

10-Q/A 1 jala10qa_sep302014.htm FORM 10-Q/A

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q/A

- Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2014
or
- Transition Report under Section 13 or 15(d) of the Exchange Act

For the transition period from _____ to _____

Commission file number: 333-174435

Be Active Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

68-0678429

(I.R.S. Employer Identification No.)

**1010 Northern Blvd.,
Great Neck, NY**

(Address of principal executive offices)

11021

(Zip Code)

(212) 736-2310

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if
changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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

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

As of November 12, 2014, there were 248,540,412 shares of common stock issued and outstanding.

Explanatory Note

The purpose of this Amendment No. 1 to Be Active Holdings, Inc. 's Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2014 is to amend the financial statements and the Management's Discussion and Analysis of Financial Condition and Results of Operations.

We are filing this amendment to reflect the restatement of our financial statements contained herein. On December 17, 2014, the Board of Directors and the management of the Company concluded that, because of an error in properly recording the valuation of warrants as a derivative liability identified in the Company's previously issued financial statements for the year ended December 31, 2013, and for the quarterly report for the three and nine months ended September 30, 2014 the Company should restate its previously issued financial statements for the relevant periods.

Please see Note 2 – Restatement contained in the Notes to the Financial Statements appearing in this Form 10-Q/A Amendment 1 which further describes the effect of these restatements. As indicated in Note 8 to the financial statements, the registration statement filed by the Company with the Securities and Exchange Commission was subsequently withdrawn by the Company prior to it becoming effective.

No other changes have been made to the Form 10-Q. This Amendment No. 1 to the Form 10-Q speaks as of the original filing date of the Form 10-Q, does not reflect events that may have occurred subsequent to the original filing date, and does not modify or update in any way disclosures made in the original Form 10-Q.

Pursuant to Rule 12b-15 under the Securities and Exchange Act of 1934, as amended, this Form 10-Q/A includes new certifications by our principal executive officer and principal financial officer under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. Except for the items noted above, no other information included in the Company's original Form 10-Q is being amended by this Form 10-Q/A.

FORM 10-Q/A
Be Active Holdings, Inc.
INDEX

	<u>Page</u>
PART I - FINANCIAL INFORMATION	
<u>Item 1. Financial Statements</u>	1
<u>Condensed Consolidated Balance Sheets – September 30, 2014 (unaudited) and December 31, 2013</u>	1
<u>Unaudited Condensed Consolidated Statements of Operations</u>	2
<u>Unaudited Condensed Consolidated Statements of Cash Flows</u>	3
<u>Notes to the Condensed Consolidated Financial Statements (Unaudited)</u>	4
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operation</u>	17
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	22
<u>Item 4. Controls and Procedures</u>	22
PART II - OTHER INFORMATION	
<u>Item 1. Legal Proceedings</u>	22
<u>Item 1A. Risk Factors</u>	23
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	23
<u>Item 3. Defaults Upon Senior Securities</u>	23
<u>Item 4. Mine Safety Disclosures</u>	23
<u>Item 5. Other Information</u>	23
<u>Item 6. Exhibits</u>	23
<u>Signatures</u>	24

[Table of Contents](#)**PART I - FINANCIAL INFORMATION****BE ACTIVE HOLDINGS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**
(Unaudited)

	September 30, 2014 <u>(Restated)</u>	December 31, 2013 <u></u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 462,492	\$ 5,670
Cash in escrow	20,000	
Accounts receivable	4,802	3,181
Inventory	101,639	-
Prepaid expenses and other current assets	202,751	101,029
Total current assets	<u>791,684</u>	<u>109,880</u>
Property and equipment, net	2,928	3,579
Website development costs, net of accumulated amortization of \$2,587	8,313	-
Security deposit	6,560	6,560
Total assets	<u>\$ 809,485</u>	<u>\$ 120,019</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable	\$ 204,222	\$ 75,371
Accrued expenses and taxes	74,872	195,177
Due to officers/stockholders	202,852	523,066
Total current liabilities	<u>481,946</u>	<u>793,614</u>
Deferred rent	7,174	6,576
Derivative liability	143,928	2,058,243
Total liabilities	<u>633,048</u>	<u>2,858,433</u>
Stockholders' equity		
Preferred stock, par value \$0.0001 per share, 150,000,000 shares authorized; issued and outstanding as of September 30, 2014 and December 31, 2013 as follows:		
Series A Convertible Preferred stock, 40,000,000 shares designated; 11,663,921 and 39,441,458 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	1,166	3,944
Series B Convertible Preferred stock; 4 shares designated; 3 shares issued and outstanding at September 30, 2014 and December 31, 2013	-	-
Series C Convertible Preferred stock, 26,666,667 shares designated; 20,000,000 shares issued and outstanding at September 30, 2014	2,000	-
Common stock, par value \$0.0001, per share, 525,000,000 shares authorized; 247,270,412 and 97,325,231 shares issued and issuable at September 30, 2014 and December 31, 2013, respectively	24,728	9,734
Additional paid-in capital	16,187,384	4,152,660
Accumulated deficit	(16,038,407)	(6,904,318)
Treasury stock at cost; 4,339,555 shares	(434)	(434)
Total stockholders' equity (deficit)	<u>176,437</u>	<u>(2,738,414)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 809,485</u>	<u>\$ 120,019</u>

See notes to financial statements.

[Table of Contents](#)**BE ACTIVE HOLDINGS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014 (Restated)	2013	2014 (Restated)	2013
Net Sales	\$ -	\$ 34,818	\$ 7,920	\$ 127,854
Cost of Goods	-	4,166	6,348	217,436*
Gross Profit (Loss)	-	30,652	1,572	(89,582)
Operating Expenses				
Selling expenses	83,140	34,375	137,851	94,317
General and administrative	304,533	233,977	961,301	673,687
Stock-based compensation charge (credit)	(1,901,449)	132,961	(116,369)	1,060,245
(Decrease) increase in fair value of derivative liability	(483,523)	(60,422)	8,396,691	(165,351)
Loss on extinguishment of debt	-	-	-	462,495
Depreciation and amortization expense	1,079	240	3,238	720
Total operating expenses	(1,996,220)	341,131	9,382,712	2,126,113
Income (Loss) from operations before other expenses	1,996,220	(310,479)	(9,381,140)	(2,215,695)
Other Income (Expenses)				
Forgiveness of debt	-	-	247,021	-
Interest income, net	(21)	15	30	(934)
Total other income (expenses)	(21)	15	247,051	(934)
Net Income (Loss)	\$ 1,996,199	\$ (310,464)	\$ (9,134,089)	\$ (2,216,629)
Net income (loss) per common share:				
Basic	\$ 0.01	**	(0.05)	\$ (0.03)
Diluted	0.01	\$ -	\$ -	\$ -
Number of common shares used to compute net income (loss) per share:				
Basic	238,583,031	86,604,235	200,390,669	72,785,907
Diluted	394,756,737	86,604,235	356,564,375	72,785,907

** Less than \$0.01 per share

* Includes write down of obsolete and unusable inventory

See notes to financial statements.

[Table of Contents](#)**BE ACTIVE HOLDINGS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
(Unaudited)

	Nine Months Ended September 30,	
	2014	2013
	(Restated)	
Cash flows from operating activities		
Net loss	\$ (9,134,089)	\$ (2,216,629)
Adjustments to reconcile net loss to net cash (used in) operating activities:		
Depreciation and amortization	3,238	720
Stock issued as charitable contribution	65,000	-
Stock-based compensation charge (credit)	(116,369)	1,060,245
Stock granted for consulting services		70,000
Forgiveness of debt	(247,021)	-
Loss on extinguishment of debt	-	462,495
Increase in fair value of derivative liability	8,396,691	(165,351)
Common stock issued as interest on bridge note	-	949
Changes in assets and liabilities:		
(Increase) in escrow account	(20,000)	-
(Increase) decrease in accounts receivable	(1,621)	1,344
(Increase) decrease in inventory	(101,639)	217,435
Increase in security deposit	-	(6,560)
Increase in prepaid expenses and other assets	(101,722)	(104,899)
Increase in deferred rent	598	6,100
Website development costs	(10,900)	-
Increase (decrease) in accounts payable and accrued expenses	8,546	(180,747)
Net cash used in operating activities	<u>(1,259,288)</u>	<u>(854,898)</u>
Cash flows from investing activities		
Purchases of property and equipment	-	(3,861)
Net cash used in investing activities	<u>-</u>	<u>(3,861)</u>
Cash flows from financing activities		
Proceeds from private placements	1,800,000	1,270,000
Costs of private placements	(260,696)	(180,989)
Issuance of common stock	250,000	-
Repayment of note payable	-	(50,000)
Purchase of treasury stock	-	(434)
Decrease in due to officers/stockholders	(73,194)	(64,689)
Net cash provided by financing activities	<u>1,716,110</u>	<u>973,888</u>
Net increase in cash and cash equivalents	456,822	115,129
Cash and cash equivalents, beginning of period	5,670	6,452
Cash and cash equivalents, end of period	<u>\$ 462,492</u>	<u>\$ 121,581</u>
Supplemental cash flow disclosures:		
State minimum taxes and franchise fees paid	<u>\$ 1,612</u>	<u>\$ 658</u>
Noncash Transactions:		
Stock issued for Series B Convertible Preferred Stock	<u>\$ -</u>	<u>\$ 1,060,245</u>

Conversion of Series A Convertible Preferred Stock and Warrants (See Note 8)

See notes to financial statements.

