CELSIUS HOLDINGS, INC. AND SUBSIDIARIES

OTC PINK BASIC DISCLOSURE

EXHIBIT “A”

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014

CELSIUS HOLDINGS, INC. AND SUBSIDIARIES

INDEX

Celsius Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets

	September 30, 2015 (Unaudited)	December 31, 2014 (1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,853,719	$ 349,072
Accounts receivable, net	1,606,375	2,612,191
Inventories, net	1,789,142	1,686,935
Prepaid expenses and other current assets	1,290,738	259,056
Total current assets	16,539,974	4,907,254
Property, fixtures and equipment, net	21,782	43,950
Total Assets	$ 16,561,756	$ 4,951,204
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,422,326	$ 828,049
Accrued preferred dividend	156,506	180,403
Deferred revenue and other current liabilities	698,019	356,602
Total current liabilities	2,276,851	1,365,054
Long-term liabilities:		
Convertible note payable - related party	-	1,500,000
Line of credit note payable-related party	4,500,000	9,250,000
Total Liabilities	6,776,851	12,115,054
Stockholders' Equity (Deficit):		
Preferred Stock, $0.001 par value; 2,500,000 shares authorized, 6,380 and 2,200 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	6	2
Common stock, $0.001 par value; 75,000,000 shares authorized, 38,380,380 and 20,459,032 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	38,380	20,459
Additional paid-in capital	58,374,147	40,165,955
Accumulated deficit	(48,627,628)	(47,350,266)
Total Stockholders' Equity (Deficit)	9,784,905	(7,163,850)
Total Liabilities and Stockholders' Equity (Deficit)	$ 16,561,756	$ 4,951,204

(1) Derived from Audited Financial Statements

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

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

	For the three months ended September 30, 2015	For the three months ended September 30, 2014	For the nine months ended September 30, 2015	For the nine months ended September 30, 2014
Revenue	$ 3,652,424	$ 3,422,300	$ 12,957,334	$ 10,019,309
Cost of revenue	2,143,676	2,100,539	7,581,897	6,241,523
Gross profit	1,508,748	1,321,761	5,375,437	3,777,786
Selling and marketing expenses	1,644,090	1,163,584	3,686,596	3,798,337
General and administrative expenses	616,703	826,657	2,508,088	1,808,277
Total operating expense	2,260,793	1,990,241	6,194,684	5,606,614
Income (Loss) from operations	(752,045)	(668,480)	(819,247)	(1,828,828)
Other Income (Expense):				
Interest expense	(57,988)	(126,264)	(264,721)	(358,867)
Total Other Income (Expense)	(57,988)	(126,264)	(264,721)	(358,867)
Net Income (Loss)	$ (810,033)	$ (794,744)	$ (1,083,968)	$ (2,187,695)
Preferred stock dividend	(85,452)	(33,734)	(193,394)	(100,102)
Net Income (Loss) available to common stockholders	$ (895,485)	$ (828,478)	$ (1,277,362)	$ (2,287,797)
Income (Loss) per share:				
Basic	$ (0.02)	(0.04)	$ (0.04)	$ (0.11)
Diluted	$ (0.02)	(0.04)	$ (0.04)	$ (0.11)
Weighted average shares outstanding:				
Basic	38,380,382	20,444,684	31,421,909	20,370,204
Diluted	38,380,382	20,444,684	31,421,909	20,370,204

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

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

		For the nine months ended		
		September 30, 2015		**September 30, 2014**
Cash flows from operating activities:				
Net income (loss)	$	(1,083,968)	$	(2,187,695)
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Depreciation and amortization		26,521		28,119
Stock-based compensation expense		1,157,959		804,100
Changes in operating assets and liabilities:				
Accounts receivable, net		1,005,816		295,108
Inventory		(102,207)		(591,992)
Prepaid expenses and other current assets		(957,223)		(147,909)
Accounts payable and accrued expenses		750,454		29,165
Deposits/deferred revenue and other current liabilities		187,467		(423,927)
Net cash provided by (used in) operating activities		984,819		(2,195,031)
Cash flows from investing activities:				
Purchase of property and equipment		(4,353)		(12,493)
Net cash (used in) investing activities		(4,353)		(12,493)
Cash flows from financing activities:				
Borrowing under revolving note payable, related-party		450,000		2,475,000
Proceeds on short term notes payable, related-party		(1,200,000)		-
Net proceeds from issuance of common stock		11,388,084		-
Dividend rights paid		(39,444)		-
Payments on short term notes payable		(74,459)		(62,222)
Net cash provided by (used in) financing activities		10,524,181		2,412,778
Net (decrease) increase in cash and cash equivalents		11,504,647		205,254
Cash and cash equivalents at beginning of the period		349,072		221,906
Cash and cash equivalents at end of the period	$	11,853,719	$	427,160
Supplemental disclosures:				
Cash paid during period for:				
Interest	$	206,733	$	358,867
Taxes	$	-	$	-
Non-cash investing and financing activities:				
Borrowing under short term notes payable for prepaid expense	$	91,099	$	24,331
Accrued preferred dividends	$	156,506	$	100,102
Preferred stock issued in exchange for cancellation of revolving note payable - related party	$	4,000,000	$	-
Conversion of convertible note to common shares - related party	$	1,500,000	$	-
Conversion of accrued preferred dividend into preferred shares - related party	$	180,000	$	-

