complete line of energy drinks under their name. Although no definitive agreement has been signed it is anticipated that one will be forthcoming. Our responsibilities will include every aspect of production. Although no assurances can be made, we are seeking a long-term venture that supply product to thousands of locations. We anticipate that we will be responsible for the can production once the artwork is provided by the retailer. In addition, we will provide all of the ingredients and be responsible for production and shipping.

Other Events During 2013

In October 2013, Messrs. Marks and Leiner, our officers and directors at that time, converted approximately $1,800,000 million in loans they had previously made to us into 1,800,000 million shares of Series D Convertible Preferred Stock ("Series D"). Each share of Series D was convertible into 68.02721 shares of our Common Stock. On December 27, 2013 Messrs. Marks and Leiner returned their Series D shares and these shares were cancelled, but the loans were not reinstated. Additionally on December 30, 2013, they converted another $100,000 of previously outstanding officer loans into shares of our Series E Preferred Stock ("Series E"). Each share of Series E stock has voting rights equal to 68.02721 common shares. As a result of these transactions we reduced our debt and increased our equity by $1,900,000. As of December 31, 2013 the balance on officer loans was $3,777.

Also in October 2013, Messrs. Marks and Leiner agreed to forgive $944,000 in accrued salaries which represented the value of substantially all of their compensation from 2010 through July 1, 2013. As a result of this forgiveness we reduced our debt and increased our equity by $944,000. As of December 31, 2013 the balance on accrued officer salaries was $91,000.

Industry Overview

The Global Sports and Energy Drink Market is projected to be a $52 billion market by 2016 according to BEVNET® October 21, 2012, the beverage industry's source. According to Packaging Digest, February 13, 2013, sales of energy drinks topped $12.5 billion in 2012 with about 80% attributed to energy drinks. The same principal report states that in five years, that figure could reach $21.5 billion. According to Mintel, a product research firm, we can expect increased growth of 13% for years 2013-2014. Ready-to-drink coffee and tea showed 22.69% gains for the 52 week period through January 27, 2013. Energy drinks, ready-to-drink coffee, ready-to-drink tea and sports beverages grew aggressively in 2012, while carbonated soft drinks decreased again according to Beverage Marketing, the leading provider of consulting, financial services and data to the global beverage industry. For the first time, energy drinks have outsold bottled water according to the Beverage Industry 2012 State of the Industry report. The report stated that during the 52 week period ending April 15, 2012, energy drinks sale generated more revenue than bottled water sales.

The Sports and Energy Drink beverage category is made up of a line of functional beverages that address specific health and performance needs. These beverages range from Gatorade, introduced in the 1960's initially to replace electrolytes for athletes, to drinks filled with vitamins and nutrients to improve energy, awareness and hydration, among numerous other functions. According to BEVNET.com, Inc., a leading trade source in the industry, this segment is rapidly gaining in popularity over carbonated sodas and juices as people are becoming more health conscience and seeking an edge to improve their performance either athletically or to handle their daily challenges with more vigor. New categories are constantly finding ways into the New Age beverage sector. The Bevnet report also indicated that the sport and energy drink category will continue to penetrate new and untapped markets such as baby boomers and senior citizens. Worldwide sales with European consumption leading the way is expected to grow at a rapid pace within the next five years.

The entire beverage U.S. liquid refreshment beverage market grew by 0.9% according to preliminary data from Beverage Marketing Corporation. This marked the second year of growth after two consecutive declines with total liquid refreshment beverage volume exceeding 29.5 gallons in 2011. Larger, more established segments such as carbonated soft drinks and fruit beverages failed to grow once again.

Industry experts appear to be in agreement that the energy drink market is and continues to be the fastest growing segment of the functional drink market. Energy drinks were introduced initially in the United States by Red Bull in 1997 after its major success in Europe. By 2001, the energy drink market had developed to almost $400 million in retail sales. By 2005, it had grown to approximately $4 billion. In 2011 the Energy Drink produced segment alone grew to $7.7 billion in scanned data and this trend has continued. Energy drinks as a category are no longer considered a fad. It has been on a steep growth curve since its introduction over 10 years ago. New brands are constantly being introduced to meet the growing demand.

In 1998 Red Bull®, the largest selling energy drink in the world, introduced its Red Bull Energy Drink in the United States to a younger demographic, ages 18-39, of people who are highly active and in need of energy. Despite injecting significant funds into its initial marketing campaign, there were many obstacles to overcome including a high price barrier of $2 and more for an 8 ounce can and a medicinal taste. Red Bull developed a highly disciplined training program for their employees and introduced Red Bull in several key major trend setting markets. They sampled heavily, made it available initially in the major and most popular night clubs and events. With discipline, Red Bull demonstrated that with its high quality ingredients, it provided consumers with the energy lift they wanted. They were able to define the category and set price point acceptance among a highly motivated and developing consumer base. Beyond its initial target they expanded their marketing to include all those people in need of energy in their daily routine.