[Table of Contents](#)

BE ACTIVE HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. ORGANIZATION AND OPERATIONS**Merger**

On January 9, 2013, the Company, Be Active Acquisition Corp., the Company's newly formed, wholly-owned Delaware subsidiary ("Acquisition Sub") and Be Active Brands, Inc. ("Brands"), an entity incorporated in Delaware March 10, 2009 and based in New York, entered into an Agreement of Merger and Plan of Reorganization (the "Merger Agreement"). Upon closing of the transaction under the Merger Agreement (the "Merger"), Acquisition Sub merged with and into Brands, with Brands as the surviving corporation, and became a wholly-owned subsidiary of the Company.

The Merger was accounted for as a reverse-merger and recapitalization with Brands as the acquirer for financial reporting purposes and the Company as the acquired company. Consequently, the assets and liabilities and the operations reflected in the historical financial statements prior to the Merger are those of Brands and are recorded at the historical cost basis of Brands and the consolidated financial statements after completion of the Merger include the assets and liabilities of the Company and Brands, and the historical operations of the Company and Brands from the closing date of the Merger.

2. BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements and related notes have been prepared in accordance with United States generally accepted accounting principles ("GAAP") and with the applicable rules and regulations of the Securities and Exchange Commission regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements presentation. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary to present fairly the financial position, results of operations and cash flows for interim financial statements have been included. This Form 10-Q/A should be read in conjunction with the Company's Annual Report on Form 10-K/A for the year ended December 31, 2013. Interim results are not necessarily indicative of the results for the fiscal year ended December 31, 2014.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and our wholly-owned subsidiary and have been prepared in accordance with accounting principles generally accepted in the United States of America. All significant intercompany transactions and balances have been eliminated.

Restatement

The Company is filing this amendment to its Quarterly Report on Form 10-Q/A for the three and nine months ended September 30, 2014 to amend and restate the financial statements and other financial information for the three and nine months ended September 30, 2014. Commencing with the January 9, 2013 private placement (described in Note 8), followed by the extinguishment of certain debt instruments and the April 26, 2013 private placement the Company issued warrants but did not properly record and present these warrants issued as derivative liabilities in the Company's previously issued financial statements. The Company has concluded that these warrants should have been accounted for as derivative liabilities due to the existence of a ratchet feature in the instrument which will adjust the exercise price and number of warrants to be issued upon the issuance of any stock based offering at a lower price in the future. Such ratchet reset provision prohibits the Company from concluding that the warrants are indexed to our own stock, and thus derivative accounting is appropriate.

The Company utilizes the Black-Scholes model to value the derivative instruments at inception and subsequent valuation dates.

On February 14, 2014, as a component of a private placement, the Company issued an aggregate of 66,333,330 warrants with a fair value determined using the Black-Scholes Pricing Model as \$11,361,278. The pricing of this private placement triggered the reset provision in the warrants issued on April 26, 2013. Such triggering resulted in the exercise price of the previously issued warrants resetting to \$0.03. The significant assumptions utilized by the Company in the valuation of these warrants were as follows:

Market Price: \$0.18;

Exercise Price: \$0.03;

Volatility: 134%;
Dividend Yield: zero;
Term: Five Years; and
Risk Free Rate of Return: 0.15%

The Company has reviewed all accounting transactions for the quarters and year ended December 31, 2013 and for the three and nine months ended September 30, 2014 and has determined that derivative liability, additional paid-in capital, net income (loss), derivative expense and earnings per share needed to be restated related to the accounting for derivatives.

[Table of Contents](#)**Restatement for the three and nine months ended September 30, 2014:**

Be Active Holdings, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

	September 30, 2014 Restated	September 30, 2014 As Presented	Difference
Assets			
Current Assets			
Cash and cash equivalents	\$ 462,492	\$ 462,492	\$ -
Cash in escrow	20,000	20,000	-
Accounts receivable	4,802	4,802	-
Inventory	101,639	101,639	-
Prepaid expenses and other assets	202,751	202,751	-
Total current assets	<u>791,684</u>	<u>791,684</u>	<u>-</u>
Property and equipment, net	2,928	2,928	-
Website development costs, net	8,313	8,313	-
Security deposit	6,560	6,560	-
Total assets	<u>\$ 809,485</u>	<u>\$ 809,485</u>	<u>\$ -</u>
Liabilities and Stockholders' Equity			
Current liabilities			
Accounts payable	\$ 204,222	\$ 204,222	\$ -
Note payable	-	-	-
Accrued expenses and taxes	74,872	74,872	-
Due to officers/stockholders	202,852	202,852	-
Total current liabilities	<u>481,946</u>	<u>481,946</u>	<u>-</u>
Deferred rent	7,174	7,174	-
Derivative liability	143,928	-	143,928
Total liabilities	<u>633,048</u>	<u>489,120</u>	<u>143,928</u>
Stockholders' equity			
Series A Preferred stock, par value \$0.0001	1,166	1,166	-
Series C Preferred stock, par value \$0.0001	2,000	2,000	-
Common stock, par value \$0.0001	24,728	24,728	-
Additional paid-in capital	16,187,384	6,814,425	9,372,959
Treasury stock at cost; 4,339,555 shares	(434)	(434)	-
Accumulated deficit	<u>(16,038,407)</u>	<u>(6,521,520)</u>	<u>(9,516,887)</u>
Total stockholders' equity	<u>176,437</u>	<u>320,365</u>	<u>(143,928)</u>
Total liabilities and stockholders' equity	<u>\$ 809,485</u>	<u>\$ 809,485</u>	<u>\$ -</u>

[Table of Contents](#)

Be Active Holdings, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30, 2014 Restated	Three Months Ended September 30, 2014 As Presented	Difference
Net Sales	\$ -	\$ -	\$ -
Cost of Goods Sold	-	-	-
Gross Profit	<u>-</u>	<u>-</u>	<u>-</u>
Operating Expenses			
Selling expenses	83,140	83,140	-
General and administrative	304,533	304,533	-
Decrease in fair value of derivative liability	(483,523)	-	(483,523)
Stock-based compensation (credit)	(1,901,449)	(1,901,449)	-
Depreciation and amortization expense	1,079	1,079	-
	<u>(1,996,220)</u>	<u>(1,512,697)</u>	<u>(483,523)</u>
Income from operations			
Before other expenses	1,996,220	1,512,697	483,523
Other Expenses			
Interest expense, net	<u>(21)</u>	<u>(21)</u>	<u>-</u>
Net Income	<u>\$ 1,996,199</u>	<u>\$ 1,512,676</u>	<u>\$ 483,523</u>
Net income per common share			
Basic	\$ 0.01	\$ 0.01	
Diluted	\$ 0.01	\$ *	
Number of shares used to compute net income			
Per share - Basic	238,583,031	238,583,031	
Diluted	394,756,737	394,756,737	

*Less than \$0.01, per share

[Table of Contents](#)

