CELSIUS HOLDINGS, INC. AND SUBSIDIARIES

OTC PINK BASIC DISCLOSURE

EXHIBIT "A"

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015 AND 2014

CELSIUS HOLDINGS, INC. AND SUBSIDIARIES

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Celsius Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

	June 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,643,193	$ 349,072
Accounts receivable, net	2,074,740	2,612,191
Inventories, net	1,445,170	1,686,935
Prepaid expenses and other current assets	1,187,979	259,056
Total current assets	16,351,082	4,907,254
Property, fixtures and equipment, net	26,099	43,950
Total Assets	$ 16,377,181	$ 4,951,204
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,154,251	$ 828,049
Accrued preferred dividend	108,345	180,403
Deferred revenue and other current liabilities	50,051	356,602
Total current liabilities	1,312,647	1,365,054
Long-term liabilities:		
Convertible note payable - related party	-	1,500,000
Note payable-related party	4,500,000	9,250,000
Total Liabilities	5,812,647	12,115,054
Stockholders' Equity (Deficit):		
Preferred Stock, $0.001 par value; 2,500,000 shares authorized, 6,380 and 2,200 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	6	2
Common stock, $0.001 par value; 75,000,000 shares authorized, 38,380,380 and 20,459,032 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	38,380	20,459
Additional paid-in capital	58,258,291	40,165,955
Accumulated deficit	(47,732,143)	(47,350,266)
Total Stockholders' Equity (Deficit)	10,564,534	(7,163,850)
Total Liabilities and Stockholders' Equity (Deficit)	$ 16,377,181	$ 4,951,204

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

Celsius Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	For the three months ended June 30,		For the six months Ended June 30,	
	2015	2014	2015	2014
Revenue	$ 4,655,884	$ 2,729,525	$ 9,304,910	$ 6,597,009
Cost of revenue	2,627,796	1,656,450	5,438,221	4,140,984
Gross profit	2,028,088	1,073,075	3,866,689	2,456,025
Selling and marketing expenses	1,144,016	1,140,003	2,042,506	2,634,753
General and administrative expenses	1,329,150	535,901	1,891,385	981,620
Total operating expense	2,473,166	1,675,904	3,933,891	3,616,373
Income (Loss) from operations	(445,078)	(602,829)	(67,202)	(1,160,348)
Other Income (Expense):				
Interest expense, net	(74,564)	(119,863)	(206,733)	(232,603)
Total Other Income (Expense)	(74,564)	(119,863)	(206,733)	(232,603)
Net Income (Loss)	$ (519,642)	$ (722,692)	$ (273,935)	$ (1,392,951)
Accrued preferred stock dividend	(74,941)	(33,367)	(107,942)	(66,368)
Net Income (Loss) available to common stockholders	$ (594,583)	$ (756,059)	$ (381,877)	$ (1,459,319)
Income (Loss) per share:				
Basic	$ (0.02)	(0.04)	$ (0.01)	$ (0.07)
Diluted	$ (0.02)	(0.04)	$ (0.01)	$ (0.07)
Weighted average shares outstanding:				
Basic	35,229,375	20,429,032	27,885,006	20,332,347
Diluted	35,229,375	20,429,032	27,885,006	20,332,347

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

Celsius Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	For the six months ended	
	June 30, 2015	**June 30, 2014**
Cash flows from operating activities:		
Net income (loss)	$ (273,935)	$ (1,392,951)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	17,851	18,299
Stock-based compensation expense	1,042,103	389,915
Changes in operating assets and liabilities:		
Accounts receivable, net	537,451	257,603
Inventory	241,765	(241,277)
Prepaid expenses and other current assets	(837,824)	(504,152)
Accounts payable and accrued expenses	326,277	161,415
Deposits/deferred revenue and other current liabilities	(352,967)	(161,350)
Net cash provided by (used in) operating activities	700,721	(1,472,498)
Cash flows from investing activities:		
Purchase of property and equipment	-	(8,581)
Net cash (used in) investing activities	-	(8,581)
Cash flows from financing activities:		
Borrowing under revolving note payable, related-party	450,000	1,475,000
Payments on short term notes payable, related-party	(1,200,000)	-
Net proceeds from issuance of common stock	11,388,084	-
Payments on short term notes payable	(44,684)	(36,175)
Net cash provided by (used in) financing activities	10,593,400	1,438,825
Net (decrease) increase in cash and cash equivalents	11,294,121	(42,254)
Cash and cash equivalents at beginning of the period	349,072	221,906
Cash and cash equivalents at end of the period	$ 11,643,193	$ 179,652
Supplemental disclosures:		
Cash paid during period for:		
Interest	$ 206,733	$ 232,603
Taxes	$ -	$ -
Non-cash investing and financing activities:		
Borrowing under short term notes payable for prepaid expense	$ 91,099	$ 86,554
Accrued preferred dividends	$ 107,942	$ 66,368
Preferred stock issued in exchange for cancellation of revolving note payable, related party	$ 4,000,000	$ -
Conversion of convertible note to common shares, related party	$ 1,500,000	$ -
Conversion of accrued preferred dividend into preferred shares, related party	$ 180,000	$ -

