UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended **December 31, 2013**

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

For the transition period from _____ to _____

Commission file number **000-53086**

DNA BRANDS, INC.

(Exact name of registrant as specified in its Charter)

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

(954) 970-3826

(Registrant's Telephone Number, Including Area Code)

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

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

Common Stock

(Title of class)

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

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

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232-405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is

not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ☐ No ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☑
(Do not check if a smaller reporting company)			

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

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

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

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FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISKS

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

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

PART I

ITEM 1. BUSINESS

Company Overview and History

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

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

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

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

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

Current Business

As stated above, we currently produce, market and sell a proprietary line of five carbonated blends of DNA Energy Drink®, Citrus, Sugar Free Citrus, Original (a unique combination of Red Bull® and Monster® energy drinks), Cryo-Berry and Molecular Melon; as well as three milk based energy coffees fortified with Omega 3. These flavors are Mocha, Vanilla Latte and Carmel Macchiato. Until 2012 we also marketed and sold a line of beef jerky and meat sticks but these products were

discontinued in late 2012. We sell and market our products either directly to distributors for resale to retailers, supermarkets, convenience stores, and independents or through regional distributors servicing these same outlets. In addition, we maintain own distribution operation which services parts of Florida.

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

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

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

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

Products

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

DNA Energy Drink®

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

DNA Energy Coffee

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

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

- **Mocha**
- **Caramel Macchiato**
- **Vanilla Latte**

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

Bag-in-the-Box is a fountain delivery system for our Original flavor energy drink used at on premise locations such as bars,

convenience stores and restaurants. We believe Original flavor is a great tasting and money saving alternative, for on premise customers that are currently using one of the leading energy drinks as a mixer. BIB is manufactured by Tone Products, Inc. located in Melrose Park, IL

Energy Drinks

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

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

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

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

Potential New Products

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

Rebranding

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

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

Through rebranding and expansion efforts we are currently seeking mainstream acceptance by marketing our products based upon our belief of their exceptional taste, functionality and innovation which we believe separates our products from our competitors. Previously, our marketing focus was on the action sports community where a majority of energy drinks were sold and we committed heavily to marketing that demographic. We have been the "title" sponsor of a factory Yamaha AMA super

cross team the “DNA Shred Stix Star/Yamaha Racing Team.” AMA Motocross/Supercross is only second to NASCAR in motor sport attendance. While we received very significant brand exposure through this process, it did not generate revenues and profitability. We believe that our revised marketing campaign focusing on a more main-stream, regionally directed approach which includes distributor crew drives, can-in-hand sampling, retail in-store promotions and sales incentives, will be more effective. We are confident that targeting a wider customer base which includes the newest recognized segment the “Young Bustling Families” will provide the positive results that both our management and our investors expect. There are no assurances our belief will result in additional revenues.

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

Distribution

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

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

Recent Developments

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

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

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

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

Sales and Marketing

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

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

Sampling Programs

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

In Hands" program.

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

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

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

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

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

Media Advertising

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

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

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

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

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

MANUFACTURING AND PRODUCTION

Energy Drinks

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

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

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

Coffee Drinks

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

Bag-in-Box

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

Private Label Opportunities

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

Other Events During 2013

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

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

INDUSTRY OVERVIEW

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

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

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

Industry experts appear to be in agreement that the energy drink market is and continues to be the fastest growing segment of the functional drink market. Energy drinks were introduced initially in the United States by Red Bull in 1997 after its major success in Europe. By 2001, the energy drink market had developed to almost $400 million in retail sales. By 2005, it had

grown to approximately $4 billion. In 2011 the Energy Drink produced segment alone grew to $7.7 billion in scanned data and this trend has continued. Energy drinks as a category are no longer considered a fad. It has been on a steep growth curve since its introduction over 10 years ago. New brands are constantly being introduced to meet the growing demand.

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

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

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

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

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

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

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

EMPLOYEES

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

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

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

COMPETITION

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

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

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

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

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

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

These five brands represented more than 90% of the total dollar sales in the energy drink category in 2010 as reported by

Symphony/IRI an industry beverage publication. The data does not include mass market retailers.

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

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

GOVERNMENT REGULATIONS

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

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

ITEM 1A. RISK FACTORS.

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

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

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

We have not generated profits from our operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

- the level of demand for our brands and products in a particular distribution area;
- our ability to price our products at levels competitive with those of competing products; and
- our ability to deliver products in the quantity and at the time ordered by distributors, retailers and brokers.

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

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

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

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

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

Because our distributors are not required to place minimum orders with us, we need to manage our inventory levels, and it is

difficult to predict the timing and amount of our sales.

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

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

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

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

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

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

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

We do not have written agreements with our contract packers.

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

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

which, in turn, would likely have a material adverse effect on our ability to maintain effective relationships with those distributors and key accounts.

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

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

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

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

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

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

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

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

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

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

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

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

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

We may become party to litigation claims and legal proceedings. Litigation involves significant risks, uncertainties and costs, including distraction of management attention away from our current business operations. We evaluate litigation claims and legal proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, we establish reserves and/or disclose the relevant litigation claims or legal proceedings, as appropriate. These assessments and estimates are based on the information available to management at the time

and involve a significant amount of management judgment. We caution that actual outcomes or losses may differ materially from those envisioned by our current assessments and estimates. Our policies and procedures require strict compliance by our employees and agents with all United States and local laws and regulations applicable to our business operations, including those prohibiting improper payments to government officials. Nonetheless, there can be no assurance that our policies and procedures will always ensure full compliance by our employees and agents with all applicable legal requirements. Improper conduct by our employees or agents could damage our reputation in the United States and internationally or lead to litigation or legal proceedings that could result in civil or criminal penalties, including substantial monetary fines, as well as disgorgement of profits.

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

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

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

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

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

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

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

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

The industries in which we operate are highly competitive.

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

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

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

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

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

We believe that maintaining and developing our brand name, including the trademark "DNA®" are critical to our success. The importance of our name recognition may increase as our products gain market acceptance and as we enter additional markets. If

our brand building strategy is unsuccessful, we may be unable to increase our future revenues or expand our products and services. Such events would have a material adverse effect on our business, prospects, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

extended transition period for complying with new or revised accounting standards is irrevocable.

RISKS RELATED TO OUR COMMON STOCK

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Financial Industry Regulatory Authority ("FINRA") has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, the FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our Common Stock, which may have the effect of reducing the level of trading activity in our Common Stock. As a result, fewer broker-dealers may be willing to make a market in our Common Stock, reducing a stockholder's ability to resell shares of our Common Stock.

State securities laws may limit secondary trading, which may restrict the states in which you can sell the shares offered by this Report.

If you purchase shares of our Common Stock sold in this Offering, you may not be able to resell the shares in any state unless and until the shares of our Common Stock are qualified for secondary trading under the applicable securities laws of such state or there is confirmation that an exemption, such as listing in certain recognized securities manuals, is available for secondary trading in such state. There can be no assurance that we will be successful in registering or qualifying our Common Stock for secondary trading, or identifying an available exemption for secondary trading in our Common Stock in every state. If we fail to register or qualify, or to obtain or verify an exemption for the secondary trading of, our Common Stock in any particular state, our Common Stock could not be offered or sold to, or purchased by, a resident of that state. In the event that a significant number of states refuse to permit secondary trading in our Common Stock, the market for our Common Stock will be limited which could drive down the market price of our Common Stock and reduce the liquidity of the shares of our Common Stock and a stockholder's ability to resell shares of our Common Stock at all or at current market prices, which could increase a

stockholder's risk of losing some or all of his investment.

We cannot predict whether we will successfully effectuate our current business plan. Each prospective purchaser is encouraged to carefully analyze the risks and merits of an investment in our Common Stock and should take into consideration when making such analysis, among others, the Risk Factors discussed above.

ITEM 1B. UNRESOLVED STAFF COMMENTS

We are not an accelerated filer or a large accelerated filer, as defined in Rule 12b-2 of the Exchange Act, or is a well-known seasoned issuer as defined in Rule 405 of the Securities Act and as such, this Item is not applicable.

ITEM 2. PROPERTIES

Our principal place of business is located at 544 NW 77th Street, Boca Raton, Florida 33487. We moved to this location in December 2012, as part of our efforts to reduce costs. This location consists of 4,200 square feet of office and warehouse. We lease this property on a month to month basis. We pay rent of $5,589 per month. The Company's lease expires in June 2017. We do not anticipate that we will need to expand the office facility for the next 12 months. Our rent expense for the years ended December 31, 2013 and 2012 was $68,417 and $151,901 respectively.

As we expand our distribution geographically, we anticipate that we will require additional warehousing closer to the manufacturing facility and to the distribution which will create a cost savings on shipping for us as well as allow us to service our accounts on a timely basis. Moreover, those warehouses can support the local and regional sales and sampling staff we take on as we expand our business. Additionally, we own/lease a fleet of 3 DNA® branded vans which are used for selling, delivery and sampling to outlets. We purchase or lease these vans new and used and when we believe the local market can support them. Until December 2012 our principal place of business was located at 506 NW 77th Street, Boca Raton, Florida 33487. This location consisted of 5,000 square feet of office and conference room space and also housed our primary warehouse which consisted of 11,600 square feet.

Our IT, primarily our web site, is hosted remotely with redundancy capability.

ITEM 3. LEGAL PROCEEDINGS.

The Company is party to lawsuit P3DG Protein Enhanced Products, Ltd. et v. Jeff Jonke and DNA Brands, Inc. The suit alleges that DNA conspired with Jonke to steal P30G's products. The Company believes the suit is without merit and will vigorously defend its position.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.

MARKET INFORMATION

Trading of our Common Stock commenced on the OTCBB in July 2008 under the trading symbol "FPRD." In November 2010 our trading symbol became "DNAX."

The table below sets forth the reported high and low closing bid prices for the periods indicated. The bid prices shown reflect quotations between dealers, without adjustment for markups, markdowns or commissions, and may not represent actual transactions in our Common Stock.

Quarter Ended	High	Low
March 31, 2012	$ 0.50	$ 0.22
June 30, 2012	$ 0.36	$ 0.14
September 30, 2012	$ 0.21	$ 0.08
December 31, 2012	$ 0.12	$ 0.05
March 31, 2013	$ 0.10	$ 0.04
June 30, 2013	$ 0.055	$ 0.02
September 30, 2013	$ 0.039	$ 0.012
December 31, 2013	$ 0.027	$ 0.015

As of April 9, 2014 the closing bid price of our Common Stock was $0.017

Trading volume in our Common Stock has been very limited since we commenced trading. As a result, the trading price of our Common Stock is subject to significant fluctuations.

HOLDERS

As of the date of this Report we had 395 holders of record for our Common Shares. The number of record shareholders does not include those persons who hold their shares in "street name."

DIVIDEND POLICY

We have not paid any dividends since our incorporation and do not anticipate the payment of dividends in the foreseeable future. At present, our policy is to retain earnings, if any, to develop and market our products. The payment of dividends in the future will depend upon, among other factors, our earnings, capital requirements, and operating financial conditions.

ITEM 6. SELECTED FINANCIAL DATA.

Information not required by smaller reporting companies.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Overview

Some of the information in this Report contains forward-looking statements that involve substantial risks and uncertainties. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "estimate" and "continue," or similar words. You should read statements that contain these words carefully because they:

- discuss our future expectations;
- contain projections of our future results of operations or of our financial condition; and
- state other "forward-looking" information.