Be Active Holdings, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	Nine Months Ended September 30, Restated	Nine Months Ended September 30, As Presented	Difference
Net Sales	\$ 7,920	\$ 7,920	\$ -
Cost of Goods Sold	<u>6,348</u>	<u>6,348</u>	<u>-</u>
Gross Profit	<u>1,572</u>	<u>1,572</u>	<u>-</u>
Operating Expenses			-
Selling expenses	137,851	137,851	-
General and administrative	961,301	961,301	-
Increase in fair value of derivative liability	8,396,691	-	8,396,691
Stock-based compensation (credit)	(116,369)	(116,369)	-
Depreciation and amortization expense	<u>3,238</u>	<u>3,238</u>	<u>-</u>
	<u>9,382,712</u>	<u>986,021</u>	<u>8,396,691</u>
Loss from operations			
Before other expenses	(9,381,140)	(984,449)	(8,396,691)
Other Income			
Forgiveness of debt	247,021	247,021	-
Interest expense, net	<u>30</u>	<u>30</u>	<u>-</u>
Total other income	<u>247,051</u>	<u>247,051</u>	<u>-</u>
Net Loss	<u>\$ (9,134,089)</u>	<u>\$ (737,398)</u>	<u>\$ (8,396,691)</u>
Net loss per common share			
Basic	\$ (0.05)	\$ *	
Diluted	\$ -	\$ -	
Number of shares used to compute net loss			
Per share - Basic	200,390,669	200,390,669	
Diluted	356,564,375	356,564,375	

*Less than \$0.01, per share

3. GOING CONCERN

The Company's financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established revenues sufficient to cover its operating costs and allow it to continue as a going concern. The Company has incurred significant net losses since inception and at September 30, 2014, has an accumulated deficit of \$16,038,407. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating expenses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plan is to obtain such resources for the Company through sales of its products in combination with equity and/or debt financing. While as indicated in Note 8, the Company obtained approximately \$1,800,000 of gross proceeds from an equity offering on February 14, 2014 and therefore, has working capital of \$309,738 and stockholders' equity of \$176,437, at September 30, 2014,

there can be no assurance that this will be sufficient for the Company to continue as a going concern.

[Table of Contents](#)

BE ACTIVE HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

4. INVENTORY

As of September 30, 2014, inventory consists of the following:

Materials	\$ 28,119
Finished product	<u>73,520</u>
Total	<u><u>\$ 101,639</u></u>

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	September 30, 2014	December 31, 2013
	\$ 6,138	\$ 6,138
Less: Accumulated depreciation	<u>(3,210)</u>	<u>(2,559)</u>
Balance	<u><u>\$ 2,928</u></u>	<u><u>\$ 3,579</u></u>

6. INCOME (LOSS) PER COMMON SHARE

Basic income (loss) per share is computed by dividing the net income or loss attributable to the common stockholders by the weighted average number of shares of common stock outstanding during the period. Fully diluted income (loss) per share is computed similar to basic income (loss) per share except that the denominator for fully diluted income per share is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued in order to present their dilutive effect unless the effect of such potential shares would be antidilutive. Potential common shares consist of incremental common shares issuable upon the exercise of warrants and convertible preferred shares.

For the three months ended September 30, 2014, the number of shares used to compute fully diluted earnings per share is comprised of the following:

Weighted average number of common shares outstanding	238,583,031
Common share equivalents of Series A Convertible Preferred Stock	11,663,921
Common share equivalents of Series B Convertible Preferred Stock	124,509,785
Common share equivalents of Series C Convertible Preferred Stock	<u>20,000,000</u>
Total	<u><u>394,756,737</u></u>

The market price of the outstanding common stock was less than the exercise price of the warrants and therefore the warrants are considered anti-dilutive and not included in the calculation of fully diluted earnings per share.

7. DUE TO OFFICERS/STOCKHOLDERS

As of December 31, 2013, amounts payable to an officer/stockholder and two stockholders comprised Due to officers/stockholders. One of the officers resigned on March 22, 2013 and is solely a stockholder. The other stockholder had resigned as an officer in a prior year. These loans are payable on demand without interest.

[Table of Contents](#)

BE ACTIVE HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

On February 27, 2014, the stockholder who resigned in March 2013 agreed to release the Company from its \$247,021 loan obligation to him which was recorded as forgiveness of debt income in the accompanying condensed consolidated statement of operations for the nine months ended September 30, 2014.

8. CAPITAL STOCK

Following the closing of the Merger, the Company sold an aggregate of 1,826,087 units (“Units”) in a private placement (“Private Placement”). \$419,999.88 of the Units were sold at a per Unit price of \$0.23. Additionally, an aggregate of \$394,612 of the outstanding 10% convertible promissory notes and accrued interest converted into the Private Placement at a per Unit price of \$0.19. Each Unit consisted of (i) one share of the Company’s common stock (or, at the election of any investor who would, as a result of the purchase of Units, become a beneficial owner of 5% or greater of the outstanding shares of common stock of the Company’s Series A Convertible Preferred Stock) and (ii) a three year warrant to purchase shares of common stock equal to 100% of the number of shares of common stock sold in the Private Placement at an exercise price of \$0.30 per share. In connection with the Private Placement, the Company and the investor entered into a Registration Rights Agreement (the “Registration Rights Agreement”) whereby the Company agreed to register the shares underlying the Units and issuable upon exercise of warrants for resale on a Registration Statement to be filed with the SEC within 60 days of the final closing of the Private Placement and to cause such Registration Statement to be declared effective within 120 days of the filing date. On May 15, 2013, the Registrations Rights Agreement was amended to extend the filing date from 120 days to 180 days after the closing date. On July 2, 2013, the Registrations Rights Agreement was further amended to extend the filing date from 180 days to 240 days after the closing date. The Company filed a Registration Statement on Form S-1 on September 25, 2013 to register an aggregate of 158,652,485 shares of the Company’s stock; however, the Registration Statement was subsequently withdrawn by the Company.

On March 8, 2013, the Board of Directors approved the authorization of 150,000,000 shares of preferred stock, par value \$0.0001, per share, of which 40,000,000 shares have been designated as Series A Preferred Stock. Each holder of Series A Preferred Stock is entitled to vote on all matters and the shares are convertible to the Company’s common stock in an amount equal to one share of common stock for each one share of Series A Preferred Stock upon notice to the Company, as defined.

On March 15, 2013, the Company commenced a second private placement, offering a minimum of \$1,000,000 units, each comprised of one share of common stock and a warrant to purchase one share of common stock at an exercise price of \$0.05, per share, for three years at a purchase price of \$0.03, per unit. The warrants are subject to registration rights, as defined and cashless exercise is permitted. On April 25, 2013, the Company consummated the private placement which began on March 15, 2013 and sold to certain accredited investors an aggregate of 28,333,334 units with proceeds to the Company of \$850,000 less \$150,000 of offering costs. The offering costs include 2,083,334 units valued at \$62,500 for legal fees and a warrant to purchase up to 933,333 shares of the Company’s common stock.

In connection with the offering, the Company granted the investors demand registration rights, commencing 30 days after the closing of the Offering and ending one year after the closing of the Offering, pursuant to which investors holding at least 50% of the outstanding securities sold in the Offering may request on 60 days’ notice, the filing of a registration statement with the Securities and Exchange Commission, covering the resale of securities underlying the units. Additionally, the Company granted the investors “piggy-back” registration rights for a period of 180 days beginning on the closing date of the Offering. The Company added a Supplement to the Security Purchase Agreement, offering any investor of units who as a result of the purchase becomes a beneficial owner of 5% or more of the outstanding number of common shares, the option to purchase units consisting of one share of the Company’s Series A Preferred Convertible Stock and a warrant.

[Table of Contents](#)

BE ACTIVE HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

In connection with the sale of the Units, the Company was required to issue to investors in the January 9, 2013 private placement (the "Prior Investors, and such offering, the "Prior Offering") additional shares of common stock (or, at the election of such Prior Investor who would, as a result of such issuance, become the holder of in excess of 5% of the Company's issued and outstanding common stock, shares of Series A Preferred Stock), in connection with certain anti-dilution protection provided to such Prior Investors under the terms of the Prior Offering. As a result of the foregoing, in April 2013, the Company issued an aggregate of an additional (a) 3,789,473 shares of common stock (b) 19,191,458 shares of Series A Preferred Stock and (c) warrants to purchase an additional 22,980,931 shares of common stock at an exercise price of \$0.03 per share (collectively, the "Ratchet Securities"). Furthermore, the exercise price of the warrants issued in the Prior Offering was reduced to a per share exercise price of \$0.03.

In connection with the Offering and in consideration for such issuance, the stockholders released the Company from actions relating to the Company's reverse-merger and various financings as well as from any rights under that certain Agreement of Shareholders of Be Active Brands, Inc. dated as of January 26, 2011, management determined that it was in the best interest of its stockholders to issue additional shares of common stock to certain of the original stockholders of Brands who, as a result of the reverse-merger consummated on January 9, 2013, became stockholders of the Company. Accordingly, the Company issued an aggregate of 23,054,778 shares of common stock to these original Brands stockholders, exclusive of current management, as a result of the significant dilution they experienced as a result of the Offering.