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

Celsius Holdings, Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
June 30, 2015

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Business —Celsius Holdings, Inc. (the "Company" or "Celsius Holdings") was incorporated under the laws of the State of Nevada on April 26, 2005. On January 24, 2007, the Company entered into a merger agreement and plan of reorganization with Elite FX, Inc., a Florida corporation. Under the terms of the Merger Agreement, Elite FX, Inc. was merged into the Company's subsidiary, Celsius, Inc. and became a wholly-owned subsidiary of the Company on January 26, 2007.

Since the merger, the Company is engaged in the development, marketing, sale and distribution of "functional" calorie-burning fitness beverages under the Celsius® brand name.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Consolidation Policy — The accompanying unaudited consolidated financial statements include the accounts of Celsius Holdings, Inc. and its subsidiaries. All material inter-company balances and transactions have been eliminated in consolidation.

Significant Estimates — The preparation of unaudited consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. Significant estimates include the allowance for doubtful accounts, the useful lives and values of property, fixtures and equipment, and valuation of stock based compensation.

Concentrations of Risk — Substantially all of the Company's revenue derives from the sale of the Celsius beverage.

The Company uses single supplier relationships for its raw materials purchases and filling capacity, which potentially subjects the Company to a concentration of business risk. If these suppliers had operational problems or ceased making product available to the Company, operations could be adversely affected.

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with high-quality financial institutions. At times, balances in the Company's cash accounts may exceed the Federal Deposit Insurance Corporation limit. At June 30, 2015 the Company had $11.4 million in excess of the Federal Deposit Insurance Corporation limit.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At June 30, 2015 and 2014, the Company had the following 10 percent or greater concentrations of revenue with its customers:

	2015	2014
A	58.3%	50.5%
All other	41.7%	49.5%
Total	100.0%	100.0%

At June 30, 2015 and December 31, 2014, the Company had the following 10 percent or greater concentrations of accounts receivable with its customers:

	2015	2014
A	54.8%	68%
All other	45.2%	32%
Total	100%	100%

Cash and Cash Equivalents — The Company considers all highly liquid instruments with maturities of three months or less when purchased to be cash equivalents. At June 30, 2015 and December 31, 2014, the Company did not have any investments with maturities of three months or less.

Accounts Receivable — Accounts receivable are reported at net realizable value. The Company establishes an allowance for doubtful accounts based upon factors pertaining to the credit risk of specific customers, historical trends, and other information. Delinquent accounts are written-off when it is determined that the amounts are uncollectible. At June 30, 2015 and December 31, 2014, there was an allowance for doubtful accounts of $3,500 and $3,500, respectively.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories — Inventories include only the purchase cost and are stated at the lower of cost or market. Cost is determined using the FIFO method. Inventories consist of raw materials and finished products. The Company writes down inventory during the period in which such materials and products are no longer usable or marketable. At June 30, 2015 and December 31, 2014, inventory has been written down $110,574 and $30,059, respectively.

Property, Fixtures, and Equipment — Property, fixtures and equipment are stated at cost less accumulated depreciation and amortization. Depreciation of Property, fixtures, and equipment is calculated using the straight-line method over the estimated useful life of the asset generally ranging from three to seven years.

Impairment of Long-Lived Assets — In accordance with ASC Topic 360, "Property, Plant, and Equipment" the Company reviews the carrying value of intangibles and other long-lived assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparison of its carrying amount to the undiscounted cash flows that the asset or asset group is expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the property, if any, exceeds its fair value.

