LIVEWIRE ERGOGENICS INC.
Form 10-K
May 08, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2014

o **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	**26-1212244**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

24845 Corbit Place

Yorba Linda, CA 92887

(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 x

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 x

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 x No o

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 o   Accelerated Filer o   Smaller Reporting Company x   Non-Accelerated Filer o
(Do not check of a 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 X

The issuer’s revenues for its most recent fiscal year ended December 31, 2014, were $238,957

As of June 30, 2014, the aggregate market value of shares of the issuer’s common stock held by non-affiliates was approximately $5,544,000 based upon the closing bid price of $0.0489 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 29, 2015, there were 204,727,594 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 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 under utilization of the workforce and may reduce revenues or net income.

THE COMPANY MAY ACQUIRE OTHER BUSINESSES OR PRODUCTS 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 PARAGRAPH 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, our independent registered public accounting firm stated that our consolidated financial statements for the year ended December 31, 2014 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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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 following location:

LiveWire Energy

24845 Corbit Place

Yorba Linda, CA 92887

Chief Executive Officer, Bill Hodson, works full-time at this location. This 60,000 square foot space serves as our manufacturing base, order processing and fulfillment facility. It has extensive 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 the space is shared with another organization. Part-time employees are used from time-to-time to satisfy order processing requirements and promotion events.

This facility allows 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.

Item 3 – Legal Proceedings

In the normal course of our business, we may periodically become subject to various lawsuits. However, there are currently no legal actions pending against us or, to our knowledge, are any such proceedings contemplated.

Item 4 – Mine Safety Disclosures

Not applicable

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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.

	High	Low
FISCAL YEAR ENDED December 31, 2014		
Fourth Quarter	$0.02	$0.01
Third Quarter	$0.06	$0.01
Second Quarter	$0.12	$0.04
First Quarter	$0.15	$0.03
FISCAL YEAR ENDED December 31, 2013		
Fourth Quarter	$0.05	$0.02
Third Quarter	$0.04	$0.01
Second Quarter	$0.07	$0.02
First Quarter	$0.20	$0.06

Holders

We had more than 300 stockholders of record of our common stock as of April 29, 2015, 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

On May 1, 2013, the Board of Directors of the Company adopted and approved the 2013 Stock Incentive Plan ("2013 Plan") whereby it reserved for issuance up to 7,500,000 shares of its common stock. The purpose of the Plan is to provide directors, officers and employees of, and consultants, to the Company with additional incentives by increasing their ownership in the Company. Directors, officers, employees and consultants of the Company are eligible to participate in the 2013 Plan. Incentive stock options may be granted only to employees of the Company. Options in the form of Non-Statutory Stock Options ("NSO") may be granted under the 2013 Plan. Restricted Stock may also be granted under the 2013 Plan. On May 3, 2013, the Company filed Form S-8 with the SEC to register those 7,500,000 shares of common stock. On May 24, 2014, the Company filed Form S-8 with the SEC to register an additional 10,000,000 shares of common stock under the 2013 Plan. On May 24, 2014, the Company filed Form S-8 with the SEC to register an additional 10,000,000 shares of common stock under the 2013 Plan. On April 10, 2015, the Company filed Form S-8 with the SEC to register an additional 135,000,000 shares of common stock under the 2013 Plan.

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 consolidated 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 others 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.

Derivative Liabilities

The Company assessed the classification of its derivative financial instruments as of December 31, 2014, which consist of convertible instruments and rights to shares of the Company's common stock, and determined that such derivatives meet the criteria for liability classification under ASC 815.

ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to the requirements of ASC 815. ASC 815 also provides an exception to this rule when the host instrument is deemed to be conventional, as described.

Fair Value of Financial Instruments

Effective January 1, 2008, the Company adopted FASB ASC 820-Fair Value Measurements and Disclosures, or ASC 820, for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements establishes a framework for measuring fair value and expands disclosure about such fair value measurements. The adoption of ASC 820 did not have an impact on the Company's financial position or operating results, but did expand certain disclosures.

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

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs for which there is little no market data, which require the use of the reporting entity's own assumptions.

The Company did not have any Level 2 or Level 3 assets or liabilities as of December 31, 2014, with the exception of its convertible notes payable and derivative liability. The carrying amounts of these liabilities at December 31, 2014 approximate their respective fair value based on the Company's incremental borrowing rate.

Cash is considered to be highly liquid and easily tradable as of December 31, 2014 and therefore classified as Level 1 within our fair value hierarchy.

In addition, FASB ASC 825-10-25 Fair Value Option, or ASC 825-10-25, was effective for January 1, 2008. ASC 825-10-25 expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. The Company did not elect the fair value options for any of its qualifying financial instruments.

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Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with professional standards for “Accounting for Derivative Instruments and Hedging Activities”.

Professional standards generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. Professional standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as “The Meaning of “Conventional Convertible Debt Instrument”.

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with professional standards when “Accounting for Convertible Securities with Beneficial Conversion Features,” as those professional standards pertain to “Certain Convertible Instruments.” Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note.

ASC 815-40 provides that, among other things, generally, if an event is not within the entity’s control could or require net cash settlement, then the contract shall be classified as an asset or a liability.

Results of Operations

Company Overview for the year ended December 31, 2014 and 2013

During the year ended December 31, 2014 and 2013, we incurred net losses of $4,183,518 and $1,265,936, respectively.

Comparison of the results of operations for the year ended December 31, 2014 and 2013

Sales. During the years ended December 31, 2014 and 2013, sales of our products amounted to $238,957 and $146,169, respectively. Our sales increased by $92,788 or 63% due to larger initial orders from first time customers.

Cost of goods sold. For the fiscal year ended December 31, 2014, cost of goods sold was $240,618 compared to $93,592 for the fiscal year ended December 31, 2013. Our increase of $147,026 or 157% in cost of goods is a result of increase in orders and a larger supply of raw materials and inventory write-down of $78,541 during 2014.

Gross (loss) profit. For the fiscal year ended December 31, 2014, our gross loss was $1,661 (.7% of revenue) compared to gross profit of $52,577 (36% of revenue) for the fiscal year ended December 31, 2013. The decrease in gross profit dollar amount and in gross profit percentage in 2014 from 2013, is a result of increased cost of goods sold in 2014 due to inventory write-down of $78,541.

Costs and Expenses

General and Administrative. During the year ended December 31, 2014, general and administrative expenses amounted to $2,827,508, as compared to $869,131 in the year ended December 31, 2013, an increase of $1,958,377 or 225%. The increase in general and administrative expenses was almost entirely due to $1,751,184 of stock based compensation in 2014 compared to $0 in the corresponding period in 2013.

Selling Costs. During the years ended December 31, 2014 and 2013, selling costs amounted to $55,764 or 23% of sales and $64,678 or 44% of sales, respectively. The dollar decrease in selling costs is attributable to efficiencies gained through higher sales volume.

Depreciation. During the years ended December 31, 2014 and 2013, depreciation expense amounted to $4,658 and $7,079, respectively.

Other expense. During the years ended December 31, 2014 and 2013, other expense totaled $298,786 and $0 respectively. The increase is primarily due to the write off of subscription receivable totaling $45,000, loss of settlement of debt totaling $24,000, the issuance of common stock at a discount totaling $80,600 and the issuance of common stock for the purchase of Apple Rush trademarks totaling $84,000.

Interest expense. During the year ended December 31, 2014 interest expense increased to $653,916 from $59,196 during the year ended December 31, 2013, an increase of $594,720. The primary reason for the increase is due to the issuance of shares recorded as interest totaling $614,200 in the first quarter of 2014.

Loss on settlement of debt. During the year ended December 31, 2014 loss on settlement of debt totaled $54,376 compared to $13,746 gain on settlement of debt for the year ended December 31, 2013. The increase relates to the Company settling debts by issuing shares of common and preferred stock as well as the forgiveness of approximately $45,000 in convertible debt.

Gain on change in fair value of derivative liability. As described in our accompanying consolidated financial statements, we issued convertible notes with certain conversion features that have certain reset provisions. All of which, we are required to bifurcate from the host financial instrument and mark to market each reporting period. We recorded the initial fair value of the reset provision as a liability with an offset to equity or debt discount and subsequently mark to market the reset provision liability at each reporting cycle.

For the year ended December 31, 2014, we recorded a loss of $61,030 in change in fair value of the derivative liability including initial non-cash interest as compared to a gain $65,544 for the year ended December 31, 2013. Also, the Company amortized beneficial conversion feature expense on convertible notes of $225,819 during the year ended December 31, 2014 as compared to $397,719 in 2013.

Going Concern

The Company's consolidated financial statements are prepared using U.S. GAAP applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. We have an accumulated deficit of $8,134,449 and our current liabilities exceeded our current assets by $715,162 as of December 31, 2014. We may require additional funding to sustain our operations and satisfy our contractual obligations for our planned operations. Our ability to establish the Company as a going concern is may be dependent upon our ability to obtain additional funding in order to finance our planned operations.

In order to continue as a going concern, develop a reliable source of revenues, and achieve a profitable level of operations the Company will need, among other things, additional capital resources. Management's plans to continue as a going concern include raising additional capital through increased sales of product and by sale of common shares. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans. The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Liquidity and Capital Resources

During the year ended December 31, 2014, our cash flows from operations were not sufficient for us to meet our operating commitments. Our cash flows from operations continue to be, and are expected to continue to be, insufficient to meet our operating commitments.

