

LIVEWIRE ERGOGENICS INC.

Form 10-K

April 16, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2012.

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

For the transition period from _____ to _____

Commission File Number: 333-149158

LIVEWIRE ERGOGENICS INC.

(Exact name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

26-1212244
(I.R.S. Employer Identification No.)

1747 S. Douglass Road, Unit C
Anaheim, CA 92806

(Current Address of Principal Executive Offices)

714-940-0155

(Issuer Telephone Number)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, Par Value \$0.0001

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o 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

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Indicate by check mark if disclosure of delinquent filers pursuant to Rule 405 of Regulation S-K is not contained herein, and will not be contained, to the best of 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. x

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 <input type="checkbox"/>	Accelerated Filer <input type="checkbox"/>	Smaller Reporting Company <input checked="" type="checkbox"/> x	Non-Accelerated Filer <input type="checkbox"/> (Do not check of a smaller reporting company)
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No X

The issuer's revenues for its most recent fiscal year ended December 31, 2012, were \$148,034

As of June 30, 2012, the aggregate market value of shares of the issuer's common stock held by non-affiliates was approximately \$7,500,000 based upon the closing bid price of \$0.30 per share. Shares of the issuer's common stock held by each executive officer and director have been excluded in that such persons may be deemed to be affiliates of the issuer. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

At April 14, 2013, there were 68,460,139 shares of \$0.0001 par value common stock issued and outstanding.

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Item 1 – BUSINESS

History

The Company was formed in Nevada on October 9, 2007 under the name Semper Flowers, Inc. On May 15, 2009, the Company changed its name to SF Blu Vu, Inc. On September 20, 2011, the Company changed its name to LIVEWIRE ERGOGENICS INC.

Under the Purchase Agreement dated June 30, 2011 (the “Purchase Agreement”) with LIVEWIRE MC2, LLC, a California limited liability company, (“LiveWire MC2”) and the selling members of LiveWire MC2 (“Selling Members”), the Company issued 36,000,000 (30,000,000 shares pre stock split of 1 additional share for every five shares held) shares of common stock to the Selling Members in exchange for 100% of LiveWire MC2. As such, LiveWire MC2 became a wholly owned subsidiary of the Company.

The Purchase Agreement has been accounted for as a reverse acquisition under the purchase method for business combinations, and accordingly the transaction has been treated as a recapitalization of LiveWire MC2, with LiveWire MC2 as the accounting acquirer and the Company as the accounting acquiree. For legal purposes LiveWire MC2 is the legal acquiree and the Company is the legal acquirer and surviving corporation. The shares issued are treated as being issued for cash and are shown as outstanding for the period presented in the same manner as for a stock split. The Company was a shell prior to the merger, having no significant assets or liabilities, and seeking a viable business to acquire.

Item 1A - RISK FACTORS

Management of the Company intends for the Company and its wholly owned subsidiary LIVEWIRE MC2, LLC, a California limited liability company, (“LiveWire MC2”) to become a profitable entity with its focus on providing Chewable Energy Supplements and other functional foods as determined by needs. The risks and uncertainties described below may affect the business, financial condition or operating results:

THE COMPANY IS SUBJECT TO THE RISKS INHERENT IN THE CREATION OF A NEW BUSINESS.

The Company is subject to substantially all the risks inherent in the creation of a new business. As a result of its small size and capitalization and limited operating history, the Company is particularly susceptible to adverse effects of changing economic conditions and consumer tastes, competition, and other contingencies or events beyond the control of the Company. It may be more difficult for the Company to prepare for and respond to these types of risks and the risks described elsewhere than for a company with an established business and operating cash flow.

OUR REVENUE GROWTH RATE DEPENDS PRIMARILY ON OUR ABILITY TO EXECUTE OUR BUSINESS PLAN.

We may not be able to adequately generate and adhere to the goals, objectives, strategies and tasks as defined in our business plan.