As a result of both the January 9, 2013 and April 26, 2013 private placements and conversion of debt, the Company recorded a derivative liability related to the reset feature on the exercise price of the warrants to purchase common stock issued by the Company. Such ratchet reset provision prohibits the Company from concluding that the warrants are indexed to our own stock, and thus derivative accounting is appropriate. Previously, any valuation assigned to these warrants was accounted for within additional paid-in capital. For derivative instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair market value and is then re-valued at each reporting date to its then fair value, with changes in such fair value measurement recognized in operations in the respective reporting period. The Company utilizes the Black-Scholes model to value the derivative instruments at inception and subsequent valuation dates.

Additionally, on April 26, 2013, the Company's Board of Directors authorized four (4) shares of preferred stock, par value \$0.0001 per share as Series B Convertible Preferred Stock (the "Series B Preferred Stock") and issued one share of Series B Preferred Stock to each of the Company's three senior members of management. Each share of Series B Preferred Stock is entitled such number of votes on all matters submitted to stockholders that is equal to (i) the product of (a) the number of shares of Series B Preferred Stock held by such holder, (b) the number of issued and outstanding shares of the Company's Common Stock (taking into account the effective outstanding voting rights of the Series B Preferred Stock), as of the record date for the vote and (c) 0.13334 less (ii) the number of shares of Common Stock beneficially held by such holder on such date. Additionally, on the six month anniversary date of issuance of the Series B Preferred Stock, each outstanding share of Series B Preferred Stock was to automatically, and without further action on the part of the holder, convert into such number of fully paid and non-assessable shares of Common Stock as would cause the holder to own, along with any other securities of the Company's beneficially owned on the conversion date by them 13.334% of the issued and outstanding Common Stock, calculated on the conversion date. On October 25, 2013, the Company amended and restated the Certificate of Designation for Series B Convertible Preferred Stock to extend the date on which the Series B Shares would automatically convert into such number of fully paid and non-assessable shares of common stock, from the date six months from the date of issuance (October 26, 2013) to the twelfth month anniversary of the date of issuance of the shares of Series B Preferred Stock (April 26, 2014) which on April 22, 2014, was further extended to an indefinite date. The Company previously recorded the three shares of Series B Convertible Preferred Stock as stock-based compensation using the then current estimate of the number of shares that would convert to shares of common stock of the Company based on the shares outstanding and current price per share at each balance sheet date. As of September 30, 2014, the Company recalculated the estimated shares issuable to be 124,509,785 and due to a reduction in the stock price at that date, recorded a reduction to stock-based compensation of \$1,901,449. The estimate is based on the current common shares outstanding at September 30, 2014, a stock price of \$0.0145 per share, and is subject to adjustment based on any additional common shares issued.

On February 4, 2014, the holders representing a majority of the then outstanding shares of capital stock of the Company voted and approved and permitted the Company to increase the number of authorized shares of the Company's common stock from 400,000,000 to 525,000,000, effective upon receiving approval from the Company's Board of Directors and filing an amended Certificate of Incorporation with the State of Delaware representing the amendment.

Through September 30, 2014, an aggregate of 27,777,537 shares of the Company's Series A Convertible Preferred Stock was

converted to 27,777,537 shares of common stock of the Company.

[Table of Contents](#)

BE ACTIVE HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Through September 30, 2014, an aggregate of 89,666,668 warrants to purchase common stock were exercised in cashless conversions to an aggregate of 72,734,313 shares of the Company's common stock. Upon exercise, the fair value of the warrants was calculated, the derivative liability was reduced by the prior value and the difference was recorded as a change in fair market value on the statement of operations.

In August 2014, 6,666,667 shares of the Company's Series C Convertible Preferred Stock were converted to 6,666,667 shares of common stock of the Company.

In April 10, 2014, the Company issued 500,000 shares of its common stock as a charitable donation to a not-for-profit organization valued at \$65,000, (\$0.13, per share), the price of the Company's common stock on the day of grant.

Series C Convertible Preferred Stock

On February 12, 2014, the Company designated and authorized to issue 26,666,667 shares of Series C Convertible Preferred Stock ("Series C Preferred Stock"), par value \$0.0001, per share, at a stated value of \$0.0001, per share. Each holder of Series C Preferred Stock shall be entitled to vote all matters submitted to shareholder vote and shall be entitled to the number of votes for each shares of Series C owned at the designated record date. Each holder of Series C Preferred Stock may convert any or all of such shares into fully paid and non-assessable shares of the Company's common stock in an amount equal to one share of the Company's common stock for each one shares of Series C Preferred Stock.

Securities Subscription Agreement

On February 14, 2014, the Company sold to certain accredited investors pursuant to a Subscription Agreement, an aggregate of 33,333,332 shares of its common stock, 26,666,667 shares of the Series C Preferred Stock and five year warrants to purchase up to an aggregate of 59,999,999 shares of the Company's common stock at an exercise price of \$0.03, per share, for gross proceeds of \$1,800,000. Until the earlier of (i) three years from the closing of the Offering or (ii) such time as no investor holds any shares of common stock underlying warrants or underlying the Series C Preferred Stock, in the event the Company issues or sells common stock at a per share price equal to less than \$0.03, per share, as adjusted, the Company has agreed to issue additional securities such that the aggregate purchase price paid by the investor shall equal the lower price issuance, subject to certain exceptions, as defined.

In connection with the Offering, the Company granted the investors "piggy-back" registration rights and the investors are entitled to a right of participation in future financings conducted by the Company for a period of twenty-four months.

The Company paid placement agent fees of \$144,000 in cash, issued an aggregate of 599,999 shares of the Company's common stock and issued a five year warrant to purchase up to 5,399,998 shares of the Company's common stock at a price of \$0.03 per share, as commission in connection with the sale of the shares and warrants. In addition, the Company permitted the conversion of an aggregate of \$13,500 of unpaid fees owed to a consultant into 450,000 shares and warrants at the Offering price. In conjunction with the Offering, \$100,000 was placed in an escrow account to be used for auditing and legal fees. As of September 30, 2014, the balance in the escrow account is \$20,000.

On February 14, 2014, as a component of the private placement, the Company issued an aggregate of 66,333,330 warrants with a fair value determined using the Black-Scholes Pricing Model as \$11,361,278. The pricing of this private placement triggered the reset provision in the warrants issued on April 26, 2013. Such triggering resulted in the exercise price of the previously issued warrants resetting to \$0.03. The significant assumptions utilized by the Company in the valuation of these warrants were as follows:

Market Price: \$0.18;
Exercise Price: \$0.03;
Volatility: 134%;
Dividend Yield: zero;
Term: Five Years; and
Risk Free Rate of Return: 0.15%

Pursuant to the private placement, certain members of the Company's management agreed to invest an aggregate of \$250,000 in exchange for 8,333,333 shares of the Company's common stock within 30 days of the closing, on the same terms of the agreement. The investment required by management was made on June 24, 2014.

Treasury Stock

In March 2013, contingent with the resignation of the Company's then chief executive officer, the Company agreed to purchase from the former executive 4,339,555 shares of the Company's common stock for \$0.0001, per share. These shares are reported at cost as treasury shares.

[Table of Contents](#)

BE ACTIVE HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

9. INCOME TAXES

As of September 30, 2014, management has evaluated and concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements.

As of September 30, 2014, the Company has net operating loss carryforwards of approximately \$4,880,000 to reduce future Federal and state taxable income through 2032 and \$1,800,000 of temporary differences in the timing of the deduction for stock-based compensation. However, as a result of the recent and potential changes in the share ownership of the Company, future utilization of the net operating losses may be limited pursuant to Section 382 of the Internal Revenue Service. The maximum net operating loss carryforward which could be utilized as of December 31, 2013 pursuant to Section 382 for Be Active Brands is \$185,000 a year, based on the approximately \$2,500,000 losses incurred prior to the Merger.

Since at present realization of the Company's related deferred tax assets of \$2,540,000 at September 30, 2014 is not considered more likely than not, a valuation allowance of \$2,540,000 at September 30, 2014 has been provided. The valuation allowance increased by \$291,000 from December 31, 2013.

10. CONCENTRATIONS

Credit is granted to most customers. The Company performs periodic credit evaluations of customers' financial condition and generally does not require collateral.

Sales to one customer of the Company accounted for 100% of sales for the nine months ended September 30, 2014 and represented 100% of accounts receivable for the three and nine months ended September 30, 2014. No sales occurred during the three months ended September 30, 2014.