Working Capital. As of December 31, 2014, we had a working capital deficit of $715,162 and cash of $1,448, while at December 31, 2013 we had a working capital deficit of $772,935 and cash of $8,342. The decrease in our working capital deficit is primarily attributable to an increase in current assets, with a minimal increase in current liabilities in the current year versus the prior year. We do not expect our working capital deficit to decrease in the near future.

Cash Flow. Net cash used in or provided by operating, investing and financing activities for the years ended December 31, 2014 and 2013 were as follows:

	Year Ended	
	December 31,	
	2014	2013
Net cash used in operating activities	$(757,463)	$(500,167)
Net cash used in investing activities	$(28,431)	$-
Net cash provided by financing activities	$779,000	$506,399

Net Cash Used in Operating Activities. The changes in net cash used in operating activities are attributable to our net loss adjusted for non-cash charges as presented in the consolidated statements of cash flows and changes in working capital as discussed above.

Net Cash Used in Investing Activities. Net cash used in investing activities for the year ended December 31, 2014 was related to purchases of equipment and payments for security deposits. There were no capital expenditures for the year ended December 31, 2013.

Net Cash Provided by Financing Activities. Net cash provided by financing activities relates primarily to cash received from sales of our common stock and issuance of our notes payable as well as capital contributions and advances from shareholders.

Off-Balance Sheet Arrangements

We do not have off-balance sheet arrangements.

Inflation

The effect of inflation on the Company's revenue and operating results was not significant.

Contractual Obligations

None.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is the new comprehensive revenue recognition standard that will supersede all existing revenue recognition guidance under GAAP. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to a customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This ASU is effective for annual and interim periods beginning on or after December 15, 2016, and early adoption is not permitted. Entities will have the option of using either a full retrospective approach or a modified approach to adopt the guidance in the ASU. The Company is currently evaluating the impact of adopting this guidance.

In June 2014, the FASB issued ASU 2014-12, "Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period." This ASU provides more explicit guidance for treating share-based payment awards that require a specific performance target that affects vesting and that could be achieved after the requisite service period as a performance condition. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2015. The Company does not expect the adoption of this guidance to have a material impact on the consolidated financial statements.

In August 2014, the FASB issued a new accounting standard which requires management to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern for each annual and interim reporting period. If substantial doubt exists, additional disclosure is required. This new standard will be effective for the Company for annual and interim periods beginning after December 15, 2016. Early adoption is permitted. The Company expects to adopt this new standard for the fiscal year ending December 31, 2015 and the Company will continue to assess the impact on its consolidated financial statements.

There are various other updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to a have a material impact on the Company's financial position, results of operations or cash flows.

Item 7A – Quantitative and Qualitative Disclosures About Market Risk

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

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Item 8 – Financial Statements and Supplementary Data

See pages F-1 through F-20 following:

LIVEWIRE ERGOGENICS, INC.

DECEMBER 31, 2014

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

LiveWire Ergogenics, Inc.

We have audited the accompanying consolidated balance sheets of LiveWire Ergogenics, Inc. (the “Company”) as of December 31, 2014 and 2013, and the related consolidated statements of operations, stockholders’ deficit and cash flows for each of the two years in the period ended December 31, 2014. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LiveWire Ergogenics, Inc. at December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has sustained net losses and stockholder’s deficit. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regards to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ RBSM LLP

May 8, 2015

New York, New York

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LiveWire Ergogenics, Inc. Consolidated Balance Sheets

	December 31, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$1,448	$8,342
Accounts receivable, net	9,447	-
Inventory, net	47,128	46,234
Prepaid and other current assets	220,391	930
Total current assets	278,414	55,506
Property and equipment, net	7,799	7,456
Security deposits	23,430	-
Total assets	$309,643	$62,962
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$153,370	$104,145
Accounts payable - related party	-	236,341
Deferred revenue	79,342	-
Due to others	23,015	-
Notes payable	235,700	165,096
Notes payable - related party	196,341	-
Convertible debentures, net	244,778	322,859
Derivative liability	61,030	-
Total liabilities	993,576	828,441
COMMITMENT AND CONTINGENCIES (SEE NOTE 8)	-	-
STOCKHOLDERS' DEFICIT		
Preferred stock, $0.0001 par value, 10,000,000 shares authorized		
Series B convertible preferred stock, $0.0001 par value, 150,000 shares designated, 32,820 and 134,724 shares issued and outstanding at December 31, 2014 and 2013	3	13

respectively, liquidation preference is $1 per share		
Series C convertible preferred stock, $0.0001 par value, 75 shares designated, 75 and 0 shares issued and outstanding at December 31, 2014 and 2013, respectively, liquidation preference is $200 per share	-	-
Common stock, $0.0001 par value, 200,000,000 and 100,000,000 shares authorized, respectively, 156,508,559 and 86,807,868 shares issued and outstanding at December 31, 2014 and 2013, respectively	15,651	8,681
Class A convertible common stock, $0.0001 par value, 1,000,000 shares authorized, 0 shares issued and outstanding at December 31, 2014 and 2013	-	-
Subscription receivable	-	(45,000)
Additional paid-in-capital	7,434,862	3,221,758
Accumulated deficit	(8,134,449)	(3,950,931)
Total stockholders' deficit	(683,933)	(765,479)
Total liabilities and stockholders' deficit	$309,643	$62,962

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

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**LiveWire Ergogenics, Inc.
Consolidated Statements of Operations**

	For the years ended December 31, 2014	2013
Income:		
Sales	$238,957	$146,169
Cost of goods sold	240,618	93,592
Gross (Loss) Profit	(1,661)	52,577
Operating Expenses:		
Selling costs	55,764	64,678
General and administrative costs	2,827,508	869,131
Depreciation	4,658	7,079
Total Operating Expenses	2,887,930	940,888
Loss from operations	(2,889,591)	(888,311)
Other Expenses (Income):		
Other expense	298,786	-
Loss (gain) on change in fair value of derivative liability	61,030	(65,544)
(Gain) loss on settlement of debt	54,376	(13,746)
Amortization of beneficial conversion feature	225,819	397,719
Interest expense	653,916	59,196
Total other expenses	1,293,927	377,625
Net Loss Before Provision for Income Taxes	$(4,183,518)	$(1,265,936)
Income Tax	-	-
Net Loss	$(4,183,518)	$(1,265,936)
Basic and diluted loss per share	$(0.03)	$(0.02)
Weighted average shares outstanding - basic and diluted	133,042,823	75,068,775

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

LiveWire Ergogenics, Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

	Preferred Stock Series B		Preferred Stock Series C		Common Stock Series A		Common Stock		Common Stock to be Issued		Stock Subscription	Additi Paid in
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Receivable	Capita
Balances, December 31, 2012	-	$-	-	$-	-	$-	68,460,139	$6,846	50,400	$5	$(45,000)	$1,832
Shares issued for services	-	-	-	-	-	-	4,800,000	480	-	-	-	183,8
Shares issued for payment of notes payable	-	-	-	-	-	-	1,672,330	167	-	-	-	34,81
Shares issued for payment of convertible notes payable	-	-	-	-	-	-	11,591,523	1,160	-	-	-	140,3
Shares issued for interest of convertible notes payable	-	-	-	-	-	-	233,476	23	-	-	-	3,797
Shares issued for common stock to be issued	-	-	-	-	-	-	50,400	5	(50,400)	(5)	-	-
Preferred shares issued for conversion of notes payables and accrued expenses	134,724	13	-	-	-	-	-	-	-	-	-	134,7

Capital contribution	-	-	-	-	-	-	-	-	-	-	-	460,6
Extinguishment of derivative liability	-	-	-	-	-	-	-	-	-	-	-	216,9
Beneficial conversion feature in connection with convertible notes	-	-	-	-	-	-	-	-	-	-	-	214,5
Net loss for the year ended December 31, 2013	-	-	-	-	-	-	-	-	-	-	-	-
Balances, December 31, 2013	134,724	$13	-	$-	-	$-	86,807,868	$8,681	-	$-	$(45,000)	3,221
Conversion of Series B Preferred shares to shares of common stock	(101,904)	(10)	-	-	-	-	3,112,955	311	-	-	-	(301
Series C Preferred shares isued for stock based compensation	-	-	75	-	-	-	-	-	-	-	-	24,00
Write down of subscription receivable	-	-	-	-	-	-	-	-	-	-	45,000	-
Class A common shares issued for conversion of debt	-	-	-	-	1,000,000	100	-	-	-	-	-	62,49
Conversion of Class A Common Stock	-	-	-	-	(1,000,000)	(100)	1,000,000	100	-	-	-	-

to shares of Common Stock												
Shares issued for stock based compensation	-	-	-	-	-	-	16,035,000	1,604	-	-	-	1,734
Shares issued for services and prepaid services	-	-	-	-	-	-	15,350,000	1,535	-	-	-	654,4
Shares issued for payment of notes payable	-	-	-	-	-	-	2,000,000	200	-	-	-	73,80
Shares issued for payment of convertible notes payable	-	-	-	-	-		11,297,365	1,130	-	-	-	249,1
Shares issued for interest of convertible notes payable	-	-	-	-	-	-	485,349	48	-	-	-	8,832
Shares issued for conversion of accrued expenses	-	-	-	-	-	-	431,428	43	-	-	-	46,55
Shares issued for cash	-	-	-	-	-	-	8,346,000	835	-	-	-	423,4
Shares issued for purchase of trademarks	-	-	-	-	-	-	4,000,000	400	-	-	-	83,60
Shares issued for interest expense	-	-	-	-	-	-	7,642,593	764	-	-	-	613,4
Loss on settlement of debt	-	-	-	-	-	-	-	-	-	-	-	24,00
Beneficial conversion feature in connection with	-	-	-	-	-	-	-	-	-	-	-	215,0

convertible notes													
Net loss for the year ended December 31, 2014	-	-	-	-	-	-	-	-	-	-	-	-	
Balances, December 31, 2014	32,820	$3	75	$-	-	$-	156,508,558	$15,651	-	$-	$-	$7,434	