According to the National Association of Convenience Stores ("NAACS") in an article published on Jan 31. 2013, 85% of all purchases of energy drinks at retail are sold through the 151,282 individual and chain convenience store outlets and gas stations with attached convenience stores in single serve cold cans (an increase of 2,062 stores over the previous year). Moreover, the top brands are finding their way onto supermarket shelves and also into branded coolers. Other sales outlets included among the 749,455 total combined retail/on premise locations are restaurants, bars, actions sport shops, grocers, pharmacies, parks, beaches and generally everywhere drinks are sold. Our principal focus has been and will continue to be on convenience stores. Once we have made inroads into convenience stores in a particular territory, we will work with relevant distributors to move into supermarket, mass market and pharmacy stores as outlets for DNA®.

Top Convenience Store States (according to "NACS" January 2013)

State	Stores
Texas	15,191
California	10,763
Florida	9,737
New York	8,154
Georgia	6,750
North Carolina	6,272
Ohio	5,452
Michigan	4,903
Illinois	4,607
Virginia	4,512

The typical consumers of energy drinks are 18-39 year olds, active in or fans of action sports (Bev Net, Nacs, Convenience Store News, Supermarket news). Energy drink users consume drinks before, during and after activities and at any other time when an additional source of energy is wanted. Although there is brand loyalty, energy drink purchasing continues to be in good portion an impulse purchase in single cans. With the introduction of the category into large retail outlets, energy drinks are now being sold in multi-can cartons, which serve to lessen some of the impulse buying and augers well for the category as it competes with other beverage categories including carbonated soda and coffees. According to the Mintel Oxygen Report's Global Market Navigator, August 2010, American's consume 3.05 liters of energy drinks per capita each year, which translates into approximately two cans per day for energy drinkers. On the heels of Red Bull's success, numerous other brands were developed.

Numerous major beverage companies have no presence in this category but do have large distribution and marketing capacity to leverage. We believe that that the typical energy drink consumer does not connect to the corporate culture that these large beverage companies carry with them. Therefore, it is viewed as a more logical approach that a larger company would acquire an up and coming brand in order to acquire a strong foothold and presence in this side of the industry.

To date, the larger beverage companies have not purchased energy drink companies but have made significant contributions to their distribution. Vitamin Water, in the functional beverage category, is a huge success story with Coca Cola purchasing the company for 12 times revenue at a sale price in excess of $4 billion in 2007. Hansen Natural Beverages was a regionally successful carbonated soda company. It was only when Monster Energy was developed and launched that its sales exceeded $1 billion per annum. The other top brands are controlled by Coke and Pepsi. We believe that there is room for other energy drink companies to build a successful brand not by competing dollar for dollar with the elite brands, but by seeking a place of prominence in store shelves and with consumers in our target market alongside these elite brands based on the quality of our taste and functional profile, and by establishing intimate ground roots recognition and adoption within DNA's target demographic at low and controlled costs.

Employees

Currently we have 7 full time employees of which 2 are executive management, 3 are employed in direct sales and sampling who are predominantly on the road, and 2 are in administrative support and fulfillment. Additionally we use contract labor and consultants on an as needed basis primarily in the areas of administration, accounting, investor relations, and on a limited basis, in sales and marketing.

Our employees work at will and are not represented by a collective bargaining unit. We believe our relationship with our employees is good. We require all our employees and consultants to sign a confidentiality and non-disclosure agreement. Our success relies on our ability to hire additional employees, particularly on the local sales side. We believe there are numerous quality people to choose from throughout our area of targeted expansion.

As we grow we anticipate in the near future we will require a national marketing director, an in-house IT director and regional sales directors for each region and a Chief Financial Officer/controller.

Competition

We are competing with publicly and privately held companies, many of whom having greater resources, both financial and otherwise, than the resources presently available to us. The energy drink market is dominated by five brands including:

> Red Bull: With estimated worldwide sales in excess of $5 billion, Red Bull is the largest participant in the energy drink sector. Red Bull is owned by Dietrich Mateschitz, who introduced it to the European market in 1987. Red Bull's distributed more than one billion cans in 2001 without owning a single plant, truck or retail outlet. The taste profile of Red Bull is along medicinal lines with its ingredients being of standard fare. Due to the lack of competition, Red Bull was able to build a strong a brand and a loyal client base. Red Bull caters to the action sports community, on premise liquor sales, and a "yuppie" contingency. Red Bull is sold through Red Bull exclusive regional distributors in more than 50 countries worldwide.

> Monster Energy: Monster Energy is owned by Hansen's Natural Beverage and according to Symphony/IRI generated $1.4 billion in revenue from US distribution in food/drug/convenience stores/mass merchandisers excluding Wal-Mart in 2011. Monster has risen to become the second largest energy drink producer behind Red Bull building a predominately strong core following through the sponsorship of major action sports events and teams.