11. RECONCILIATION OF NET SALES

In accordance with FASB ASC 605-50, the Company classifies the following allowances as reductions of sales for the three and nine months ended September 30:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Gross sales	\$ -	\$ 37,944	\$ 7,920	\$ 160,092
Less:				
Sales discounts	-	-	-	2,383
Credits	-	-	-	507
Trade spending	-	3,126	-	29,348
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net sales	<u>\$ -</u>	<u>\$ 34,818</u>	<u>\$ 7,920</u>	<u>\$ 127,854</u>

12. RELATED PARTY TRANSACTIONS

An officer of the Company is a partner of a public accounting firm providing nonaudit accounting services to the Company. For the three and nine months ended September 30, 2014 and 2013, the Company incurred nonaudit fees of \$20,000 and \$60,000, respectively, to the accounting firm for accounting and tax services.

[Table of Contents](#)

BE ACTIVE HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

13. 2013 EQUITY INCENTIVE PLAN

Effective January 9, 2013, the Company adopted a Stock Option Plan ("Plan") to provide an incentive to attract, retain and reward persons performing services, including employees, consultants, directors and other persons determined by the Board, through equity awards. The Plan shall continue in effect until its termination by the Board provided that all awards are granted within ten years, as defined.

As of September 30, 2014, no awards have been granted under the Plan.

14. COMMITMENTS**Employment Agreements**

Effective January 9, 2013, the Company entered into an employment agreement with its then chief executive officer for a term of two years, to be automatically renewed for successive one year periods thereafter unless either party provides written notice of intention not to renew the agreement. The agreement provided for a base annual salary of \$150,000, paid in periodic installments in accordance with the Company's regular payroll practices and an annual bonus, subject to clawback provisions, based on reaching certain financial targets as defined. The agreement included other benefits and grants under the Company's 2013 Equity Incentive Plan. On March 22, 2013, the Company's chief executive officer, resigned from all positions he held with the Company and was serving as a consultant to the Company for \$150,000 a year, plus the other provisions as provided in the original employment contract. In May 2013, the prior executive officer agreed to reduce the annual fee to \$90,000 until the Company has sufficient capital to increase the compensation to \$150,000 per year. Through December 31, 2013, the Company paid to the former officer approximately \$37,000 on a consulting basis. On February 27, 2014, the former officer agreed to end his agreement with the Company for a flat fee of \$34,600 which was accrued as of December 31, 2013 and paid in cash in February 2014.

Effective January 9, 2013 the Company entered into an employment agreement with its chief financial officer for a term of two years, to be automatically renewed for successive one year periods thereafter unless either party provides written notice of intention not to renew the agreement. The agreement provides for a base annual salary of \$80,000, paid in periodic installments in accordance with the Company's regular payroll practices and an annual bonus, subject to clawback provisions, based on reaching certain financial targets as defined. The agreement includes other benefits and grants under the Company's 2013 Equity Incentive Plan. The chief financial officer's employment agreement has been amended to provide that the base salary under the agreement be applied to the extent of accounting fees to the public accounting firm, where he is a partner that provides nonaudit services to the Company. Costs incurred pursuant to this agreement for the three and nine months ended September 30, 2014 and 2013 were \$20,000 and \$60,000, respectively.

Effective January 9, 2013, the Company entered into an employment agreement with its President for a term of two years, to be automatically renewed for successive one year periods thereafter unless either party provides written notice of intention not to renew the agreement. The agreement provides for a base salary of \$150,000, paid in periodic installments in accordance with the Company's regular payroll practices and an annual bonus, subject to clawback provisions, based on reaching certain financial targets as defined. The agreement includes other benefits and grants under the Company's 2013 Equity Incentive Plan. Costs incurred pursuant to this agreement for the three and nine months ended September 30, 2014 and 2013 were \$38,654 and \$113,654 and \$37,500 and \$112,500 respectively.

[Table of Contents](#)

BE ACTIVE HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Effective January 9, 2013, the Company entered into an employment agreement with its secretary for a term of two years, to be automatically renewed for successive one year periods thereafter unless either party provides written notice of intention not to renew the agreement. The agreement provides for a base salary of \$135,000, paid in periodic installments in accordance with the Company's regular payroll practices and an annual bonus, subject to clawback provisions, based on reaching certain financial targets as defined. The agreement includes other benefits and grants under the Company's 2013 Equity Incentive Plan. Costs incurred pursuant to this agreement for the three and nine months ended September 30, 2014 and 2013 were \$34,788 and \$167,865 and \$33,750 and \$101,250 respectively. In addition, the secretary of the Company was instrumental in securing both a marketing and a sales representative agreement and received a bonus of \$65,000 for these services as of September 30, 2014.

Lease

On January 1, 2013, the Company entered into a five year and one month lease for space in Great Neck, New York, effective February 17, 2013, with base rent at \$39,260, per year, subject to certain increases as defined. The lease agreement requires two months annual rent as a security deposit and the personal guaranty of the President of the Company. The rent is due in monthly installments commencing April 1, 2013; rent expense is being recorded on a straight line basis over the term of the lease. The difference between the rent payments made and straight line basis has been recorded as deferred rent. Rent expense for the three and nine months ended September 30, 2014 was \$7,311 and \$22,740, respectively.

Investor Relations Consulting Agreement

In August 2013, the Company entered into an Investor Relations Consulting Agreement (Agreement) with an investor relations firm to provide consulting services regarding financial markets and exchanges, competitors, business acquisitions and other aspects of or concerning the Company's business. The Agreement is for a term of twelve months commencing August 16, 2013, with a one month cancellation option for either party. The Agreement called for a monthly consulting and services fee of \$2,000. In addition, the Company agreed to grant to the consultant an aggregate of 3,500,000 shares of the Company's restricted stock, valued at \$70,000, (\$0.02, per share), the price of the stock at the time of the Agreement. \$52,500 of the consulting fee was recognized as of December 31, 2013, with the remaining \$17,500 recognized in the first quarter of 2014.

On September 1, 2014, the Agreement was renewed and amended for a term of twelve months with the monthly service fee reduced to \$1,500.

Reserve Financing Agreement

On October 25, 2013, the Company entered into a Term Sheet with a capital investor whereby the Company has the right to issue up to \$5,000,000 of the Company's common stock to the investor over a term of three years in exchange for cash advances to the Company. Upon execution of the Term Sheet on October 31, 2013, the Company paid the investor \$30,000 of the Company's restricted common stock (1,056,338 shares at \$0.0284 per share), priced off of the closing bid price the day before the Term Sheet was signed.

On November 19, 2013, the investor delivered to the Company a Reserve Financing Agreement ("Agreement"), which was executed by the Company on January 6, 2014. Pursuant to the terms of the Agreement, the Company may require the investor to purchase advance shares, as defined, at a purchase price of 90% of the market price of the average of the three lowest best closing prices of the stock during the fifteen consecutive weekday trading days immediately after the date on which the Company provides an advance notice, as defined. The dollar amount of common stock sold to the investor in each advance may be up to \$250,000; however, each advance is not to exceed more than 350% of the average daily trading volume for a previous 15 day period. The Company is required to reserve fifty million shares of its common stock for the issuance of the securities to the investor and has provided certain representations and warranties under the Agreement. Unless terminated earlier, as defined, the Agreement terminates automatically on the earlier of the first day of the month next following the 6-month anniversary of the effective date or the date on which the investor shall have made payment of advances pursuant to the Agreement in the aggregate of the commitment amount of \$5,000,000. The maximum advance amount may be increased upon consent of the Company and the investor.

[Table of Contents](#)

BE ACTIVE HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

In addition, the Company entered into a Registration Rights Agreement with the investor whereby the Company was committed to preparing and filing with the SEC a registration statement on Form S-1 within thirty days of signing the Agreement and must be declared effective by the SEC prior to the first sale of the Company's common stock to the investor.

As consideration for the Agreement, the Company issued to the investor, 3,584,229 shares of the Company's common stock, equal to two percent of the commitment amount which is \$100,000. This amount was expensed as of December 31, 2013.

On March 18, 2014, the Company and the investor mutually agreed to terminate the agreement.

Merchandising Agreement

On May 5, 2014, the Company entered into an agreement to participate in a merchandising relationship which can be terminated by either party with forty-five days written notification to the other party. In consideration of its participation, the Company agreed to pay a monthly fee to the merchandiser of 4.0% of gross sales of the Company's product. In accordance with the agreement, all slotting fees are waived on all new items and the merchandiser will review all new items brought into the warehouse six months from the initial distribution date to determine whether the item is selling at an appropriate rate. The Company will provide the merchandising group with competitive promotional allowances as defined. As of September 30, 2014, no fees were incurred under this agreement.