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

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LiveWire Ergogenics, Inc.
Consolidated Statements of Cash Flows

	For the years ended December 31, 2014	2013
Cash Flows From Operating Activities:		
Net loss	$(4,183,518)	$(1,265,936)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	4,658	7,079
Net loss (gain) on settlement of debt	79,401	(13,746)
Change in fair value of derivative liability	61,030	(65,544)
Amortization of beneficial conversion feature	225,819	397,719
Amortization of prepaid consulting fees	297,336	-
Common stock issued for services	210,850	184,320
Common stock issued for interest expense	614,200	3,820
Common stock issued for purchase of trademarks	84,000	-
Stock based compensation	1,751,184	-
Write off of subscription receivable	45,000	-
Bad debt provision	91,222	1,780
Discount on issuance of common stock	80,600	-
Change in operating assets and liabilities:		
Accounts receivable, net	(100,669)	2,695
Due to others	23,015	-
Inventory, net	(894)	662
Prepaid and other current assets	(152,237)	-
Accounts payable and accrued expenses	62,198	(4,016)
Accounts payable - related party	(30,000)	251,000
Deferred revenue	79,342	-
Net cash used in operating activities	(757,463)	(500,167)
Cash Flows From Investing Activities		
Purchase of equipment	(5,001)	-
Payments towards security deposits	(23,430)	-
Net cash used in investing activities	(28,431)	-
Cash Flows From Financing Activities		
Proceeds from notes payable	177,700	180,000
Repayment of note payable	(28,000)	(53,500)
Proceeds from convertible notes payable	215,000	540,000
Repayment of convertible note payable	-	(151,000)
Advance from stockholders	-	57,446

Repayment of advances from stockholders	-	(10,297)
Repayment of shareholder loans	-	(56,250)
Repayment of notes payable - related party	(10,000)	-
Proceeds from issuance of common stock	424,300	-
Net cash provided by financing activities	779,000	506,399
Net (Decrease) Increase in Cash	(6,894)	6,232
Cash at Beginning of Year	8,342	2,110
Cash at End of Year	$1,448	$8,342
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$-	$15,023
Cash paid for income taxes	$-	$-
Non Cash Investing and Financing Activities		
Beneficial conversion feature on convertible notes	$215,000	$425,500
Preferred shares issued for conversion/payment of notes payable	$-	$134,724
Conversion of accounts payable - related party to convertible notes payable	$-	$90,045
Common stock issued for payment of notes payable	$50,000	$34,980
Common stock issued for payment of convertible notes payable	$250,300	$141,500
Conversion of interest to note payable	$-	$7,500
Conversion of note payable to Class A common stock	$20,596	$-
Conversion of Class A common stock to common stock	$100	$-
Accounts payable and accrued expenses settled by issuance of common stock	$12,973	$-
Conversion of accounts payable - related party to notes payable - related party	$206,341	$-
Common stock issued for prepaid consulting services	$364,560	$-
Conversion of Series B preferred stock to common stock	$10	$-
Capital contribution related to accrued expenses	$-	$460,667
Reclassification of derivative liabilities to additional paid-in capital on conversion of debt	$-	$216,911
Common stock issued for conversion of interest	$8,880	$-

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

LIVEWIRE ERGOGENICS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 1 – BASIS OF PRESENTATION AND NATURE OF OPERATIONS

The Company

LiveWire MC2, LLC ("LVWR") was organized under the laws of the State of California on January 7, 2008 as a limited liability company. LVWR was formed for the purpose of developing and marketing consumable energy supplements. LVWR adopted December 31 as the fiscal year end.

On June 30, 2011, LVWR, together with its members, entered into a purchase agreement (the "Purchase Agreement"), for a share exchange with SF Blu Vu, Inc., ("SF Blu"), a public Nevada shell corporation. SF Blu Vu Inc. was formed in Nevada on October 9, 2007 under the name Semper Flowers, Inc. On May 15, 2009, Semper Flowers, Inc. changed its name to SF Blu Vu, Inc. The Purchase Agreement was ultimately completed on August 31, 2011. Under the terms of the Purchase Agreement, SF Blu issued 36,000,000 (30,000,000 shares pre stock split of 1 additional share for every five shares held) of their common shares for 100% of the members' interest in LVWR. Subsequent to the Purchase Agreement, the members of LVWR owned 60% of common shares of SF Blu, effectively obtaining operational and management control of SF Blu. For accounting purposes, the transaction has been accounted for as a reverse acquisition under the purchase method of business combinations, and accordingly the transaction has been treated as a recapitalization of LVWR, the accounting acquirer in this transaction, with SF Blu (the shell) as the legal acquirer.

Subsequent to the Purchase Agreement being completed, SF Blu as the legal acquirer and surviving company, together with their controlling stockholders from LVWR changed the name of SF Blu to LiveWire Ergogenics, Inc. ("LiveWire") on September 20, 2011. Hereafter, SF Blu, LVWR, or LiveWire are referred to as the "Company", unless specific reference is made to an individual entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Advertising

Advertising is expensed as incurred and is included in selling costs on the accompanying consolidated statements of operations. Advertising and marketing expense for the years ended December 31, 2014 and 2013 was approximately $55,700 and $64,700, respectively.

Accounts Receivable

Accounts receivable are presented net of an allowance for doubtful accounts. The Company maintains allowances for doubtful accounts for estimated losses. The Company reviews the accounts receivable on a periodic basis and makes general and specific allowances when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, the Company considers many factors, including the age of the balance, a customer's historical payment history, its current credit-worthiness and current economic trends. Accounts are written off after exhaustive efforts at collection. At December 31, 2014 and 2013, the Company has established, based on a review of its outstanding balances, an allowance for doubtful accounts in the amount of $49,153 and $28,098, respectively.

Basis of Accounting

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for annual financial statements and with Form 10-K and article 8 of the Regulation S-X of the United States Securities and Exchange Commission ("SEC"). Under this basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less and money market accounts to be cash equivalents. There were no cash equivalents at December 31, 2014 and 2013.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Derivative Liabilities

The Company assessed the classification of its derivative financial instruments as of December 31, 2014, which consist of convertible instruments and rights to shares of the Company's common stock, and determined that such derivatives meet the criteria for liability classification under ASC 815.

ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to the requirements of ASC 815. ASC 815 also provides an exception to this rule when the host instrument is deemed to be conventional, as described.

Inventory

Inventory is stated at the lower of cost or market value using the FIFO method. Inventory consists primarily of finished goods and packaging materials and production supplies, i.e. packaged consumable energy supplements, manufactured under contract, and the wrappers and containers they are sold in. A periodic inventory system is maintained by 100% count. Inventory is replaced periodically to maintain the optimum stock on hand available for immediate shipment.

Inventory is shown on the balance sheet net of a reserve, which represents older packaging that may still be used as samples. The Company does not anticipate taking additional inventory reserves in the future.

Fair Value of Financial Instruments

Effective January 1, 2008, the Company adopted FASB ASC 820-Fair Value Measurements and Disclosures, or ASC 820, for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements establishes a framework for measuring fair value and expands disclosure about such fair value measurements. The adoption of ASC 820 did not have an impact on the Company’s financial position or operating results, but did expand certain disclosures.

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

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The Company did not have any Level 2 or Level 3 assets or liabilities as of December 31, 2014, with the exception of its convertible notes payable and derivative liability. The carrying amounts of these liabilities at December 31, 2014 approximate their respective fair value based on the Company's incremental borrowing rate.

Cash is considered to be highly liquid and easily tradable as of December 31, 2014 and therefore classified as Level 1 within our fair value hierarchy.

In addition, FASB ASC 825-10-25 Fair Value Option, or ASC 825-10-25, was effective for January 1, 2008. ASC 825-10-25 expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. The Company did not elect the fair value options for any of its qualifying financial instruments.

<u>Convertible Instruments</u>

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with professional standards for "Accounting for Derivative Instruments and Hedging Activities".

Professional standards generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. Professional standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as "The Meaning of "Conventional Convertible Debt

Instrument".

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with professional standards when "Accounting for Convertible Securities with Beneficial Conversion Features," as those professional standards pertain to "Certain Convertible Instruments." Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note.

ASC 815-40 provides that, among other things, generally, if an event is not within the entity's control could or require net cash settlement, then the contract shall be classified as an asset or a liability.

Income Taxes

Prior to the Purchase Agreement LVWR was taxed as a limited liability company, which is a 'pass through entity' for tax purposes. Taxable income flowed through to its members, and income taxes were not levied at the company level. Subsequent to the reverse merger LVWR became a subsidiary of the SF Blu and is taxed at the Company's marginal corporate rate. The Company accounts for income taxes under the provisions of ASC Section 740-10-30, which is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in their consolidated financial statements or tax returns.