We believe it is important to communicate our expectations. However, there may be events in the future that we are not able to accurately predict or over which we have no control. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors" and "Description of Business" and elsewhere in this Report. *See* "Risk Factors."

Company Overview and History

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

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

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

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

Presented below are our results of operations for our fiscal years ended December 31, 2013 and 2012.

Results Of Operations

Comparison of Results of Operations for the years ended December 31, 2013 and 2012

Revenue

Revenue for the year ended December 31, 2013 was $156,803, compared to $249,416 for the year ended December 31, 2012.

We believe the decrease in revenues in 2013 is primarily attributable to the wind-down of our previous product lines offset by our rebranding efforts for one half of 2013. In early July 2013, we began our rebranding efforts concurrent with the delivery of 50,000 cases, each consisting of ten thousand of our new SKU's. Additionally, in order to increase the awareness of our new rebranded product we incurred slotting and promotional fees in excess of $80,000 in 2013 which were charged against revenue compared to $-0- in 2012.

During the past 18 months we have experienced a shortage of available capital which has prevented us from making inventory purchases in sufficient quantities of the better selling SKU's. Based upon our conversations with our retail customers we believe that they are interested in purchasing larger quantities of our products and putting it on their shelves but until we can raise additional capital we are not able to meet this demand. Also, the lack of capital has limited our marketing, advertising and promotions which are critical revenue drivers in the energy drink industry. No assurances can be provided that we will successfully raise the funding necessary to support our marketing efforts, or that these efforts will generate increased revenues. *See* "Liquidity and Capital Resources," below.

Gross Margin

We calculate gross margin by subtracting cost of goods sold from revenue. Gross margin percentage is calculated by dividing the gross margin by revenue. Our gross margin for the year ended December 31, 2013 was $(19,572) compared to $72,013 for the year ended December 31, 2012. Our gross margin percentage decreased significantly to approximately a negative (12.5%) during 2013 compared to 28.9% in 2012. The primary reasons for the significant decrease in gross margin over the prior year is due to discontinuation of our previous product line where we sold our product significantly below cost to raise capital as well low margin sales in 2013 intended to generate interest in our new products.

Since we are in the early stages of our rebranding efforts and continue to test varying price structures, a small number of sales and transactions can impact our gross margin percentage either positively or negatively. We believe that the negative gross margin percentage for the year ended December 31, 2013 is not indicative of future results and that we expect to generate gross margins near historic levels of approximately 25%-30% although there can be no assurances.

Compensation and Benefits

Compensation and benefits for the year ended December 31, 2013 were $918,332 compared to $1,485,301 for the year ended December 31, 2012. The decrease in compensation and benefits in 2013 when compared to the prior year is primarily attributable to a significant reduction in the number of employees and the higher level of grants of common stock to employees as incentive compensation in 2012.

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

General and Administrative

General and administrative expense ("G&A") for the year ended December 31, 2013 decreased significantly to $464,143 compared to $689,282 for the year ended December 31, 2012. General and administrative expenses are primarily comprised of rent, utilities, insurance, travel and entertainment, and other expenses. The decrease in G&A expenses for the year ended December 31, 2013 as compared to the same period in the prior year is due to reduced spending for all categories of administrative expense and activities consistent with our reduced personnel and business levels.

Professional and outside services

Professional and outside services for the year ended December 31, 2013 was $876,192 compared to $1,282,929 for the year ended December 31, 2012. Professional and outside services are comprised primarily of accounting fees, legal fees, investor and public relations expenses and other miscellaneous services. The decrease in 2013 professional and outside services compared to 2012 is attributable to the reduction in the size of our business

Selling and marketing expenses

Selling and marketing expenses for the year ended December 31, 2013 was $174,043 compared to $274,493 for the year ended December 31, 2012. The slight decrease in selling and marketing expenses over the prior year and material decrease from historic levels is primarily attributable to our lack of working capital necessary to promote our new rebranded products. Selling and marketing expenses includes $148,344 in bad debt expense compared to $43,118 in 2012.

Interest expense

Interest expense for the year ended December 31, 2013 was $1,158,616 compared to $984,880 for the year ended December 31, 2012.

Our interest expense for the year ended December 31, 2013 was materially higher than in the same period in 2013 as a result of our issuance during 2013 of an aggregate of $218,000 in new convertible debentures and the issuance of $265,000 in new loans to finance our inventory. These debentures and loans were issued with beneficial conversion features or other inducements to the lender to provide funding to us. As a result, we have recorded discounts against these loans that are being amortized over their terms. During the year ended December 31, 2013 we recorded $184,217 in non-cash interest expense relative to the loan discounts on these notes.

Net loss

We incurred a net loss of $3,100,763 during the year ended December 31, 2013, or ($0.04) per share, compared to a net loss of $4,444,344 or ($0.09) per share, for the year ended December 31, 2012. Since our inception we have generated material operating losses. A significant portion of our losses are non-cash in nature; however, our losses remain substantial even after excluding those items.

The weighted average number of basic and fully diluted shares outstanding for the years ended December 31, 2013 and 2012 was 83,344,648 and 50,327,728 respectively. There were no dilutive equivalents included in our calculation of fully diluted shares during either period since their inclusion would be anti-dilutive due to our net loss per share.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2013, we had $61,336 in cash.

As reflected in the accompanying financial statements, we recorded net losses of $3,100,763 and $4,444,344 for the years ended December 31, 2013 and 2012, respectively. Net cash used in operations from the same periods were $3,424,967 and $1,600,137 respectively. At December 31, 2013, we had a working capital deficit of $2,335,673 and a stockholders' deficit of $2,564,899. This operating performance raises a substantial doubt about our ability to continue as a going concern. See "Part I, Item 1A, Risk Factors," above.

Net cash used in operations was $1,867,581 for the year ended December 31, 2013, compared to $1,600,137 for the year ended December 31, 2012. The material increase in net cash used in operating activities is primarily due to a reduction in non –cash interest related to convertible debentures of $184,217 in 2013 compared to $822,792 in 2012, a decrease in operating assets and liabilities of $1,291,421 in 2013 compared to 2012, partially offset by a decrease in net loss in 2013 compared to 2012.

Net cash provided by financing activities was $3,419,153 for the year ended December 31, 2013, compared to $1,600,137 for the same period in 2012. The increase in net cash provided by financing activities is primarily due to the net forgiveness of officer loans of $1,588,438.

Since 2011 we have funded our operations through officer loans, the sale of equity, and the sale of convertible notes on terms favorable to investors in order to fund our operations. During 2013 our officers forgave $944,000 in accrued salaries and $1,900,000 in officer loans. We can no longer rely on our officers as the primary source of capital to fund our operations going forward. Our on hand cash balance is not sufficient to fund our operations. We estimate that we will require $1.0 million to fund our business plan. We believe we can continue to raise equity capital and debt financing to fund our operations and can begin generating positive gross margins from our products in 2014.

TRENDS

In order to increase revenues our emphasis over the next 12 months will be to increase distribution for both our rebranded and expanded line of energy drinks, our new line of energy coffees, and our "on premise" bag-in-box program. To accomplish our goals we also plan to expand operations into NY, ME, ND, SD, MN, NE, IA, WI, GA, LA, and Florida, New York and Texas represent three of the four top convenience store outlets in the USA. As stated throughout this report, our efforts to accomplish these objectives are directly linked to our ability to raise additional capital. We have been actively involved in discussions with potential investors to provide us with this additional funding.

Creating more brand awareness and trials will be addressed through a significant public relations and advertising program. Public relations, targeted advertising, tab and coupon redemption programs, endorsement of regionally known athletes, increased "cans in hand" sampling, events at new store openings, concerts, festivals and sporting events will be included in this program. We also plan to place regional marketing representatives in territories where distribution volume warrants the expense.

INFLATION

Although our operations are influenced by general economic conditions, we do not believe that inflation had a material effect on our results of operations during the year ended December 31, 2013.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources and would be considered material to investors.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting estimates – The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The following represents a summary of our critical accounting policies, defined as those policies that we believe are the most important to the portrayal of our financial condition and results of operations and that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain.

Revenue Recognition

The Company derives revenues from the sale of carbonated energy drinks and other related products. Revenue is recognized when all of the following elements are satisfied: (i) there are no uncertainties regarding customer acceptance; (ii) there is persuasive evidence that an agreement exists; (iii) delivery has occurred; (iv)legal title to the products has transferred to the customer; (v) the sales price is fixed or determinable; and (vi) collectability is reasonably assured.

Fair Value of Financial Instruments

The Company's financial instruments consist mainly of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, accrued expenses, derivative liabilities, and loans payable. The carrying values of the financial instruments approximate their fair value due to the short-term nature of these instruments. The fair values of the loans payable have interest rates that approximate market rates.

Derivative Instruments

The Company does not enter into derivative contracts for purposes of risk management or speculation. However, from time to time, the Company enters into contracts, namely convertible notes payable, that are not considered derivative financial instruments in their entirety, but that include embedded derivative features.

In accordance with Financial Accounting Standards Board ("FASB") ASC Topic 815-15, *Embedded Derivatives,* and guidance provided by the SEC Staff, the Company accounts for these embedded features as a derivative liability or equity at fair value.

The recognition of the fair value of the derivative instrument at the date of issuance is applied first to the debt proceeds. The excess fair value, if any, over the proceeds from a debt instrument, is recognized immediately in the statement of operations as interest expense. The value of derivatives associated with a debt instrument is recognized at inception as a discount to the debt instrument and amortized to interest expense over the life of the debt instrument. A determination is made upon settlement, exchange, or modification of the debt instruments to determine if a gain or loss on the extinguishment has been incurred based on the terms of the settlement, exchange, or modification and on the value allocated to the debt instrument at such date.

Stock-based compensation – Effective January 1, 2006, we adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standard (SFAS) No. 123R, "*Share Based Payment*." SFAS 123R requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is recognized on a straight-line basis over the employee service period (usually the vesting period). That cost is measured based on the fair value of the equity or liability instruments issued using the Black-Scholes option pricing model.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Market risk generally represents the risk of loss that may be expected to result from the potential change in value of a financial instrument as a result of fluctuations in credit ratings of the issuer, equity prices, interest rates or foreign currency exchange rates. We do not use derivative financial instruments for any purpose.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our consolidated financial statements appear beginning at page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures **-** Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Report.

These controls are designed to ensure that information required to be disclosed in the reports we file or submit pursuant to the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of December 31, 2013. We believe that our consolidated financial statements presented in this Report fairly present, in all material respects, our financial position, results of operations, and cash flows for all periods presented herein.

Inherent Limitations - Our management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls and procedures will prevent all error and all 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. The design of any system of controls 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. Further, 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 our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdown can occur because of simple error or mistake. In particular, many of our current processes rely upon manual reviews and processes to ensure that neither human error nor system weakness has resulted in erroneous reporting of financial data.