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

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

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Business —Celsius Holdings, Inc. (the "Company" or "Celsius Holdings") was incorporated under the laws of the State of Nevada on April 26, 2005. On January 24, 2007, the Company entered into a merger agreement and plan of reorganization with Elite FX, Inc., a Florida corporation. Under the terms of the Merger Agreement, Elite FX, Inc. was merged into the Company's subsidiary, Celsius, Inc. and became a wholly-owned subsidiary of the Company on January 26, 2007. In addition, on March 28, 2007 the Company established Celsius Netshipments, Inc. a Florida corporation as a wholly-owned subsidiary of the Company.

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with high-quality financial institutions. At times, balances in the Company's cash accounts may exceed the Federal Deposit Insurance Corporation limit. At September 30, 2015 the Company had $11.6 million in excess of the Federal Deposit Insurance Corporation limit.

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

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

	2015	2014
A*	50.5%	47.6%
B	0.0%	10.6%
All other	49.5%	41.8%
Total	100.0%	100.0%

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

	2015	2014
A*	45%	45%
B	16%	13%
All other	39%	42%
Total	100%	100%

*Revenues and receivables from customer A are derived from a distributor located in Sweden.

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

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

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

Inventories — Inventories include only the purchase cost and are stated at the lower of cost or market. Cost is determined using the FIFO method. Inventories consist of raw materials and finished products. The Company writes down inventory during the period in which such materials and products are no longer usable or marketable. At September 30, 2015 and December 31, 2014, inventory has been written down $202,970 and $30,059, respectively.

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

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

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

Deferred Revenue — From time to time the Company requires prepayments for deposits in advance of delivery of products and/or production runs. Such amounts are initially recorded as deferred revenue. The Company recognizes such revenue as it is earned in accordance with revenue recognition policies.

Advertising Costs — Advertising costs are expensed as incurred. The Company uses mainly radio, local sampling events, sponsorships, endorsements, and digital advertising. The Company incurred advertising expense of $1.9 million and $2.2 million, during the nine months ending September 30, 2015 and 2014, respectively.

Research and Development — Research and development costs are charged to operations as incurred and consist primarily of consulting fees, raw material usage and test productions of beverages. The Company incurred expenses of $57,219 and $21,318 during the nine months ending September 30, 2015 and 2014, respectively.

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

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

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

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

The Company did not have any assets or liabilities measured at fair value at September 30, 2015 and December 31, 2014.

Income Taxes — The Company accounts for income taxes pursuant to the provisions of ASC 740-10, "Accounting for Income Taxes," which requires, among other things, an asset and liability approach to calculating deferred income taxes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided to offset any net deferred tax assets for which management believes it is more likely than not that the net deferred asset will not be realized. The Company follows the provisions of the ASC 740 -10 related to, *Accounting for Uncertain Income Tax Positions.* When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. In accordance with the guidance of ASC 740-10, the benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

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

Income Taxes (continued) —Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above should be reflected as a liability for uncertain tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The Company believes its tax positions are all highly certain of being upheld upon examination. As such, the Company has not recorded a liability for uncertain tax benefits.

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

The company’s tax returns for tax years ended September 30, 2014, 2013, and 2012 remain subject to potential examination by the taxing authorities.