Stock Based Compensation

The Company accounts for the grant of stock options and restricted stock awards in accordance with ASC 718, "Compensation-Stock Compensation." ASC 718 requires companies to recognize in the statement of operations the grant-date fair value of stock options and other equity based compensation.

Recognition of Revenue

Sales are recorded at the time title of goods sold passes to customers, which based on shipping terms which generally occurs when the product is shipped to the customer and collectability is reasonably assured. Based on prior experience, the Company reasonably estimates its sales returns and warranty reserves. Sales are presented net of discounts and allowances. Discounts and allowances are determined when a sale is negotiated. The Company does not grant price adjustments after a sale is complete. The Company warrants its products sold on the internet with a right of exchange by means of an approved Return Merchandise Authorization (RMA). Returns of unused merchandise are similarly authorized. Warranty and return policy for product sold through retail distribution channels is negotiated with each customer.

The Company's revenue is primarily derived from sales of their consumable energy supplement products through distributors who distribute their products to retailers. The Company also sells their products directly to consumers; this is normally done through internet sales. This portion of their sales is minimal.

Deferred revenue is comprised of advances from customers, which will be applied toward future invoices within one year. As of December 31, 2014 and 2013, the balance was $79,342 and $0, respectively.

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.

Shipping costs

Shipping costs are included in cost of goods sold and totaled approximately $26,600 and $6,300 for the years ended December 31, 2014 and 2013, respectively.

Earnings (loss) per common share

The Company utilizes the guidance per FASB Codification “ASC 260 "Earnings Per Share". Basic earnings per share is calculated on the weighted effect of all common shares issued and outstanding, and is calculated by dividing net income available to common stockholders by the weighted average shares outstanding during the period. Diluted earnings per share, which is calculated by dividing net income available to common stockholders by the weighted average number of common shares used in the basic earnings per share calculation, plus the number of common shares that would be issued assuming conversion of all potentially dilutive securities outstanding, is not presented separately as it is anti-dilutive. Such securities, shown below, presented on a common share equivalent basis and outstanding as of December 31, 2014 and 2013 have been excluded from the per share computations:

	For the Years Ended December 31,	
	2014	2013
Convertible Notes Payable	11,215,075	15,806,849
Warrants	6,680,002	6,680,002
Series B Preferred Stock	32,820	134,724
Series C Preferred Stock	600,000	-

Long Lived Assets

The Company follows Accounting Standards Codification subtopic 360-10, Property, Plant and Equipment (“ASC 360-10”). ASC 360-10 requires those long-lived assets and certain identifiable intangibles held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. The Company evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should impairment in value be indicated, the carrying value of intangible assets will be adjusted, based on estimates of future discounted cash flows resulting from the use and ultimate disposition of the asset. ASC 360-10 also requires assets to be disposed of be reported at the lower of the carrying amount or the fair value less costs to sell.

Reclassification

Certain reclassifications have been made to conform the prior period data to the current presentation. These reclassifications had no effect on reported net loss.

Principles of Consolidation

The accompanying consolidated financial statements for the year ended December 31, 2014, include the accounts of the Company and its wholly-owned subsidiary LiveWire MC2, LLC (“LVWR”). All significant intercompany balances and transactions have been eliminated in consolidation.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is the new comprehensive revenue recognition standard that will supersede all existing revenue recognition guidance under GAAP. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to a customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This ASU is effective for annual and interim periods beginning on or after December 15, 2016, and early adoption is not permitted. Entities will have the option of using either a full retrospective approach or a modified approach to adopt the guidance in the ASU. The Company is currently evaluating the impact of adopting this guidance.

In June 2014, the FASB issued ASU 2014-12, "Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period." This ASU provides more explicit guidance for treating share-based payment awards that require a specific performance target that affects vesting and that could be achieved after the requisite service period as a performance condition. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2015. The Company does not expect the adoption of this guidance to have a material impact on the consolidated financial statements.

In August 2014, the FASB issued a new accounting standard which requires management to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern for each annual and interim reporting period. If substantial doubt exists, additional disclosure is required. This new standard will be effective for the Company for annual and interim periods beginning after December 15, 2016. Early adoption is permitted. The Company expects to adopt this new standard for the fiscal year ending December 31, 2015 and the Company will continue to assess the impact on its consolidated financial statements.

There are various other updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to a have a material impact on the Company's financial position, results of operations or cash flows.

NOTE 3 – GOING CONCERN

The Company's consolidated financial statements are prepared using U.S. GAAP applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has a net loss of $4,183,518 for the year ended December 31, 2014, and has an accumulated deficit of $8,134,449 as of December 31, 2014. The Company has not yet established an adequate ongoing source of revenues sufficient to cover its operating costs and to allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease development of operations.

In order to continue as a going concern, develop a reliable source of revenues, and achieve a profitable level of operations the Company will need, among other things, additional capital resources. Management's plans to continue as a going concern include raising additional capital through increased sales of product and by sale of common shares. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans. The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 4 – PROPERTY AND EQUIPMENT

	December 31, 2014	December 31, 2013
Equipment	$ 27,780	$ 26,338
Accumulated depreciation	(19,981)	(18,882)
Total	$ 7,799	$ 7,456

Property and equipment is stated at cost less accumulated depreciation and depreciated using straight line methods over the estimated useful lives of the related assets ranging from three to five years. Maintenance and repairs are expensed currently. The cost of normal maintenance and repairs is charged to operations as incurred. Major overhaul that extends the useful life of existing assets is capitalized. When equipment is retired or disposed, the costs and related accumulated depreciation are eliminated and the resulting profit or loss is recognized in income.

Depreciation expense amounted to $4,658 and $7,079 for the years ended December 31, 2014 and 2013, respectively. During the year ended December 31, 2014, the Company purchased equipment for cash totaling approximately $5,000.

NOTE 5 – INVENTORY

The Company outsources the manufacturing of their consumable energy supplements. The wife of the Company's CEO owns approximately 8% of this food outsource producer. The Company believes that they are a minor customer of this outsource producer and that production terms with this outsourcer are conducted on an arms-length basis.

	December 31, 2014	December 31, 2013
Finished goods	$ 117,376	$ 423
Packaging materials and production supplies	26,192	66,445
	143,568	66,868
Reserve on inventory	(96,440)	(20,634)
	$ 47,128	$ 46,234

NOTE 6 – COSTS INCURRED IN CONNECTION WITH APPLE RUSH TRANSACTION

Pursuant to the 8-K filed on August 14, 2014 on Form 8-K filed by the Registrant with the Securities and Exchange Commission on May 20, 2014, the Company reported that “on May 13, 2014 the Company completed the acquisition of a majority stake of Apple Rush Company, Inc. (“Apple Rush”), pursuant to a Memorandum of Understanding which the Company had disclosed on Form 8-K filed on March 10, 2014”. Due to the complicated and difficult nature of the due diligence and other requirements to complete the transaction, the Company has decided not to go ahead with the Apple Rush transaction. As a result, the costs incurred totaling $64,549 related to the Apple Rush transaction were expensed and are included in other expenses on the consolidated statements of operations. On October 14, 2014, the Company issued 4,000,000 shares of common stock, in connection with the purchase of Apple Rush trademarks, valued at $84,000 pursuant to fair market value of the shares issued on the day of the agreement and charged to operations since the Company has not decided to go ahead with the Apple Rush transaction.

NOTE 7 – RELATED PARTY TRANSACTIONS AND LOANS FROM STOCKHOLDERS

Included in convertible notes payable as of December 31, 2014 and 2013, $0 and $70,045, respectively, related to legal fees payable to a related party Richard Weed and Weed & Co. During the year ended December 31, 2014 the Company issued 1,500,000 shares of its common stock for conversion of $24,300 and the balance of $45,745 was forgiven by the note holder.

Also included in accounts payable – related parties as of December 31, 2014 and 2013, $0 and $236,341, respectively, payable to an entity owned by the controlling shareholders of the Company. The decrease in accounts payable – related party is due to a reclassification of accounts payable to a note payable related party for the amount of $206,341. The related entity provides marketing and product development costs and general and administrative expenses to the Company. During the year ended December 31, 2014, the Company repaid $10,000 in cash.

As of December 31, 2014 and 2013 the Company, CEO and President advanced $0 and $43,596, respectively. During the year ended December 31, 2014, the Company repaid $23,000 in cash and issued 1,000,000 shares of Class A common stock to convert the balance of $20,596 valued at $67,000. In addition, the $4,404 was recorded as a stock based compensation and $42,000 was recorded as a loss on settlement of debt during the year ended December 31, 2014. During the year ended December 31, 2014, the Company's CEO and President received compensation of $15,000 in connection with a certain sale.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Employment Agreements

On July 20, 2011 the Company entered into two employment agreements. The agreements have a five year term and may be terminated upon mutual agreement. The salary associated
withm">

	17,265	$441,984	31,320	$801,792	40,000	$3.23	8/09/2012	28,000		$8.44	8/13/2014	50	
CRAIG A. CREATURO													
	5,768	$147,661	15,990	$409,344	12,000	$8.80	9/19/2015	9,600	2,400	$10.37	8/12/2016	4,920	3
VINCENT D. MATTERA, JR.													
	5,093	$130,381	15,090	$386,304	18,070	$6.60	2/11/2014	20,000		$8.44	8/13/2014	24,000	$
JAMES MARTINELLI													
	4,358	$111,565	16,110	$412,416	24,000	$3.23	8/9/2012	16,000		$8.44	8/13/2014	12,000	$8
HERMAN E. REEDY													
			6,000	$10.37	8/12/2016	3,600	$13.89	8/11/2017		4,000	$23.50	8/16/2018	

(1) This column shows the number of stock options outstanding as of June 30, 2011. Generally, options vest and become exercisable ratably in five equal annual installments beginning one year after the grant date except for those issued to Mr. Kramer, whose options are fully vested upon grant pursuant to the terms of his employment agreement and to Mr. Reedy whose options became fully vested upon his retirement effective December 31, 2010

(2) This column shows the number of restricted stock awards issued as of June 30, 2011. These awards have a three-year cliff-vesting feature from the date of the grant. For Mr. Kramer, 8,300 restricted stock vest in August 2012 and 23,020 restricted stock vest in August 2013, for Mr. Creaturo, 8,300 restricted stock vest in August 2012 and 7,690 restricted stock vest in August 2013, for Dr. Mattera, 8,300 restricted stock vest in August 2012 and 6,790 restricted stock vest in August 2013 and for Mr. Martinelli, 8,300 restricted stock vest in August 2012, 5,810 restricted stock vest in August 2013 and 2,000 restricted stock vest in February 2014.