Management Annual Report on Internal Control over Financial Reporting - Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act. Those rules define internal control over financial reporting as a process designed 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 and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and the receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the Company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisitions, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision of our CEO and CFO management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2013 using the criteria established in Internal Control-Integrated Framework issued

by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation management concluded that under this framework that our internal control over financial reporting was not effective for the following reasons:

- Insufficient resources
- Lack of personnel with requisite accounting knowledge
- Inadequate segregation of duties
- Insufficient written procedures
- Inadequate closing financial statement process
- Lack of an audit committee and outside directors on the Company's Board of Directors

Changes in Internal Control over Financial Reporting - There were no changes in our internal control over financial reporting during the year ended December 31, 2013, which were identified in conjunction with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE;

The following table sets forth information regarding our executive officers and directors as of the date of this Report:

Name	Age	Position
Eric Fowler	54	Chief Executive Officer, President
Melvin Leiner	74	Chief Financial Officer, Chief Operating Officer, Executive Vice President, Secretary, Treasurer and Director
Darren M. Marks	46	Director

(1) Effective April 1, 2014, Mr. Marks resigned his positions as our CEO and President and was replaced by Eric Fowler. Mr. Marks retained his position as Chairman of our Board of Directors.

The above listed officers and directors will serve until the next annual meeting of the shareholders or until their death, resignation, retirement, removal, or disqualification, or until their successors have been duly elected and qualified. Vacancies in the existing Board of Directors are filled by majority vote of the remaining Directors. Officers serve at the will of the Board of Directors.

RESUMES

Eric Fowler was appointed as our President and Chief Executive Officer in April 2014. Prior, from December 2012 through March 2014, he was our Vice President of Sales and Marketing. Prior to joining our company, from April 208 through December 2012, Mr. Fowler was National Sales Director of PBev, LLC, Covington, TN. Mr. Fowler has been employed in the beverage industry since1981 and has held executive positions with BooKoo Energy Brands, Southeast Atlantic Beverage Corporation, Cadbury Beverages and Snapple Beverage Group, among others. Mr. Fowler received a Bachelor's degree in 1981 from the University of Tennessee. He devotes substantially all of his business time to our affairs.

Melvin Leiner has been Executive Vice President, Chief Financial Officer, Chief Operating Officer, Secretary, Treasurer and a Director of our Company since July 2010. Prior, he held similar positions with DNA Beverage, Inc. since August 2007. Prior, from May 2004 through July 2007, he held similar positions with Grass Roots Beverage Company, Inc., Boca Raton, FL. From 2001 through April 2006, Mr. Leiner served in an executive capacity for Royal Strategies and Solutions, Inc., a brokerage services company servicing primarily ethnic food companies seeking to expand distribution and is currently its President and a director. Mr. Leiner has over 35 years of entrepreneurial and management experience in developing, initiating, and operating companies in a broad range of industries including the beverage industry. He has served in an executive capacity and consultant for numerous privately held and public companies in the beverage and telecommunications industries. Mr. Leiner was also the founder, Chairman and CEO of Sims Communications, Inc., a NASDAQ-traded telecommunications company and former financial consultant with several firms specializing in new ventures. He devotes only such time as necessary to our affairs.

Darren M. Marks was our President and Chief Executive Officer until April 1, 2014, when he resigned these positions. He remains a Director of our Company, a position he has held since July 2010. Prior, he held similar positions with DNA Beverage, Inc. since August 2007. Prior, from May 2004 through July 2007, he was the President, CEO and a director of Grass Roots Beverage Company, Inc., Boca Raton, FL. From 2001 through April 2006, Mr. Marks served in an executive capacity for Royal Strategies and Solutions, Inc., a brokerage services company servicing primarily ethnic food companies seeking to expand distribution and is currently its Vice President and a director. He has been instrumental in the development, production and marketing of DNA's initial product offering and has been responsible for developing all DNA's relationships in the action sports community. From 1991 to 1997, Mr. Marks served as founder and Vice President of Sims Communications, Inc., a publicly-traded NASDAQ telecommunications company, and was responsible for the creation, design and funding of a national telecommunication program for clients such as Alamo Rent-a-Car and the American Automobile Association. He devotes only such time as necessary to our affairs.

We have elected or appointed Messrs. Leiner, Marks and Fowler as executive officers and/or directors as a result of their extensive experience in our industry, as discussed above. Additionally, each of our directors has had prior experience as officers and directors of public companies prior to assuming their positions with us. We believe that we are currently unable to attract additional experienced individuals to serve as directors because we have not obtained director and officer liability insurance. Until we obtain such insurance our ability to attract other experienced business people who agree to serve as officers and/or directors is expected to be limited due to the potential liabilities that accrue to public companies.

BOARD COMMITTEES

As of the date of this Report we do not have any committees of our Board of Directors. We expect to appoint outside Directors to serve on our Board in the near future, but as of the date of this Report we have not identified such prospective Directors. Once appointed, we expect to form an Audit Committee, a Compensation Committee, a Corporate Governance Committee and a Nominating Committee.

FAMILY RELATIONSHIPS

There are no family relationships between any of our Directors or executive officers.

ITEM 11. EXECUTIVE COMPENSATION

REMUNERATION

Following is a table containing the aggregate compensation paid to our Chief Executive Officer and Chief Financial Officer, our only two officers during our last two fiscal years, who also served as our only Directors during our fiscal years ended December 31, 2013 and 2012

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (1)	Stock Awards (1)	All Other Compensation (2)	Total Compensation
Darren Marks, (3)	2013	$ 63,000	$31,500	$32,525	$124,205
CEO/President	2012	$125,000	$50,000	$27,617	$202,617
Melvin Leiner, Executive VP/COO/CFO/Treasurer/Secretary	2013	$ 63,000	$31,500	$35,069	$ 129,569
	2012	$125,000	$50,000	$29,596	$204,596

(1) In 2013 and 2012 Mr. Marks and Mr. Leiner each received $31,500 and $50,000, respectively, in stock compensation. Salary for Mr. Marks and Mr. Leiner represents approximately one-half of a year's salary for the period July 1, 2013 through December 31, 2013. Salary earned for the first half of 2013 was forgiven by each individual-see below and is not included in the compensation table.

(2) Represents insurance premiums and car allowances paid by us.

(3) Mr Marks resigned his position as an officer effective April 1, 2014.

Salaries are established by our Board of Directors. We currently do not have a Compensation Committee. Our two executive officers also currently constitute our Board of Directors and as such, determine their own respective salaries. However, we believe that the salaries of our executive officers are commensurate with salaries paid to executive officers of other companies in our industry that are at a similar stage of growth. None of our employees are employed pursuant to an employment agreement.

In October, 2013, Messrs. Marks and Leiner voluntarily agreed to release us from an aggregate of $944,000 in accrued salaries that had accrued from 2010 through July 1, 2013. Mr.Leiner receives an annual salary of $125,000. Mr. Fowler receives an annual salary of $140,000. Our directors are not compensated for the performance of their duties as directors, other than reimbursement of out of pocket expenses incurred in the performance of their duties.

STOCK PLANS

In June 2011 we adopted the "DNA Brands Inc. 2011 Stock Bonus Plan," as amended (the "Plan"), to encourage and enable selected officers, directors, consultants and key employees upon whose judgment, initiative and effort we depend for the successful conduct of our business, to acquire and retain shares of our Common Stock, to keep personnel of experience and ability in our employ and to compensate them for their contributions to the growth and profits of our Company and thereby induce them to continue to make such contributions in the future.

Since April 2013 we have authorized a Stock Plan and reserved an aggregate of 13,000,000 shares of our Common Stock for issuance thereunder. Relevant thereto, on December 26, 2012 and January 3, 2014, respectively, we filed a registration statements on Form S-8 with the SEC registering the Plan and the shares reserved therein. As of the date of this Report, we have issued 3,000,000 of these shares, leaving 10,000,000 for issuance.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table contains certain information regarding beneficial ownership of our Common Stock as of the date of this Report, including voting rights applicable to the Series E Preferred Shares issued during 2013 by (i) each person who is known by us to own beneficially more than 5% of our Common Stock, (ii) each of our officers and directors, and (iii) all directors and executive officers as a group as of the date of the Report.

Title of Class	Name and Address Of Beneficial Owner	Amount and Nature Of Beneficial Ownership	Percent Of Class[3]
Common	Melvin Leiner [1] [3] 544 NW 77th Street Boca Raton, Florida, 33487	64,169,839[3]	19.8%
Common	Darren Marks [1] [2] 544 NW 77th Street Boca Raton, Florida, 33487	63,868,690[2]	19.7%
Common	Eric Fowler[1][4] 544 NW 77th Street Boca Raton, Florida, 33487	200,000	*
Common	All Officers and Directors as a Group (3 persons)	128,238,529	39.6%

* Less than 1%

(1) Officer and/or Director of our Company.

(2) Includes 2,474,401 held under the name 4 Life LLC.. Also includes 900,000 shares of Series E Preferred Stock. Each share entitles the holder to 68.02721 votes on all shareholder matters.

(3) Includes 2,644,201 held under the name Family Tys, LLC Also includes 900,000 shares of Series E Preferred Stock. Each share entitles the holder to 68.02721 votes on all shareholder matters.

(4) Includes options to purchase up to 200,000 shares of our Common Stock at an exercise price of $0.25 per share.

Section 16 Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own more than 10% of a registered class of our equity securities to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of Common Stock and other of our equity securities. Officers, directors and greater than 10% shareholders are required by SEC regulations to furnish us copies of all Section 16(a) forms they file. Based on available information none of the filings required under Section 16(a) for the period covered by this report were made. These filings included the issuance of the 900,000 shares Series E Preferred Stock each to Messrs. Marks and Leiner in December 2013. Each share entitles the holder to 68.02721 votes on all shareholder matters.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Since our inception Messrs. Marks and Leiner, our two directors, have loaned us significant amounts of operating capital on an interest free basis and without formal repayment terms. As of December 31, 2012 these loans totaled $1,457,539. In October 2013, Messrs. Marks and Leiner converted an aggregate of approximately $1,800,000 million in loans they had previously made to us into 1,800,000 million shares of Series D Convertible Preferred Stock ("Series D"). Each share of Series D was convertible into 68.02721 shares of our Common Stock. On December 30, 2013, Messrs. Marks and Leiner redeemed their Series D shares and these shares were cancelled but the loans remain discharged. Additionally on December 30, 2013 they converted another $100,000 of officer loans into Series E Preferred Stock ("Series E"). Each share of Series E stock has voting rights equal to 68.02721 common shares. The Series E is not convertible into any of our common shares. As a result of these transactions we reduced our debt and increased our equity by $1,900,000. As of December 31, 2013 the balance on officer

loans was approximately $3,777.

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

During 2012 we sub-leased a portion of our office space from April 1, 2012 through November 30, 2013 to a related company, Illumination America for $1,500 per month.

For sponsorship purposes, during 2012 we issued 10,000 restricted shares of our Common Stock, valued at $0.30 per share, to Luke Marks, the son of Darren Marks, one of our current directors and our former CEO. Luke Marks is ranked as one of the Top 20 under 16 (years of age) surfers in the world. We believe the shares issued are not material to our operations and represents compensation to Luke Marks for added positive publicity he is generating for us.

There have been no other related party transactions, or any other transactions or relationships required to be disclosed pursuant to Item 404 of Regulation S-K.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Fees to Auditors Fiscal Year ended December 31, 2013 and December 31, 2012

Audit Fees: The aggregate fees, including expenses, billed by our independent accountants for professional services rendered for the audit of our consolidated financial statements during the fiscal years ending December 31, 2013 and 2012 and for the review of our financial information included in our quarterly reports on Form 10-Q during the fiscal years ending December 31, 2013 and 2012 or services that are normally provided in connection with statutory and regulatory filings or engagements during the fiscal years ending December 31, 2013 and 2012 were $69,011 and $65,602, respectively.