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

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

Share-Based Payments —Effective January 1, 2006, the Company has fully adopted the provisions of ASC Topic 718 "Compensation — Stock Compensation" and related interpretations. As such, compensation cost is measured on the date of grant at the fair value of the share-based payments. Such compensation amounts, if any, are amortized over the respective vesting periods of the grants. On April 30, 2015, the Company adopted the 2015 Stock Incentive Plan, This plan is intended to provide incentives which will attract and retain highly competent persons at all levels as employees of the Company, as well as independent contractors providing consulting or advisory services to the Company, by providing them opportunities to acquire the Company's common stock or to receive monetary payments based on the value of such shares pursuant to Awards issued. The 2015 Plan permits the grant of options and shares for up to 5,000,000 shares. In addition, there is a provision for an annual increase of 15% to the shares included under the plan, with the shares to be added on the first day of each calendar year, beginning on January 1, 2016.

Shipping and Handling Costs — Shipping and handling costs for freight expense on goods shipped are included in cost of sales. Freight expense on goods shipped for the nine months ended September 30, 2015 and 2014 was $844,071 and 730,130, respectively.

Recent Accounting Pronouncements

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

In September 2015, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments* ("ASU 2015-16"). ASU 2015-16 simplifies the accounting for adjustments made to provisional amounts recognized in a business combination by requiring the acquirer to (i) recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amount is determined, (ii) record, in the same period, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date, and (iii) present separately or disclose the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is effective for fiscal years, and interim periods within, beginning after December 15, 2015. Early adoption is permitted. The Company is evaluating the impact of the adoption of ASU 2015-16 on January 1, 2016 to its consolidated financial position or results of operations.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). ASU 2015-03 simplifies the presentation of debt issuance costs and requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability (consistent with debt discounts). In

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

Recent Accounting Pronouncements (continued)

August 2015, the FASB issued ASU No. 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements (Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting)* ("ASU 2015-15"). ASU 2015-15 allows debt issuance costs related to line-of-credit agreements to be presented in the balance sheet as an asset. ASU 2015-03 and ASU 2015-15 are effective for fiscal years, and interim periods within, beginning after December 15, 2015. Early adoption is permitted. The Company plans to early adopt ASU 2015-03 and ASU 2015-15 as of December 31, 2015; the adoption is not expected to have a material impact on its consolidated financial position or results of operations.

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

Liquidity — These financial statements have been prepared assuming the Company will be able to continue as a going concern. At September 30, 2015, the Company had an accumulated deficit of $48,627,628 which includes a net loss of $1,083,968 for the nine months ended September 30, 2015. While these factors alone may raise doubt as to the Company's ability to continue as a going concern, the Company's sale of common stock to an investor group on April 20, 2015 for a total of $11.5 million is deemed sufficient to alleviate substantial doubt regarding the Company's ability to continue as a going concern.

3. INVENTORIES

Inventories consist of the following at:

	September 30, 2015	December 31, 2014
Finished goods	$1,493,443	$1,570,201
Raw Materials	498,669	146,793
Less: Write Downs	(202,970)	(30,059)
Inventories, net	$ 1,789,142	$ 1,686,935

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets total $1,290,738 and $259,056, at September 30, 2015 and December 31, 2014, respectively, and consist mainly of prepaid advertising, prepaid consulting, prepaid insurance, prepaid slotting fees, deposits on purchases, and customer deposits.

5. PROPERTY, FIXTURES, AND EQUIPMENT

Property, fixtures and equipment consist of the following at:

	September 30, 2015	December 31, 2014
Furniture, fixtures and equipment	$ 258,436	$ 254,083
Less: accumulated depreciation	(236,654)	(210,133)
Total	$ 21,782	$ 43,950

Depreciation expense amounted to $26,521 and $28,119 during the nine months ended September 30, 2015 and 2014, respectively

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at:

	September 30, 2015	December 31, 2014
Accounts payable	$ 825,176	$ 360,062
Accrued expenses	597,150	467,987
Total	$ 1,422,326	$ 828,049

7. DEFERRED REVENUE AND OTHER CURRENT LIABILITIES

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

	September 30, 2015	December 31, 2014
Customer deposits	$ 671,383	$ 351,716
Insurance liability	18,688	-
State bottle bill liability	7,948	4,886
Total	$ 698,019	$ 356,602

8. LINE OF CREDIT NOTE PAYABLE - RELATED PARTIES

Line of credit note payable - related parties consists of the following as of:

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

9. CONVERTIBLE NOTE PAYABLE - RELATED PARTIES

Convertible note payable	September 30, 2015	December 31, 2014
Convertible note payable, related party	$0	$1,500,000

In September 2009, the Company entered into a convertible note payable with a related party which carries interest at six percent per annum. The outstanding balance is convertible into the Company's common stock at a conversion price of $0.30 per share. The Company is obligated to file a registration statement upon written notice from the creditor and such registration statement must be effective within 180 days of the date of notice. If after the 180 days the Company has not complied with the agreement it shall pay $65,000 per month in penalty, until the registration statement is effective.