Sales Representative Contract

Effective June 30, 2014, the Company entered into a contract with a sales representative to increase the demand for and promote the products of the Company and to provide marketing services as defined. In exchange for these services, the sales representative is entitled to a commission of 3.0% of net sales, as defined. There is no minimum monthly commission for the initial twelve months and the representative will also be entitled to an additional performance bonus, as defined. The contract is on a month to month basis and may be terminated by either party with thirty days written notice to the other party. As of September 30, 2014, no fees were incurred under this agreement.

Director Compensation

In connection with the increase in the number of directors on the Board to four and the appointment of a new director to fill the vacancy on June 25, 2014, the Company agreed to grant 2,100,000 shares of the Company's common stock to the new director which will vest in three equal installments on the dates that are six months, twelve months and eighteen months from the date of grant. At each vesting date, the Company will record director's fees based upon the fair value of the Company's common stock at that date.

Social Media Agreement

In August 2014, the Company entered into an agreement with a contractor to provide social media management services. The agreement continues through completion of the project and is subject to early cancellation with fifteen days' notice prior to the date of cancellation. Fees for the services are projected to be an aggregate of \$4,900 per month. As of September 30, 2014, the Company incurred expense of \$2,712 under the agreement.

[Table of Contents](#)

BE ACTIVE HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Broker Agreement

In September 2014, the Company entered into an agreement appointing a Broker as its sole and exclusive representative for one year terms to provide services related to negotiating the sale of the Company's products within a defined territory. The Broker will receive a guaranteed monthly income of \$3,500 for the first seven months of the agreement and a commission of 5% on each sale to be computed on the net invoice price as defined. Until such time as the commissions reach \$3,500 per month, the Company will continue to pay the \$3,500 monthly income. The agreement will be in effect from year to year and may be terminated by either party with ninety days written notice. All commissions earned will be paid during the ninety day transition period and will continue for an additional ninety days after the termination date. As of September 30, 2014, the Company incurred expense of \$3,500 under the agreement.

Public Relations Agreement

Effective September 1, 2014, the Company entered into an agreement with a consultant to provide public relations services for a monthly retainer of \$4,000 and 240,000 shares of the Company's common stock to be issued equally in installments that vest over a twelve month period. The agreement may be terminated in writing with two months' notice. As of September 30, 2014, the Company incurred expenses of \$4,000 under the agreement.

Litigation

On May 2, 2014, an action was commenced against the Company and two of its officers in the Supreme Court of the State of New York, County of Nassau. The action relates to restricted shares of the Company acquired by the plaintiff which the plaintiff allegedly sought to sell. The complaint asserts claims under various theories, including conversion, breach of contract, breach of fiduciary duty, fraudulent misrepresentation and unjust enrichment, and seeks damages in excess of five million dollars.

The Company filed its Motion to Dismiss on or about June 30, 2014, plaintiff filed its opposition to the Company's motion on or about July 29, 2014. On September 2, 2014 the Motion to Dismiss was denied. On October 6, 2014, the Company submitted a verified Answer to the Complaint. Currently, discovery is ongoing. Management believes the claims made in the actions are without merit, the amount claimed is frivolous and intends to defend the matter vigorously. However, management cannot predict the outcome of the action or the effect, if any; the lawsuit would have on the Company's business.

[Table of Contents](#)**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

This report contains forward-looking statements. These forward-looking statements, without limitation, contain words that include "believes," "anticipates," "expects," "intends," "projects," "will," and other words of similar import or the negative of those terms or expressions. Forward-looking statements in this report reflect our intentions, beliefs, projections, outlook, analysis or current expectations concerning, among other things, expectations of future levels of research and development spending, general and administrative spending, levels of capital expenditures and operating results, sufficiency of our capital resources, our intention to pursue and consummate strategic opportunities available to us. Forward-looking statements subject to certain known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to those described in "Risk Factors" contained in the Company's reports filed with the Securities and Exchange Commission.

CORPORATE OVERVIEW

Be Active Holdings, Inc. f/k/a Superlight, Inc. ("we", "Be Active" or the "Company") was incorporated as a Delaware corporation on December 27, 2007. On December 28, 2012, the Company amended and restated its Certificate of Incorporation to change its name from "Super Light Inc." to "Be Active Holdings, Inc."

Since inception and until our merger with Be Active Brands, Inc. ("Be Active Brands") on January 9, 2013, as further described herein, we conducted market analysis on diaper usage in our target market, researched governmental regulations for the importing of such products, and negotiated pricing with possible suppliers.

Prior to the merger, the business we currently operate was conducted through our wholly owned subsidiary Be Active Brands. The discussion of our business both before and after the merger in this Form 10-Q is that of our current business which was and continues to be conducted through Be Active Brands.

Be Active Brands was organized under the laws of the State of Delaware on March 10, 2009. The Company manufactures and sells low fat, low calorie, all natural probiotic enriched frozen yogurt and ice cream under the trade name "Jala" and has trademarked its Jala cow logo. Its frozen yogurt is packaged as low fat sandwiches and bars which are designed to appeal to the health conscious or weight conscious consumer.

Recent Developments

On January 9, 2013, we entered into an Agreement of Merger and Plan of Reorganization (the "Merger Agreement") with Be Active Brands and Be Active Acquisition Corp., our newly formed, wholly-owned Delaware subsidiary ("Acquisition Sub"). Upon closing of the transaction contemplated under the Merger Agreement (the "Merger"), Acquisition Sub merged with and into Be Active, and Be Active, as the surviving corporation, became our wholly-owned subsidiary.

Pursuant to the terms and conditions of the Merger Agreement:

All issued and outstanding shares of Be Active's Class A and Class B common stock were converted into the right to receive an aggregate of 29,502,750 shares of the Company's common stock, \$0.0001 par value per share ("Common Stock"). Under the terms of the Merger Agreement, holders of Be Active's Class A and Class B common stock were treated equally as it relates to consideration paid in connection with the Merger.

Following the closing of the Merger, the Company sold an aggregate of 3,902,993 units ("January Units") in a private placement (the "January Private Placement"). \$419,999.88 of the January Units were sold at a per unit price of \$0.23. Additionally, and included in the foregoing January Unit total, an aggregate of \$385,000 of bridge notes of Be Active, plus accrued interest of \$9,612 converted into the January Private Placement at per January Unit price of \$0.19. Each January Unit consisted of (i) one share of the Company's common stock, and (ii) a three year warrant to purchase shares of common stock equal to 100% of the number of shares of common stock sold in the January Private Placement at an exercise price of \$0.30 per share. In connection with the January Private Placement, the Company and the investors entered into a Registration Rights Agreement whereby the Company agreed to register the shares underlying the units and issuable upon exercise of warrants for resale on a Registration Statement, to be filed with the SEC within 60 days of the final closing of the January Private Placement and to cause such Registration Statement to be declared effective within 120 days of the filing date.

[Table of Contents](#)

In May 2013 the Registration Rights Agreement was amended to extend the filing to 180 days from the filing date. On July 2, 2013 the Registrations Rights Agreement was further amended to extend the filing date from 180 days to 240 days after the closing date. On September 25, 2013, the Company filed a Registration Statement on Form S-1 to register an aggregate of 158,652,485 shares of the Company's common stock; which was norequently withdrawn by the Company.

Immediately following the closing of the Merger and the Private Placement, under the terms of an Agreement of Conveyance, Transfer and Assignment of Assets and Assumption of Obligations, the Company transferred all of its pre-Merger assets and liabilities to its wholly owned subsidiary, Superlight Holdings, Inc., a Delaware corporation ("SplitCo"). Thereafter, pursuant to a Stock Purchase Agreement, the Company transferred all of the outstanding capital stock of SplitCo to a former officer and director of the Company in exchange for cancellation of an aggregate of 90,304,397 shares of the Company's common stock held by such person.

