

# NUZEE, INC.

## FORM 10-Q (Quarterly Report)

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Symbol	NUZE
SIC Code	5900 - Retail-Miscellaneous Retail
Industry	Home Furnishings Retailers
Sector	Consumer Cyclical
Fiscal Year	09/30

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C.  
20549  
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2014

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from to

Commission File No. 333-176684

NUZEE, INC.

(exact name of registrant as specified in its charter)

Nevada

38-3849791

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

10815 Rancho Bernardo  
Road, Suite 250, San Diego, CA  
92127

(Address of principal executive offices) (zip code)

(858) 549-6893 or toll free (855) 936-8933

(Registrant's telephone number, including area code) Securities

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

Titles of each class	Name of each exchange on which
None	registered N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such

shorter period that the registrant was required to submit and post such files).

Yes No

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>		Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	(Do not check if smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>

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

**APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY  
 PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes  No

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. As of August 18, 2014, NuZee, Inc. had 30,169,204 shares of common stock outstanding.

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### **FORWARD-LOOKING INFORMATION**

This Quarterly Report on Form 10-Q of NuZee, Inc. contains “forward-looking statements” that may state our management’s plans, future events, objectives, current expectations, estimates, forecasts, assumptions or projections about the company and its business. Any statement in this report that is not a statement of historical fact is a forward-looking statement, and in some cases, words such as “believes,” “estimates,” “projects,” “expects,” “intends,” “may,” “anticipates,” “plans,” “seeks,” and similar expressions identify forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual outcomes and results to differ materially from the anticipated outcomes or results. These statements are not guarantees of future performance, and undue reliance should not be placed on these statements. It is important to note that our actual results could differ materially from what is expressed in our forward-looking statements due to the risk factors described in the section of our Form 10-K filed on January 14, 2014 entitled “Risk Factors.”

We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 1. Financial Statements.

**PART I.**

Nuzee, Inc.  
**CONSOLIDATED BALANCE SHEET**  
(Unaudited)

June 30, 2014

September 30, 2013

	June 30, 2014	September 30, 2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 467,749	\$ 1,110,661
Accounts Receivable	23,528	13,195
Related Party Receivables	-	139,661
Inventories	53,735	-
Prepaid expenses and deposits	92,734	16,896
<b>Total current assets</b>	<b>637,746</b>	<b>1,280,413</b>
Equipment, net	10,516	8,663
<b>Total Assets</b>	<b>\$ 648,262</b>	<b>\$ 1,289,076</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	97,556	55,822
Advances from Stockholders'	-	50,000
Other Current Liabilities	16,961	9,563
<b>Total Current Liabilities</b>	<b>114,517</b>	<b>115,385</b>
<b>Stockholders' Equity</b>		
Preferred stock; 100,000,000 shares authorized, \$0.00001 par value; 0 shares issued and outstanding	-	-
Common stock; 100,000,000 shares authorized, \$0.00001 par value; 30,055,357 and 37,957,790 shares issued and outstanding	301	380
Additional paid in capital	4,592,947	2,556,349
Accumulated deficit	(4,059,503)	(1,383,038)
<b>Total Stockholders' Equity</b>	<b>533,745</b>	<b>1,173,691</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 648,262</b>	<b>\$ 1,289,076</b>

*The accompanying notes are an integral part of these unaudited consolidated financial statement.*

**Nuzee, Inc.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Nine Months Ended June 30, 2014	Nine Months Ended June 30, 2013
<b>Revenues</b>	\$ 59,159	\$ 48,208	\$ 59,471	\$ 105,419
<b>Cost of revenues</b>	55,828	44,901	56,016	77,964
<b>Gross profit</b>	3,331	3,307	3,455	27,455
<b>Operating expenses</b>	618,605	299,684	2,677,620	727,022
<b>Loss from operations</b>	(615,274)	(296,377)	(2,674,165)	(699,567)
<b>Other Income (Expense)</b>	(2,488)	(800)	(2,300)	(43,010)
<b>Net loss</b>	\$ (617,762)	\$ (297,177)	\$ (2,676,465)	\$ (742,577)
<b>Loss per share, Basic and diluted</b>	\$ (0.02)	\$ (0.01)	\$ (0.09)	\$ (0.02)
<b>Weighted average common shares outstanding, Basic and diluted</b>	29,687,884	36,281,464	30,010,231	33,825,689