Revenue Recognition — Revenue is recognized when persuasive evidence of an agreement exists, the products are delivered, sales price is fixed or determinable, and collectability is reasonably assured. Any discounts, sales incentives or similar arrangements with the customer are estimated at time of sale and deducted from revenue.

Advertising Costs — Advertising costs are expensed as incurred. The Company uses mainly radio, local sampling events, sponsorships, endorsements, and digital advertising. The Company incurred advertising expense of $0.9 million and $1.5 million, during the six months ending June 30, 2015 and 2014, respectively.

Research and Development — Research and development costs are charged to operations as incurred and consist primarily of consulting fees, raw material usage and test productions of beverages. The Company incurred expenses of $24,898 and $2,202, during the six months ending June 30, 2015 and 2014, respectively.

Fair Value of Financial Instruments — The carrying value of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and notes payable approximates fair value due to their relative short-term maturity and market interest rates.

Income Taxes — The Company accounts for income taxes pursuant to the provisions of ASC 740-10, "Accounting for Income Taxes," which requires, among other things, an asset and liability approach to calculating deferred income taxes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued) — A valuation allowance is provided to offset any net deferred tax assets for which management believes it is more likely than not that the net deferred asset will not be realized.

The Company follows the provisions of the ASC 740 -10 related to, *Accounting for Uncertain Income Tax Positions.* When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. In accordance with the guidance of ASC 740-10, the benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above should be reflected as a liability for uncertain tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The Company believes its tax positions are all highly certain of being upheld upon examination. As such, the Company has not recorded a liability for uncertain tax benefits. The company's tax returns for tax years ended September 30, 2014, 2013, and 2012 remain subject to potential examination by the taxing authorities.

The Company has adopted ASC 740-10-25 *Definition of Settlement,* which provides guidance on how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits and provides that a tax position can be effectively settled upon the completion of an examination by a taxing authority without being legally extinguished. For tax positions considered effectively settled, an entity would recognize the full amount of tax benefit, even if the tax position is not considered more likely than not to be sustained based solely on the basis of its technical merits and the statute of limitations remains open.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification — Certain reclassification have been made to the June 30, 2014 statement of cash flows as previously reported to conform to the preferred presentation. Such reclassifications include using net income (loss) available to common stockholders in the cash flows from operating activities.

Earnings per Share — Basic earnings per share are calculated by dividing net income (loss) available to stockholders by the weighted-average number of common shares outstanding during each period. Diluted earnings per share are computed using the weighted average number of common and dilutive common share equivalents outstanding during the period. Dilutive common share equivalents consist of shares issuable upon conversion of convertible debt, exercise of stock options and warrants (calculated using the reverse treasury stock method). As of June 30, 2015 there were options outstanding to purchase 4.6 million shares, which exercise price averaged $0.80, Series C Preferred Stock warrants outstanding to convert to 4.6 million common shares at $0.52 price per share and Series D Preferred Stock warrants outstanding to convert to 4.7 million common shares at $0.86 price per share. There were no other dilutive common shares equivalents, including convertible notes and warrants, as no common share equivalents had an exercise price below the ending closing price of the year. The effects of dilutive instruments have not been presented as the effects would be anti-dilutive.

Share-Based Payments —Effective January 1, 2006, the Company has fully adopted the provisions of ASC Topic 718 “Compensation — Stock Compensation” and related interpretations. As such, compensation cost is measured on the date of grant at the fair value of the share-based payments. Such compensation amounts, if any, are amortized over the respective vesting periods of the grants.

Recent Accounting Pronouncements

The Company adopts all applicable, new accounting pronouncements as of the specified effective dates.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued)

after December 15, 2016, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). Early adoption is not permitted. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In June 2014, the FASB issued Accounting Standards Update No. 2014-12, Compensation — Stock Compensation (Topic 718), Accounting for Share-Based Payments when the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force) (ASU 2014-12). The guidance applies to all reporting entities that grant their employees share-based payments in which the terms of the award provide that a performance target that affects vesting could be achieved after the requisite service period. The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period is treated as a performance condition. For all entities, the amendments in this Update are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. The effective date is the same for both public business entities and all other entities. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entities Ability to Continue as a Going Concern (ASU 2014-15). The guidance in ASU 2014-15 sets forth management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern as well as required disclosures. ASU 2014-15 indicates that, when preparing financial statements for interim and annual financial statements, management should evaluate whether conditions or events, in the aggregate, raise substantial doubt about the entity's ability to continue as a going concern for one year from the date the financial statements are issued or are available to be issued. This evaluation should include consideration of conditions and events that are either known or are reasonably knowable at the date the financial statements are issued or are available to be issued, as well as whether it is probable that management's plans to address the substantial doubt will be implemented and, if so, whether it is probable that the plans will alleviate the substantial doubt. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods and annual periods thereafter.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued)