9. CONVERTIBLE NOTE PAYABLE - RELATED PARTIES (CONTINUED)

The note matures in December 2016, at which time the principal amount is due. In April 2015, the Company issued 5,000,000 shares of common stock in exchange for the cancellation of this line in accordance with the line's conversion feature. The creditor also terminated all registration rights and waived any penaltires that might have been incurred in connection therewith. The outstanding balance on the loan as of September 30, 2015 and December 31, 2014 was $0 and $1,500,000, respectively.

10. PREFERRED STOCK – RELATED PARTY

On August 26, 2013, the Company entered into a securities purchase agreement (the "2013 Purchase Agreement") with CDS Ventures of South Florida, LLC ("CDS") and CD Financial, LLC ("CD"). CDS and CD are limited liability companies which are affiliates of Carl DeSantis, the Company's principal shareholder. The Company issued 2,200 shares of its Series C Preferred Stock (the "Preferred C Shares") in exchange for the conversion of a $550,000 short term loan from CDS and the conversion of $1,650,000 in indebtedness under the Company's line of credit with CD (the "CD Line of Credit"). The Preferred C Shares can be converted into Company common stock at any time until December 31, 2018 at a conversion price of $0.52 per share. The conversion price per share is based on the weighted average of the ten daily VWAPs for the 10 trading days immediately preceding the closing date of August 26, 2013.The Preferred C Shares accrue a 6% annual cumulative dividend, payable in additional Preferred C Shares. The Preferred C Shares mature on December 31, 2018 and are redeemable only in shares of the Company's common stock. In April 2015, the Company issued 180 Preferred C Shares valued at $180,000 in settlement of $180,000 in accrued preferred C dividends. The Preferred C Shares mature on December 31, 2018. As of September 30, 2015, $105,390 of dividends have been accrued. The Preferred C Shares mature on December 31, 2018 and are redeemable only in exchange for shares of Company common stock.

On April 16, 2015, the Company entered into an amendment to its existing Loan and Security Agreement (the "Amendment") with CD an affiliate of CDS Ventures and Mr. DeSantis. Pursuant to the Amendment, the outstanding principal amount of the CD Line of Credit was reduced by $4.0 million, which amount was converted into 4,000 shares of a newly-designated Series D Preferred Stock (the "Preferred D Shares"). The Preferred D Shares can be converted into Company common stock at any time until the expiration date of the line of credit in 2020 or its earlier satisfaction in full, at a conversion price of $0.86 per share. The Preferred D Shares accrue a 5% annual cumulative cash dividend, payable quarterly and accords the holders thereof voting rights on an "as converted" basis. As of September 30, 2015, $51,111 of dividends have been accrued.

11. RELATED PARTY TRANSACTIONS

The Company's office is rented from a company affiliated with CD which is controlled by our majority shareholder Carl DeSantis. Currently, the lease expires on October 2020 with monthly rent of $6,408. The rental fee is commensurate with other properties available in the market.

Also, see Notes 8, 9, and 10,

In April 2015, the Company entered into a strategic marketing and advisory services agreement with All Def Digital. Tim Leissner, a director and shareholder of the Company is also a director and shareholder in All Def Digital. As of September 30, 2015, the Company has paid All Def Digital $69,625, for services relating to the strategic marketing and advisory services agreement.

12. STOCKHOLDERS' DEFICIT

Issuance of common stock pursuant to conversion of note

In April 2015, the Company issued 5,000,000 as conversion of $1,500,000 of convertible notes at the note's contractual terms.

Issuance of common stock pursuant to services performed

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

Issuance of common stock pursuant to private placement

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

Issuance of preferred stock pursuant to private placement

Also, see Note 11 — Preferred Stock.