ANY FAILURE TO MAINTAIN ADEQUATE GENERAL LIABILITY, COMMERCIAL, AND SERVICE LIABILITY INSURANCE COULD SUBJECT US TO SIGNIFICANT LOSSES OF INCOME.

Any general, commercial and/or service liability claims will have a material adverse effect on our financial condition.

COMPETITORS WITH MORE RESOURCES MAY FORCE US OUT OF BUSINESS.

We will compete with many well-established companies such as FRS Healthy Energy, ToGo Brands, Clif Bar, GU Energy Labs, and EN-R-G Foods Inc. Indirect competitors include Red Bull, Monster, and 5-Hour Energy. Aggressive pricing by our competitors or the entrance of new competitors into our markets could reduce our revenue and profit margins.

LIMITED OPERATING HISTORY, INITIAL OPERATING LOSSES.

The Company is presently a development stage Company with limited operating history and only nominal capital. Additionally, though the Management Team has varied and extensive business backgrounds and technical expertise, they have little substantive prior working running energy chew operations. Because of the limited operating history, it is very difficult to evaluate the business and the future prospects. The Company will encounter risks and difficulties. If objectives are not achieved, the Company may not realize sufficient revenues or net income to succeed.

THE COMPANY MAY USE MORE CASH THAN GENERATED.

The company anticipates using standard financing models and credit facilities. The Company may experience negative operating cash flows for the foreseeable future. The Company may need to raise additional capital in the future to meet the operating and investing cash requirements. The Company may not be able to find additional financing, if required, on favorable terms or at all. If additional funds are raised through the issuance of equity, equity-related or debt securities, these securities may have rights, preferences or privileges senior to those of the rights of the common stock holders who may experience additional dilution to their equity ownership.

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NO ASSURANCE OF PROFITABILITY.

The Company has generated revenues from operations. There can be no assurance that the Company will be profitable.

DEPENDENCE ON MANAGEMENT.

The Company will rapidly and significantly expand its operations and anticipates that significant expansion of its operations, including administrative facilities, will continue to be required in order to address potential market opportunities. The rapid growth will place, and is expected to continue to place, a significant strain on the Company's management, operational, and financial resources. The Company's success is principally dependent on its current management personnel for the operation of its business.

THE COMPANY MUST HIRE EXPERIENCED PERSONNEL, ACQUIRE EQUIPMENT AND EXPAND FACILITIES IN ANTICIPATION OF INCREASED BUSINESS.

The Company may not be able to hire or retain qualified staff. If qualified and skilled staff are not attracted and retained, growth of the business may be limited. The ability to provide high quality service will depend on attracting and retaining educated staff, as well as professional experiences that is relevant to our market, including for marketing, technology and general experience in (manufacturing energy supplements). There will be competition for personnel with these skill sets. Some technical job categories may experience severe shortages in the United States.

FAILURE TO MANAGE THE GROWTH COULD REDUCE REVENUES OR NET INCOME.

Rapid expansion strains infrastructure, management, internal controls and financial systems. The Company may not be able to effectively manage the growth or expansion. To support growth, the Company plans to hire new employees. This growth may also strain the Company's ability to integrate and properly train these new employees. Inadequate integration and training of employees may result in underutilization of the workforce and may reduce revenues or net income.

THE COMPANY MAY ACQUIRE OTHER BUSINESSES OR PRODCUTS SUITABLE FOR THE COMPANY'S PLANNED EXPANSION; IF THIS HAPPENS, THE COMPANY MAY BE UNABLE TO INTEGRATE THEM INTO THE EXISTING BUSINESS, AND/OR MAY IMPAIR OUR FINANCIAL PERFORMANCE.

If appropriate opportunities present themselves, the Company may acquire businesses, technologies, services or products that are believed to be strategically viable. There are currently no understandings, commitments or agreements with respect to any acquisition, aside from acquiring the necessary equipment to begin operations.