Early application is permitted. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

All other new accounting pronouncements issued but not yet effective are not expected to have a material impact on our results of operations, cash flows or financial position.

3. INVENTORIES

Inventories consist of the following at:

	June 30, 2015	December 31, 2014
Finished goods	$1,034,534	$1,570,201
Raw Materials	521,210	146,793
Less: Write Downs	(110,574)	(30,059)
Inventories, net	$ 1,445,170	$ 1,686,935

4. Prepaid expenses and other current assets

Prepaid expenses and other current assets total $1,187,979 and $259,056, at June 30, 2015 and December 31, 2014, respectively, and consist mainly of prepaid advertising, prepaid consulting, prepaid insurance, prepaid slotting fees, deposits on purchases, and customer deposits.

5. PROPERTY, FIXTURES, AND EQUIPMENT

Property, fixtures and equipment consist of the following at:

	June 30, 2015	December 31, 2014
Furniture, fixtures and equipment	$ 254,083	$ 254,083
Less: accumulated depreciation	(227,984)	(210,133)
Total	$ 26,099	$ 43,950

Depreciation expense amounted to $17,851 and $8,993 during the six months ended June 30, 2015 and 2014, respectively

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at:

	June 30, 2015	December 31, 2014
Accounts payable	$798,507	$360,062
Accrued expenses	355,744	467,987
Total	$ 1,154,251	$ 828,049

7. DEFERRED REVENUE AND OTHER CURRENT LIABILITIES

Deferred revenue and other current liabilities consist of the following at:

	June 30, 2015	December 31, 2014
Customer deposits	$ -	$351,716
Insurance liability	46,416	-
State bottle bill liability	3,635	4,886
Total	$ 50,051	$ 356,602

8. DUE TO RELATED PARTIES

Due to related parties consists of the following as of:

Note Payable – line of credit	June 30, 2015	December 31, 2014
In July 2010, the Company entered into a note payable with a related party which carries interest of five percent per annum. The Company can borrow up to $4,500,000. The Company has pledged all of its assets as security for the line of credit. The note matures in January 2, 2020, at which time the principal amount is due.		
Long-term portion	$ 4,500,000	$ 9,250,000

Convertible note payable	June 30, 2015	December 31, 2014
Convertible note payable, related party (see Note 10)	$ 0	$1,500,000

9. CONVERTIBLE NOTE PAYABLE, RELATED PARTIES

The Company entered into a loan agreement for up to $6.5 million in September 2009 and issued a convertible note to one of its shareholders. The note carried interest of one month LIBOR plus 3%, payable the first time on the anniversary of the agreement, thereafter quarterly. The loan originally matured on September 9, 2012. The outstanding balance can be immediately converted into the Company's common stock at a conversion price. The conversion price was originally based on a price of $8.00 per share, or a market price calculation at the date of conversion. In order to comply with the listing requirements for the NASDAQ Stock Market, in January 2010, the parties amended the convertible loan agreement to set the conversion price to $10.20, which was the consolidated closing bid price of the common stock on the OTC Bulletin Board on the business day prior to the date the loan agreement was entered into. At the same time the interest rate was increased to one month LIBOR plus 7%. The Company recorded a debt discount totaling $362,500 with a credit to additional paid in capital for the intrinsic value of the beneficial conversion feature of the conversion option at the time of each draw on the loan. The debt discount was amortized over the remaining term of the debenture. Concurrently with the amendment to the loan agreement, the Company recorded a loss on extinguishment of debt of $322,356, the unamortized debt discount at the time of amendment. The Company considered requirements by the Derivatives and Hedging Topic of the ASC and other guidance and concluded that the conversion option should not be bifurcated from the host contract and the conversion option is recorded as equity and not a liability. In March 2010, the shareholder gave notice of its election to convert $4.5 million of the convertible into 441,176 shares of common stock. The outstanding balance on the loan as of December 31, 2010 was $2,000,000. The Company is obligated to file a registration statement upon written notice from CDS and such registration statement must be effective within 180 days of the date of notice. If after the 180 days the company has not complied with the agreement it shall pay $65,000 per month in penalty, until the registration statement is effective. In September 2011, the parties amended the convertible loan agreement to have its due date extended from September 2012 to September 2014 and have its interest rate lowered from LIBOR plus 7% to a fixed rate of 6% and its conversion price lowered from $10.20 which was a requirement imposed by Nasdaq for listing at the time of the Company's February 2010 public offering to $0.30 which was still in excess of the current market at closing. In addition, $500,000 was converted into 1,666,666 shares of common stock. In September 2013, the parties amended the convertible loan agreement to have its due date extended from September 2014 to September 2015. In May 2014, the parties amended the convertible loan agreement to have its due date extended from September 2015 to December 2016. In April 2015, the parties converted $1,500,000 into 5,000,000 shares of common stock. At June 30, 2015 and December 31, 2014, the outstanding balance on the loan was $0 and $1,500,000, respectively.