(3) Based on the closing market price of the Company s Common Stock on June 30, 2011 of $25.60 per share.

(4) This column shows the number of unvested performance shares outstanding as of June 30, 2011. The scheduled vesting dates of each of the performance share awards are in equal amounts, December 31, 2011 and June 30, 2012, assuming achievement of pre-established performance objectives. The performance share amounts presented are based on achieving performance goals at the maximum.

(5) Based on the closing market price of the Company s Common Stock on June 30, 2011 of $25.60 per share.

This table provides information for the NEOs on (1) stock option exercises during fiscal year 2011, including the number of shares acquired upon exercise and the value realized and (2) the number of shares acquired upon the vesting of performance share awards and the value realized, before payment of any applicable withholding tax and broker commissions.

Option Exercises and Stock Vested

Fiscal Year Ended June 30, 2011

	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($) (1)	Number of Shares Acquired Upon Vesting (#)	Value Realized Upon Vesting ($) (2)
Francis J. Kramer		$	11,638	$ 297,933
Craig A. Creaturo			3,148	80,589
Vincent D. Mattera, Jr.	15,000	205,450	2,738	70,093
James Martinelli			2,738	70,093
Herman E. Reedy	32,000	365,846	5,550	142,080

(1) The value realized on exercise of option awards represents the difference between the market price of the underlying stock at exercise and the exercise price of the options multiplied by the number of shares underlying the option exercised.

(2) The value realized upon vesting of the performance share awards represents the closing price of $25.60 per share on June 30, 2011 multiplied by the number of shares acquired upon vesting. (Represents performance shares physically received in August 2010 under the 24 month plan ended June 30, 2010.)

This table provides additional information about executive contributions to, and aggregate earnings under, the Deferred Compensation Plan for our NEOs as of and for the fiscal year ended June 30, 2011.

Non-Qualified Deferred Compensation

As of and for the Fiscal Year Ended June 30, 2011

Name	Executive Contributions FY2011 ($) (1)	Registrant Contributions in FY2011	Aggregate Earnings (Loss) in FY2011 ($) (2)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at June 30, 2011 ($) (3)
Francis J. Kramer	$ 1,638,960	$	$ 781,652	$	$ 4,048,647
Craig A. Creaturo	285,300		241,671		929,471
Vincent D. Mattera, Jr.	277,668		111,346		792,768
James Martinelli	364,118		591,684		2,057,912
Herman E. Reedy			123,662	(132,421)	529,683

(1) Eligible participants can elect to defer up to 100% of awards made under the Company s Discretionary Incentive Plan and performance share and restricted stock awards. The executive contributions above relate to deferrals effected in August 2011 of discretionary bonuses earned during the fiscal year ended June 30, 2011 and/or deferrals of performance shares earned for the 24 month period ended June 30, 2011.

For Mr. Kramer, the amount reported in this column includes $356,400 received as incentive compensation under the Discretionary Incentive Plan and deferred pursuant to the terms of the Deferred Compensation Plan (which amount is reflected in the Summary Compensations Table for 2010) and performance shares with a market value of $1,282,560 utilizing a closing price of $25.60 per share on June 30, 2011 awarded under the 2009 Omnibus Plan and deferred pursuant to the terms of the Deferred Compensation Plan (which awards were reflected in the Summary Compensation Table for 2009).

For Mr. Creaturo, the amount reported in this column includes $112,500 received as incentive compensation under the Discretionary Incentive Plan and deferred pursuant to the terms of the Deferred Compensation Plan (which amount is reflected in the Summary Compensations Table for 2010) and performance shares with a market value of $172,800 utilizing a closing price of $25.60 per share on June 30, 2011 awarded under the 2009 Omnibus Plan and deferred pursuant to the terms of the Deferred Compensation Plan (which awards were reflected in the Summary Compensation Table for 2009).

For Dr. Mattera, the amount reported in this column includes $129,828 received as incentive compensation under the Discretionary Incentive Plan and deferred pursuant to the terms of the Deferred Compensation Plan (which amount is reflected in the Summary Compensations Table for 2011) and performance shares with a market value of $147,840 utilizing a closing price of $25.60 per share on June 30, 2010 awarded under the 2009 Omnibus Plan and deferred pursuant to the terms of the Deferred Compensation Plan (which awards were reflected in the Summary Compensation Table for 2009).

For Mr. Martinelli, the amount reported in this column includes $68,438 received as incentive compensation under the Discretionary Incentive Plan and deferred pursuant to the terms of the Deferred Compensation Plan (which amount is reflected in the Summary Compensations Table for 2010) and performance shares with a market value of $295,680 utilizing a closing price of $25.60 per share on June 30, 2011 awarded under the 2009 Omnibus Plan and deferred pursuant to the terms of the Deferred Compensation Plan (which awards were reflected in the Summary Compensation Table for 2009).

(2) Aggregate earnings include interest, dividends, capital gains (losses) and unrealized appreciation (depreciation) in the individual investments. The Deferred Compensation Plan is administered by a third party and provides for investment options similar to those under the Profit Sharing Plan with the exception that amounts under the Deferred Compensation Plan may be invested in Common Stock. Performance share awards, restricted stock awards and other amounts that are deferred into Common Stock must remain invested in Common Stock and must be paid out in shares of Common Stock upon a qualifying distribution event.

(3) All amounts shown in this column are reported for 2011 or reported for previous fiscal years in the Summary Compensation Table, other than earnings or deferred amounts (which for this plan, are not required to be reported) and other than the difference between the actual value of performance share awards at payout and the fair value of performance share awards as reported for the year in which such awards were granted.

Potential Payments upon Change in Control and Employment Termination

Stock Option and Performance Share Awards

Pursuant to the terms of the 2009 Omnibus Plan, the Company s stock option, performance share and restricted share awards vest immediately prior to a change in control. Stock option, performance share and restricted stock awards also vest in the event of death, disability or retirement, although performance awards only vest in the event of death, disability or retirement to the extent earned on a pro-rata basis for the months employed relative to the performance period. In all other circumstances, the awards terminate upon termination of employment.

The following table sets forth for each of the following NEOs the potential amount that such NEO would have been entitled to receive pursuant to the vesting of unvested stock options, performance share and restricted share awards held by the NEO as of June 30, 2011 assuming a termination as of June 30, 2011 under the termination scenarios described below. The amounts shown are based on the closing price of the Common Stock on June 30, 2011 of $25.60 per share and, for stock options, represent the difference between the exercise price of the unvested options and $25.60. Mr. Reedy retired effective December 31, 2010.

Named Executive Officer	Acceleration of Unvested Stock Options, Performance Shares and Restricted Stock Upon Change in Control ($)	Acceleration of Unvested Stock Options, Performance Shares and Restricted Stock Upon Death, Disability or Retirement ($)
Francis J. Kramer	$ 1,016,474	$ 801,792
Craig A. Creaturo	$ 948,809	$ 877,077
Vincent D. Mattera, Jr.	$ 1,183,496	$ 1,120,162
James Martinelli	$ 922,994	$ 868,824
Herman E. Reedy	$	$

Employment Agreements Named Executive Officers

The following is an overview of the employment agreements the Company has entered into with its NEOs along with common definitions and terms applicable to all the employment agreements noted below. Mr. Reedy retired effective December 31, 2010.

Named Executive Officer	Employment Agreement Date
Francis J. Kramer	September 19, 2008
Craig A. Creaturo	September 19, 2008
Vincent D. Mattera, Jr.	September 19, 2008
James Martinelli	September 19, 2008

Common Definitions and Terms Used in the NEOs Employment Agreements

The following common definitions and terms are consistent for the NEOs employment agreements:

For purposes of the NEOs employment agreements:

Cause means a determination by our Board of Directors, in the exercise of its reasonable judgment, that any of the following has occurred: (i) the willful and continued failure by the NEO to perform his duties and responsibilities with us under the agreement (after notice and a 30-day cure period); (ii) the willful engaging by the NEO in any act which is materially damaging to us; (iii) the conviction of an NEO, or a plea of guilty or no contest to a felony or a criminal offense involving fraud, dishonesty or other moral turpitude; (iv) any material breach by an NEO of the terms of the agreement or any other written agreement between the NEO and the Company relating to proprietary information, confidentiality, non-competition or non-solicitation; or (v) the engaging by the NEO in any intentional act of dishonesty resulting or intended to result, directly or indirectly, in personal gain to the NEO at the Company s expense.