13. STOCK-BASED COMPENSATION

The Company adopted an Incentive Stock Plan on January 18, 2007. This plan is intended to provide incentives which will attract and retain highly competent persons at all levels as employees of the Company, as well as independent contractors providing consulting or advisory services to the Company, by providing them opportunities to acquire the Company's common stock or to receive monetary payments based on the value of such shares pursuant to Awards issued. While the plan terminates 10 years after the adoption date, issued options have their own schedule of termination. During 2013 the majority of the shareholders approved to increase the total available shares in the plan from 2.5 million to 3.5 million shares of common stock. During May 2014, the majority of the shareholders approved to increase the total available shares in the plan from 3.5 million to 4.25

13. STOCK-BASED COMPENSATION (CONTINUED)

million shares of common stock, during February 2015, the majority of the shareholders approved to increase the total available shares in the plan from 4.25 million to 4.6 million shares of common stock and during April 2015, the majority of the shareholders approved to increase the total available shares in the plan from 4.6 million to 5.1 million shares of common stock. Until 2017, options to acquire shares of common stock may be granted at no less than fair market value on the date of grant. Upon exercise, shares of new common stock are issued by the Company.

The Company adopted the 2015 Stock Incentive Plan on April 30, 2015. This plan is intended to provide incentives which will attract and retain highly competent persons at all levels as employees of the Company, as well as independent contractors providing consulting or advisory services to the Company, by providing them opportunities to acquire the Company's common stock or to receive monetary payments based on the value of such shares pursuant to Awards issued. The 2015 Plan permits the grant of options and shares for up to 5,000,000 shares. In addition, there is a provision for an annual increase of 15% to the shares included under the plan, with the shares to be added on the first day of each calendar year, beginning on January 1, 2016.

The Company has issued options to purchase approximately 4.6 million shares at an average price of $0.80 with a fair value at September 30, 2015 of $5.8 million. For the nine months ended September 30, 2015 and 2014, the Company recognized an expense of $1,157,959 and $804,100, respectively. This non-cash compensation expense (included in General and Administrative expense in the accompanying Consolidated Statement of Operations) determined by application of a Black Scholes option pricing model with the following inputs: exercise price, dividend yields, risk- free interest rate, and expected annual volatility. As of September 30, 2015, there was approximately $806,800 of unrecognized pre-tax non-cash compensation expense, related to non-vested option-based compensation arrangements under the Plan. The Company used straight-line amortization of compensation expense over the two to three year requisite service or vesting period of the grant. There are options to purchase approximately 3.9 million shares that have vested, of which 267,000 shares were exercised as of September 30, 2015.

The fair value of stock options granted was estimated at the date of grant using the Black-Scholes options pricing model. The Company used the following assumptions for determining the fair value of options granted under the Black-Scholes option pricing model:

	Nine Months Ended September 30,	
	2015	**2014**
Expected volatility	306%	172% - 328%
Expected term	4 Years	3 - 5 Years
Risk-free interest rate	0.89%	0.91% - 1.69%
Forfeiture Rate	0.00%	0.00%
Expected dividend yield	0.00%	0.00%

13. STOCK-BASED COMPENSATION (CONTINUED)

The expected volatility was determined with reference to the historical volatility of the Company's stock. The Company uses historical data to estimate option exercise and employee termination within the valuation model. The expected term of options granted represents the period of time that options granted are expected to be outstanding. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury rate in effect at the time of grant.

For the nine months ended September 30, 2015 and 2014, total stock-based compensation charged to operations for option-based arrangements amounted to $1,157,959 and $804,100, respectively.

A summary of the status of the Company's outstanding stock options as of September 30, 2015 and changes during the period ending on that date is as follows:

	Number of Options	Weighted Average Exercise Price
Balance at December 31, 2014	**3,496,019**	**$ 0.49**
Granted	1,281,397	$ 1.60
Exercised	-	-
Forfeited	(168,250)	$ 0.52
Balance at September 30, 2015	**4,609,166**	**$ 0.80**

The following table summarizes information about employee stock options outstanding at September 30, 2015:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	**Number Outstanding at September 30, 2015**	**Weighted Average Remaining Life**	**Weighted Average Exercise Price**	**Number Outstanding at September 30, 2015**	**Weighted Average Exercise Price**
$ 0.20 - $ 0.42	2,522,019	6.15	$0.26	2,442,575	$0.26
$ 0.53 - $ 1.42	1,431,175	5.62	$0.87	949,161	$0.78
$ 1.80 - $ 4.25	627,472	4.53	$2.34	511,222	$2.31
$ 4.60 - $10.80	23,500	3.93	$8.35	23,500	$8.35
$12.00 - $22.00	5,000	1.58	$22.00	5,000	$22.0 0
	4.609.166	5.75	$0.80	3,931,458	$0.73