10. PREFERRED STOCK

On August 8, 2008, the Company entered into a securities purchase agreement ("SPA1") with CDS Ventures of South Florida, LLC ("CDS"), an affiliate of CD Financial, LLC ("CD"). CDS Ventures of South Florida, LLC ("CDS") and CDS Financial, LLC ("CD") are companies controlled by Carl DeSantis. Pursuant to SPA1, the Company issued 100 Series A preferred shares ("Preferred A Shares"), as well as a warrant to purchase an additional 50 Preferred A Shares, for a cash payment of $1.5 million and the cancellation of two notes in aggregate amount of $500,000 issued to CD. The Preferred A Shares can be converted into Company common stock at any time. SPA1 was amended on December 12, 2008 to provide that until December 31, 2010 the conversion price is $1.60, after which the conversion price is the greater of $1.60 or 90% of the volume weighted average price of the Common Stock for the prior 10 trading days. Pursuant to SPA1, the Company also entered into a registration rights agreement, pursuant to which the Company filed a registration statement for the common stock issuable upon conversion of Preferred A Shares. The registration statement filed in connection with the Preferred A Shares was declared effective on May 14, 2009. The Preferred A Shares accrue a ten percent annual cumulative dividend, payable in additional Preferred A Shares. In March and December of 2009, the Company issued 15.05 Preferred A Shares in dividends for the years 2008 and 2009. The Preferred A Shares mature on February 1, 2013 and are redeemable only in Company Common Stock. In November 2009, CDS exercised its right to purchase additional 50 Preferred A Shares. The consideration was paid in form of a cancellation of a previously issued promissory note for $1.0 million.

On December 12, 2008, the Company entered into a second securities purchase agreement ("SPA2") with CDS. Pursuant to SPA2 the Company issued 100 Series B preferred shares ("Preferred B Shares"), as well as a warrant to purchase additional 100 Preferred B Shares, for a cash payment of $2.0 million. The Preferred B Shares can be converted into Company common stock at any time. Until December 31, 2010, the conversion price is $1.00, after which the conversion price is the greater of $1.00 or 90% of the volume weighted average price of the common stock for the prior 10 trading days. Pursuant to SPA2, the Company also entered into a registration rights agreement, pursuant to which the Company filed on October 9, 2009, a registration statement for the common stock issuable upon conversion of Preferred B Shares. The registration statement was subsequently withdrawn. The Preferred B Shares accrue a ten percent annual cumulative dividend, payable in additional Preferred B Shares. In March 2009, the Company issued 0.55 Preferred B Shares in dividends.

On March 31, 2009, CDS exercised its right to purchase additional 100 Preferred B Shares and executed a subscription agreement for $2.0 million. The monies for the subscription were paid on April 7 and May 1, 2009. In December 2009, CDS entered into an agreement with the Company whereby they converted all the Preferred B Shares, including accrued dividends for 2009 of 17.1 Preferred B Shares, to 4,343,000 shares of Common Stock. As compensation for the accelerated conversion, the Company agreed to pay CDS $100,000 in December 2010, recorded as reduction of additional paid in capital.