On April 25, 2013, the Company entered into subscription agreements (the "April Agreements") with certain accredited investors (the "April Investors") whereby it sold an aggregate of 28,333,334 units (the "April Units") with gross proceeds to the Company of \$850,000 (the "April Private Placement"), less \$150,000 of offering costs. The offering costs include 2,083,334 Units valued at \$62,500 for legal fees. Each April Unit was sold for a purchase price of \$0.03 per unit and consisted of: (i) one share of the Company's Common Stock (or at the election of the April Investor who would, as a result of the purchase of the April Units, hold in excess of 5% of the Company's issued and outstanding Common Stock, one share of the Company's newly designated Series A Convertible Preferred Stock, par value \$0.0001 per share (the "Series A Preferred Stock"), which is convertible into shares of the Company's Common Stock on a one for one basis) and (ii) a five-year warrant (the "April Warrants") to purchase an additional share of Common Stock at an exercise price of \$0.05 per share, subject to adjustment upon the occurrence of certain events such as lower priced issuances, stock splits and dividends.. In connection with the April Private Placement, the Company granted the April Investors demand registration rights, commencing 30 days after the closing of the April Private Placement and ending one year after the closing of the April Private Placement, pursuant to which April Investors holding at least 50% of the outstanding securities sold in the April Private Placement may request, on 60 days' notice, the filing of a registration statement with the Securities and Exchange Commission, covering the resale of securities underlying the April Units. Additionally, the Company granted the April Investors "piggy-back" registration rights for a period of 180 days beginning on the closing date of the April Private Placement.

In connection with the sale of the April Units, the Company was required to issue to the investors in the January Private Placement additional shares of Common Stock (or, at the election of such investor in the January Private Placement who would, as a result of such issuance, become the holder of in excess of 5% of the Company's issued and outstanding Common Stock, shares of Series A Preferred Stock), in connection with certain anti-dilution protection provided to such investors under the terms of the January Private Placement. As a result of the foregoing, the Company issued an aggregate of an additional (a) 3,789,473 shares of Common Stock (b) 19,191,458 shares of Series A Preferred Stock and (c) warrants to purchase an additional 22,980,931 shares of Common Stock at an exercise price of \$0.03 per share. Furthermore, the exercise price of the warrants issued in the Prior Offering was reduced to a per share exercise price of \$0.03.

In connection with the April Private Placement, management determined that it was in the best interest of its shareholders to issue additional shares of Common Stock to certain of the original investors of Be Active Brands, who, as a result of the Merger, became shareholders of the Company. As a result, the Company issued an aggregate of 23,054,778 shares of Common Stock to certain of the former shareholders of Be Active as a result of the significant dilution such shareholders experienced as a result of the April Private Placement. In consideration for such issuance, the shareholders released the Company from actions relating to the Company's reverse merger and various financings as well as from any rights under that certain Agreement of Shareholders of Be Active Brands, Inc. dated as of January 26, 2011.

[Table of Contents](#)

Additionally, on April 26, 2013, the Company designated four (4) shares of preferred stock, par value \$0.0001 per share as Series B Convertible Preferred Stock (the "Series B Preferred Stock") and issued one share of Series B Preferred Stock to each of the Company's three members of management, to wit: Saverio Pugliese, David Wolfson and Joseph Rienzi. Each share of Series B Preferred Stock is entitled to such number of votes on all matters submitted to shareholders that is equal to (i) the product of (a) the number of shares of Series B Preferred Stock held by such holder, (b) the number of issued and outstanding shares of the Company's Common Stock (taking into account the effective outstanding voting rights of the Series B Preferred Stock), as of the record date for the vote and (c) 0.13334 less (ii) the number of shares of Common Stock beneficially held by such holder on such date. Additionally, on the six month anniversary date of the date of issuance of the Series B Preferred Stock, each outstanding share of Series B Preferred Stock shall automatically, and without further action on the part of the holder, convert into such number of fully paid and non-assessable shares of Common Stock as shall cause the holder to own, along with any other securities of the Company beneficially owned on the conversation date by them, 13.334% of the issued and outstanding Common Stock of the Company, calculated on the conversion date. On October 25, 2013 the Company amended and restated the Certificate of Designation for the Series B Convertible Preferred Stock to extend the date on which the Series B Shares would automatically convert into such number of fully paid and non-assessable shares of common stock, from the date six months from the date of issuance (October 26, 2013) to the twelfth month anniversary of the date of issuance of the shares of Series B Preferred Stock (April 26, 2014). On April 22, 2014, the Board of Directors approved an amendment to the Certificate of Designation for the Series B Convertible Preferred Stock to extend the date on which the Series B would automatically convert into such number of fully paid and non-assessable shares of Common Stock as will cause the holder to own, along with any other securities of the Company beneficially owned on the conversation date by them, 13.334% of the issued and outstanding Common Stock of the Company, from the date 12 months from the date of issuance of such Series B Shares to such date as will be determined by the Board of Directors.

RESULTS OF OPERATIONS**THREE MONTHS ENDED SEPTEMBER 30, 2014 AS COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2013****Sales**

Gross Sales were \$0 and \$37,944 for the three months ended September 30, 2014 and 2013, respectively. The decrease in gross sales of \$37,944 was primarily due to the timing required for product placement.

Reconciling items that included sales discounts, returns and allowances, trade spending, and slotting fees totaled \$0 and \$3,126 for the three months ended September 30, 2014 and 2013, respectively. Net sales for the three months ended September 30, 2014 decreased \$34,818 as compared to net sales for the three months ended September 30, 2013.

Cost of Goods Sold

Cost of goods sold for the three months ended September 30, 2014 was \$0, a decrease of \$4,166 from the three months ended September 30, 2013. The decrease is attributable to the fact that there were no sales for the three months ended September 30, 2014.

Gross Profit (Loss)

Gross profit for the three months ended September 30, 2014 was \$0, as compared to a gross profit of \$30,652 for the three months ended September 30, 2013. The decrease of gross profit is attributable to the fact that there were no sales for the three months ended September 30, 2014.

Operating Expenses

Operating expenses, consisting of selling, general and administrative expenses, stock-based compensation and depreciation and amortization expense, for the three months ended September 30, 2014 decreased to a credit of (\$1,996,220) from \$341,131 in expense for the three months ended September 30, 2013, a decrease of \$2,337,351. This decrease is due primarily to a credit in stock-based compensation of \$1,901,449 and decrease in the derivative liability of \$423,101, offset in part by an increase of \$105,995 in legal fees, an increase of \$17,228 in advertising and samples and an increase of \$34,994 in marketing and promotion. The credit in stock-based compensation is the result of a decline in the stock price used to calculate the value of the conversion of the Series B Preferred Stock (Note 8).

[Table of Contents](#)

Selling expenses consist primarily of advertising, promotion and marketing fees. Selling expenses for the three months ended September 30, 2014 increased to \$83,140 from \$34,375 for the three months ended September 30, 2013, an increase of \$48,765 or 142%. The increase is primarily due to an increase in marketing and promotion of \$34,994, an increase of \$17,228 in advertising and sample expense and an increase of \$3,472 in storage expense, offset in part by a reduction in auto and travel expense of \$8,838.

General and administrative expenses consist primarily of office, utilities, computer, internet, travel and insurance expenses. General and administrative expenses for the three months ended September 30, 2014 increased to \$304,533 from \$233,977 for the three months ended September 30, 2013, an increase of \$70,556 or 30%. The increase is primarily attributable to an increase of \$105,995 in legal fees, offset in part by decreases in commissions, other professional fees and payroll tax expense.

Other Income (Expense)

Other expense was \$21 for the three months ended September 30, 2014 as compared to other income of \$15 for the three months ended September 30, 2013. This increase in expense is the result of interest for the three months ended September 30, 2014.

Net Income (Loss)

Net income for the three months ended September 30, 2014 increased to \$1,996,199 from a loss of (\$310,464) for the three months ended September 30, 2013, an increase in income of \$2,306,663. This increase is due to the credit in stock-based compensation recorded as of September 30, 2014 of (\$1,901,449) reflecting the decline in the stock price used to calculate the value of the conversion of the Series B Preferred Stock (Note 8) and to the decrease in the fair value of the derivative liability of \$423,101.

Income (Loss) per Common Share

Basic income or (loss) per share for the three month periods ending September 30, 2014 and 2013 is calculated using the weighted-average number of common shares outstanding during each period. Fully diluted income (loss) per share is computed similar to basic income (loss) per share except that the denominator for fully diluted income per share is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued in order to present their dilutive effect. Potential common shares consist of incremental common shares issuable upon the exercise of warrants and convertible preferred shares. Diluted loss per share excludes the shares issuable upon the exercise of the warrants and convertible preferred stock from the calculation of net loss per share as their effect would be anti-dilutive. (Note 6)

NINE MONTHS ENDED SEPTEMBER 30, 2014 AS COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2013**Sales**

Gross Sales were \$7,920 and \$160,092 for the nine months ended September 30, 2014 and 2013, respectively. The decrease in gross sales of \$152,172, 95%, was primarily due to the timing required for product placement.