Change in Control means (i) the Company is merged or consolidated with another entity and following such transaction (A) the persons who were our shareholders immediately prior to such a transaction have less than a majority of the Company s voting power or the entity owning or controlling us or (B) individuals who comprise our Board of Directors immediately prior to such transactions cease to be at least a majority of the members of our Board of Directors or of an entity controlling us; or (ii) a majority of our assets are sold or otherwise transferred to another corporation not controlled by or under common control with us or to a partnership, firm, entity or individuals not so controlled; or (iii) a majority of members of our Board of Directors consists of persons who were not nominated for election by or on behalf of our Board of Directors or with their concurrence; or (iv) a single person, or a vote of persons, obtains voting control over a majority of our outstanding shares; provided, however, that a change in control will not have occurred as a result of any transaction in which Dr. Johnson, and/or his affiliates, including the II-VI Foundation, directly or indirectly, acquire more than a majority of our assets or stock or of an entity controlling us.

Good Reason means without the NEO s express written consent: (i) a material reduction of the NEO s employment responsibilities; (ii) a material reduction by the Company of the NEO s eligibility for total annual compensation; (iii) a material increase in the amount of the NEO s business travel which produces a constructive relocation of the NEO; (iv) a material reduction by the Company of the level of employee benefits with the result of overall benefits being significantly reduced; or (v) the relocation of the NEO to a facility or a location more than fifty (50) miles from the Saxonburg, Pennsylvania facility.

Employment Agreement Mr. Kramer

Mr. Kramer s employment agreement provides for a current annual base salary of $560,000 with the potential to earn cash bonuses and other bonuses in the discretion of the Compensation Committee. The agreement also provides Mr. Kramer with other benefits which are routinely provided to the employees of the Company, including participation in the 2009 Omnibus Plan.

If Mr. Kramer s employment is terminated as a result of death or permanent disability, the Company will pay to him or his representatives his annual base salary through the last day of the fiscal year in which the date of death or disability occurs and bonuses that would have been paid to him had he remained employed. Any such payments shall be made not later than the 15th day of the third month following the Company s fiscal year in which Mr. Kramer dies or becomes totally disabled. In the event that Mr. Kramer terminates employment other than for Good Reason, he will receive accrued salary and bonuses on a pro-rata basis to the date of termination.

If the Company terminates his employment without Cause or if Mr. Kramer terminates employment for Good Reason, except when such termination is coincident with or within an eighteen (18) month period following the occurrence of a Change in Control, after Mr. Kramer s execution of a release, the Company will pay to him severance in an amount equal to two (2) multiplied by his Average Annual Income. Average Annual Income for such payment is the sum of his annual base pay and annual cash bonuses for the preceding three (3) fiscal years divided by three (3). The severance will be paid no later than sixty (60) days after the date of termination after the expiration of any applicable revocation periods set forth in the release. The Company also will pay the premiums for health insurance coverage for a period of up to eighteen (18) months and also will pay, no later than 60 days after the date of termination, a lump sum cash payment of $15,000 in order to cover the cost of post-termination benefit coverage and expenses associated with seeking another employment position.

If Mr. Kramer s employment is terminated by the Company without Cause or by him for Good Reason, and such termination is coincident with or within the eighteen (18) month period following the occurrence of a Change in Control, after his execution of a release, the Company will pay to him severance in an amount equal to 2.99 multiplied by his Average Annual Income. Average Annual Income for this calculation is the sum of his annual base pay and annual cash bonuses for the preceding five (5) fiscal years divided by five (5). The severance will be

paid in a lump sum, no later than sixty (60) days after the date of termination. The Company will pay the premiums for health insurance coverage for a period of up to eighteen (18) months and shall also pay, no later than sixty (60) days after the date of termination, a lump sum cash payment of $40,000 in order to cover the cost of post-termination benefit coverage and expenses associated with seeking another employment position.

If the Company determines that part or any of the compensation to be paid to Mr. Kramer would constitute parachute payments under Section 280G of the Code, with the aggregate present value of the parachute payments and any other compensatory amounts (collectively, the parachute amounts) exceeding 2.99 times his base amount (as determined under Section 280G), then such amounts will be reduced to the extent necessary so that the parachute amount is equal to 2.99 times his base amount.

In addition to the termination payment described above, the Company has also agreed to provide Mr. Kramer with life insurance coverage in an amount equal to two (2) times his annual base salary and to provide long-term disability benefits equal to 60% of his annual base salary in excess of $200,000 until the age of 66 as a supplemental disability benefit.

Mr. Kramer is also subject to the terms of an employee invention, confidentiality, two (2)-year non-solicitation and non-competition agreement with the Company that survives the termination of Mr. Kramer s employment. If he engages in activities that violate these covenants, he will have no right to any unpaid severance benefits.

The following tables indicate the estimated severance payments that Mr. Kramer would have received assuming that the termination of his employment occurred as of June 30, 2011 under the circumstances described below.

Payments	**Termination For Death or Disability or for Good Reason (No Change in Control)**	**Termination With Cause**	**Termination Without Cause (Or for Good Reason No Change in Control)**	**Termination Without Cause or for Good Reason (After Change in Control)**
Cash Severance	$	$	$ 2,398,000	$ 3,186,000
Health Benefits	$	$	$ 14,400	$ 14,400
Life Insurance	$	$	$ 3,000	$ 3,000
Post-termination Benefits	$	$	$ 15,000	$ 40,000
	$	$	$ 2,430,400	$ 3,243,400

Employment Agreements Dr. Mattera, Mr. Creaturo and Mr. Martinelli

An amended and restated employment agreement was entered into with Dr. Mattera and employment agreements were entered into with Messrs. Creaturo and Martinelli, which provide for current annual base salaries of $345,000, $318,000 and $264,000, respectively, and with the potential to earn cash bonuses and other bonuses in the discretion of the Compensation Committee. The agreements also provide each of these NEOs with the other benefits which are routinely provided to the employees of the Company including participation in the 2009 Omnibus Plan and bonus plans.

If employment of any of these NEOs is terminated by the Company except when such termination is coincident with or within an eighteen (18) month period following the occurrence of a Change in Control, and other than a termination for Cause, after such NEO s execution of a release, the Company will pay to the NEO severance in an amount equal to nine (9) months of the monthly salary which the NEO is receiving at the time of separation. The severance will be paid no later than sixty (60) days after the date of termination. The Company also will pay the premiums for health insurance coverage for a period of up to nine (9) months.

If any of these NEO s employment is terminated by the Company without Cause or by him for Good Reason, and such termination is coincident with or within the eighteen (18) month period following the occurrence of a Change in Control, after execution of a release, the Company will pay to the NEO severance in an amount equal to 2.99 multiplied by his Average Annual Income. Average Annual Income for this calculation is the sum of his annual base pay and annual cash bonuses for the preceding five (5) fiscal years divided by five (5). The severance will be paid in a lump sum, no later than sixty (60) days after the date of termination. The Company will pay the premiums for health insurance coverage for a period of up to eighteen (18) months and shall also pay, no later than sixty (60) days after the date of termination, a lump sum cash payment of $20,000 in order to cover the cost of post-termination benefit coverage and expenses associated with seeking another employment position.

If the Company determines that any of the compensation to be paid to any of these NEOs would constitute parachute payments under Section 280G of the Code, with the aggregate present value of the parachute payments and any other compensatory amounts (collectively, the parachute amounts) exceeding 2.99 times their base amount (as determined under Section 280G), then such amounts will be reduced to the extent necessary so that the parachute amount is equal to 2.99 times his base amount.

The following tables indicate the estimated severance payment for Dr. Mattera, Mr. Creaturo and Mr. Martinelli each would have received assuming that the termination of their employment occurred as of June 30, 2011 under the circumstances described below.

Vincent D. Mattera, Jr.

Payments	Termination For Death or Disability	Termination With Cause	Termination Without cause (No Change of Control)	Termination Without Cause or for Good Reason (After Change of Control)
Cash Severance	$	$	$ 258,750	$ 1,634,000
Health Benefits	$	$	$ 6,750	$ 13,500
Post-termination benefits	$	$	$	$ 20,000
	$	$	$ 265,500	$ 1,667,500

Craig A. Creaturo

Payments	Termination For Death or Disability	Termination With Cause	Termination Without cause (No Change of Control)	Termination Without Cause or for Good Reason (After Change of Control)
Cash Severance	$	$	$ 238,500	$ 1,473,000
Health Benefits	$	$	$ 8,100	$ 16,200
Post-termination benefits	$	$	$	$ 20,000
	$	$	$ 246,600	$ 1,509,200

James Martinelli

Payments	Termination For Death or Disability	Termination With Cause	Termination Without cause (No Change of Control)	Termination Without Cause or for Good Reason (After Change of Control)
Cash Severance	$	$	$ 198,000	$ 1,285,000
Health Benefits	$	$	$ 8,100	$ 16,200
Post-termination benefits	$	$	$	$ 20,000
	$	$	$ 206,100	$ 1,321,200

EQUITY PLAN COMPENSATION PLAN INFORMATION

The following table provides certain information as of June 30, 2011 with respect to our equity compensation plans under which our equity securities are authorized for issuance.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a) # (c)
Equity compensation plans approved by security holders	4,618,052[(1)]	$ 13.70[(2)]	2,794,372
Equity compensation plans not approved by security holders			
Total	4,618,052[(1)]	$ 13.70[(2)]	2,794,372

(1) Includes both vested and unvested options. Also includes outstanding performance share awards at the target level of performance.