Audit Related Fees: The aggregate fees, including expenses, billed by principal accountants for assurance and related services reasonably related to the performance of our audit or review of our financial statements during the years ended December 31, 2013 and 2012 were $2,950 and $2,150, respectively.

Tax Fees: The aggregate fees, including expenses, billed by principal accountants for tax compliance, tax advice and tax planning during years 2013 and 2012 were $820 and $10,885, respectively.

All Other Fees: The aggregate fees, including expenses, billed for all other services rendered to us by our independent accountants during years 2013 and 2012 were $-0- and $-0-, respectively.

We have no audit committee. Our board of directors has considered whether the provisions of the services covered above under the captions is compatible with maintaining the auditor's independence. All services were approved by the board of directors prior to the completion of the respective audit.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

The following exhibits are included herewith:

Exhibit No.	Description
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer 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

Following are a list of exhibits which we previously filed in other reports which we filed with the SEC, including the Exhibit No., description of the exhibit and the identity of the Report where the exhibit was filed.

No.	Description	Filed With	Date Filed
3.1	Articles of Incorporation	Form SB-2 Registration Statement	January 22, 2008
3.2	Bylaws	Form SB-2 Registration Statement	January 22, 2008
3.3	Articles of Amendment to Articles of Incorporation filed July 7, 2010	Form 8-K/A Dated July 6, 2010	October 18, 2010
3.4	Statement of Share and Equity Exchange filed July 8, 2010	Form S-1 Registration Statement	December 15, 2010
10.1	Share Exchange Agreement Between Famous Products, Inc. and DNA Beverage Corporation	Form 8-K Dated July 6, 2010	July 12, 2010
10.2	Purchase and Sale Agreement between Famous Products, Inc. and DNA Beverage Corporation	Form 8-K Dated July 6, 2010	July 12, 2010
10.3	Form of Distribution Agreement with Anheiser Busch Distributors	Form S-1/A1 Registration Statement	February 24, 2010
10.4	Vendor Participation Agreement with Walgreen Co and Professional Sports Teams	Form S-1/A1 Registration Statement	February 24, 2010
10.5	Form of Advertising and Promotion Agreement with Professional Sports Teams*	Form S-1/A1 Registration Statement	February 24, 2010

10.6	Letter Agreement with Circle K Stores, Inc.	Form S-1/A1 Registration Statement	February 24, 2010
10.7	Business Development Agreement with Racetrac Petroleum*	Form S-1/A1 Registration Statement	February 24, 2010
10.8	Title Sponsorship Agreement with C&R Motorsports LLC	Form S-1/A1 Registration Statement	February 24, 2010
10.9	Sponsorship Agreement with Star Racing LLC	Form S-1/A1 Registration Statement	February 24, 2010
10.10	Memorandum of Understanding between DNA Brands & Star Racing LLC	Form S-1/A1 Registration Statement	February 24, 2010
10.11	Sales, Marketing and Manufacturing Agreement with Monogram Meat Snacks LLC	Form S-1/A1 Registration Statement	February 24, 2010
10.12	Brokerage Service Agreement with Reese Group, Inc.	Form S-1/A1 Registration Statement	February 24, 2010
10.13	AAFES Retail Agreement – Army & Air Force Exchange Service	Form S-1/A1 Registration Statement	February 24, 2010
10.14	Broker Agreement with Royal Strategies and Solutions, Inc.	Form S-1/A1 Registration Statement	February 24, 2010
10.15	Trust Agreement	Form S-1/A1 Registration Statement	February 24, 2010
10.16	Letter Agreement with Equinox Securities, Inc.	Form S-1/A1 Registration Statement	February 24, 2010
10.17	12% Secured Convertible Debenture	Form S-1/A1 Registration Statement	February 24, 2010
10.18	Letter Agreement with Circle K Stores, Inc.	Form 10-K	March 30, 2011
10.19	Business Development Agreement with Racetrac Petroleum, Inc.	Form 10-K	March 30, 2011
10.20	Letter Agreement with Walgreens	Form 10-K	March 30, 2011
10.21	Distributor Agreement with City Beverages Limited Partnership	Form 10-K	March 30, 2011
10.22	Distributorship Agreement with Sand Dollar Distributors LLC	Form 10-K	March 30, 2011
10.23	Vendor Participation Agreement with Walgreen Co and Orlando Magic	Form 10-K	March 30, 2011
10.24	Sponsorship Agreement with Jeff Ward Racing	Form 10-K	March 31, 2010

16.1	Letter of Ronald R. Chadwick, P.C.	Form 8-K Dated September 10, 2010	September 13, 2010
10.25	Investment Banking and Advisory Agreement with Charles Morgan Securities, Inc.	Form 10-K	April 13, 2012
16.2	Letter of Ronald R. Chadwick, P.C.	Form 8-K/A Dated September 10, 2010	September 16, 2010
21.1	List of Subsidiaries	Form S-1 Registration Statement	December 15, 2010

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunder duly authorized.

DNA BRANDS, INC.

Dated: April 15, 2014

By: _____
Eric Fowler, Principal Executive Officer

By: _____
Melvin Leiner, Principal Financial Officer

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:

_____ April 15, 2014
Darren Marks, Director

_____ April 15, 2014
Melvin Leiner, Director

DNA Brands, Inc.
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and

Stockholders of DNA Brands, Inc.

We have audited the accompanying consolidated balance sheets of DNA Brands, Inc., its Subsidiary, and its Affiliate (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DNA Brands, Inc., its Subsidiary, and its Affiliate as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company's dependence on outside financing, lack of sufficient working capital, and recurring losses raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Mallah Furman

Fort Lauderdale, FL
April 15, 2014

DNA BRANDS, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	$ 61,336	$ —
Accounts receivable, net	8,750	19,347
Inventory	304,264	38,700
Prepaid expenses and other current assets	137,441	203,015
Total current assets	511,791	261,062
Property and equipment, net	11,800	20,339
Other assets	—	35,272
Total assets	$ 523,591	$ 316,673
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Bank overdrafts	$ —	$ 11,042
Accounts payable	405,854	644,077
Accrued liabilities	1,217,285	1,767,536
Current portion of loans payable, net of discounts	438,375	—
Current portion of convertible debentures, net of discounts	445,289	222,095
Conversion options, derivative liabilities	336,884	243,623
Loans payable to officers	3,777	1,457,539
Total current liabilities	2,847,464	4,345,912
Convertible, subordinated debentures, net of discounts	173,875	698,741
Loans payable to related party	67,150	—
Total liabilities	3,088,489	5,044,653
Commitments and contingencies		
Stockholders' deficit		
Preferred stock, $0.001 par value, 10,000,000 authorized, 2,100,000 and zero issued and outstanding, respectively	2,100	—
Common stock, $0.001 par value, 400,000,000 authorized, 177,594,187 and 65,476,313 issued and outstanding, respectively	177,594	65,476
Additional paid-in capital	26,232,375	21,082,749
Accumulated deficit	(28,976,967)	(25,876,205)
Total stockholders' deficit	(2,564,899)	(4,727,980)
Total liabilities and stockholders' deficit	$ 523,591	$ 316,673

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

DNA BRANDS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Sales, net	$ 156,803	$ 249,416
Cost of goods sold	176,375	177,403
Gross margin	(19,572)	72,013
Operating expenses		
Compensation and benefits	920,075	1,485,301
Depreciation expense	8,539	11,285
General and administrative expenses	464,143	689,282
Professional and outside services	876,192	1,282,929
Selling and marketing expenses	174,043	274,493
Total operating expenses	2,442,992	3,743,290
Loss from operations	(2,462,564)	(3,671,277)
Other income (expense)		
Gain on conversion options, derivative liabilities	518,739	137,794
Other income	1,678	74,019
Interest expense	(1,158,616)	(984,880)
Total other income (expense)	(638,199)	(773,067)
Loss before income taxes	(3,100,763)	(4,444,344)
Income taxes	—	—
Net loss	$ (3,100,763)	$ (4,444,344)
Loss per share:		
Basic and diluted	$ (0.04)	$ (0.09)
Weighted average number of common shares outstanding:		
Basic and diluted	83,344,648	50,237,728

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

DNA BRANDS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Preferred Stock		Common Stock		Additional Paid-In	Accumulated	
	Shares	Amount	Issued	Amount	Capital	Deficit	Total
Balance, December 31, 2011	—	$ —	45,425,135	$ 45,425	$ 17,809,281	$ (21,431,861	$ (3,577,155)
Issuance of convertible, preferred stock in connection with private offerings	6,000	6	—	—	5,994	—	6,000
Conversion of convertible, preferred stock into common stock	(6,000	(6	20,000	20	-14	—	—
Issuance of common stock in connection with private offerings	—	—	4,616,067	4,616	323,008	—	327,624
Issuance of common stock in exchange for consulting, professional and other services	—	—	6,608,764	6,609	1,089,996	—	1,096,605
Issuance of common stock as compensation to employees and officers	—	—	4,595,000	4,595	530,255	—	534,850
Issuance of common stock in connection with convertible debenture offering	—	—	100,000	100	11,900	—	12,000
Issuance of common stock in connection with common stock warrant exercises	—	—	611,681	611	152,309	—	152,920
Conversion of convertible debentures into common stock	—	—	3,499,666	3,500	521,450	—	524,950
Fair market value of warrants issued in conjunction with subordinated debentures	—	—	—	—	63,620	—	63,620
Recognition of beneficial conversion features embedded with convertible debentures	—	—	—	—	574,950	—	574,950
Net loss	—	—	—	—	—	(4,444,344	(4,444,344)

Balance, December 31, 2012	—	$ —	65,476,313	$ 65,476	$ 21,082,749	$ (25,876,205	$ (4,727,980)
Issuance of convertible, preferred stock in connection with forgiveness of officer loans	300,000	300	—	—	199,700	—	200,000
Issuance of common stock in connection with private offerings	—	—	30,426,664	30,427	539,373	—	569,800
Issuance of common stock in exchange for consulting, professional and other services	—	—	19,947,434	19,947	542,739	—	562,686
Issuance of common stock as compensation to employees and officers	—	—	1,800,000	1,800	104,200	—	106,000
Conversion of convertible debentures and accrued interest into common stock	—	—	59,943,776	59,944	848,728	—	908,672
Forgiveness of officer loans & accrued salaries by officers	1,800,000	1,800	—	—	2,842,200	—	2,844,000
Recognition of beneficial conversion features embedded with convertible debentures	—	—	—	—	63,696	—	63,696
Recognition of common stock options issued to employee	—	—	—	—	8,990	—	8,990
Net loss	—	—	—	—	—	(3,100,763	(3,100,763)
Balance, December 31, 2013	2,100,000	$ 2,100	177,594,187	$ 177,594	$ 26,232,375	$ (28,976,968	$ (2,564,899)