> Rock Star: Rock Star Energy third largest producer in the energy drink category with slightly under $1 billion in revenue. Rock Star is a California/Nevada based operation with strong ties to the entertainment world. Rock Star also has shut off its distributors in favor of a national distribution relationship with Coca-Cola.

Full Throttle: Full Throttle is in fourth position behind Red Bull, Monster and Rock Star. Full Throttle is owned by Coca-Cola but does not compete nearly as well as the top three, we believe because the corporate image behind Coke and Pepsi is viewed as contrary to the images of “cool and credible” that permeates among a younger target market.

AMP: AMP is a new Pepsi product and rounds off the top of the line in the category. We believe it sells on par with Full Throttle and has image issues for similar reasons we raised for Full Throttle.

These five brands represented more than 90% of the total dollar sales in the energy drink category in 2010 as reported by Symphony/IRI an industry beverage publication. The data does not include mass market retailers.

The elite brands today also trade on functionality. However, it is principally the recognition they are able to build with extremely high marketing dollars that maintain their status in the category. Several brands are expanding their SKU's into new energy drink categories including children energy drinks, coffee energy drinks and high concentration long lasting energy drinks as category line extensions. As of the date of this report we are also anticipating development of these new products, which we expect to begin offering in July 2013.

We believe there are several avenues on which we compete including on our high taste and functional profiles. At $1.89-$1.99 per 16 ounce can, we are priced at retail at up to 50 cents less than the existing top brands (even more so with Red Bull as they sell an 8 ounce can at over $2.49 per can) giving us an advantageous value proposition which is important on three levels: On the distributor level in which the distributor pays less per case for our product and can sell it for more of a profit than other top brands; on the retail level in which retailers are finding they can sell our product over our MSRP but under the retail price suggested by the elite brands to obtain higher margins per ring, and; on a consumer level with those having tried and liked DNA® or heard about it, who are more likely to impulsively reach for it when they see a price of up to 50 cents lower.

Government Regulations

While we do not manufacture our products, the production and marketing of our licensed and proprietary products are subject to the rules and regulations of various federal, state and local health agencies, including in particular the U.S. Food and Drug Administration ("FDA"). The FDA also regulates labeling of our products. From time to time, we may receive notifications of various technical labeling or ingredient reviews with respect to our licensed products. We believe that we have a compliance program in place to ensure compliance with production, marketing and labeling regulations.

Packagers of our beverage products presently offer non-refillable, recyclable containers in the U.S. and various other markets. Some of these packagers also offer refillable containers, which are also recyclable. Legal requirements have been enacted in jurisdictions in the U.S. requiring that deposits or certain eco-taxes or fees be charged for the sale, marketing and use of certain non-refillable beverage containers. The precise requirements imposed by these measures vary. Other beverage container related deposit, recycling, eco-tax and/or product stewardship proposals have been introduced in various jurisdictions in the U.S. We anticipate that similar legislation or regulations may be proposed in the future at local, state and federal levels in the U.S.

ITEM 1A. RISK FACTORS.

An investment in our Common Stock is a risky investment. In addition to the other information contained in this Report, prospective investors should carefully consider the following risk factors before purchasing shares of our Common Stock. We believe that we have included all material risks.

Our independent accountants have expressed a "going concern" opinion.

Our financial statements accompanying this Report have been prepared assuming that we will continue as a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The financial statements do not include any adjustment that might result from the outcome of this uncertainty. We have a minimal operating history and minimal revenues or earnings from operations. We have no significant assets or financial resources. We will, in all likelihood, sustain operating expenses without corresponding revenues for the immediate future. See "Part I, Item 1, Business" and "Part II, Item 7, Management's Discussion and Analysis of Financial Condition – Liquidity and Capital Resources." There are no assurances that we will generate profits from operations.

We have not generated profits from our operations.

We incurred net losses of $3,100,763 and $4,444,344 during the years ended December 31, 2013 and 2012, respectively. Based upon our current business plan, our ability to begin to generate profits from operations is dependent upon our obtaining additional financing and there can be no assurances that we will ever establish profitable operations. As we pursue our business plan, we are incurring significant expenses without corresponding revenues. In the event that we remain unable to generate significant revenues to pay our operating expenses, we will not be able to achieve profitability or continue operations.

Our ability to continue as a going concern is dependent on raising additional capital, which we may not be able to do on favorable terms, or at all.

We need to raise additional capital to support our current operations and fund our sales and marketing programs. We estimate that we will need a minimum of $1.0 million in additional capital in order to generate profits from operations. We can provide no assurance that additional funding will be available on a timely basis, on terms acceptable to us, or at all. If we are unsuccessful in raising additional funding, our business may not continue as a going concern. Even if we do find additional funding sources, we may be required to issue securities with greater rights than those currently possessed by holders of our common stock. We may also be required to take other actions that may lessen the value of our common stock or dilute our common stockholders, including borrowing money on terms that are not favorable to us or issuing additional equity securities. If we experience difficulties raising money in the future, our business and liquidity will be materially adversely affected.