(2) Does not take into account the outstanding performance share awards.

ADVISORY VOTE ON THE COMPANY S EXECUTIVE COMPENSATION

(PROPOSAL 6)

In accordance with the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act), we are submitting an advisory Say on Pay resolution for shareholder consideration.

As described in the Compensation Discussion and Analysis section that begins on page 22 of this proxy statement, we believe that our executive compensation program is designed to support the company s long-term success by achieving the following objectives:

Attracting and retaining talented senior executives,

Tying executive pay to company and individual performance,

Supporting our annual and long-term business strategies, and

Aligning executives interests with those of our shareholders.

We urge shareholders to read the Compensation Discussion and Analysis, as well as the Summary Compensation Table and related tables and narratives that follow them. This information provides detailed information regarding our executive compensation program, policies and processes, as well as the compensation paid to our Named Executive Officers.

The Board of Directors requests that shareholders approve the follow advisory resolution:

RESOLVED, that the shareholders of II-VI Incorporated (the Company) approve, on an advisory basis, the compensation of the Company s Named Executive Officers described in the Compensation Discussion and Analysis, the Summary Compensation Table, and the related compensation tables and narrative in the Proxy Statement for the Company s 2011 Annual Meeting of Shareholders.

Because this vote is advisory, it will not be binding upon the Board of Directors or the Compensation Committee. However, the Compensation Committee will take the outcome of the vote into account when considering future executive compensation arrangements.

The Board of Directors of the Company unanimously recommends a vote FOR the Company s executive compensation.

ADVISORY VOTE ON THE FREQUENCY OF FUTURE SHAREHOLDER ADVISORY VOTES ON THE COMPANY S EXECUTIVE COMPENSATION

(PROPOSAL 7)

In accordance with the Dodd-Frank Act, we are asking shareholders to vote on whether future advisory votes on our Named Executive Officers compensation should occur every year, every two years, or every three years.

After careful consideration, the Board of Directors believes that submitting the advisory vote on executive compensation on an annual basis is appropriate for II-VI and its shareholders at this time. We view the advisory vote on the compensation of our Named Executive Officers as an additional, but not the only, opportunity for our shareholders to communicate with us regarding their views on our executive compensation programs.

This advisory vote on the frequency of future advisory votes on the Company s executive compensation is non-binding on the Board of Directors. Notwithstanding the Board s recommendation and the outcome of the shareholder vote, the Board may in the future decide to conduct advisory votes on a more or less frequent basis and may vary its practice based on factors such as discussions with shareholders and the adoption of material changes to our compensation programs.

Shareholders will be able to specify one of four choices for this proposal on the proxy card: one year, two years, three years or abstain. Shareholders are not voting to approve or disapprove the Board s recommendation.

The Board of Directors of the Company unanimously recommends a vote to conduct future advisory votes on the Company s executive compensation every year.

Report of the Audit Committee

The following is the report of the Audit Committee with respect to the Company s audited financial statements for the fiscal year ended June 30, 2011, included in the Company s Annual Report on Form 10-K. The information contained in this report shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference in such filing.

Membership and Role of Audit Committee

Each of the members of the Audit Committee is independent as defined under NASDAQ s listing standards. The Audit Committee operates under a written charter adopted by the Board of Directors.

Review with Management

The Audit Committee reviews each of the Company s quarterly and annual reports, including Management s Discussion of Results of Operations and Financial Condition. As part of this review, the Audit Committee discusses the reports with the Company s management and considers the audit reports prepared by the independent registered public accounting firm about the Company s annual report, as well as related matters such as the quality of the Company s accounting principles, alternative methods of accounting under Generally Accepted Accounting Principles and the preferences of the independent registered public accounting firm in this regard, the Company s critical accounting policies and the clarity and completeness of the Company s financial and other disclosures.

The Audit Committee reviewed management s report on internal control over financial reporting, required under Section 404 of the Sarbanes-Oxley Act of 2002 and related rules. As part of this review, the Audit

Committee reviewed the bases for management s conclusions in that report and the report of the independent registered public accounting firm on internal control over financial reporting. Throughout the fiscal year ended June 30, 2011, the Audit Committee reviewed management s plan for documenting and testing controls, the results of their documentation and testing, any deficiencies discovered and the resulting remediation of the deficiencies.

Review and Discussions with Independent Accountants

The Audit Committee has discussed with Ernst & Young LLP, the Company s independent registered public accounting firm, the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA Professional Standards, Vol.1 AU Section 380), as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T which includes, among other items, matters related to the conduct of the audit of the Company s financial statements.

The Audit Committee has also received written disclosures and the letter from Ernst & Young LLP required by PCAOB Rule 3526 (Communication with Audit Committees Concerning Independence) and has discussed with Ernst & Young LLP their independence from the Company.

Conclusion

Based on the review and discussions referred to above, the Audit Committee recommended to the Company s Board of Directors that the Company s audited financial statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2011.

Audit Committee

Wendy F. DiCicco, *Chairwoman*

Joseph J. Corasanti

Thomas E. Mistler

The foregoing report of the Audit Committee shall not be deemed to be soliciting materials or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference in such filing.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information available to the Company as of August 31, 2011, regarding the ownership of the Company s Common Stock by (i) each of the Company s directors; (ii) each of the Company s executive officers including each of the Named Executive Officers; (iii) all executive officers and directors of the Company as a group; and (iv) each person or group known by the Company to beneficially own more than five percent (5%) of the Common Stock.

	Beneficial Ownership of Common Stock (1)	
	Shares	**Percent**
Carl J. Johnson (2) c/o II-VI Incorporated 375 Saxonburg Boulevard Saxonburg, Pennsylvania 16056	7,921,171	12.6%
Joseph J. Corasanti (3) (4)	60,708	*
Wendy F. DiCicco (3) (4)	52,948	*
Francis J. Kramer (3) (4) (5)	1,094,588	1.7%
Thomas E. Mistler (3) (4) (6)	1,793,216	2.9%
Marc Y.E. Pelaez (3) (4)	107,348	*
Peter W. Sognefest (3) (4) (7)	39,660	*
Howard H. Xia (4) (12)	8,650	*
Herman E. Reedy (8)	58,332	*
James Martinelli (8) (9) (10)	213,696	*
Craig A. Creaturo (8) (9) (11)	148,970	*
Vincent D. Mattera, Jr. (8) (9)	207,666	*
Columbia Wanger Asset Management, L.P. (14) 227 West Monroe Street, Suite 3000 Chicago, IL 60606	6,527,100	10.4%
Blackrock Inc. (15) 40 East 52ND Street New York, NY 10022	3,748,968	6.0%
All executive officers and directors as a group (eleven persons) (2)-(14)	11,706,953	18.3%

* Less than 1%

(1) Unless otherwise indicated, each of the shareholders named in the table has sole voting and investment power with respect to the shares beneficially owned, subject to the information contained in the footnotes to the table.

(2) Includes 4,030,401 shares of Common Stock directly held by Dr. Johnson over which he has sole voting and investment power, 225,030 shares subject to stock options held by Dr. Johnson which are exercisable within 60 days of August 31, 2011, and 8,600 shares of restricted stock. Also includes 1,454,128 shares held by Dr. Johnson s wife, as to which he disclaims beneficial ownership, 933,994 shares held in a charitable trust over which Dr. Johnson has shared voting and investment power and 1,269,018 shares held in a non-profit foundation over which Dr. Johnson has shared voting and investment power. As of August 31, 2011, 434,396 of these shares have been pledged as security to a financial institution.

(3) Includes 45,308 shares, 40,348 shares, 459,000 shares, 123,548 shares, 94,748 shares and 16,468 shares subject to stock options held by Mr. Corasanti, Ms. DiCicco, Mr. Kramer, Mr. Mistler, Rear Admiral Pelaez and Mr. Sognefest, respectively, which are exercisable within 60 days of August 31, 2011.

(4) Includes 8,600 shares, 8,600 shares, 71,848 shares, 8,600 shares, 8,600 shares, 8,600 shares and 4,650 of restricted stock held by Mr. Corasanti, Ms. DiCicco, Mr. Kramer, Mr. Mistler, Rear Admiral Pelaez, Mr. Sognefest, and Dr. Xia respectively.

(5) Includes 160,000 shares held by Mr. Kramer s wife, as to which he disclaims beneficial ownership.

(6) Includes 361,296 shares held in trust and 1,299,772 shares held in limited partnerships in which Mr. Mistler is a general partner.

(7) Includes 2,320 shares held by Mr. Sognefest s son, as to which shares he disclaims beneficial ownership.

(8) Includes 20,400 shares, 90,686 shares, 48,774 shares and 117,880 shares subject to stock options held by Mr. Reedy, Mr. Martinelli, Mr. Creaturo and Dr. Mattera, respectively, which are exercisable within 60 days of August 31, 2011.

(9) Includes 24,998 shares, 34,254 shares and 41,190 shares of restricted stock held by Mr. Martinelli, Mr. Creaturo and Dr. Mattera, respectively.

(10) Includes 11,200 shares over which Mr. Martinelli has shared voting and investment power.

(11) Includes 27,512 shares over which Mr. Creaturo has shared voting and investment power.

(12) Includes 4,000 shares held in a trust.

(13) Includes 1,282,190 shares subject to stock options held by executive officers and directors as a group, which are exercisable within 60 days of August 31, 2011.