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

DNA BRANDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Cash flows from operating activities:		
Net loss	$ (3,100,763)	$ (4,444,344)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	8,539	11,285
(Gain) on conversion options, derivative liabilities	(518,739)	(137,794)
Non-cash interest expense related to convertible debentures	987,237	822,792
Allowance for doubtful accounts-includes allowance on employee receivables	148,344	43,118
Common stock and common stock warrants issued in exchange for services	562,686	114,315
Common stock issued in connection with convertible debt	-	1,108,605
Common stock issued as employee compensation	106,000	534,850
Share based compensation expense related to employee stock option grants	8,990	
Changes in operating assets and liabilities:		
Accounts receivable	(3,203)	42,192
Inventory	(265,563)	140,663
Prepaid expenses and other current assets	(68,970)	(171,368)
Other assets	35,272	(10,073)
Bank overdrafts	(11,042)	(8,115)
Accounts payable	(238,223)	(58,224)
Accrued liabilities	481,854	411,961
Net cash used in operating activities	(1,867,581)	(1,600,137)
Cash flows from financing activities:		
Net proceeds from loans payable	265,000	-
Net proceeds from (payments on) officer loans	646,238	679,101
Net proceeds from convertible debentures	387,000	437,668
Net proceeds from loans payable to related party	67,150	-
Repayments on loans payable	(6,271)	(3,176)
Net proceeds from the issuance of convertible, preferred stock	-	6,000
Net proceeds from the issuance of common stock	569,800	327,624
Net proceeds from the exercise of common stock warrants	-	152,920
Net cash provided by financing activities	1,928,917	1,600,137
Net change in cash and cash equivalents	61,336	-
Cash and cash equivalents at beginning of period	-	-
Cash and cash equivalents at end of period	$ 61,336	$ -
Supplemental disclosures:		
Interest paid	$ 10,229	$ 109,343
Income taxes paid	$ -	$ -
Supplemental disclosures of non-cash investing and financing activities:		
Preferred stock issued in connection with conversion of loans payable to officers	$ 300,000	$ -
	$ 820,567	$ 536,500
Common stock issued in connection with conversion of convertible debentures		
Common stock issued in connection with conversion of accrued interest	$ 88,105	$ 536,500
Forgiveness of officers loans and accrued salaries contributed as capital	$ 2,744,000	$ -
Discounts on convertible debentures	$ 416,832	$ 905,669
Warrants issued in conjunction with convertible debentures	$ 63,696	$ -

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

1. Organization and Summary of Significant Accounting Policies

Company Overview and History

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

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

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

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

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary Grass Roots, and Beverage LLC, which is considered a variable interest entity ("VIE") since the Company is the primary beneficiary of Beverage LLC's operations and exerts significant control. All significant intercompany balances and transactions have been eliminated in consolidation.

1. Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition

The Company derives revenues from the sale of carbonated energy drinks and other related products. Revenue is recognized when all of the following elements are satisfied: (i) there are no uncertainties regarding customer acceptance; (ii) there is persuasive evidence that an agreement exists; (iii) delivery has occurred; (iv)legal title to the products has transferred to the customer; (v) the sales price is fixed or determinable; and (vi) collectability is reasonably assured.

Shipping and Handling Costs

Shipping and handling costs related to the movement of finished goods from manufacturing locations to sales distribution centers are included in cost of goods sold on the Company's consolidated statements of operations. Shipping and handling costs incurred to move finished goods from the Company's sales distribution centers to its customer locations are also included in cost of goods sold on its consolidated statements of operations. The Company's customers do not pay separately for shipping and handling costs.

Advertising expenses

Advertising costs are expensed as incurred. Advertising expenses amounted to $-0- and $13,289 for the years ended December 31, 2013 and December 31, 2012, respectively.

Fair Value of Financial Instruments

The Company's financial instruments consist mainly of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, accrued expenses, derivative liabilities, and loans payable. The carrying values of the financial instruments approximate their fair value due to the short-term nature of these instruments. The fair values of the loans payable have interest rates that approximate market rates.

Derivative Instruments

The Company does not enter into derivative contracts for purposes of risk management or speculation. However, from time to time, the Company enters into contracts, namely convertible notes payable, that are not considered derivative financial instruments in their entirety, but that include embedded derivative features.

In accordance with Financial Accounting Standards Board ("FASB") ASC Topic 815-15, *Embedded Derivatives,* and guidance provided by the SEC Staff, the Company accounts for these embedded features as a derivative liability or equity at fair value.

The recognition of the fair value of the derivative instrument at the date of issuance is applied first to the debt proceeds. The excess fair value, if any, over the proceeds from a debt instrument, is recognized immediately in the statement of operations as interest expense. The value of derivatives associated with a debt instrument is recognized at inception as a discount to the debt instrument and amortized to interest expense over the life of the debt instrument. A determination is made upon settlement, exchange, or modification of the debt instruments to determine if a gain or loss on the extinguishment has been incurred based on the terms of the settlement, exchange, or modification and on the value allocated to the debt instrument at such date.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents are stated at cost and consist of bank deposits. The carrying amount of cash and cash equivalents approximates fair value.

Accounts Receivable and Allowance for Doubtful Accounts

The Company bills its customers after its products are shipped. The Company bases its allowance for doubtful accounts on estimates of the creditworthiness of customers, analysis of delinquent accounts, payment histories of its customers and judgment with respect to the current economic conditions. The Company generally does not require collateral. The Company believes the allowances are sufficient to cover uncollectible accounts. The Company reviews its accounts receivable aging on a regular basis for past due accounts, and writes off any uncollectible amounts against the allowance.

Inventory

Inventory is stated at the lower of cost or market. Cost is principally determined by using the average cost method that approximates the First-In, First-Out (FIFO) method of accounting for inventory. Inventory consists of raw materials as well as finished goods held for sale. The Company's management monitors the inventory for excess and obsolete items and makes necessary valuation adjustments when required.

1. Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation. Replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Equipment	5 Years
Furniture and fixtures	5 Years
Vehicles	5 Years

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment when events or changes in circumstances indicate the book value of the assets may not be recoverable. In accordance with Accounting Standards Codification ("ASC") 360-10-35-15 *Impairment or Disposal of Long-Lived Assets,* recoverability is measured by comparing the book value of the asset to the future net undiscounted cash flows expected to be generated by the asset.

No events or changes in circumstances have been identified which would impact the recoverability of the Company's long-lived assets reported at December 31, 2013 and 2012.

Stock-Based Compensation

The Company applies ASC 718 *Compensation – Stock Compensation* to stock-based compensation awards. ASC 718 requires the measurement and recognition of non-cash compensation expense for all share-based payment awards made to employees and directors. The Company records common stock issued for services or for liability extinguishments at the closing market price for the date in which obligation for payment of services is incurred.

1. Organization and Summary of Significant Accounting Policies (continued)

Stock compensation arrangements with non-employee service providers are accounted for in accordance with ASC 505-50 *Equity-Based Payments to Non-Employees*, using a fair value approach. The compensation costs of these arrangements are subject to re-measurement over the vesting terms as earned.

Stock Purchase Warrants

The Company has issued warrants to purchase shares of its common stock. Warrants have been accounted for as equity in accordance with ASC 480, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock, Distinguishing Liabilities from Equity.*

Income Taxes

Income taxes are accounted for under the asset and liability method as stipulated by ASC 740. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC 740, the effect on deferred tax assets and liabilities or a change in tax rate is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced to estimated amounts to be realized by the use of a valuation allowance. A valuation allowance is applied when in management's view it is more likely than not (50%) that such deferred tax will not be utilized

The Company follows the provisions of the FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109* ("FIN 48"). FASB Statement No. 109 has been codified in ASC Topic 740. ASC Topic 740 contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with ASC Topic 740. This first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. The Company concluded that there were no uncertain tax positions as of December 31, 2013 and 2012.

Earnings (Loss) Per Share

The Company computes basic earnings (loss) per share using the weighted average number of shares of common stock outstanding during the period.

2. Recently Issued Accounting Pronouncements

Accounting Standards that have been issued or proposed by the FASB or other standard-setting bodies, that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

3. Going Concern

As reflected in the accompanying financial statements, the Company has recorded net losses of $3,100,763 and $4,444,344 for the years ended December 31, 2013 and 2012, respectively. Net cash used in operations from the same periods were $1,867,581 and $1,600,137 respectively. At December 31, 2013, the Company had a working capital deficit of $2,335,673 and a stockholders' deficit of $2,564,899. These matters raise a substantial doubt about the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent on management's plans, which includes

implementation of its business plan and continuing to raise funds through debt or equity raises. The Company will likely continue to rely upon related-party debt or equity financing in order to ensure the continuing existence of the business. Additionally the Company is working on generating new sales from additional retail outlets, distribution centers or through sponsorship agreements; and allocating sufficient resources to continue with advertising and marketing efforts.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

4. Inventory

The following table sets forth the composition of the Company's inventory at December 31, 2013 and 2012:

	2013	2012
Raw materials	$ 16,652	$ —
Finished goods – beverages	287,612	38,700
Total inventory	$ 304,264	$ 38,700

5. Accounts Receivable and Customer Credit Concentration

The following table sets forth the composition of the Company's accounts receivable at December 31, 2013 and 2012:

	2013	2012
Accounts Receivable	$ 26,414	$ 29,074
Less: Allowance for doubtful accounts	(17,664)	(9,727)
Accounts Receivable, net	$ 8,750	$ 19,347

Bad debt expense which is included in Selling and Marketing expenses on the accompanying consolidated statement of Operations for the years ended December 31, 2013 and 2012 was $148,344 and $43,118, respectively.

Due to the low balances of accounts receivables as of December 31, 2013, concentration of customer balances is not considered material.

During 2013 four customers accounted for approximately 28.5%, 15.0%, 13.4% and 12.2% of the Company's sales, respectively. During 2012, three customers accounted for approximately 24.1%, 14.8% and 10.3% of the Company's sales, respectively.

6. Prepaid Expenses and Other Assets

The following table sets forth the composition of the Company's prepaid expenses and other assets at December 31, 2013 and 2012:

	2013	2012
Short-term security deposit	$ 6,000	$ 22,000
Employee and other advances, net	—	88,420
Prepaid services	131,441	127,867
Total prepaid expenses and other assets	137,441	238,287
Less: Non-current portion of employee advances, net	—	35,272
Prepaid expenses and other current assets	$ 137,441	$ 203,015

7. Property and Equipment, Net

The following table sets forth the composition of the Company's property and equipment at December 31, 2013 and 2012:

	2013	2012
Equipment	$ 18,690	$ 18,690
Furniture and fixtures	9,156	9,156
Vehicles	75,907	75,907
Accumulated depreciation	(91,953)	(83,414)
Total property and equipment, net	$ 11,800	$ 20,339

Depreciation expense for the years ended December 31, 2013 and 2012 was $8,539 and $11,285, respectively.

8. Accrued Liabilities

The following table sets forth the composition of the Company's accrued expenses as of December 31, 2013 and 2012:

	2013	2012
Salaries and bonuses	$ 505,884	$ 1,045,888
Interest expense on convertible debentures	202,648	85,927
Professional services	51,035	34,074
Payroll taxes and penalties	449,332	601,647
Other	8,386	
Total accrued expenses	$ 1,217,285	$ 1,767,536

Salaries and bonuses represent amounts due to officers and employees. Due to the Company's shortage of liquidity, its two principal executive officers have deferred cash payment of their salaries since 2008. During 2012, an aggregate of 1,000,000 shares of the Company's common stock valued at $100,000 were paid to the officers in lieu of cash. As of December 31, 2012, the Company's officers were still owed $820,000 as a result of their deferrals and its employees were owed $225,888 for amounts earned and accrued in the normal course of business.