13. COMMITMENTS AND CONTINGENCIES

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

The Company entered into an office lease with a related party (see note 11) effective October 2015. The monthly rent amounts to $6,408 per month and the lease terminates in October 2020. Future annual minimum payments required under operating lease obligations at September 30, 2015 are as follows:

Future Minimum Lease Payments

2015	$12,815
2016	$77,803
2017	$82,792
2018	$85,276
2019	$87,834
2020	$75,016
Total	$421,536

14. SUBSEQUENT EVENTS

We have evaluated events and transactions that occurred subsequent to September 30, 2015 through November 10, 2015 the date these financial statements were available to be issued, for potential recognition or disclosure in the accompanying financial statements. Other than the disclosures shown, we did not identify any events or transactions that should be recognized or disclosed in the accompanying financial statements.

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

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

Revenue

Net revenue for the three months ended September 30, 2015 and 2014 was approximately $3.65 million and $3.42 million, respectively, or an increase of 7%. This increase was associated with growth in domestic sales of 35% or $647,000 primarily associated with growth in domestic retail accounts of 25%, health & fitness accounts of 49% and internet retailers grew 71% from the same period in 2014. This increase was offset by timing of orders, the acquisition of our Swedish distribution partner People's Choice AB by Func Food Group Oy, and the relocation of the distributor operations to Stockholm resulting in international sales decreasing 27% from the same period in 2014.

Gross profit

Gross Profit was $1.51 million in the three months ended September 30, 2015 as compared to $1.32 million for the same period in 2014. Gross Profit margins improved 2.7% to 41.3% in the three months ended September 30, 2015 versus the same period in 2014. We continue to remain focused on improving and maintaining gross profit margins.

Operating expenses

Sales and marketing expenses for the three months ended September 30, 2015 and 2014 were approximately $1.64 million and $1.16 million, respectively. This increase was mainly associated with investments in marketing programs and human resources including the implementation of a field sales team. General and administrative expenses for the three months ended September 30, 2015 and 2014 was approximately $617,000 and $827,000, a decrease of $210,000. This decrease was mainly due to savings in expense from stock based compensation of $298,000, which was partially offset by increases in professional fees.

Other expense

Total other expense decreased to $58,000 for the three months ended September 30, 2015 from $126,000 for the same three-month period in 2014, as a result of $68,000 of savings in interest expense.

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

Nine Month Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Revenue

Net revenue for the nine months ended September 30, 2015 and 2014 was approximately $12.96 million and $10.0 million, respectively. The growth of 29% from 2014 to the 2015 period was mainly associated with a blended growth of 34% in international sales and a 25% growth in domestic sales. Domestic sales growth of 25% was mainly associated with blended growth rates of 21% in domestic retail accounts, 29% growth in health & fitness accounts and 38% growth in internet retailer accounts from the same period in 2014.

Gross profit

Gross Profit for the nine months ended September 30, 2015 was $5.38 million, as compared to $3.78 million for the same period in 2014. Gross Profit margins improved 3.8% to 41.5% in the nine months ended September 30, 2015 from the same period in 2014. We continue to remain focused on improving and maintaining gross profit margins.

Operating expenses

Sales and marketing expenses decreased slightly to $3.69 million for the nine months period ended September 30, 2015 from $3.8 million for the same nine-month period in 2014, or a decrease of $112,000. The decrease was mainly due to timing in marketing programs and savings in celebrity endorsements, broker fees and other sales support, offset by investments in human resources. General and administrative expenses increased $700,000 to $2.51 million for the nine months period ended September 30, 2015 from $1.81 million for the same nine month period in 2014. This increase was mainly due to increased expense for stock based compensation, increased professional fees and increases and research and development costs.

Other expense

Total other expense decreased to $265,000 for the nine months period ended September 30, 2014 from $359,000 for the same nine month period in 2014, as a result of $94,000 in savings in interest expense.

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

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2015, we had cash and cash equivalents of approximately $11.9 million and working capital of $14.3 million. Cash provided by operations during the nine month ended September 30, 2015 totaled $985 thousand. We incurred a net loss of $1.1 million during the nine months ended September 30, 2015, and our accumulated deficit increased to $48.6 million as of September 30, 2015.

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