We do not currently have an external line of credit facility with any financial institution.

As indicated above, we have estimated that we need approximately $1.0 million in additional capital to generate profits from operations. We have attempted to establish credit facilities with financial institutions but have experienced little or no success in these attempts due primarily to the current economic climate, specifically the reluctance of most financial institutions to provide such lines of credit to relatively new business ventures. We also have limited assets available to secure such a line of credit. We intend to continue to attempt to establish an external line of credit in the future, but there can be no assurances we will be able to do so. The failure to obtain an external line of credit could have a negative impact on our ability to generate profits.

Our financial results may fluctuate from period to period as a result of several factors which could adversely affect our stock price.

Our operating results may fluctuate significantly in the future as a result of a variety of factors, many of which are outside our control. Factors that will affect our financial results include:

- acceptance of our products and market penetration;
- the amount and timing of capital expenditures and other costs relating to the implementation of our business plan;
- the introduction of new products by our competitors;
- general economic conditions and economic conditions specific to our industry.

As a strategic response to changes in the competitive environment, we may from time to time make certain pricing, service, or marketing decisions or acquisitions that could have a material adverse effect on our business, prospects, financial condition, and results of operations.

We are dependent upon third party suppliers of our raw materials.

We are dependent on outside vendors for our supplies of raw materials. While we believe that there are numerous sources of supply available, if the third party suppliers were to cease production or otherwise fail to supply us with quality raw materials in sufficient quantities on a timely basis and we were unable to contract on acceptable terms for these services with alternative suppliers, our ability to produce our products would be materially adversely affected.

We rely on our distributors, retailers and brokers, and this could affect our ability to efficiently and profitably distribute and market our products, maintain our existing markets and expand our business into other geographic markets.

Our ability to establish a market for our brands and products in new geographic distribution areas, as well as maintain and expand our existing markets, is dependent on our ability to establish and maintain successful relationships with reliable distributors, retailers and brokers strategically positioned to serve those areas. Most of our distributors, retailers and brokers sell and distribute competing products, including non-alcoholic and alcoholic beverages, and our products may represent a small portion of their business. To the extent that our distributors, retailers and brokers are distracted from selling our products or do not employ sufficient efforts in managing and selling our products, including re-stocking the retail shelves with our products, our sales and results of operations could be adversely affected. Our ability to maintain our distribution network and attract additional distributors, retailers and brokers will depend on a number of factors, some of which are outside our control. Some of these factors include:

the level of demand for our brands and products in a particular distribution area;

our ability to price our products at levels competitive with those of competing products; and

our ability to deliver products in the quantity and at the time ordered by distributors, retailers and brokers.

We may not be able to meet all or any of these factors in any of our current or prospective geographic areas of distribution. Our inability to achieve any of these factors in a geographic distribution area will have a material adverse effect on our relationships with our distributors, retailers and brokers in that particular geographic area, thus limiting our ability to expand our market, which will likely adversely affect our revenues and financial results.

We generally do not have long-term agreements with our distributors, and we incur significant time and expense in attracting and maintaining key distributors.

Our marketing and sales strategy depends in large part on the availability and performance of our independent distributors. We have entered into written agreements with many of our distributors in the U.S., with normal industry terms of one year and automatically renewable for one year terms thereafter. We currently do not have, nor do we anticipate in the future that we will be able to establish, long-term contractual commitments from many of our distributors. In addition, despite the terms of the written agreements with many of our top distributors, there are no minimum levels of purchases under many of those agreements, and most of the agreements may be terminated at any time by us, generally with a termination fee. We may not be able to maintain our current distribution relationships or establish and maintain successful relationships with distributors in new geographic distribution areas. Moreover, there is the additional possibility that we may have to incur additional expenditures to attract and maintain key distributors in one or more of our geographic distribution areas in order to profitably exploit our geographic markets.

If we lose any of our key distributors or regional retail accounts, our financial condition and results of operations could be adversely affected.

We anticipate that, as consumer awareness of our brand develops and increases, we will continue to upgrade and expand our distributor network and accounts. We cannot be assured that we will be able to maintain our key distributor base which may result in an adverse effect on our revenues and financial results, our ability to retain our relationships with our distributors and our ability to expand our market and will place an increased dependence on any one or more of our independent distributors or regional accounts.

Because our distributors are not required to place minimum orders with us, we need to manage our inventory levels, and it is difficult to predict the timing and amount of our sales.