FUTURE GOVERNMENT REGULATION MAY ADD TO OPERATING COSTS.

The Company operates in an environment of uncertainty as to potential government regulation via (energy supplement manufacturing). We believe that we are not subject to direct regulation, other than regulations applicable to businesses generally. Laws and regulations may be introduced and court decisions may affect our business. Any future regulation may have a negative impact on the business by restricting the method of operation or imposing additional costs.

OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S REPORT CONTAINS AN EXPLANATORY PARAGHRAPH WHICH HAS EXPRESSED SUBSTANTIAL DOUBT ABOUT OUR ABILITY TO CONTINUE AS A GOING CONCERN, WHICH MAY HINDER OUR ABILITY TO OBTAIN FUTURE

FINANCING

In their report dated April 16, 2013, our independent registered public accounting firm stated that our consolidated financial statements for the year ended December 31, 2012 were prepared assuming that we would continue as a going concern, and that they have substantial doubt about our ability to continue as a going concern. Our auditors' doubts are based on our recurring net losses, deficits in cash flows from operations and stockholders' deficiency. We continue to experience net operating losses. Our ability to continue as a going concern is subject to our ability to generate a profit and/or obtain necessary funding from outside sources, including by the sale of our securities, or obtaining loans from financial institutions, where possible. Our continued net operating losses and our auditors' doubts increase the difficulty of our meeting such goals and our efforts to continue as a going concern may not prove successful.

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THE COMPANY'S SERIES A PREFERRED STOCK CAN ELECT THREE BOARD MEMBERS AND HAS ONE BILLION VOTES ON ALL MATTERS SUBMITTED TO THE STOCKHOLDERS OF THE COMPANY

One Million (1,000,000) shares of the Company's Series A Preferred Stock (the "Series A") are owned by Rick Darnell. Each share of Series A has one thousand (1,000) votes per share and votes with the common stock on all matters. The Series A voting separately as a class has the right to elect three persons to serve on the Company's board of directors. As such, the Series A has voting control of the Company and may use its majority voting control to affect the interests of the Company's common stockholders.

On December 4, 2012, the "Company reached an agreement with the holders of the Company's Series A Preferred Stock to surrender and cancel all outstanding shares of the Company's Series A Preferred Stock. A copy of the Acknowledgement of Surrender and Cancellation of the Series A Preferred Stock is attached as Exhibit 4.4 to the Form 8-k filed on December 4, 2012. The surrender and cancellation of the Series A Preferred Stock improves the Company's capital structure because it eliminated the super voting provisions and conversion features that, if exercised by the holders, might dilute the common stockholders of the Company.

THE COMPANY'S SERIES A PREFERRED STOCK WILL SIGNIFICANTLY DILUTE THE COMPANY'S COMMON STOCKHOLDERS AFTER DECEMBER 31, 2012.

The owners of the Company's Series A Preferred Stock (the "Series A") can elect to convert each share of Series A after December 31, 2012 into fifty (50) shares of the Company's common stock if (i) the Company's common stock is quoted for public trading in the United States or other international securities market and (ii) the Company's market capitalization (i.e., the number of issued and outstanding shares of common stock multiplied by the daily closing price) has exceeded Fifty Million Dollars (\$50,000,000) for 90 consecutive trading days. These provisions, if exercised by the holders of the Series A, may significantly dilute the Company's common stockholders after December 31, 2012.

On December 4, 2012, the "Company reached an agreement with the holders of the Company's Series A Preferred Stock to surrender and cancel all outstanding shares of the Company's Series A Preferred Stock. A copy of the Acknowledgement of Surrender and Cancellation of the Series A Preferred Stock is attached as Exhibit 4.4 to the Form 8-k filed on December 4, 2012. The surrender and cancellation of the Series A Preferred Stock improves the Company's capital structure because it eliminated the super voting provisions and conversion features that, if exercised by the holders, might dilute the common stockholders of the Company.