10. PREFERRED STOCK (CONTINUED)

On March 10, 2010, CDS gave notice of its election to convert all of its Series A Preferred Stock, including accrued dividend of 3 shares of Preferred A Shares, to 2,103,446 shares of common stock (a conversion price of $1.60 per share.)

The Company is obligated to file a new registration statement upon notice from CDS, to cover 6,446,446 shares of common stock CDS received from the conversion of Preferred A and B shares, and such registration statement must be effective within 180 days of the date of notice. After the 180 days and the company has not complied with the agreement, it shall pay $70,000 per month in penalty, until the registration statement is effective. Certain covenants of Series A preferred shares restrict the Company from entering into additional debt arrangements or permitting liens to be filed against the Company's assets, without approval from the holder of the preferred shares.

On August 26, 2013, the Company entered into a securities purchase agreement (the "2013 Purchase Agreement") with CDS Ventures of South Florida, LLC ("CDS") and CD Financial, LLC ("CD"). CDS and CD are limited liability companies which are affiliates of Carl DeSantis, the Company's principal shareholder. The Company issued 2,200 shares of its Series C Preferred Stock (the "Preferred C Shares") in exchange for the conversion of a $550,000 short term loan from CDS and the conversion of $1,650,000 in indebtedness under the Company's line of credit with CD (the "CD Line of Credit"). The Preferred C Shares can be converted into Company common stock at any time until December 31, 2018 at a conversion price of $0.52 per share. The conversion price per share is based on the weighted average of the ten daily VWAPs for the 10 trading days immediately preceding the closing date of August 26, 2013.The Preferred C Shares accrue a 6% annual cumulative dividend, payable in additional Preferred C Shares. The Preferred C Shares mature on December 31, 2018 and are redeemable only in shares of the Company's common stock. In April 2015, the Company issued 180 Preferred C Shares valued at $180,000 in settlement of $180,000 in accrued preferred C dividends. The Preferred C Shares mature on December 31, 2018. As of June 30, 2015, $68,901of dividends have been accrued. The Preferred C Shares mature on December 31, 2018 and are redeemable only in Company Common Stock.

On April 16, 2015, the Company entered into an amendment to its existing Loan and Security Agreement (the "Amendment") with CD an affiliate of CDS Ventures and Mr. DeSantis. Pursuant to the Amendment, the outstanding principal amount of the CD Line of Credit was reduced by $4.0 million, which amount was converted into 4,000 shares of a newly-designated Series D Preferred Stock (the "Preferred D Shares"). The Preferred D Shares can be converted into Company common stock at any time until the expiration date of the line of credit in 2020 or its earlier satisfaction in full, at a conversion price of $0.86 per share. The Preferred D Shares accrue a 5% annual cumulative cash dividend, payable quarterly and accords the holders thereof voting rights on an "as converted" basis. As of June 30, 2015, $39,444 of dividends have been accrued.

11. RELATED PARTY TRANSACTIONS

The Company's office is rented from a company affiliated with CD which is controlled by our majority shareholder Carl DeSantis. Currently, the lease expires on October 2015 with monthly rent of $6,360. The rental fee is commensurate with other properties available in the market.

Also, see Notes 9, 10, and 11,

12. STOCKHOLDERS' DEFICIT

Issuance of common stock pursuant to conversion of note

During 2008, the Company issued 842,332 as a partial conversion of a debenture for $774,000 originally issued in December 2007. The Company issued 110,362 shares as a partial conversion of the same debenture for $375,000 during 2009.

During 2010, the Company issued 637,217 as conversion of three convertible notes.

During 2011, the Company issued 1,666,666 as a partial conversion of $500,000 of convertible notes.

In April 2015, the Company issued 5,000,000 as conversion of $1,500,000 of convertible notes.

Issuance of common stock pursuant to services performed

During 2009, the Company issued a total of 14,801 unregistered shares as compensation to a consultant and a distributor at a fair value of $36,125.

During 2014, the Company issued a total 280,000 unregistered shares as compensation in connection with celebrity endorsement agreements at fair value of $216,100.

Issuance of common stock pursuant to exercise of warrant and stock options

During 2009, the Company issued 121,012 shares of common stock in accordance to its 2006 Stock Incentive Plan to employees exercising vested options for an aggregate consideration of $78,725.