In October 2013, Messrs. Marks and Leiner agreed to forgive $944,000 in accrued salaries which represented the value of substantially all of their compensation from 2010 through July 1, 2013. As a result of this forgiveness we reduced our debt and increased our equity by $944,000. As of December 31, 2013 the Company's officers were due approximately $91,000 as a result of their deferrals and forgiveness; and its employees were owed $414,885.

As of December 31, 2013 and 2012, accrued payroll taxes and penalties represented the unpaid portion of employer and employee payroll taxes totaling $314,122 and $466,347 respectively;and the Company has estimated potential penalties associated with these unpaid amounts to be $135,210 and $135,210 as of December 31, 2013 and 2012, respectively. The Company has engaged the services of a professional experienced in payroll tax matters to work with the Company and the Internal Revenue Service (IRS) to achieve a re-payment plan acceptable to the IRS. During 2013 and 2012 the Company made payments of $248,394 and $59,144, respectively against this liability.

9. Loans payable

The composition of loans payable at December 31, 2013 and December 31, 2012 was as follows:

	December 31, 2013	December 31, 2012
Loans payable	$ 530,000	$ —
Discounts	(91,625)	—
Loans payable current, net of discounts	$ 438,375	$ —

In June 2013, the Company entered into a loan agreement with Beverage LLC and received gross proceeds of $265,000. In accordance with ACS 810- 10-55, the Company considered its relationship with, and the terms of its interest in, Beverage LLC and determined that it was a VIE that should be consolidated into its financial statements. The Company's involvement with Beverage LLC is that it serves as an entity to obtain inventory financing for DNA.

As of December 31, 2013 and December 2012 the amounts included in the consolidated liabilities, which are reported in loans payable (before discount) total $530,000 and $-0- respectively, relating to Beverage LLC. The loans payable bear interest at a rate of 6% per annum and are scheduled to be repaid to the lenders in equal installments of 66.67% of the original principal on September 30, 2013, December 31, 2013 and March 31, 2014. The aggregate value of the repayment installments totals

$530,000. September and December installment payments were not made. The loan is in default and the default interest rate of 10% per annum.

10. Convertible Debentures, Net of Discounts

A summary of all convertible notes outstanding at December 31, 2013 and 2012 are as follows:

Issue Date	Default Interest Rate	Interest Rate	Face Value	Original Due Date	Conversion Rate of Face Value to Common Shares
02/18/2011		12%	$ 300,000	02/18/2014	50.00
07/18/2011		12%	25,000	07/14/2014	50.00(1)
07/28/2011		3.75%	93,729	07/31/2015	50.00(1)
08/26/2011		12%	50,000	08/25/2015	50.00(1)
02/01/2012		12%	75,000	01/31/2013	3.73
07/02/2012	18%	12%	60,000	07/01/2013	125.00(2)
04/25/2012		12%	30,000	04/25/2013	3.33
09/17/2013		6%	31,500	09/17/2014	92.17(3)
11/21/2013		12%	20,600	11/21/2014	107.87(4)
11/07/2013		8%	53,000	08/08/2014	108.89(5)
10/31/2013		18%	204,000	01/01/2016	96.55(6)
Total			$ 942,829		

(1) The Company has determined the conversion ratio as of December 31, 2013. These debentures were convertible at a conversion price equal to 80% of the average share price of the Company's common stock for the ten (10) previous trading days prior to conversion. As a result, the conversion ratio may fluctuate from period to period. Modified to $0.02 on October 15, 2013.

(2) The Company has determined the conversion ratio as of December 31, 2013. These debentures are convertible at a conversion price equal to the lesser of 75% of the average share price of the Company's common stock for the five (5) previous trading days prior to conversion or a base conversion price equivalent to the lowest issued price per share. As a result, the conversion ratio may fluctuate from period to period.

(3) The Company has determined the conversion ratio as of December 31, 2013. These debentures are convertible at a conversion price equal to 70% of the lowest closing bid price of the Company's common stock on the four previous trading days prior to and day of conversion, but not less than $0.0001. As a result, the conversion ratio may fluctuate from period to period.
(4) The Company has determined the conversion ratio as of December 31, 2013. These debentures are convertible at a conversion price equal to 50% of the lowest intra-day price of the Company's common stock on the 10 previous trading days prior to the day of conversion. As a result, the conversion ratio may fluctuate from period to period.
(5) The Company has determined the conversion ratio as of December 31, 2013. These debentures are convertible at a conversion price equal to 58% of the average of the 3 lowest share closing bid prices of the Company's common stock on the 10 previous trading days prior to the day of conversion. As a result, the conversion ratio may fluctuate from period to period.
(6) The Company has determined the conversion ratio as of December 31, 2013. These debentures are convertible at a conversion price equal to 50% of the lowest closing bid price of the Company's common stock on the 20 previous trading days prior to the day of conversion. As a result, the conversion ratio may fluctuate from period to period.

In February 2011, the Company issued a convertible debenture to an existing shareholder in the amount of $500,000. The debenture bears interest at 12% per annum and carries an annual transaction fee of $30,000, of which both are payable in quarterly installments commencing in May 2011. These costs are recorded as interest expense in the Company's financial statements. In addition, as further inducement for loaning the Company funds, the Company issued 125,000 restricted shares of its common stock to the holder upon execution. The common shares were valued at $31,250, their fair market value, and recorded as discount to the debenture. These costs will be amortized using the effective interest method over the term of the debenture and recorded as interest expense in the Company's financial statements.

In June 2011, the Company issued a convertible debenture to an existing shareholder in the amount of $125,000. The debenture bears interest at 12% per annum, which is payable in the Company's common stock at the time of maturity. The debenture is convertible at any time prior to maturity into 150,000 shares of the Company's common stock. This beneficial conversion feature was valued at $90,750, using Black-Scholes methodology, and recorded as a discount to the debenture. These costs will be amortized using the effective interest method over the term of the debenture and recorded as interest expense in the Company's financial statements.

In July and August 2011, the Company issued a series of secured convertible debentures to accredited investors aggregating $275,000 in gross proceeds. All proceeds from these debentures are to be utilized solely for the purpose of funding raw materials and inventory purchases through the use of an escrow agent. The debentures bear interest at 12% per annum, payable in monthly installments. The debentures are convertible at any time prior to maturity at a conversion price equal to 80% of the average share price of the Company's common stock for the 10 previous trading days prior to conversion, but not less than $0.70. In addition, as further inducement for loaning the Company funds, the Company issued the lenders 68,750 restricted shares of its common stock and 137,500 common stock warrants exercisable at $1.25 per share. As a result, the Company had to allocate fair market value to each the beneficial conversion feature, restricted shares and warrants. The common shares were valued at $30,938, their fair market value. The Company determined the fair market value of the warrants as $94,255 using the Black-Scholes valuation model. Since the combined fair market value allocated to the warrants and beneficial conversion feature cannot exceed the convertible debenture amount, the beneficial conversion feature was valued at $149,807, the ceiling of its intrinsic value. These costs will be amortized using the effective interest method over the term of the debenture and recorded as interest expense in the Company's financial statements.

In February 2012, the Company issued a convertible debenture to an existing shareholder in the amount of $75,000. The debenture bears interest at 12% per annum, which is payable in the Company's common stock at the time of maturity. The debenture is convertible at any time prior to maturity into 280,000 shares of the Company's common stock. As further inducement, the Company issued the lender 280,000 common stock warrants exercisable at $1.50 per share. If unexercised, the warrants will expire on January 31, 2017. Using the Black-Scholes model, the warrants were valued at $63,620 and recorded as a discount to the principal amount of the debenture. This discount is amortized using the effective interest method over the term of the debenture and recorded as interest expense in the Company's financial statements.

In February and June 2012, the Company converted $524,950 of its loans payable to officers into convertible debentures. These debentures were offered by the Company's officers to certain accredited investors and a majority portion of the proceeds therefrom were deposited with the Company. The debentures had no maturity date and bear no interest. Therefore these debentures were payable on demand and were originally classified as a current liability. The debentures were convertible at any time into 3,499,667 shares, or $0.15 per share of common stock. The Company determined that these terms created a beneficial conversion feature. Using the Black-Scholes model, the beneficial conversion feature was valued at $524,950, the ceiling of its intrinsic value. Due to the nature of the debentures, the full value of the beneficial conversion feature was immediately recorded as interest expense in the Company's financial statements. In August 2012, these convertible debentures were converted into 3,499,666 shares of the Company's common stock.

On April 9, 2012, the Company executed an Investment Banking and Advisory Agreement with Charles Morgan Securities, Inc., New York, NY ("CMI"), wherein CMI agreed to provide consulting, strategic business planning, financing on a "best efforts" basis and investor and public relations services, as well as to assist the Company in its efforts to raise capital through the issuance of debt or equity. The agreement provided for CMI to engage in two separate private offerings with the initial private placement offering up to $3.0 million and the second private placement offering up to an additional $3.0 million; each on a "best efforts" basis. In connection with this agreement the Company issued 750,000 shares valued at $0.25 per share or a total value of $187,500. This amount was fully amortized in the Company's financial statements as of December 31, 2012.

In July 2012, the Company received proceeds from convertible debentures totaling $182,668 in connection with the CMI agreement. The debentures bear interest at 12% per annum, which is payable in cash or the Company's common stock at the time of conversion or maturity. The debentures are convertible at any time prior to maturity at a conversion price equal to the lesser of 75% of the average share price of the Company's common stock for the five previous trading days prior to conversion or $0.35, but not less than $0.15. In the event that the Company offers or issues shares of its common stock at a share price less than $0.15, the floor conversion price will adjust to the new lower price. The Company determined that the terms of the debentures created a beneficial conversion feature. Using the Black-Scholes model, the beneficial conversion feature was valued at $160,813 and recorded as a discount to the principal amount of the debentures. The discount is amortized using the effective interest method over the term of the debenture and recorded as interest expense in the Company's financial statements.

On August 7, 2012, the Company issued a convertible debenture in the amount of $50,000. The debenture does not bear interest. As an inducement, the Company agreed to issue the lender 20,000 shares of its common stock. The common shares were valued at their trading price on the date of the agreement and recorded as interest expense in the Company's results of operations. The Company determined that the terms of the debenture created a beneficial conversion feature. Using the Black-Scholes model, the beneficial conversion feature was valued at $50,000, the ceiling of its intrinsic value, and recorded as a discount to the principal amount of the debenture. The discount is amortized using the effective interest method over the term of the debenture and recorded as interest expense in the Company's financial statements. During the second quarter of 2013, the conversion terms of this note were modified and the note was converted into 1,500,000 shares of common stock.

On September 25, 2012, the Company issued a convertible debenture in the amount of $50,000. The debenture bears interest at 6% per annum, which is payable in the Company's common stock at the time of conversion or maturity. The debenture is convertible at any time prior to maturity at a conversion price equal to 70% of the lowest closing bid price of the Company's common stock on the four previous trading days prior to and day of conversion, but not less than $0.0001. The Company determined that the terms of the debenture created a beneficial conversion feature. Using the Black-Scholes model, the beneficial conversion feature was valued at $50,000, the ceiling of its intrinsic value, and recorded as a discount to the principal amount of the debenture. The discount is amortized using the effective interest method over the term of the debenture and recorded as interest expense in the Company's financial statements. During the second quarter of 2013, the lender converted $23,000 of principal into 919,403 shares of common stock in accordance with the conversion terms of the debenture.

On November 1, 2012, the Company issued a convertible debenture in the amount of $80,000. The debenture bears interest at 12% per annum, which is payable in the Company's common stock at the time of conversion or maturity. The debenture is convertible at any time prior to maturity at a conversion price equal to 70% of the average closing bid price of the Company's common stock on the 30 previous trading days prior to the day of conversion. The Company determined that the terms of the debenture created a beneficial conversion feature. Using the Black-Scholes model, the beneficial conversion feature was valued at $56,286, the ceiling of its intrinsic value, and recorded as a discount to the principal amount of the debenture. The discount is amortized using the effective interest method over the term of the debenture and recorded as interest expense in the Company's financial statements.

During the second quarter of 2013, the Company recorded $65,000 in gross proceeds from the issuance of three convertible debentures. The debentures bear interest at 12% per annum, which is payable in cash at the time of maturity. The debentures are convertible at any time prior to maturity into 216,667 shares of the Company's common stock. As further inducement, the Company issued the lenders 216,667 common stock warrants exercisable at $1.50 per share. If unexercised, the warrants will expire on February 28, 2017. Using the Black-Scholes model, the warrants were valued at $69,455 and recorded as a discount up to the principal amount of the debentures. This discount is amortized using the effective interest method over the term of the debenture and recorded as interest expense in the Company's financial statements. As of December 31, 2013, two of the debentures totaling $35,000 in principal value were converted into 316,667 shares of common stock. Some of the original conversion terms were modified prior to the notes' conversions. The remaining $30,000 debenture is in default, as its maturity date was April 25, 2013.

On September 17, 2013, the Company issued a convertible debenture in the amount of $50,000. The debenture bears interest at 6% per annum, which is payable in the Company's common stock at the time of conversion or maturity. The debenture is convertible at any time prior to maturity at a conversion price equal to 70% of the lowest closing bid price of the Company's common stock on the four previous trading days prior to and day of conversion, but not less than $0.0001. The Company determined that the terms of the debenture created a beneficial conversion feature. Using the Black-Scholes model, the beneficial conversion feature was valued at $50,000, the ceiling of its intrinsic value, and recorded as a discount to the principal amount of the debenture. The discount is amortized using the effective interest method over the term of the debenture and recorded as interest expense in the Company's financial statements.

On October 31, 2013, the Company issued a convertible debenture in the amount of $204,000. The debenture bears interest at 18% per annum, which is payable in the Company's common stock at the time of conversion or maturity. The debenture is convertible at any time prior to maturity at a conversion price equal to 50% of the lowest closing bid price of the Company's common stock on the twenty previous trading days prior to and day of conversion. The Company determined that the terms of the debenture created a beneficial conversion feature. Using the Black-Scholes model, the beneficial conversion feature was valued at $204,000, the ceiling of its intrinsic value, and recorded as a discount to the principal amount of the debenture. The discount is amortized using the effective interest method over the term of the debenture and recorded as interest expense in the Company's financial statements.

On November 6, 2013, the Company issued a convertible debenture in the amount of $53,000. The debenture bears interest at 8% per annum, which is payable in the Company's common stock at the time of conversion or maturity. The debenture is convertible at any time prior to maturity at a conversion price equal to 58% of the average of the 3 lowest share closing bid prices of the Company's common stock on the ten previous trading days prior to and day of conversion. The Company determined that the terms of the debenture created a beneficial conversion feature. Using the Black-Scholes model, the beneficial conversion feature was valued at $48,533, its intrinsic value, and recorded as a discount to the principal amount of the debenture. The discount is amortized using the effective interest method over the term of the debenture and recorded as interest expense in the Company's financial statements.

On November 6, 2013, the Company issued a convertible debenture in the amount of $125,000. The debenture bears interest at 10% per annum, which is payable in the Company's common stock at the time of conversion or maturity. The debenture is convertible at any time prior to maturity at a conversion price equal to 50% of the lowest share closing bid price of the Company's common stock on the twenty previous trading days prior to and day of conversion. The Company determined that the terms of the debenture created a beneficial conversion feature. Using the Black-Scholes model, the beneficial conversion feature was valued at $125,000, the ceiling of its intrinsic value, and recorded as a discount to the principal amount of the debenture. The discount is amortized using the effective interest method over the term of the debenture and recorded as interest expense in the Company's financial statements.

On November 6, 2013, the Company issued a convertible debenture in the amount of $80,000. The debenture bears no interest and is payable in the Company's common stock at the time of conversion or maturity. The debenture is convertible at any time prior to maturity at a conversion price equal to 50% of the average share closing bid price of the Company's common stock on the thirty previous trading days prior to and day of conversion. The Company determined that the terms of the debenture created a beneficial conversion feature. Using the Black-Scholes model, the beneficial conversion feature was valued at

$80,000, the ceiling of its intrinsic value, and recorded as a discount to the principal amount of the debenture. The discount is amortized using the effective interest method over the term of the debenture and recorded as interest expense in the Company's financial statements.

On November 21, 2013, the Company issued a convertible debenture in the amount of $100,000. The debenture bears interest at 12% per annum, which is payable in the Company's common stock at the time of conversion or maturity. The debenture is convertible at any time prior to maturity at a conversion price equal to 50% of the lowest share intra-day price of the Company's common stock on the ten previous trading days prior to and day of conversion. The Company determined that the terms of the debenture created a beneficial conversion feature. Using the Black-Scholes model, the beneficial conversion feature was valued at $100,000, the ceiling of its intrinsic value, and recorded as a discount to the principal amount of the debenture. The discount is amortized using the effective interest method over the term of the debenture and recorded as interest expense in the Company's financial statements.

	December 31, 2013	December 31, 2012
Convertible notes-face value	$ 942,829	$ 1,337,668
Loan discount	(617,729)	(714,674)
Amortization of loan discount	294,064	297,842
Current portion	(445,289)	(222,095)
Convertible, subordinated debentures, net of discounts and current portion	$ 173,875	$ 698,741

The calculated value of the conversion feature that resulted in the discount in the table above was estimated using the Black-Scholes option pricing model with the following weighted average assumptions for the years ended December 31, 2013 and 2012.

	2013	2012
Expected dividend yield (1)	—%	—%
Risk-free interest rate (2)	0.10 – 1.32%	0.15 – 0.62
Expected volatility (3)	202.3 – 253.5%	140.7 – 2305.60%
Expected life (in years) (4)	0.60 – 4.00	0.75 – 3.60

(1) The Company has no history or expectation of paying cash dividends on its common stock.
(2) The risk-free interest rate is based on the U.S. Treasury yield for a term consistent with the expected life of the awards in effect at the time of grant.
(3) The volatility is based upon the average volatility rate of the Company's common stock trading price.
(4) The expected life represents the due date of the note.

11. Embedded Conversion on Option Liabilities

Due to the conversion terms of certain promissory notes, the embedded conversion options met the criteria to be bifurcated and presented as derivative liabilities. The Company calculated the estimated fair values of the liabilities for embedded conversion option derivative instruments at the original note inception date and as of December 31, 2013 using the Black-Scholes option pricing model using the share prices of the Company's stock on the dates of valuation and using the following ranges for volatility, expected term and the risk free interest rate at each respective valuation date, no dividend has been assumed for any of the periods:

	December 31, 2013	December 31, 2012
Note inception date fair value allocated to debt discount	—%	—%
Change in fair value – (gain)	0.10 – 0.38%	0.16 – 0.71%
Embedded conversion option derivative liability fair value on December 31, 2013	223.0 – 316.50%	153.3 – 280.1%
	0.15 – 2.17	1.00 – 4.00

(1) The Company has no history or expectation of paying cash dividends on its common stock.
(2) The risk-free interest rate is based on the U.S. Treasury yield for a term consistent with the expected life of the awards in effect at the time of grant.
(3) The volatility for the period ended December 31, 2013 is based upon the historical volatility of the Company's stock price, a period equal to the expected life of the note or twenty four months following the reverse capitalization transaction.
(4) The expected life represents the due date of the note.

Additionally the Company calculated the fair value for the embedded derivative options by using Monte Carlo simulation to estimate the fair value of the embedded derivatives. In order to estimate the fair value the Company estimated the potential impact of future financing needs on the convertible notes. A Monte Carlo simulation is a method used to iteratively calculate the value of the warrants using simulated stock price paths over the life of the warrants. A summary of the assumptions is as follows:

Volatility: 224.2 - 253.5%

Risk-free Rate: 0.10 - 0.38%

The Company compared both methods and used the lowest value of the two methods.

The following reflects the initial fair value on the note inception date and changes in fair value through December 31, 2013 and December 31, 2012:

	December 31, 2013	December 31, 2012
Note inception date fair value allocated to debt discount	$ 878,916	$ 267,099
Change in fair value – (gain)	(554,216)	(58,717)
Embedded conversion option derivative liability fair value on December 31, 2013	$ 324,700	$ 208,682

12. Fair Value

FASB ASC 820, *Fair Value Measurements and Disclosure*s ("ASC 820") establishes a framework for all fair value measurements and expands disclosures related to fair value measurement and developments. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 requires that assets and liabilities measured at fair value are classified and disclosed in one of the following three categories:

Level 1—Quoted market prices for identical assets or liabilities in active markets or observable inputs;

Level 2—Significant other observable inputs that can be corroborated by observable market data; and

Level 3—Significant unobservable inputs that cannot be corroborated by observable market data.

The carrying amounts of cash, accounts receivable, accrued salaries payable, accounts payable and other liabilities, accrued interest payable, due to related parties and notes payable - related party approximate fair value because of the short-term nature of these items.
The assets or liability's fair value measurement within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. The following table provides a summary of the assets that are measured at fair value on a recurring basis.

	Consolidated Balance Sheet	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Quoted Prices for Similar Assets or Liabilities in Active Markets (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative Liabilities:				
December 31, 2013	$ 336,884	$ -	$ -	$ 336,884
December 31, 2012	$ 243,623	$ -	$ -	$ 243,623

The following table sets forth a summary of the changes in the fair value of the Company's Level 3 financial liabilities that are measured at fair value on a recurring basis:

	For the Year Ended December 31,	
	2013	2012
Beginning balance	$ 243,623	$ -
Aggregate fair value of conversion features upon issuance	878,916	381,414
Change in fair value of conversion features	(785,655)	(137,791)
Ending balance	$ 336,884	$ 243,623

13. Loans Payable to Officers

The following table summarizes the Company's loans payable to officers as of December 31, 2013 and 2012:

	2013	2012
Loans payable to officers	$ 3,777	$ 1,457,539

Since the Company's inception, its principal executive officers have loaned the Company significant amounts of operating capital on an interest free basis and without formal repayment terms.

14. Loans Payable to Related Party

Our directors are also executive officers of a company called Illuminations America LLC ("Illuminations") involved with LED lighting. During 2013 Illuminations loaned DNA $67,150. The following table summarizes the Company's loans payable to a related party as of December 31, 2013 and 2012:

	2013	2012
Loans payable to related party	$ 67,150	$ —

15. Equity

Preferred and Common Stock

At December 31, 2013 the Company was authorized to issue 10,000,000 shares of $0.001 Preferred Stock and 400,000,000 shares of $0.001 par value Common Stock. The holders of common stock are entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors. Each share of common stock is entitled to one vote.

On May 3, 2013 the Company authorized the issuance of 300,000 shares of Series C Preferred Stock ("Series C") and issued 150,000 shares of Series C to Darren Marks, an officer and director of the Company, in settlement of $100,000 owed by the Company to Mr. Marks; and issued 150,000 shares of its Series C to Mel Leiner, an officer and director of the Company, in settlement of $100,000 owed by the Company to Mr. Leiner. Each Series C share entitles the holder to 300 votes on all matters submitted to a vote of the Company's shareholders.

On October 21, 2013 the Company authorized the issuance of 1,800,000 shares of Series D Preferred Stock ("Series D") and issued 900,000 shares of Series D to Darren Marks in settlement of $900,000 owed by the Company to Mr. Marks; and issued 900,000 shares of its Series D to Mel Leiner in settlement of $900,000 owed by the Company to Mr. Leiner. Each share of Series D Convertible Preferred Stock is convertible into 68.2721 shares of our Common Stock. If all of these shares are converted it would result in the issuance of 122,448,780 shares.

On December 27, 2013 Messrs. Marks and Leiner returned their Series D shares and these shares were cancelled. Additionally on December 27, 2013 the Company authorized the issuance of 1,800,000 shares of Series E Preferred Stock ("Series E") and issued 900,000 shares of Series E to Darren Marks in settlement of $50,000 owed by the Company to Mr. Marks; and issued 900,000 shares of its Series E to Mel Leiner in settlement of $50,000 owed by the Company to Mr. Leiner. Each share of Series E stock has voting rights equal to 68.02721 common shares. The Series E is not convertible into any of our common shares.

At December 31, 2013 and 2012, preferred stock issued and outstanding 2,100,000 and 0 shares, respectively. At December 31, 2013 and 2012, common stock issued and outstanding totaled 177,594,187 and 65,476,313 shares, respectively.

Historically, the Company has issued and sold preferred stock, common stock and common stock warrants in order to fund a significant portion its operations. Additionally, the Company has issued shares of its common stock to compensate its employees, pay service providers and retire debt.

Stock Options

In April 2011, the Company adopted an Incentive Stock Option Plan and a Non-Qualified Stock Options Plan. Under these plans, the Company may grant up to 500,000 and 1,000,000 stock options, respectively. As of December 31, 2013 and 2012, the Company had not granted any options pursuant to either the Incentive Stock Option Plan or the Non-Qualified Stock Option Plan.

	Number of Options	Weighted-Average Exercise Price	Average Remaining Contractual Life (Years)
Outstanding and exercisable on December 31, 2012	226,076	$ 1.49	1.53
Granted	100,000	0.25	4.01
Exercised	—	—	—
Forfeited and expired	—	—	—
Outstanding and exercisable on December 31, 2013	326,076	$ $1.11	2.29

Intrinsic value is measured using the fair market value price of the Company's common stock less the applicable exercise price. The aggregate intrinsic value of stock options outstanding and exercisable as of December 31, 2013, was $-0-.

The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value based on the closing price of the Company's common stock of $0.0265 at December 31, 2013, which would have been received by the option holders had all option holders exercised their options as of that date.

As of December 31, 2013 and 2012, there was $-0- in unrecognized compensation related to stock options outstanding. All outstanding stock options are vested. Since the inception of the Company, no stock options have been exercised.

Stock Warrants

The following table reflects all outstanding and exercisable warrants for the years ended December 31, 2013 and 2012. All stock warrants are immediately vested upon issuance and are exercisable for a period five years from the date of issuance.

	Number of Warrants Outstanding	Weighted Average Exercise Price	Remaining Contractual Life (Years)
Balance, December 31, 2011	3,649,503	$ 1.56	2.57
Warrants issued	780,000	$ 0.73	4.68
Warrants exercised	(611,882)	$ 0.25	
Balance, December 31, 2012	3,817,621	$ 1.39	2.14
Warrants issued	216,666	$ 1.50	3.16
Warrants exercised	-		
Warrants expired	(1,490,601)	$ 1.52	
Balance, December 31, 2013	2,543,686	$ 1.32	2.30

(1) The remaining contractual life of the warrants outstanding as of December 31, 2013 ranges from .01 to 4.00 years.

The value of the common stock options and warrants has been determined using the following Black Scholes methodology:

	2013	2012
Expected dividend yield (1)	0.00%	0.00%
Risk-free interest rate (2)	.72%	0.16%-0.71%
Expected volatility (3)	303.70%	153.3%-297.4%
Expected life (in years)	5.00	1.00-7.00

(1) The Company has no history or expectation of paying cash dividends on its common stock.
(2) The risk-free interest rate is based on the U.S. Treasury yield for a term consistent with the expected life of the awards in effect at the time of grant.
(3) The volatility of the Company stock is based on historical trading prices.

Warrant Issued in Exchange for Services

On February 1, 2012, the Company issued warrants to purchase 500,000 shares of the Company's common stock to an investor relations professional engaged by the Company. The warrants can be exercised at a price equal to 70% of the average share price of the Company's common stock for the 5 previous trading days prior to conversion. They expire on January 31, 2017. No warrants were issued for services in 2013.

Due to the exercise terms of common stock warrants, the option met the criteria to be bifurcated and presented as derivative liabilities. The Company calculated the estimated fair values of the liabilities for option derivative instrument at the original grant date and as of December 31, 2012 using the Black-Scholes option pricing model using the share prices of the Company's stock on the dates of valuation and using the following ranges for volatility, expected term and the risk free interest rate at each respective valuation date, no dividend has been assumed for any of the periods:

	December 31, 2013	
Expected dividend yield (1)	—	%
Risk-free interest rate (2)	0.72	%
Expected volatility (3)	241.9	%
Expected life (in years) (4)	5.00	

(1) The Company has no history or expectation of paying cash dividends on its common stock.
(2) The risk-free interest rate is based on the U.S. Treasury yield for a term consistent with the expected life of the awards in effect at the time of grant.
(3) The volatility for the period ended December 31, 2012 is based upon the historical volatility of the Company's stock price, a period equal to the expected life of the note or twenty four months following the reverse capitalization transaction.
(4) The expected life represents the due date of the note.

The following reflects the initial fair value on the date of grant and changes in fair value through December 31, 2013:

Grant date fair value allocated to derivative liability	$ 114,315
Change in fair value – (gain)	(102,131)
Option derivative liability fair value on December 31, 2013	$ 12,184

Stock Bases Compensation

For the years ended December 31, 2013 and 2012 we recorded $8,990 and $0, respectively, in stock based compensation.

16. Earnings Per Share

In accordance with ASC 260, which replaced SFAS No. 128, *Earnings per Share*, basic net loss per common share is computed by dividing net loss by the weighted-average number of common shares outstanding. Diluted net loss per common share is computed similarly to basic net loss per share, except that the denominator is increased to include all potential dilutive common shares, including outstanding options and warrants. Potentially dilutive common shares have been excluded from the diluted loss per common share computation for each of the two years ended December 31, 2013 and 2012 because such securities have an anti-dilutive effect on loss per share due to the Company's net loss.

The following table sets forth as of December 31, 2013 and 2012 the number of potential shares of common stock issuable that have been excluded from diluted earnings per share because their effect was anti-dilutive:

	2013	2012
Stock options	326,076	226,076
Outstanding unexercised warrants	2,542,686	3,817,622
Total	2,886,762	4,043,698

17. Income Taxes

The actual income tax expense for 2013 and 2012 differs from the statutory tax expense for the year (computed by applying the U.S. federal corporate tax rate of 34.4% to income before provision for income taxes) as follows:

	2013	Effective Tax Rate	2012	Effective Tax Rate
Federal taxes at statutory rate	$ (1,064,547)	34.40%	$ (1,528,854)	34.4%
State income taxes, net of federal tax benefit	(111,654)	3.61%	(160,352)	3.61%
Change in valuation allowance	1,176,201	(38.01) %	1,689,206	(38.01%)
Total	$ —	0.00%	$ —	0.00%

The following table represents the tax effects of significant items that give rise to deferred taxes as of December 31, 2013 and 2012:

	2013	2012
Deferred tax asset:		
Net operating loss carryforward	$ 4,263,409	$ 3,182,740
Temporary differences	1,653,911	1,558,650
	5,917,321	4,741,120
Less: Valuation allowance	(5,917,321)	(4,714,120)
Net deferred tax asset	$ —	$ —

As of December 31, 2013, the Company has available approximately $11,223,286 of operating loss carryforwards before applying the provision of IRC Section 382, which may be used in the future filings of the Company's tax returns to offset future taxable income for United States income tax purposes. Net operating losses expire beginning in the year 2022. As of December 31, 2013 and 2012, the Company has determined that due to the uncertainty regarding profitability in the near future, a 100% valuation allowance is needed with regards to the deferred tax assets. Changes in the estimated tax benefit that will be realized from the tax loss carryforwards and other temporary differences will be recognized in the financial statement in the years in which those changes occur.

The net operating loss is comprised as follows:

Loss from Operations - 2013	$ (3,100,763)
Loss from Operations - 2012	(4,444,344)
Loss from Operations - 2011	(4,472,848)
Loss from Operations - 2010	(3,433,761)
Loss from Operations - 2009	(56,199)
Loss from Operations - 2008	(66,853)
Subtotal	(15,574,768)
Add-back temporary differences:	
Common stock issued as employee compensation	889,000
Common stock issued in exchange for services	3,293,456
Shared based compensation expense on stock options	44,526
Officers' salaries - deferred	124,500
Preliminary NOL	$(11,223,286)

Under the provisions of the Internal Revenue Code Section 382, an ownership change is deemed to have occurred if the percentage of the stock owned by one or more 5% shareholders has increased, in the aggregate, by more than 50 percentage points over the lowest percentage of stock owned by said shareholders at any time during a three year testing period. Once an ownership change is deemed to have occurred under Section 382, a limitation on the annual utilization of net operating loss (NOL) carryforwards is imposed and therefore, a portion of the tax loss carryforwards would be subject to the limitation under Section 382.

The acquisition of Grass Roots Beverage Company, Inc. on July 6, 2010 (see Note 1) and various other equity transactions resulted in an ownership change pursuant to Section 382. The utilization of the $123,052 net operating loss as of December 31, 2013 is limited under IRC Section 382.

The tax years 2008 through 2013 remain open to examination by federal authorities and state jurisdictions where the Company operates.

18. Commitments

As of December 31, 2013, the Company is committed to future minimum payments under non-cancelable operating leases for vehicles, office rent and equipment as follows:

2014	$ 99,780
2015	101,668
2016	91,031
2017	36,673
Total	$ 329,153

Leases

The Company leases office and warehouse space in Boca Raton, Florida at the rate of approximately $5,589 per month with minimal escalation clauses and is committed to these payments until June 2017 when the Company's lease expires. The total rent expense commitment through June 2017 amounts to $245,594. Our rent expense for the years ended December 31, 2013 and 2012 was $68,417 and $151,901 respectively.

Additionally, the Company has commitments with a truck leasing company for $17,292 in 2014, and $50,435 in total through

2017. The Company also has commitments for copiers of $21,669 through 2016. The Company also has miscellaneous other commitments through 2015 that aggregate to $11,454.