NOTE: In addition to the above risks, businesses are often subject to risks not foreseen or fully appreciated by management.

Item 1B – UNRESOLVED STAFF COMMENTS

Smaller reporting companies are not required to provide the information required by this item.

Item 2 – PROPERTIES

The Company leases space at the two following locations:

LiveWire Energy
1260 N. Hancock Street, Suite 105
Anaheim, CA 92807

Chief Operating Officer, Brad Nichols, works full time at this location. This location is 2,400 square feet of office space and is the Company's headquarters for business operations, accounting and design. This space is shared with LiveWire Corp Communications, Inc. who operates a full time creative production shift during the overnight hours. This is our primary means for developing package, point of purchase displays ("POP"), and sales material designs. This facility does not have the necessary warehouse capabilities to store inventory or provide order fulfillment.

LiveWire Energy
1747 S Douglass Rd, Unit C
Anaheim, CA 92807

Chief Executive Officer, Bill Hodson, works full-time at this location. This 1,200 square foot space serves as our order processing and fulfillment facility. It has modest office space and large warehouse areas. This location also acts as the base of operations for event and promotion efforts. The Company's LiveWire vehicle is stored at this location and it is not shared with any other organization. Part-time employees are used from time-to-time to satisfy order processing requirements and promotion events.

Both facilities allow us to expand operations and add personnel as necessary in the future. Further, on an as needed basis, additional sales and business development efforts are performed by independent consultants located throughout the country.

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Item 3 – Legal Proceedings

The Company a party to any material pending legal proceedings and, to the best of our knowledge, no such action by or against the Company has been threatened.

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

Our common stock has the trading symbol LVVV. At present, our common stock is not eligible for the clearing and custody services of the Depository Trust Company. We are working to correct this situation. On May 5th and 6th, 2011, there were 105,000 shares of our common stock traded on the OTC market at prices between \$.15 - \$.20 per share. There has been no active trading in the Company's securities. As a result of the thin trading in the Company's stock, the Company believes that the price at which the Company's stock may trade on a given day does not necessarily represent fair value.

*On September 20, 2011, the Company changed its name and on October 7, 2011, the Company’s common stock began trading under the symbol “LVVV”.

	High	Low
FISCAL YEAR ENDED December 31, 2012		
Fourth Quarter	\$ 0.9167	\$ 0.5417
Third Quarter	\$ 0.5417	\$ 0.1167
Second Quarter	\$ 0.1667	\$ 0.0083
First Quarter	\$ 0.0833	\$ 0.0083
FISCAL YEAR ENDED December 31, 2011		
	\$ 1.25	\$ 0.0229
Fourth Quarter	\$ 3.075	\$ 1.25
Third Quarter	\$ 3.075	\$ 0.2083
Second Quarter	\$ 0.9167	\$ 0.1167
First Quarter		

Holders

We had 88 stockholders of record of our common stock as of March 31, 2013, including shares held in street name.

Dividends

We have not paid any cash dividends to stockholders. The declaration of any future cash dividend will be at the discretion of our Board of Directors and will depend upon our earnings, if any, our capital requirements and

financial position, general economic conditions and other pertinent factors. It is our present intention not to pay any cash dividends in the foreseeable future, but rather to reinvest earnings, if any, into our business.

Securities Authorized For Issuance under Equity Compensation Plans

We do not have any compensation plan under which equity securities are authorized for issuance.

Item 6 – Selected Financial Data

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

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Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operation

The following discussion and analysis should be read in conjunction with our financial statements. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future.

We are engaged in the sale and marketing of energy chew products. Our product delivers a blend of ingredients that provides an energy boost similar to an energy drink, such as Red Bull or 5-Hour Energy, but is about the size of a Starburst candy. The product is not a gum; it dissolves quickly and is an alternative to drinks or shots.

The accounting rules we are required to follow permit us to recognize revenue only when certain criteria are met.