During 2010, the Company issued 145,393 shares of common stock in accordance to its 2006 Stock Incentive Plan to employees exercising vested options for an aggregate consideration of $62,180.

Issuance of common stock pursuant to public offering

In February 2010 the Company issued a total of 3,600,000 shares of common stock in a secondary public offering for an aggregate consideration of $13,083,696, net of expenses.

Issuance of common stock pursuant to private placement

In April 2015, the Company issued a total of 12,921,348 shares of common stock at $0.89 per share for gross proceeds of $11.5 million. Expenses incurred of $111,841 were charged to additional paid in capital and the Company received net proceed, of $11,388,159.

12. STOCKHOLDERS' DEFICIT (CONTINUTED)

Issuance of preferred stock pursuant to conversion of note

In November 2009, the Company issued 50 unregistered Preferred A Shares for the cancellation of a note in the amount of $1,000,000.

Issuance of preferred stock pursuant to private placement

On March 31, 2009, CDS exercised its right to purchase additional 100 Preferred B Shares and executed a subscription agreement for $2 million payment. CDS made payments of $1 million each on April 7 and May 1, 2009.

Also, see Note 11 — Preferred Stock.

13. STOCK-BASED COMPENSATION

The Company adopted an Incentive Stock Plan on January 18, 2007. This plan is intended to provide incentives which will attract and retain highly competent persons at all levels as employees of the Company, as well as independent contractors providing consulting or advisory services to the Company, by providing them opportunities to acquire the Company's common stock or to receive monetary payments based on the value of such shares pursuant to Awards issued. While the plan terminates 10 years after the adoption date, issued options have their own schedule of termination. During 2013 the majority of the shareholders approved to increase the total available shares in the plan from 2.5 million to 3.5 million shares of common stock. During May 2014, the majority of the shareholders approved to increase the total available shares in the plan from 3.5 million to 4.25 million shares of common stock, during February 2015, the majority of the shareholders approved to increase the total available shares in the plan from 4.25 million to 4.6 million shares of common stock and during April 2015, the majority of the shareholders approved to increase the total available shares in the plan from 4.6 million to 5.1 million shares of common stock. Until 2017, options to acquire shares of common stock may be granted at no less than fair market value on the date of grant. Upon exercise, shares of new common stock are issued by the Company.

The Company has issued options to purchase approximately 4.6 million shares at an average price of $0.80 with a fair value at June 30, 2015 of $2.33 million. For the three and six months ended June 30, 2015, the Company recognized an expense of $869,829 and $1,042,103, respectively, as compared to $112,062 and $389,915 for the three and six months ended June 30, 2014. This non-cash compensation expense (included in General and Administrative expense in the accompanying Consolidated Statement of Operations) determined by application of a Black Scholes option pricing model with the following inputs:

13. STOCK-BASED COMPENSATION (CONTINUTED)

	June 30,	
	2015	2014
Expected volatility	306%	188% - 328%
Expected term	12-60 months	12-60 months
Risk-free interest rate	0.2% - 4.9%	0.2% - 4.9%
Forfeiture Rate	0%	0%
Expected dividend yield	0.00%	0.00%

As of June 30, 2015, the Company had approximately $922,631 of unrecognized pre-tax non-cash compensation expense. The Company used straight-line amortization of compensation expense over the requisite service period of the grant. There are options to purchase approximately 3.9 million shares that have vested, of which 267,000 shares were exercised as of June 30, 2015.

14. STOCK WARRANTS

In February 2011, the Company issued warrants to purchase a total of 900,000 shares of common stock as part of the secondary offering completed then. The exercise price is $5.32 and the warrants expired in February 2013.

In February 2011, the Company issued warrants to purchase a total of 90,000 shares of common stock in conjunction with the secondary offering to the underwriter. The exercise price ranges from $4.03 to $5.32 and the warrants expired in February 2013.

15. COMMITMENTS AND CONTINGENCIES

The Company has entered into distribution agreements with liquidated damages in case the Company cancels the distribution agreements without cause. Cause has been defined in various ways. It is management's belief that no such agreement has created any liability as of June 30, 2015.