(14) Includes 228,540 shares of restricted stock held by executive officers and directors as a group.

(15) Based on its Schedule 13G filed with the Securities and Exchange Commission on December 31, 2010, Columbia Wanger Asset Management, L.P., a registered investment advisor, reports sole voting power over 6,045,100 and sole dispositive power over 6,527,100 shares of our Common Stock. Such shares are owned by various investment companies, trusts and accounts to which Columbia Wanger Asset Management, L.P. provides investment advice. The share information was adjusted for the Company s two-for-one stock split in June 2011.

(16) Based on its Schedule 13G filed with the Securities and Exchange Commission on, December 31, 2010, BlackRock, Inc. reports sole voting power and sole dispositive power over 3,748,968 shares of our Common Stock. Certain shares reported by BlackRock Inc. are owned by various investment companies affiliated with BlackRock Inc. The share information was adjusted for the Company s two-for-one stock split in June 2011.

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

(PROPOSAL 8)

Unless otherwise directed by the shareholders, proxies will be voted for the ratification of the Audit Committee s selection of Ernst & Young LLP (E&Y) as the Company s independent registered public accountants for the fiscal year ending June 30, 2012. The majority affirmative vote of the votes cast, which all shareholders present at the Annual Meeting are entitled to cast, is required to ratify such selection. A representative of E&Y is expected to be present at the Annual Meeting to respond to appropriate questions and will have the opportunity to make a statement if such person so desires.

The Board of Directors of the Company unanimously recommends a vote FOR the ratification of the Audit Committee s selection of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending June 30, 2012.

The Company incurred the following fees and expenses for services performed by its Independent Registered Public Accounting Firm during the fiscal years ended June 30, 2011 and 2010.

	2011	2010
Audit Fees:		
Audit of Annual Financial Statements and Interim Reviews (1)	$ 863,800	$ 810,000
Other Fees (2)		185,000
Total Fees	$ 863,800	$ 995,000

(1) Includes fees and expenses associated with the annual audit, including the audit of the effectiveness of the Company s internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, audit fees for the Company s statutory audit requirements and fees incurred for the agreed-upon procedures relating to a Singaporean grant in fiscal year 2011.

(2) Includes fees incurred for procedures relating to a Singaporean grant in fiscal year 2011 and the December 31, 2009 audit of Photop Technologies, Inc. (acquired by the Company on January 4, 2010) for inclusion in the Company s Form 8-K filing with the Securities and Exchange Commission and fees incurred for procedures performed in connection with the Company s Registration Statement on Form S-8.

There were no audit-related fees or tax fees paid during the fiscal years ended June 30, 2011 and 2010.

The Audit Committee pre-approves the retention of the independent registered public accounting firm and the independent registered public accounting firm fees for all audit and non-audit services provided by the independent registered public accounting firm, and determines whether the provision of non-audit services is compatible with maintaining the independence of the independent registered public accounting firm.

OTHER INFORMATION

The Company will pay the expense of the printing, assembling and mailing to the holders of Common Stock of the Company the notice of meeting, this proxy statement and the accompanying form of proxy. In addition to the use of the mail, proxies may be solicited by directors, officers or employees of the Company personally, via the internet or by telephone. The Company may request the persons holding stock in their names, or in the names of their nominees, to send proxy material to and obtain proxies from their principals, and will reimburse such persons for their expense in so doing.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company s directors, executive officers and persons who beneficially own more than ten percent of a class of the Company s registered equity securities to file with the Securities and Exchange Commission and deliver to the Company initial reports of ownership and reports of changes in ownership of such registered equity securities.

To the Company s knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no reports were required, the Company s directors, executive officers and more than ten percent shareholders timely filed all reports due under Section 16(a) for the period from July 1, 2010 through June 30, 2011.

Shareholder Proposals

Proposals by shareholders intended for inclusion in the Company s proxy statement and form of proxy for the annual meeting of the Company expected to be held in November 2012 must be delivered to Robert D. German, Secretary of II-VI Incorporated, 375 Saxonburg Boulevard, Saxonburg, Pennsylvania 16056, by May, 2012. Rules under the Securities Exchange Act of 1934, as amended, describe the standards as to the submission of shareholder proposals. Additionally, the Board-appointed proxies will have discretionary authority to vote on any proposals by shareholders that are not intended to be included in the Company s proxy materials for the 2012 Annual Meeting, but are intended to be presented by the shareholder from the floor, if notice of the intent to make such proposal is received by Mr. German at the address above on or before August, 2012, after which time such proposals will be considered untimely.

OTHER MATTERS

The Company knows of no other matters to be presented for action at the meeting. However, if any other matters should properly come before the meeting it is intended that votes will be cast pursuant to the proxy in respect thereto in accordance with the best judgment of the persons acting as proxies.

FORM 10-K ANNUAL REPORT TO THE SECURITIES

AND EXCHANGE COMMISSION

A copy of the Annual Report on Form 10-K of the Company for the fiscal year ended June 30, 2011, as filed with the Securities and Exchange Commission, is being furnished with this proxy statement. A shareholder may obtain additional copies of the Form 10-K without charge and a copy of any exhibits thereto upon payment of a reasonable charge limited to the Company s costs of providing such exhibits by writing to Craig A. Creaturo, Chief Financial Officer and Treasurer of II-VI Incorporated, 375 Saxonburg Boulevard, Saxonburg, Pennsylvania 16056 or by calling (724) 352-4455. As noted previously, this Proxy Statement and the Annual Report to Shareholders has been posted on the Internet at www.proxyvote.com.

II-VI INCORPORATED

375 SAXONBURG BOULEVARD

SAXONBURG, PA 16056-9499

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE SHAREHOLDER COMMUNICATIONS

If you would like to reduce the costs incurred by II-VI Incorporated in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access shareholder communications electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to II-VI Incorporated, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

M38486-P16344 KEEP THIS PORTION FOR YOUR RECORDS

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED. DETACH AND RETURN THIS PORTION ONLY

II-VI INCORPORATED

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSALS NUMBERED 1 THROUGH 6 AND 8 AND 1 YEAR FOR PROPOSAL 7.

Vote on Directors

	For	Withhold
1. Election of three Class Three Directors for a term to expire at the annual meeting of shareholders in 2014.		
Nominees:		
1a. Carl J. Johnson	¨	¨
1b. Thomas E. Mistler	¨	¨
1c. Joseph J. Corasanti	¨	¨
2. Election of one Class One Director for a term to expire at the annual meeting of shareholders in 2012.		
Nominee:		
2a. Howard H. Xia	¨	¨

Vote on Proposals	For	Against	Abstain
3. Approval of an amendment to the II-VI Incorporated Amended and Restated Articles of Incorporation to increase the number of shares of common stock that are authorized	¨	¨	¨

	For	Against	Abstain
5. Approval of an amendment to the II-VI Incorporated Amended and Restated Articles of Incorporation to amend the business purpose clause to reflect a change in the governing statute under Pennsylvania law;	¨	¨	¨
6. Advisory vote on the Company s executive compensation;	¨	¨	¨

	1 Year	2 Years	3 Years	Abstain
7. Advisory vote on the frequency of future shareholder advisory votes on the Company s executive compensation; and	¨	¨	¨	¨

	For	Against	Abstain

for issuance from 100,000,000 to 300,000,000 shares;

8. Ratification of the Audit Committee s selection of Ernst & Young LLP as the Company s independent registered public accounting firm for the fiscal year ending June 30, 2012. ¨ ¨ ¨

4. Approval of an amendment to the II-VI Incorporated Amended and Restated Articles of Incorporation for the adoption of majority voting of directors and the related elimination of cumulative voting in the election of directors in order to effect majority voting; ¨ ¨ ¨

PLEASE MARK, SIGN, DATE AND RETURN IMMEDIATELY.

Important: Shareholders sign here exactly as name appears hereon.

Signature [PLEASE SIGN WITHIN BOX] Date Signature (Joint Owners) Date

Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting to be held on November 4, 2011: The Notice and Proxy Statement and Annual Report to Shareholders are available at www.proxyvote.com.

Please date, sign and mail your

Proxy card back as soon as possible!

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II-VI INCORPORATED Annual

Meeting of Shareholders

November 4, 2011

at 1:30 p.m. local time

THIS PROXY IS SOLICITED ON BEHALF OF THE

BOARD OF DIRECTORS OF THE COMPANY

The undersigned hereby appoints Francis J. Kramer and Marc Y.E. Pelaez, or either of them, with power of substitution to each, as proxies to represent and to vote as designated on the reverse side of this proxy card all of the shares of Common Stock held of record at the close of business on September 2, 2011 by the undersigned at the annual meeting of shareholders of II-VI Incorporated to be held at the offices of the Company, 375 Saxonburg Boulevard, Saxonburg, Pennsylvania, 16056, on November 4, 2011, and at any adjournment or postponement thereof.

This proxy will be voted by the proxies as directed, or if no direction is indicated herein, the proxies shall vote in the election of three Class Three Directors (Proposal Number 1) FOR ALL the nominees listed, in the election of one Class One Director (Proposal Number 2) FOR the nominee listed, FOR Proposal Number 3, FOR Proposal Number 4, FOR Proposal Number 5, FOR Proposal Number 6, FOR 1 YEAR in Proposal Number 7 and FOR Proposal Number 8.

(PLEASE SIGN ON REVERSE SIDE AND RETURN PROMPTLY)