Our independent distributors are not required to place minimum monthly or annual orders for our products. In order to reduce inventory costs, independent distributors endeavor to order products from us on a “just in time” basis in quantities, and at such times, based on the demand for the products in a particular distribution area. Accordingly, there is no assurance as to the timing or quantity of purchases by any of our independent distributors or that any of our distributors will continue to purchase products from us in the same frequencies and volumes as they may have done in the past. In order to be able to deliver our products on a timely basis, we need to maintain adequate inventory levels of the desired products, but we cannot predict the number of cases sold by any of our distributors. If we fail to meet our shipping schedules, we could damage our relationships with distributors and/or retailers, increase our shipping costs or cause sales opportunities to be delayed or lost, which would unfavorably impact our future sales and adversely affect our operating results. In addition, if the inventory of our products held by our distributors and/or retailers is too high, they will not place orders for additional products, which would also unfavorably impact our future sales and adversely affect our operating results.

Our business plan and future growth is dependent in part on our distribution arrangements directly with retailers and regional retail accounts. If we are unable to establish and maintain these arrangements, our results of operations and financial condition could be adversely affected.

We currently have distribution arrangements with a few regional retail accounts to distribute our products directly through their venues; however, there are several risks associated with this distribution strategy. First, we do not have long-term agreements in place with any of these accounts and thus, the arrangements are terminable at any time by these retailers or us. Accordingly, we may not be able to maintain continuing relationships with any of these national accounts. A decision by any of these retailers, or any other large retail accounts we may obtain, to decrease the amount purchased from us or to cease carrying our products could have a material adverse effect on our reputation, financial condition or results of operations. In addition, we may not be able to establish additional distribution arrangements with other national retailers.

We have dedicated, and will continue to dedicate, significant resources to our sponsorship agreements and may not realize the benefits expected from those agreements.

Historically, our sponsorship agreements sometimes require us to make substantial annual cash payments, or alternatively, issue shares of our Common Stock in lieu of cash payment, in exchange for certain promotional and branding benefits. There can be no assurance that our association with a particular sponsor at any given time will have a positive effect on our image and brands, or that these agreements will compensate for the annual payment commitments required. Alternatively, we have the option to assign shares of our Common Stock in lieu of making these cash payments. The number of shares to be assigned is determined by the average trading price of our Common Stock during the three day period preceding the due date of a payment. Given our limited cash resources, we intend to continue to use shares of our Common Stock as payment for these sponsorship agreements. There is a risk that we will be unable to recover the costs associated with our sponsorship agreements, which would have an adverse effect on our results of operations.

We rely on independent contract packers of our products, and this dependence could make management of our marketing and distribution efforts inefficient or unprofitable.

We do not own the plants or the majority of the equipment required to manufacture and package our beverage products, and do not directly manufacture our products but instead outsource the manufacturing process to third party bottlers and independent contract packers (co-packers). We do not anticipate bringing the manufacturing process in-house in the future. As a consequence, we depend on independent contract packers to produce our beverage products.

We do not have written agreements with our contract packers.

Our ability to attract and maintain effective relationships with our contract packers and other third parties for the production and delivery of our beverage products in a particular geographic distribution area is important to the achievement of successful operations within each distribution area. While we believe there are other contract packers that can provide the services we need, there are no assurances that we will be able to identify and reach a mutually agreeable arrangement with a new contract packer in a specific geographic region if necessary. This could also affect the economic terms of our agreements with our packers. There is no written agreement with our contract packers and they may terminate their arrangements with us at any time, in which case we could experience disruptions in our ability to deliver products to our customers. We may not be able to maintain our relationships with current contract packers or establish satisfactory relationships with new or replacement contract packers, whether in existing or new geographic distribution areas. The failure to establish and maintain effective relationships with contract packers for a distribution area could increase our manufacturing costs and thereby materially reduce profits realized from the sale of our products in that area. In addition, poor relations with any of our contract packers could adversely affect the amount and timing of product delivered to our distributors for resale, which would in turn adversely affect our revenues and financial condition.

As is customary in the contract packing industry for comparably sized companies, we are expected to arrange for our contract packing needs sufficiently in advance of anticipated requirements. To the extent demand for our products exceeds available inventory and the capacities produced by contract packing arrangements, or orders are not submitted on a timely basis, we will be unable to fulfill distributor orders on demand. Conversely, we may produce more product than warranted by the actual demand for it, resulting in higher storage costs and the potential risk of inventory spoilage. Our failure to accurately predict and manage our contract packaging requirements may impair relationships with our independent distributors and key accounts, which, in turn, would likely have a material adverse effect on our ability to maintain effective relationships with those distributors and key accounts.

Our business and financial results depend on the continuous supply and availability of raw materials.

The principal raw materials we use include aluminum cans, labels and cardboard cartons, flavorings, and proprietary energy blend ingredients which include vitamins and minerals. The cost of our ingredients is subject to fluctuation. If our supply of these raw materials is impaired or if prices increase significantly, our business would be adversely affected.

We may not correctly estimate demand for our products. Our ability to estimate demand for our products is imprecise, particularly with new products, and may be less precise during periods of rapid growth, particularly in new markets. If we materially underestimate demand for our products or are unable to secure sufficient ingredients or raw materials including, but not limited to, cans, glass, labels, flavors, supplements, and certain sweeteners, or sufficient packing arrangements, we might not be able to satisfy demand on a short-term basis. Moreover, industry-wide shortages of certain concentrates, supplements and sweeteners have been experienced and could, from time to time in the future, be experienced, which could interfere with and/or delay production of certain of our products and could have a material adverse effect on our business and financial results.

Disruption of our supply chain could have an adverse effect on our business, financial condition and results of operations.

Our ability and that of our suppliers, business partners (including packagers), contract manufacturers, independent distributors and retailers to make, move and sell products is critical to our success. Damage or disruption to manufacturing or distribution capabilities due to weather, natural disaster, fire or explosion, terrorism, pandemics such as avian flu, strikes or other reasons, could impair our ability to manufacture or sell our products. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition and results of operations, as well as require additional resources to restore our supply chain.

If we are unable to maintain brand image and product quality, or if we encounter other product issues such as product recalls, our business may suffer.

Our success depends on our ability to maintain brand image for our existing products and effectively build up brand image for new products and brand extensions. There can be no assurance, however, that additional expenditures and our advertising and marketing will have the desired impact on our products' brand image and on consumer preferences. Product quality issues, real or imagined, or allegations of product contamination, even when false or unfounded, could tarnish the image of the affected brands and may cause consumers to choose other products.

In addition, because of changing government regulations or implementation thereof, allegations of product contamination may require us from time to time to recall products entirely or from specific markets. Product recalls could affect our profitability and could negatively affect brand image. Adverse publicity surrounding obesity concerns, water usage and other concerns could negatively affect our overall reputation and our products' acceptance by consumers.

The inability to attract and retain key personnel would directly affect our efficiency and results of operations.

Our success depends on our ability to attract and retain highly qualified employees in such areas as production, distribution, sales, marketing and finance. We compete to hire new employees, and, in some cases, must train them and develop their skills and competencies. Our operating results could be adversely affected by increased costs due to increased competition for employees, higher employee turnover or increased employee benefit costs. We expect that given our continued exploration of strategic alternatives, we may be further impacted by turnover among employees. Any unplanned turnover, particularly involving one of our key personnel, could negatively impact our operations, financial condition and employee morale.

Our inability to protect our trademarks, patents and trade secrets may prevent us from successfully marketing our products and competing effectively.

Failure to protect our intellectual property could harm our brand and our reputation, and adversely affect our ability to compete effectively. Further, enforcing or defending our intellectual property rights, including our trademarks, patents, copyrights and trade secrets, could result in the expenditure of significant financial and managerial resources. We regard our intellectual property, particularly our trademarks, patents and trade secrets to be of considerable value and importance to our business and our success. We rely on a combination of trademark, patent, and trade secrecy laws, confidentiality procedures and contractual provisions to protect our intellectual property rights. There can be no assurance that the steps taken by us to protect these proprietary rights will be adequate or that third parties will not infringe or misappropriate our trademarks, patented processes, trade secrets or similar proprietary rights. In addition, there can be no assurance that other parties will not assert infringement claims against us, and we may have to pursue litigation against other parties to assert our rights. Any such claim or litigation could be costly. In addition, any event that would jeopardize our proprietary rights or any claims of infringement by third parties could have a material adverse effect on our ability to market or sell our brands, profitably exploit our products or recoup our associated research and development costs.

Litigation or legal proceedings could expose us to significant liabilities and damage our reputation.

We may become party to litigation claims and legal proceedings. Litigation involves significant risks, uncertainties and costs, including distraction of management attention away from our current business operations. We evaluate litigation claims and legal proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, we establish reserves and/or disclose the relevant litigation claims or legal proceedings, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. We caution that actual outcomes or losses may differ materially from those envisioned by our current assessments and estimates. Our policies and procedures require strict compliance by our employees and agents with all United States and local laws and regulations applicable to our business operations, including those prohibiting improper payments to government officials. Nonetheless, there can be no assurance that our policies and procedures will always ensure full compliance by our employees and agents with all applicable legal requirements. Improper conduct by our employees or agents could damage our reputation in the United States and internationally or lead to litigation or legal proceedings that could result in civil or criminal penalties, including substantial monetary fines, as well as disgorgement of profits.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect our financial results.

Generally accepted accounting principles and related pronouncements, implementation guidelines and interpretations with regard to a wide variety of matters that are relevant to our business, such as, but not limited to, revenue recognition, stock-based compensation, trade promotions, sports sponsorship agreements and income taxes are highly complex and involve many subjective assumptions, estimates and judgments by our management. Changes to these rules or their interpretation or changes in underlying assumptions, estimates or judgments by our management could significantly change our reported results.

If we are unable to build and sustain proper information technology infrastructure, our business could suffer.

We depend on information technology as an enabler to improve the effectiveness of our operations and to interface with our customers, as well as to maintain financial accuracy and efficiency. If we do not allocate and effectively manage the resources necessary to build and sustain the proper technology infrastructure, we could be subject to transaction errors, processing inefficiencies, the loss of customers, business disruptions, or the loss of or damage to intellectual property through security breach. Our information systems could also be penetrated by outside parties' intent on extracting information, corrupting information or disrupting business processes. Such unauthorized access could disrupt our business and could result in the loss of assets.

We have no manufacturing facilities and are largely dependent upon third parties to manufacture our products.

We have no manufacturing facilities and have entered into manufacturing arrangements with third parties to manufacture our products. Accordingly, our ability to market our products is partially dependent on our relationships with our third party contract manufacturers and their ability to manufacture our products on a timely basis in accordance with our specifications. While we believe that there are numerous other third party manufacturers capable of manufacturing our products, should we not be able to continue to obtain contract manufacturing on commercially reasonable terms with our current suppliers, we may experience difficulty obtaining inventory rapidly when needed. Any of such events may materially, adversely affect our business, prospects, financial condition, and results of operations.

Our success depends, to an extent, upon the continued services of Eric Fowler, our President and Chief Executive Officer and Mel Leiner, our Chief Financial Officer and Chief Operating Officer.

We rely on the services of Eric Fowler and Mel Leiner, for strategic and operational management and the relationships they have built. The loss of either of Messrs. Fowler or Leiner could also result in the loss of our favorable relationships with one or more of our customers. We have not entered into an employment agreement with either Mr. Fowler or Leiner but expect to do so in the near future. In addition, we do not maintain "key person" life insurance covering any of our management and we do not expect to obtain the same in the future due primarily to the cost of premiums for such insurance and our limited financial resources. This could also preclude our ability to attract and retain qualified persons to agree to become directors of our Company.

The industries in which we operate are highly competitive.

Numerous well-known companies which have substantially greater capital, research and development capabilities and experience than we have, are presently engaged in the energy drink and meat product market. By virtue of having or introducing competitive products on the market before us, these entities may gain a competitive advantage. If we are unable to successfully compete in our chosen markets, our business, prospects, financial condition, and results of operations would be materially adversely affected.

Provisions of our Articles of Incorporation and Bylaws may delay or prevent a take-over that may not be in the best interests of our stockholders.

Provisions of our Articles of Incorporation and Bylaws may be deemed to have anti-takeover effects, which include when and by whom special meetings of our stockholders may be called, and may delay, defer or prevent a takeover attempt.

In addition, our Articles of Incorporation authorizes the issuance of up to 10,000,000 shares of Preferred Stock with such rights and preferences determined from time to time by our Board of Directors. As of the date of this Report, 2,100,000 shares of our Preferred Stock is currently issued or outstanding. Our Board of Directors may, without stockholder approval, issue additional Preferred Stock with dividends, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights of the holders of our Common Stock.

Our failure to maintain and develop our brand names could adversely affect our revenues.

We believe that maintaining and developing our brand name, including the trademark "DNA®" are critical to our success. The importance of our name recognition may increase as our products gain market acceptance and as we enter additional markets. If our brand building strategy is unsuccessful, we may be unable to increase our future revenues or expand our products and services. Such events would have a material adverse effect on our business, prospects, financial condition and results of operations.

Any inability by us to respond to changes in consumer demands in a timely manner could materially adversely affect our business, prospects, financial condition, and results of operations.

Our success depends on our ability to identify, originate and define product trends in our markets, as well as to anticipate, gauge and react to changing consumer demands in a timely manner. Our products must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to periodic change. We may not be able to meet changing consumer demands in the future. If we misjudge the market for our products, we may be faced with significant excess inventories for some products and missed opportunities for other products. Either of such events could have a material adverse effect on our business, prospects, financial condition, and results of operations.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain executive management and qualified board members.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Act, and other applicable securities rules and regulations. Compliance with these rules and regulations increases our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources, particularly after we are no longer an "emerging growth company," as defined in the Jumpstart our Business Startups Act, or the JOBS Act. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and operating results. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns which could adversely affect our business and operating results. We may need to hire more employees in the future or engage outside consultants who will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected.

However, for as long as we remain an "emerging growth company," we may take advantage of certain exemptions from various reporting requirements that are applicable to public companies that are not "emerging growth companies" including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We may take advantage of these reporting exemptions until we are no longer an "emerging growth company."

We would cease to be an "emerging growth company" upon the earliest of: (i) the first fiscal year following the fifth anniversary of our becoming a reporting company, (ii) the first fiscal year after our annual gross revenues are $1.0 billion or more, (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt securities or (iv) as of the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded $75 million as of the end of the second quarter of that fiscal year.

We also expect that being a public company and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

As a result of disclosure of information in this report and in future filings required of a public company, our business and financial condition will become more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and operating results could be adversely affected, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business and operating results.

We are an "emerging growth company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to public companies that are not "emerging growth companies" including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

In addition, Section 107 of the JOBS Act also provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an “emerging growth company” can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we are choosing to “opt out” of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

Risks Related to our Common Stock

There is a limited trading market for our Common Stock and there can be no assurance that a larger market will develop in the future.

In the absence of a public trading market, an investor may be unable to liquidate his investment in our Company.

We do not have significant financial reporting experience, which may lead to delays in filing required reports with the Securities and Exchange Commission and suspension of quotation of our securities on the OTCBB which will make it more difficult for you to sell your securities.

The OTCBB, an inter-dealer quotation system, and other national stock exchanges each limits quotations to securities of issuers that are current in their reports filed with the Securities and Exchange Commission (the “SEC”). Because we do not have significant financial reporting experience, we may experience delays in filing required reports with the SEC. Because issuers whose securities are qualified for quotation on the OTCBB or any other national exchange are required to file these reports with the SEC in a timely manner, the failure to do so may result in a suspension of trading or delisting.

There are no automated systems for negotiating trades on the OTCBB and it is possible for the price of a stock to go up or down significantly during a lapse of time between placing a market order and its execution, which may affect your trades in our securities.

Because there are no automated systems for negotiating trades on the OTCBB, they are conducted via telephone. In times of heavy market volume, the limitations of this process may result in a significant increase in the time it takes to execute investor orders. Therefore, when investors place market orders, an order to buy or sell a specific number of shares at the current market price, it is possible for the price of a stock to go up or down significantly during the lapse of time between placing a market order and its execution.

Our stock will be considered a “penny stock” so long as it trades below $5.00 per share. This can adversely affect its liquidity.

Our Common Stock is considered a “penny stock” and will continue to be considered a penny stock so long as it trades below $5.00 per share and as such, trading in our Common Stock will be subject to the requirements of Rule 15g-9 under the Securities Exchange Act of 1934. Under this rule, broker/dealers who recommend low-priced securities to persons other than established customers and accredited investors must satisfy special sales practice requirements. The broker/dealer must make an individualized written suitability determination for the purchaser and receive the purchaser’s written consent prior to the transaction.

SEC regulations also require additional disclosure in connection with any trades involving a “penny stock,” including the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and its associated risks. In addition, broker-dealers must disclose commissions payable to both the broker-dealer and the registered representative and current quotations for the securities they offer. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from recommending transactions in our securities, which could severely limit the liquidity of our securities and consequently adversely affect the market price for our securities. In addition, few broker or dealers are likely to undertake these compliance activities. Other risks associated with trading in penny stocks could also be price fluctuations and the lack of a liquid market.

We do not anticipate payment of dividends, and investors will be wholly dependent upon the market for the Common Stock to realize economic benefit from their investment.

As holders of our Common Stock, you will only be entitled to receive those dividends that are declared by our Board of Directors out of retained earnings. We do not expect to have retained earnings available for declaration of dividends in the foreseeable future. There is no assurance that such retained earnings will ever materialize to permit payment of dividends to you. Our Board of Directors will determine future dividend policy based upon our results of operations, financial condition, capital requirements, reserve needs and other circumstances.

Any adverse effect on the market price of our Common Stock could make it difficult for us to raise additional capital through sales of equity securities at a time and at a price that we deem appropriate.

Sales of substantial amounts of our Common Stock, or in anticipation that such sales could occur, may materially and adversely affect prevailing market prices for our Common Stock.

The market price of our Common Stock may fluctuate significantly in the future.

We expect that the market price of our Common Stock may fluctuate in response to one or more of the following factors, many of which are beyond our control:

- competitive pricing pressures;
- our ability to market our services on a cost-effective and timely basis;
- our inability to obtain working capital financing, if needed;
- changing conditions in the market;
- changes in market valuations of similar companies;
- stock market price and volume fluctuations generally;
- regulatory developments;
- fluctuations in our quarterly or annual operating results;
- additions or departures of key personnel; and
- future sales of our Common Stock or other securities.

The price at which you purchase shares of our Common Stock may not be indicative of the price that will prevail in the trading market. You may be unable to sell your shares of Common Stock at or above your purchase price, which may result in substantial losses to you and which may include the complete loss of your investment. In the past, securities class action litigation has often been brought against a company following periods of stock price volatility. We may be the target of similar litigation in the future. Securities litigation could result in substantial costs and divert management's attention and our resources away from our business. Any of the risks described above could adversely affect our sales and profitability and also the price of our Common Stock.

The market price of our Common Stock is subject to volatility.

There can be no assurance that an active trading market for the securities offered herein will develop after an Offering, or, if developed, be sustained. Purchasers of our Common Stock may have difficulty selling their securities should they desire to do so and holders may lose their entire investment.

FINRA sales practice requirements may limit a stockholder's ability to buy and sell our stock.

The Financial Industry Regulatory Authority ("FINRA") has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low pINDENT: -18pt; LINE-HEIGHT: 1.25; MARGIN-RIGHT: 0pt" align="left">Book-Entry Procedures and Settlement