The Company entered into an office lease with a related party (see note 12) effective October 2014. The monthly rent amounts to $6,360 per month and the lease terminates in October 2015. Future annual minimum payments required under operating lease obligations at June 30, 2015 are as follows:

Future Minimum Lease Payments

2015.....	$25,440

16. SUBSEQUENT EVENTS

Lease Agreement – On July 16, 2015 we entered into a sixty-month lease amendment for 2424 North Federal Hwy. Suite 208, Boca Raton, FL 33431. The lease is effective on November 1, 2015, the term of the lease shall be extended for a period of sixty months so that the termination date shall be October 31, 2020.

Future Minimum Lease Payments

2015.....	$12,815
2016.....	$77,803
2017.....	$82,792
2018.....	$85,276
2019.....	$87,834
2020.....	$75,016
Total	$421,535

II. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Three Months Ended June 30, 2015 Compared to Three Months Ended June 30, 2014

Revenue

Net revenue for the three months ended June 30, 2015 and 2014 was approximately $4.65 million and $2.73 million, respectively, or an increase of 71%. This increase was associated with growth in international sales of 112% or $1,206 thousand from existing accounts versus the same period in 2014, respectively. Domestic sales increased 44% or $720 thousand primarily associated with growth in direct domestic retail accounts of 43%, health & fitness accounts increased 55% and internet retailers grew 37% versus the same period in 2014, respectively.

Gross profit

Gross Profit was $2.03 million in the second quarter of 2015 as compared to $1.07 million for the same period in 2014. Gross profit margins improved 4.2% to 43.6% in the second quarter of 2015 versus the same period in 2014. We continue to remain focused on improving and maintaining gross profit margins.

Operating expenses

Sales and marketing expenses for the three months ended June 30, 2015 and 2014 was approximately $1.14 million and $1.14 million, respectively. General and administrative expenses for the three months ended June 30, 2015 and 2014 was approximately $1.33 million and $536 thousand, an increase of $793 thousand, respectively. This increase was mainly due to increased expense for stock based compensation increasing $758 thousand and investments in human resources and R&D testing, versus the prior period.

Other expense

Total other expense decreased to $75,000 for the second quarter of 2015 from $120,000 for the same three-month period in 2014, or $45,000 savings in interest expense.

Six Month Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

Revenue

Net revenue for the six months ended June 30, 2015 and 2014 was approximately $9.3 million and $6.6 million, respectively. The increase of 41% was mainly associated with a 62% increase from international sales and a 19% increase from domestic sales. Domestic sales growth of 19% was mainly associated with an increase in direct domestic retail account sales growth of 19%, 19% growth in health & fitness accounts and 21% in internet retailers versus the same period in the prior year, respectively.

II. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Gross profit

Gross Profit was $3.87 million in the six months ended June 30, 2015 as compared to $2.46 million for the same period in 2014. Gross Profit margins improved 4.3% to 41.6% in the six months ended June 30, 2015 versus the same period in 2014. We continue to remain focused on improving and maintaining gross profit margins.

Operating expenses

Sales and marketing expenses decreased to $2.04 million for the six months period ended June 30, 2015 from $2.63 million for the same six-month period in 2014, or a decrease of $593 thousand. This was mainly due to timing in marketing programs and savings in celebrity endorsements, broker fees and other sales support, offset by investments in human resources. General and administrative expenses increased $910,000 to $1.9 million for the six months period ended June 30, 2015 from $1.0 million for the same six-month period in 2014, respectively. This increase was mainly due to increased expense for stock based compensation of $850,000, increased professional fees and investments in human resources.

Other expense

Total other expense decreased to $207,000 for the six months period ended June 30, 2014 from $233,000 for the same six-month period in 2014, or $26,000 savings in interest expense.

FINANCIAL CONDITION

As of June 30, 2015, we had cash and cash equivalents of approximately $11.6 million and working capital of $15.0 million. Cash received in operations during the six month ended June 30, 2015 totaled $0.7 million. We incurred a net loss of $0.3 million during the six months ended June 30, 2015, and our accumulated deficit increased to $47.7 million as of June 30, 2015.

Our current operating plan for next twelve months plans on a sufficient financial condition and we do not contemplate obtaining additional financing. However, if our sales volumes do not meet our projections, expenses exceed our expectations, or our plans change, we may be unable to generate enough cash flow from operations to cover our working capital requirements. In such case, we may be required to adjust our business plan, by reducing marketing and other expenses or seek additional financing. There can be no assurance that such financing, if required, will be available on commercially reasonable terms if at all.