Reconciling items that included sales discounts, returns and allowances, trade spending, and slotting fees totaled \$0 and \$32,238 for the nine months ended September 30, 2014 and 2013, respectively. Net sales for the nine months ended September 30, 2014 decreased \$119,934 or 94% as compared to net sales for the nine months ended September 30, 2013.

Cost of Goods Sold

Cost of goods sold for the nine months ended September 30, 2014 was \$6,348, a decrease of \$211,088 as compared to the nine months ended September 30, 2013. The decrease is attributable to the decrease in sales and production.

Gross Profit (Loss)

Gross profit for the nine months ended September 30, 2014 was \$1,572 as compared to a loss of (\$89,582) for the nine months ended September 30, 2013. The decrease of gross loss is due to the write-off of obsolete packaging materials and the write-off of inventory during the nine months ended September 30, 2013, in addition to the decrease in sales and production due to the lack of capital.

[Table of Contents](#)**Operating Expenses**

Operating expenses, consisting of selling, general and administrative expenses, stock-based compensation and depreciation and amortization expense, for the nine months ended September 30, 2014 increased to \$9,382,712 from \$2,126,113 for the nine months ended September 30, 2013, an increase of \$7,256,599. This increase is due primarily to an increase in the fair value of the derivative liability of \$8,562,042, offset in part by a credit in stock-based compensation of (\$116,369) as compared to \$1,060,245 in stock-based compensation expense for the nine months ended September 30, 2013.

Selling expenses consist primarily of advertising, promotion and marketing fees. Selling expenses for the nine months ended September 30, 2014 increased to \$137,851 from \$94,317 for the nine months ended September 30, 2013, an increase of \$43,534 or 46%. The increase is primarily due to an increase in marketing and promotion of \$44,472 and an increase in advertising and samples of \$16,568, offset by decreases in auto and travel of \$11,227, freight and delivery of \$2,422 and \$9,108 in storage expense.

General and administrative expenses consist primarily of office, utilities, computer, internet, travel and insurance expenses. General and administrative expenses for the nine months ended September 30, 2014 increased to \$961,301 from \$673,687 for the nine months ended September 30, 2013, an increase of \$287,614 or 43%. The increase is primarily attributable to an increase in legal fees of \$223,935, charitable stock contributions made in 2014 of \$65,000 and an increase of \$53,345 in officer's salaries, offset in part by decreases in insurance expense of \$18,836 and commission expense of \$16,000.

Other Income (Expenses)

Other income was \$247,051 for the nine months ended September 30, 2014 as compared to interest expense of \$934 for the nine months ended September 30, 2013. This increase in other income is the result of forgiveness of debt of \$247,021 for the nine months ended September 30, 2014.

Net Loss

Net loss for the nine months ended September 30, 2014 increased to \$9,134,089 from \$2,216,629 for the nine months ended September 30, 2013, an increase in loss of \$6,917,460. This increase is due to the increase of the fair value of the derivative liability of \$8,562,042 offset in part by a credit of \$116,369 in stock-based compensation for the nine months ended September 30, 2014 as compared to stock-based compensation expense of \$1,060,245 for the nine months ended September 30, 2013.

Loss per Common Share

Basic loss per share for the nine month periods ending September 30, 2014 and 2013 is calculated using the weighted-average number of common shares outstanding during each period. Fully diluted income (loss) per share is computed similar to basic income (loss) per share except that the denominator for fully diluted income per share is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued in order to present their dilutive effect. Potential common shares consist of incremental common shares issuable upon the exercise of warrants and convertible preferred shares. Diluted loss per share excludes the shares issuable upon the exercise of the warrants and convertible preferred stock from the calculation of net loss per share as their effect would be anti-dilutive. (Note 6)

Liquidity and Capital Resources

Total current assets at September 30, 2014 were \$791,684, current liabilities were \$481,946 and we had working capital of \$309,738 due to the recent Offering of common stock and Series C Preferred Stock. Significant losses from operations have been incurred since inception and there is an accumulated deficit of \$16,038,407 as of September 30, 2014. Continuation as a going concern is dependent upon attaining capital to achieve profitable operations while maintaining current fixed expense levels.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements, including unrecorded derivative instruments that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. We have certain warrants and options outstanding but we do not expect to receive sufficient proceeds from the exercise of these instruments unless and until the trading price of our common stock is significantly greater than the applicable exercise prices of the options and warrants and mainly following any necessary registering of underlying securities.

[Table of Contents](#)**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Not Applicable.

Item 4. Controls and Procedures**Evaluation of Disclosure Controls and Procedures**

At the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based upon this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are: (i) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and (ii) accumulated and communicated to our management, including our President and Chief Financial Officer, or officers performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting

There have been no changes in our internal controls over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our internal control over financial reporting is not currently effective due to the following:

Currently there is a lack of proper segregation of functions, duties and responsibilities with respect to our cash and control over the related disbursements due to our limited staff and accounting personnel. Management is aware that there is a lack of segregation of duties due to the small number of employees dealing with administrative and financial matters. Since an officer of the Company is a partner with an accounting firm which provides support services to the Company, in the future, management intends to continue to utilize additional staff of the accounting firm to handle certain administrative financial duties.

There has been a lack of controls over the control environment in that the Board of Directors was comprised of three members who are officers of the Company. As of yet, there is no formal audit committee and no compensation committee, however, effective June 25, 2014 the Company appointed a new independent member of the Board of Directors. As the Company matures, management will continue to expand the Board of Directors.

PART II - OTHER INFORMATION**Item 1. Legal Proceedings**

We are not a party to, and our property is not the subject of, any material pending legal proceedings, except as stated below.

On May 2, 2014, an action was commenced against the Company and two of its officers in the Supreme Court of the State of New York, County of Nassau, captioned William Haramis v. Be Active Holdings, Inc., et al. (Index No. -- 601986/2014). The action relates to restricted shares of the Company held by the plaintiff. The complaint asserts claims under various theories, including conversion, breach of contract, breach of fiduciary duty, fraudulent misrepresentation and unjust enrichment, and seeks damages in excess of five million dollars. The Company filed its Motion to Dismiss on or about June 30, 2014, plaintiff filed its opposition to the Company's motion on or about July 29, 2014. On September 2, 2014 the Motion to Dismiss was denied. On October 6, 2014, the Company submitted a verified Answer to the Complaint. Currently, discovery is ongoing. We believe the claims made in the actions are without merit, the amount claimed is frivolous and intend to defend the matter vigorously. We cannot, however predict the outcome or effect, if any, of the lawsuit on our business.

[Table of Contents](#)**Item 1A. Risk Factors**

There have been no material changes from the risk factors disclosed under the heading “Risk Factors” in the registrant’s Annual Report on Form 10-K for the year ended December 31, 2013.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

On August 12, 2014, the Company filed a Certificate of Amendment to the Amended and Restated Certificate of Incorporation (the “Amendment”) with the Delaware Secretary of State, Division of Corporations. The Amendment increased the authorized common stock shares of the Company to 525,000,000 shares of common stock.

Item 6. Exhibits

Copies of the following documents are included as exhibits to this report or incorporated by reference pursuant to Item 601 of Regulation S-K.

Exhibit No.	Title of Document
3.1	Amended and Restated Certificate of Incorporation, filed as an Exhibit to Form 8-K on July 24, 2012 and incorporated herein by reference.
3.2	Bylaws, filed as an Exhibit to Form 8-K on May 23, 2011 and incorporated herein by reference.
3.3	Certificate of Amendment to the Amended Restated Certificate of Incorporation of Be Active Holdings, Inc. filed as an Exhibit to Form 10-Q/A on August 14, 2014 and incorporated herein by reference.
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Principal Executive Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Principal Financial and Accounting Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document*
101.SCH	XBRL Schema Document*
101.CAL	XBRL Calculation Linkbase Document*
101.LAB	XBRL Label Linkbase Document*
101.PRE	XBRL Presentation Linkbase Document*
101.DEF	XBRL Definition Linkbase Document*

* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

[Table of Contents](#)

SIGNATURES

In accordance with the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Be Active Holdings, Inc.

February 6, 2015

/s/ Saverio Pugliese

By: Saverio Pugliese

Its: President and Director (Principal Executive Officer)

February 6, 2015

/s/ David Wolfson

By: David Wolfson

Its: Chief Financial Officer (Principal Financial and Accounting Officer)