*The accompanying notes are an integral part of these unaudited consolidated financial statement.*

Nuzee, Inc  
**STATEMENTS OF CASH FLOWS**  
For the nine months ended June 30, 2014 and 2013  
(Unaudited)

	2014	2013
<b>Cash Flows from Operating Activities:</b>		
Net loss	(2,676,465)	(742,577)
Adjustments to reconcile net income to net cash used		
in operating activities:		
Depreciation expense	2,388	279
Stock option expense	1,480,480	-
Warrant expense	7,500	-
Impairment of Intellectual Property	-	42,818
<i>(Increase) decrease in assets:</i>		
Accounts receivable	(10,333)	(21,447)
Inventory	(53,735)	7,896
Prepayments and other current assets	(75,838)	(11,423)
Related party receivable	-	(139,661)
<i>Increase (decrease) in liabilities:</i>		
Accounts payable	41,734	(21,738)
Other current liabilities	7,398	5,889
<b>Net Cash Provided by(Used in) Operating Activities</b>	<b>(1,276,871)</b>	<b>(879,964)</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(4,241)	-
<b>Net Cash Used in Investing Activities</b>	<b>(4,241)</b>	<b>-</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from sale of stock	638,200	249,390
Advances from stockholders	-	540,000
<b>Net Cash Provided by Financing Activities</b>	<b>638,200</b>	<b>789,390</b>
<b>Net change in Cash</b>	<b>(642,912)</b>	<b>(90,574)</b>
Cash, beginning of period	<b>1,110,661</b>	<b>165,484</b>
Cash, end of period	<b>467,749</b>	<b>74,910</b>
<b>Supplemental Disclosure of cash flow information:</b>		
Cash paid during the year for:		
Interest	-	-
Income taxes	-	-
<b>Non-cash Transaction</b>		
Cancellation of common stock	(139,661)	-
Common stock issued for settlement of advance from stockholder	-	640,610

*The accompanying notes are an integral part of these unaudited financial statements*

*Nuzee, Inc.*  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**  
**June 30, 2014**

**1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying unaudited interim financial statements of Nuzee, Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America and rules of the Securities and Exchange Commission, and should be read in conjunction with the audited financial statements and notes thereto contained in the Company's annual report on Form 10-K for the initial period ended September 30, 2013 as filed with the SEC. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the consolidated financial statements which would substantially duplicate the disclosure contained in the audited financial statements as reported in the annual report on Form 10-K have been omitted.

In the quarter ended June 30, 2014, the Company has elected to early adopt Accounting Standards Update No. 2014-10, Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements. The adoption of this ASU allows the company to remove the inception to date information and all references to development stage.

**Going Concern**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which contemplates continuation of the Company as a going concern. The Company has had recurring losses, large accumulated deficits, is dependent on the shareholder to provide additional funding for operating expenses and has no recurring revenues. These items raise substantial doubt about the Company's ability to continue as a going concern.

**Equity based payments**

The Company accounts for equity instruments issued to employees in accordance with ASC 718 "Stock Compensation". Under this guidance, stock compensation expense is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the estimated service period (generally the vesting period) on the straight-line attribute method.

**2. RELATED PARTY TRANSACTIONS**

During October 2013, the Company entered into a Compromise Agreement with the Company's majority shareholder to settle the related party receivable. In consideration of the compromises contained in the agreement the Company's majority shareholder agreed to forgive a note in the amount of \$50,000, cancel 8,966,100 shares, and the Company forgave the related party receivable of \$139,661.

**3. COMMON STOCK**

During March 2014, the Company sold 613,667 shares at \$0.60 per share, for an aggregate purchase price of \$368,200.

During April to June 2014, the Company sold 450,000 shares at \$0.60 per share, for an aggregate purchase price of \$270,000.

**4. STOCK OPTIONS**

During October 2013 the Company granted 3,471,665 options to employee. The right to exercise these options shall vest and become 25% exercisable on the first anniversary of when granted, with the exception that 100% of options issued to one employee vested immediately. The remaining options shall vest and become exercisable ratably over the next 36 months, with the exception that options issued to 2 employees shall vest and become exercisable over 18 months and option issued to one employee shall vest and become exercisable as of the effective date of the Option Agreement. The exercise price is \$0.48 per share and will expire ten years from the grant date, unless terminated earlier as provided by the Option Agreements.

The fair value of each option award was estimated on the date of grant using the Black-Scholes option valuation model using the assumptions noted as follows: expected volatility was based on historical trading in the company's stock. The expected term of options granted was determined using the simplified method under SAB 107 and represents one-half the exercise period. The risk-free rate is calculated using the U.S. Treasury yield curve, and is based on the expected term of the option. The Company has estimated there will be no forfeitures.

The Black-Scholes option pricing model was used with the following weighted average assumptions for options granted during the nine months ended June 30, 2014:

Risk-free interest rate 1% - 2% Expected option life 5  
years Expected volatility 300%

Expected dividend yield 0.0%

At June 30, 2014, 2,535,902 options are exercisable and the Company recognized \$1,480,480 of stock options expenses during the nine months ended June 30, 2014.



## 5. STOCK WARRANTS

During nine months ended June 30, 2014, the Company granted 100,000 warrants to advisors. The right to exercise these warrants shall vest in equal eight quarterly installments over the twenty-four (24) months following the date their vesting begins, subject to their continued engagement as a service provider through each such date. The exercise price equal to the current fair market value per share on the date of grant and will expire ten years from the grant date, unless terminated earlier as provided by the Warrant Agreements.

The Black-Scholes warrant pricing model was used with the following weighted average assumptions for options granted during the nine months ended June 30, 2014:

Risk-free interest rate 2.53%

Expected life 10 years

Expected volatility 300%

Expected dividend yield 0.0%

At June 30, 2014, 12,500 warrants are exercisable and the Company recognized \$7,500 of warrant expenses during the nine months ended June 30, 2014.

## 6. SUBSEQUENT EVENTS

During July 2014, the Company sold 113,847 shares at \$0.60 per share, for an aggregate purchase price of \$68,308.

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

The following plan of operation provides information which management believes is relevant to an assessment and understanding of our results of operations and financial condition. The discussion should be read along with our financial statements and notes thereto. This section includes a number of forward-looking statements that reflect our current views with respect to future events and financial performance. Forward-looking statements are often identified by words like believe, expect, estimate, anticipate, intend, project and similar expressions, or words which, by their nature, refer to future events. You should not place undue certainty on these forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our predictions.

### Plan of Operations

#### *Short Term Goals (12 Months)* Market Awareness, Growth Expansion

Based on the initial commercial launch and availability of the product, the Company's growth plans include continuing efforts to:

- Launch distributors in Asia to introduce and distribute Coffee Blenders family of products as market awareness and interest in functional beverages is well understood.
- Build a targeted distribution network in the United States for our Coffee Blenders functional beverages by signing retailers that serve the mass consumer K-cup and Coffee replenishment channels;
- Increase awareness for Coffee Blenders through direct communications and sampling programs;

In April 2014, we officially launched the Coffee Blenders products through international press announcement and began stocking product for resell on Coffee Blenders.com and Amazon.com. In the most recent quarter we augmented our direct efforts and started to supply product to regional and national coffee distributors.

Furthermore, the Company plans to pursue direct and indirect distribution to select retailers nationwide. As a result, the Company invested in a new formula and product development effort in order to achieve retail channel price points. In addition, the Company hired a new VP of Business Development and Sales with significant experience in the retail and beverage channels to accelerate our launch. We are very encouraged by the initial interest and traction received from retailers and expect Coffee Blenders to be available for purchase in regional specialty chains by the end of the year that focus on premium quality coffee offerings for their customers. Product availability is pending for national and regional chain with announcements to follow.

We embarked on researching and building brand and product awareness through editor/blogger outreach, digital advertising campaigns and product sampling at local universities, functions, events, etc. The initial results are encouraging and the Company plans to continue to selectively participate in events. In the current quarter we also explored co-marketing programs with Fitness and Health associations (e.g. health professionals and wellness organizations) and believe they also provide a solid opportunity to build brand and product awareness among their based of clients. Joint sponsorship programs with companies are in development. The Company hopes to announce sponsors in the coming months.

We saw mixed results from our search engine marketing (SEM) and social outreach programs. As a result, we will continue to invest in digital marketing only where it provides a return on investment that covers the shipping expenses associated with sampling the product.

For each of the above initiatives, we continue to measure overall results using a host of costing parameters not limited to the following: product slotting fees, overall margin requirements, retail activation costs, market development fees, return allowances, broadcast advertising and promotional marketing plans, in-store and channel detailing, product sampling and customer demoing as well as transportation and logistics cost, cross dock fees, shelf-life expiration swaps, and initial and recurring inventory loading levels in order to

The Company plans going forward include the following milestones:

Milestone	Timing	Est. Cost/Funding Source
1. Refine Products & Pricing Improve Product Functions and Create New Versions, preparing "regular" coffee Line for Japan, Explore brewer solutions (Home and QSRs)	2 <sup>nd</sup> Half 2014	Sale of Equities
2. Refine Staff and align operations based on funding	August - October	\$50,000-\$60,000/Mo. Recurring Sale of Equities
3. Focus on International and U.S. distribution	September – December	\$150,000-300,000 Sale of Equities
4. Establish and validate traction by channel	Ongoing	
5. Explore OEM/Private Label Opportunities and secure additional funding from current investors.	Ongoing	

If we are unable to receive funding our plans will be dramatically and negatively impacted such that we will prioritize go to market strategies based on reduced operations and available capital.

#### *Long Term Goals (Five Years)*

The Company believes that there will be significant expansion opportunities in existing markets through new products as well as in new regions outside of the United States in a combination of market development and product licensing.

The Company believes that our limited resources may pose a challenge to our expansion goals and therefore anticipates that it may require additional capital in future years to fund expansion. There can be no assurance that our expansion strategy will be accretive to our earnings within a reasonable period of time. However, the Company believes that it can improve its operational efficiencies and reduce the need for new capital by carefully managing the business based on the following economic fundamentals within accretive margin and cost contribution modeling.

#### **Results of Operations**

##### *Comparison of the three months ended June 30, 2014 and 2013*

For the three months ended June 30, 2014 we have earned revenues of \$59,159 from the launch of Coffee Blenders products through international press announcement and began stocking product for resell on coffeeblenders.com and amazon.com. For the three months ended June 30, 2013 revenues of \$48,208 were from the sale of discontinued operations of skin products, Torque energy drinks and New Zealand bottled water.

Operating expenses increased \$311,421 or 104% from approximately \$299,684 in the third quarter of 2013 to approximately \$618,605 in the third quarter of 2014 due to stock compensation expenses, marketing expenses and personnel costs.

##### *Comparison of the nine month ended June 30, 2014 and 2013*

For the nine month ended June 30, 2014 we have earned revenues of \$59,471 from the launch of Coffee Blenders products through international press announcement and began stocking product for resell on coffeeblenders.com and amazon.com. For the nine month ended June 30, 2013 revenues of \$105,419 were from the sale of discontinued operations of skin products, Torque energy drinks and New Zealand bottled water. Some of the products were sold at a significant discount in order to eliminate inventory.

Operating expenses increased \$1,950,598 or 268% from approximately \$727,022 in the nine month ended 2013 to approximately \$2,677,620 in the nine month ended 2014 due to research and preparation of coffee blenders products, stock compensation expenses, marketing expenses, and personnel costs.

We are presently in the initial commercial launch of the Coffee Blenders products and we can provide no assurance that we will be able to attain profitability.

We expect sales growth in 2014 from our new products through a combination of direct to consumer through our website portal, product awareness as well as through affiliate online stores and distribution to select retailers nationwide.

## **Liquidity and Capital Resources**

As of June 30, 2014 we had a cash balance of \$467,749 and \$1,110,661 at September 30, 2013. Inventory increased to \$53,735 as of June 30, 2014 from no inventory at September 30, 2013. The increase was mainly due to discontinued operations of skin products, Torque energy drinks and New Zealand bottled water. Related Party Receivables decreased from \$139,661 at September 2013 to no related party receivable at June 30, 2014. See note 3 for more information on related party receivable. Prepaid expenses and deposits increased by approximately 549% to \$92,734 as of June 30, 2014 from \$16,896 at September 30, 2013. Total assets decreased by 50% from \$1,289,076 at September 2013 to \$648,262 at June 30, 2014.

As of June 30, 2014 we had current liabilities of \$114,517 and \$115,385 at September 30, 2013. Accounts Payable increased by approximately 75% to \$97,556 as of June 30, 2014 from \$55,822 at September 30, 2013. The increase was mainly due to product costs, Directors & Officers insurance, and legal costs. Advances from stockholders decreased from \$50,000 at September 30, 2013 to \$nil balance as of June 30, 2014. Other Current Liabilities increased by approximately 77% to \$16,961 as of June 30, 2014 from \$9,563 at September 30, 2013 mainly due to legal fees accrual and deferred product costs.

Our current ratio decreased from 1110% in September 30, 2013 to 557% as of June 30, 2014.

Our auditor has indicated that there is substantial doubt about our ability to continue as a going concern as a result of our lack of significant revenues, and if we are unable to generate significant revenue or secure financing, we may be required to cease or curtail our operations. Our financial statements do not include adjustments that might result from the outcome of this uncertainty.

Our current cash balance as of June 30, 2014 is not sufficient to fund our operations for the next twelve months. Therefore, the Company intends to engage in additional financing through the sale of equity securities.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We are a smaller reporting company and therefore are not required to provide the information for this item for Form 10-Q.

### **Item 4. Controls and Procedures**

As of the end of the period covered by this Report, the Company's President, and principal financial officer (the "Certifying Officer"), evaluated the effectiveness of the Company's "disclosure controls and procedures," as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. Based on that evaluation, the officer concluded that, as of the date of the evaluation, the Company's disclosure controls and procedures were not effective to provide reasonable assurance that the information required to be disclosed in the Company's periodic filings under the Securities Exchange Act of 1934 is accumulated and communicated to management to allow timely decisions regarding required disclosure.

The Certifying Officer has also indicated that there were no changes in internal controls over financial reporting during the Company's last fiscal quarter, and no significant changes in our internal controls or other factors that could significantly affect such controls subsequent to the date of their evaluation and there were no corrective actions with regard to significant deficiencies and material weaknesses.

Our management, including the Certifying Officer, does not expect that our disclosure controls or our internal controls will prevent all errors and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of these inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

## **PART II.**

### **Item 1. Legal Proceedings**

None.

### **Item 1A. Risk Factors**

There have been no changes to our risk factors from those disclosed in our Form 10-K filed on January 14, 2014. **Item 2.**

#### **Unregistered Sales of Equity Securities and Use of Proceeds**

There were no unregistered Sales of Equity Securities during the quarter ending June 30, 2014.

**Item 3. Defaults Upon Senior Securities** None.

**Item 4. Mine Safety Disclosures** Not applicable.

#### **Item 5. Other Information**

On March 17, 2014, the Company held the Annual Meeting of the Shareholders of the Corporation at 16955 Via Del Campo, San Diego, California, 92127. The shareholders unanimously approved the directors nominated as directors of the Corporation, reappointment of Malone & Bailey as external audit firm of the Corporation for the fiscal year ended September 30, 2014, and the Nuzee, Inc. 2013 Stock Incentive Plan.

#### **DEPARTURE OF OFFICERS AND DIRECTORS**

On August 4, 2014, Fernando Corona tendered his resignation as one of the Company's Directors. Mr. Corona's resignation, which was effective immediately, was not due to any disagreements with the Company's operations, policies or practices. A copy of Mr. Corona's Letter of Resignation dated August 4, 2014 is filed herewith as Exhibit 17.1.

On August 11, 2014, Arata Matsushima tendered his resignation as one of the Company's Directors. Mr. Matsushima's resignation was effective immediately. A copy of Mr. Matsushima's Letter of Resignation dated August 11, 2014, which does not state any disagreements with the Company's operations, policies or practices, is filed herewith as Exhibit 17.2.

On August 11, 2014, Craig Hagopian tendered his resignation as the Company's President and CEO and Director, to be effective on August 19, 2014. Mr. Hagopian's resignation resulted from a disagreement with the Company on a matter relating to the Company's operations, policies or practices. A copy of Mr. Hagopian's Letter of Resignation dated August 4, 2014, which contains his reason for resigning, is filed herewith as Exhibit 17.3.

On August 11, 2014, Satoru Yukie tendered his resignation as the Company's CFO, COO, Secretary, Treasurer and Director, to be effective on August 19, 2014. Mr. Yukie's resignation resulted from a disagreement with the Company on a matter relating to the Company's operations, policies or practices. A copy of Mr. Yukie's Letter of Resignation dated August 4, 2014, which contains his reason for resigning, is filed herewith as Exhibit 17.4.

The Registrant believes that the following circumstances may have represented the disagreements that might, in whole or in part, caused or contributed to the resignation of Messrs. Hagopian and Yukie, and most likely affected the resignation decision of Mr. Matsushima.

At a Special Meeting of the Company's Board of Directors which took place on August 4, 2014, the Chairman of the Board recommended several changes to the Company's executive team. Specifically, Mr. Higashida desired to take on the role as the Company's CFO. Mr. Yukie would retain his position as the Company's COO, Secretary and Treasurer. Additionally, to reduce the Company's expenses, the Chairman recommended that Mr. Yukie's salary be reduced. These recommendations were not due to any disagreements that the Board had with Mr. Yukie, or dissatisfaction with Mr. Yukie's performance.

At the August 4, 2014 meeting, the Chairman also recommended that Mr. Hagopian's role be modified to include a portion of Mr. Yukie's responsibilities. In order to control the Company's expenses, the Chairman recommended that Mr. Hagopian's salary would be changed whereby he would receive 50% of his normal salary and 50% would be paid in the form of Company stock.

The above-mentioned recommendations were only discussed at the August 4th meeting. No motions were made or resolutions approved. Rather, the Board decided to continue the meeting until August 11, 2014. On August 11, 2014, the Board approved the changes recommended by the Chairman at the August 4, 2014 Board Meeting. The resignations of Messrs. Hagopian and Yukie followed, then the resignation of Mr. Matsushima.

Messrs. Hagopian and Yukie both offered to remain with the Company, keeping their positions as Directors and as President/CEO and CFO/COO/Secretary/Treasurer respectively until the Company's upcoming 10-Q for the period ending June 30, 2014 is filed with the Securities and Exchange Commission. The latest date to file the 10-Q will be August 19, 2014.

#### **ELECTION OF OFFICERS AND DIRECTORS**

On August 12, 2014, the Company's Board of Directors (which consisted of Messrs. Higashida, Hagopian and Yukie) appointed Mr. Higashida as the Company's President, CEO, CFO, COO, Secretary and Treasurer to be effective on August 19, 2014.

A copy of this Form 10-Q has been furnished to the Directors whose resignation is addressed in this filing, as required by item 5.02(a)(3)(i) of Form 8-K and has requested that each Director furnish a letter addressed to the Company stating whether he agrees with the statements made by the Company herein and, if not, stating the respects in which he or she does not agree. The Company will file a Form 8-K to disclose the receipt of such correspondence from any departing Director.

#### **Item 6. Exhibits**

<b>EXHIBIT NO.</b>	<b>DESCRIPTION</b>
17.1*	Resignation Letter of Fernando Corona dated August 4, 2014
17.2*	Resignation Letter of Arata Matsushima dated August 11, 2014
17.3*	Resignation Letter of Craig Hagopian dated August 11, 2014

17.4*	Resignation Letter of Satoru Yukie dated August 11, 2014
31.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**101\*\* Interactive Data Files**

101.INS  
101.SCH  
101.CAL  
101.DEF  
101.LAB  
101.PRE

XBRL Instance Document  
XBRL Taxonomy Extension Schema Document  
XBRL Taxonomy Extension Calculation Linkbase Document XBRL Taxonomy Extension  
Definition Linkbase Document XBRL Taxonomy Extension Label Linkbase Document  
XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith

\*\* *Furnished herewith. Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of any registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, and otherwise are not subject to liability under those sections.*

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: August 19, 2014

NUZEE, INC.

By: /s/ Craig Hagopian  
Craig Hagopian, President, Chief Executive  
Officer (Principal Executive Officer)

Date: August 19, 2014

By: /s/ Satoru Yukie  
Satoru Yukie, Secretary, Treasurer, COO,  
Chief Financial Officer (Principal Financial Officer)

August 4, 2014

To Masa Higashida, Chairman,

Effective immediately I tender my resignation from the Nuzee Board of Directors.

Sincerely,

A handwritten signature in cursive script, appearing to read "Fernando Corona".

Fernando Corona

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Arata Matsushima  
811 21<sup>st</sup> Street #2  
Santa Monica, CA 90403

August 11, 2014

Masateru Higashida  
Chairman  
Nuzee, Inc.  
10815 Rancho Bernard Road Suite 250  
San Diego, CA 92127

Dear Mr. Higashida:

It is with regret that I tender my resignation from the Nuzee Inc. board of directors, effective August 15 at 5:00 pm.

I am grateful for having had the opportunity to serve on the board of this fine organization, and I offer my best wishes for its continued success.

Sincerely,



Arata Matsushima  
Director

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Craig Hagopian  
16382 Pinto Ridge Drive  
San Diego, CA 92127

August 11, 2014

Masa Higashida  
Chairman  
Nuzee, Inc.  
10815 Rancho Bernardo Road, Ste. 250  
San Diego, CA 92127

Dear Mr. Higashida:

Please accept my resignation from the board of directors and as the President and CEO of Nuzee, Inc., effective Tuesday the 19<sup>th</sup> day of August, 2014.

Although I fully understand the reasons behind the change in business policies and plans outlined by you, I find them unsatisfactory, and in good conscience I must resign my position. Therefore, I do not consent to the material changes to terms of my employment as laid out in my management contract. I am therefore providing you with written notice of voluntary resignation.

Let me state that I hold no personal animosity toward individual members of the board and as such would be happy to assist in transitioning my responsibilities or assisting the Company in some mutually agreeable advisory capacity.

Since taking over as the President and CEO we have transformed Nuzee into a leading CPG tech company on the forefront of functional beverages. I hope my tenure with the organization has had a significant and positive impact on the overall shareholder value.

I continue to hold the highest regard for the team and the organization's potential.

Sincerely,



Craig Hagopian

cc: Satoru Yukie, Director  
Arata Matsushima, Director  
Michael Brown, Stradling Yocca Carlson & Rauth, P.C  
Karen Batcher, Synergen Law Group

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Satoru Yukie  
PO BOX 5010 PMB 31  
Rancho Santa Fe, CA 92067

August 11, 2014

Mr. Masateru Higashida  
Chairman of the Board  
Nuzee, Inc.  
10815 Rancho Bernardo Rd., Suite 250  
San Diego, CA 92127

Dear Mr. Higashida

This letter is to inform you that I, Satoru Yukie, do not consent to the material changes to terms of my employment as laid out in my employment contract. I am therefore providing you with written notice of voluntary resignation from the Board of Directors and as CFO, COO, Treasurer and Secretary of Nuzee, Inc. effective August 19, 2014.

As CFO/COO of the Company, I have successfully formed Nuzee as OTC QB Company, filed 10K/10Q Forms punctually, completed PIPE investment rounds, supported international business and overseas shareholder issues, and managed all other day-to-day operational/financial issues dedicatedly. I believe my contribution has had a great and positive influence on the corporate value.

Nuzee has great potential to be a premier CPG company and I wish success for this organization in all its endeavors going forward.

Yours very truly,



Satoru Yukie

cc: Craig Hagopian, Director  
Arata Matsushima, Director  
Michael Brown, Stradling Yocca Carlson & Rauth, P.C.  
Karen Batcher, Synergen Law Group

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**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Craig Hagopian, certify that:

1. I have reviewed this report on Form 10-Q of NuZee, Inc.;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
  4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
  5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
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- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 19, 2014

NUZEE, INC.

By: /s/ Craig Hagopian  
Craig Hagopian, President, Chief Executive  
Officer (Principal Executive Officer)

**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Satoru Yukie, certify that:

1. I have reviewed this report on Form 10-Q of NuZee, Inc.;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
  4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
  5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
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- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 19, 2014

NUZEE, INC.

By: /s/ Satoru Yukie  
Satoru Yukie, Chief Financial Officer  
(Principal Financial Officer)

**WRITTEN STATEMENT  
PURSUANT TO  
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of NuZee, Inc. and its subsidiaries (the "Company") on Form 10-Q for the period ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the Company's Chief Executive Officer, Craig Hagopian, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13a-14(b) or 15d-14(b) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 19, 2014

NUZEE, INC.

By: /s/ Craig Hagopian  
Craig Hagopian, Chief Executive Officer  
(Principal Executive Officer)

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**WRITTEN STATEMENT  
PURSUANT TO  
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of NuZee, Inc. and its subsidiaries (the "Company") on Form 10-Q for the period ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the Company's Chief Financial Officer, Satoru Yukie, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13a-14(b) or 15d-14(b) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 19, 2014

NUZEE, INC.

By: /s/ Satoru Yukie  
Satoru Yukie, Chief Financial Officer  
(Principal Financial Officer)

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