CRITICAL ACCOUNTING POLICIES

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect our reported assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities. We base our estimates and judgments on historical experience and on various other assumptions we believe to be reasonable under the circumstances. Future events, however, may differ markedly from our current expectations and assumptions. While there are a number of significant accounting policies affecting our consolidated financial statements; we believe the following critical accounting policies involve the most complex, difficult and subjective estimates and judgments:

Accounts Receivable – We evaluate the collectability of our trade accounts receivable based on a number of factors. In circumstances where we become aware of a specific customer’s inability to meet its financial obligations to us, a specific reserve for bad debts is estimated and recorded, which reduces the recognized receivable to the estimated amount we believe will ultimately be collected. In addition to specific customer identification of potential bad debts, bad debt charges are recorded based on our recent loss history and an overall assessment of past due trade accounts receivable outstanding.

Inventories – Inventories are stated at the lower of cost to purchase and/or manufacture the inventory or the current estimated market value of the inventory. We regularly review our inventory quantities on hand and record a provision for excess and obsolete inventory based primarily on our estimated forecast of product demand, production availability and/or our ability to sell the product(s) concerned. Demand for our products can fluctuate significantly. Factors that could affect demand for our products include unanticipated changes in consumer preferences, general market and economic conditions or other factors that may result in cancellations of advance orders or reductions in the rate of reorders placed by customers and/or continued weakening of economic conditions. Additionally, management’s estimates of future product demand may be inaccurate, which could result in an understated or overstated provision required for excess and obsolete inventory.

Long-Lived Assets – Management regularly reviews property and equipment and other long-lived assets, including certain definite-lived identifiable intangible assets, for possible impairment. This review occurs annually or more frequently if events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. If there is indication of impairment of property and equipment or amortizable intangible assets, then management prepares an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value. The fair value is estimated at the present value of the future cash flows discounted at a rate commensurate with management’s estimates of the business risks.

Revenue Recognition – We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is reasonably assured. Generally, ownership of and title to our products pass to customers upon delivery of the products to customers. Certain of our distributors may also perform a separate function as a co-packer on our behalf. In such cases, ownership of and title to our products that are co-packed on our behalf by those co-packers who are also distributors, passes to such distributors when we are notified by them that they have taken transfer or possession of the relevant portion of our finished goods. Net sales have been determined after deduction of promotional and other allowances in accordance with ASC 605-50. Amounts received pursuant to new and/or amended distribution agreements entered into with certain distributors, relating to the costs associated with terminating our prior distributors, are accounted for as revenue ratably over the anticipated life of the respective distribution agreement, generally 20 years.

Management believes that adequate provision has been made for cash discounts, returns and spoilage based on our historical experience.

Cost of Sales – Cost of sales consists of the costs of raw materials utilized in the manufacture of products, co-packing fees, repacking fees, in-bound freight charges, as well as certain internal transfer costs, warehouse expenses incurred prior to the manufacture of our finished products and certain quality control costs. Raw materials account for the largest portion of the cost of sales.

Operating Expenses – Operating expenses include selling expenses such as distribution expenses to transport products to customers and warehousing expenses after manufacture, as well as expenses for advertising, commissions, sampling and in-store demonstration costs, costs for merchandise displays, point-of-sale materials and premium items, sponsorship expenses, other marketing expenses and design expenses. Operating expenses also include payroll costs, travel costs, professional service fees including legal fees, entertainment, insurance, postage, depreciation and other general and administrative costs.

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Income Taxes – We utilize the liability method of accounting for income taxes as set forth in ASC 740. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. In determining the need for valuation allowances we consider projected future taxable income and the availability of tax planning strategies. If in the future we determine that we would not be able to realize our recorded deferred tax assets, an increase in the valuation allowance would be recorded, decreasing earnings in the period in which such determination is made.

We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, we have recorded the largest amount of tax benefit that may potentially be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements.