SECURITIES & EXCHANGE COMMISSION EDGAR FILING

New Leaf Brands, Inc

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

FORM 10-K

(Mark One)

☑ ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011.

❑ 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 **000-22024**

NEW LEAF BRANDS, INC.

(Exact name of registrant as specified in its charter)

Nevada	**77-0125664**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One DeWolf Road, Suite 208, Old Tappan NJ 07675
(Address of principal executive offices) (Zip Code)

(201) 784-2400
(Registrant's telephone number, including area code)

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

common stock, $0.001 par value
(Title of class)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12-months (or for such shorter period that the registrant was required to submit and post such files). Yes ❑ No ☑

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of 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. ☑

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

Large accelerated filer	❑	Accelerated filer	❑
Non-accelerated filer	❑	Smaller reporting company	☑

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: As of July 26, 2012, the aggregate market value was $ 10,921,497 based on a total of 218,429,942 shares of our common stock held by non-affiliates at a closing price of $0.05 per share.

As of July 26, 2012 the number of outstanding shares of the registrant's common stock was 324,533,316 Documents incorporated by reference: See Item 15 herein.

NEW LEAF BRANDS, INC.
FORM 10-K
For the year ended December 31, 2011

TABLE OF CONTENTS

This report contains trademarks and trade names that are the property of New Leaf Brands, Inc. and of other companies, as indicated. As used herein, “we” “us”, “our” “the Company” and “New Leaf” are all used to refer to New Leaf Brands, Inc.

PART I

Forward Looking Statements Disclaimer

Statements in this Annual Report on Form 10-K may be "forward-looking statements." Forward-looking statements include, but are not limited to, statements that express our intentions, beliefs, expectations, strategies, predictions or any other statements relating to our future activities or other future events or conditions. These statements are based on current expectations, estimates and projections about our business based, in part, on assumptions made by our management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors, including those risks discussed in this Annual Report on Form 10-K, under "Business", "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in other documents that we file from time to time with the Securities and Exchange Commission.

Any forward-looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this Annual Report on Form 10-K, except as required by law.

ITEM 1 - BUSINESS

GENERAL STRATEGY

We are a diversified beverage holding company acquiring brands, distributors and manufacturers within the beverage industry.   Our strategy follows the initial success of our award winning New Leaf Brands ready-to-drink teas and lemonades. We intend to continue to market broadly our New Leaf branded products as well as acquire additional regional beverage brands in complementary categories. As part of our brand acquisition strategy, we will acquire a portfolio of branded proprietary products, with distinctive packaging and deep regional appeal, in the following categories:

- Ready–to-drink Lemonades and Teas
- Carbonated Beverages
- Juice and Juice Blends
- Weight Control drinks
- Water and Enhanced Water
- Functional/Health and Wellness drinks

These categories are tailored toward premium, gourmet and healthy lifestyles for the "quality-value" expectations of our consumers. We believe that each acquired brand, in its category, will provide established regional distribution for the Company's full array of other beverage products and, ultimately, lead to more channels of distribution.

New Leaf is the company's flagship brand in the ready to drink Lemonade and Iced Tea category. We intend to acquire additional brands to enhance our flagship brand in 2012. We believe that our products are well-positioned to continue to grow and possess a competitive advantage in creativity, flavor, ingredients and packaging. As of July 26, 2012, New Leaf Brands' beverages are sold in seven states, through 30 distributors in over 8,000 outlets. We anticipate organic expansion of our business by targeting additional wholesale distributors, larger mainstream grocery stores, convenience and drug store channels.

At New Leaf Beverages we develop, market and distribute healthy and functional ready-to-drink teas and lemonades under the New Leaf® brand. We focus primarily on functional ready-to-drink beverages, which include teas, lemonades and other functional drinks. New Leaf offers natural iced-tea and lemonade beverage which are sweetened with evaporated pure cane sugar and specifically formulated to address an unmet consumer demand in the very competitive but rapidly growing ready-to-drink beverage market. The pure cane sugar sweetening creates a premium product with 20-30% fewer calories than competing brands who use high fructose corn syrup. New Leaf is available in 17 varieties of teas (including white, black, green, and blue teas) and lemonades (including half tea/half lemonade beverages).

Our broader strategy is to acquire established beverage distributors and manufacturers who choose to utilize New Leaf's financial structure and access to capital.   We intend to pursue moderate-sized regional distributors who will internalize our array of beverage products through proprietary distribution channels. Similarly, we intend to pursue beverage production, where appropriate, to reduce our internal cost of production and to increase our delivered margin per case.

NEAR TERM BUSINESS STRATEGY

During the second half of 2011 we experienced significant financial challenges. We reported in our quarterly report for the nine months ended September 20, 2011 on Form 10-Q, filed on January 3, 2012, that without additional funding we would be forced to cut back or cease operations. We sought legal counsel to investigate reorganization and bankruptcy options and, upon consideration of the opinion of our advisors and the Board, retained Fuselier and Co. to evaluate turnaround alternatives. After consideration of the alternatives, on February 14, 2012, the Board elected David Fuselier as New Leaf's Chairman, President, and Chief Executive Officer. Simultaneously, Eric Skae stepped down as our Chairman, President and Chief Executive Officer. Mr. Fuselier immediately began implementing a restructuring and turnaround plan that:

Refocused New Leaf Brands beverages to:

- Focus and deliver growth on the core product markets
- Focus on four key geographic markets: New York Metro, Mid-Atlantic, Florida, Southern California
- Reduce supply chain costs
- Focus on key distributors and value added partnerships
- Restructure corporate operations and product mix to significantly improve operating margins.
- Achieve significant debt restructurings and interim financings to both strengthen the balance sheet and support sustainable growth
- Seek additional tactical and strategic financing to support anticipated growth, research and development and release of new product lines.

Our ability to acquire new products is limited by our access to capital. We intend to continue to explore various strategic alternatives, including business combinations and private placements of debt and or equity securities to raise capital to grow our Company. We also intend to expand our business through mergers and acquisitions of appropriate complementary brands, distributors and manufacturers companies in our industry. We can provide no assurance that we will be able to raise sufficient capital under appropriate terms to complete our strategic objectives.

HISTORY

Prior to October 9, 2009, we operated under the name of Baywood International, Inc. through the combination of a wholly-owned subsidiary named Nutritional Specialties, Inc., that promoted the LifeTime® and Baywood nutraceutical brands, and a wholly-owned subsidiary that promoted the New Leaf brand of premium ready to drink teas. The LifeTime brand was acquired in March 2007 with the acquisition of Nutritional Specialties, Inc. and the New Leaf brand was acquired in September 2008.

On July 23, 2009, subject to shareholder approval, our Board of Directors unanimously approved entry into an asset purchase agreement with Nutra, Inc., a subsidiary of Nutraceutical International Corporation, a Delaware corporation (the “Asset Sale”) to sell substantially all the rights and assets of our subsidiary, Nutritional Specialties, Inc. including the LifeTime® and Baywood brands of products. On July 24, 2009, we entered into an asset purchase agreement which closed on October 9, 2009. On July 24, 2009, we entered into an Asset Purchase Agreement (“the Agreement”) with Nutra, Inc., a subsidiary of Nutraceutical International Corporation. Pursuant to the Agreement, we sold substantially all of the rights and assets of Nutritional Specialties, Inc.’s business. Nutra, Inc. agreed to pay an aggregate purchase price of $8,250,000. On June 30, 2010 pursuant to the Agreement, the parties agreed to reduce the purchase price by $200,000.and we wrote-off the remaining $50,000 as an expense.

Effective October 16, 2009, we changed our name to New Leaf Brands, Inc., to reflect the change in our strategic direction. Following the closing of the Asset Sale, our former Chief Executive Officer, Eric Skae, agreed to continue in his role.

In 2010, in addition to our line of ready-to-drink teas, New Leaf developed a line of ready-to-drink lemonade and juice/lemonade beverages. These products are considered “New Age” beverages which have gained popularity nationally with consumers. We have sold our new lemonade and lemonade/juice beverages into independent grocery stores and restaurant “street” channels such as bagel stores, delis, pizzerias, cafes, independent convenience stores, and college book stores. We have also targeted food, drug and mass accounts including grocery stores, drug stores and club stores.

On November 22, 2011, the Company was unable to raise the necessary capital to continue normal daily operations and dismissed most of its employees. On November 30, 2011, the Company reached an agreement with an investor to provide interim funding to resume the Company’s normal daily operations and to retain certain key former employees. We consulted with legal counsel to investigate reorganization under bankruptcy and other turnaround alternatives. After consideration of all alternatives, on February 14, 2012, the Board elected David Fuselier as its new Chairman, Chief Executive Officer and a Director and Fuselier and Co. as its turnaround consultants. Eric Skae resigned as our Chairman, President, Chief Executive Officer and a Director but remains as a consultant to the Company. Mr. Fuselier immediately began implementing a restructuring and turnaround plan.

As of the date of this report our principal executive offices are located at One DeWolf Rd., Old Tappan NJ 07675. Our telephone number is (201) 784-2400 and our web address is www.NewLeafBrands.com. We do not intend for information on our web site to be incorporated into this 10-K.

OUR PRODUCTS

TEAS New Leaf is a natural iced-tea beverage sweetened with organic cane sugar and specifically formulated to address what we believe is an unmet consumer demand in the very competitive, but rapidly growing, ready-to-drink beverage market. The organic cane sugar sweetening creates a premium and healthier product with 20-30% fewer calories than high fructose corn syrup competitors. New Leaf is available in 17 varieties that are all-natural and organically-sweetened, of which 6 are lemonades varieties. Varieties include white, black, green and blue teas, lemonades and half tea/half lemonade beverages. New Leaf products include:

Blue Teas		White Tea	
•	Blue Tea with Lemon	•	White Tea with Honey Dew Melon
•	Blue Tea with Peach	•	White Tea with Strawberry
•	Blue Tea with Raspberry		
•	Diet Blue Tea with Lemon	Black Tea	
•	Diet Blue Tea with Peach		Sweet Tea
Green Teas		Lemonades	
•	Green Tea with Ginseng and Honey	•	Strawberry
•	Green Tea with Plum	•	Homemade
•	Green Tea with Mango	•	Black Cherry
		•	Tiger – Half and Half
		•	Lite Tiger – Half and Half
		•	Mango Lemonade

We also distinguish the New Leaf brand by creating unique flavors. For example, New Leaf introduced blue tea, also known as Oolong tea, to mainstream consumers. Oolong tea is sometimes referred to as “blue tea” because its dried leaves have a bluish hue. We believe that unique flavors will continue to attract the attention of consumers.

LEMONADES In April 2010, we introduced a lemonade brand available in three flavors -- Homemade, Black Cherry and Strawberry. Additionally, "The Tiger," half tea / half lemonade, debuted as part of our lemonade offerings. In October 2011, we introduced two new flavors, Mango Lemonade and Lite Tiger – Half and Half (sweetened with Sucralose and pure cane sugar). Our 100% natural lemonades are made with pure cane juice and contain 10% real fruit juice.

Our products are sold in a proprietary 16.9 ounce bottle designed specifically for our New Leaf brand. The bottles are labeled with vibrant colors and the New Leaf logo appeals to, and is recognizable by, consumers. New Leaf products emphasize wellness and innovation. Our non-diet varieties of New Leaf Tea have 70-80 calories per 8 ounce serving and are sweetened with pure cane sugar instead of high-fructose corn syrup.

MANUFACTURING AND QUALITY CONTROL

We use third-parties to manufacture and package our products according to the formulae and packaging guidelines dictated by us. We arrange for the majority of the product ingredients to be delivered to a co-packer who is responsible for mixing the tea according to our specifications. In some cases, the co-packer may provide certain ingredients, although we supervise production and sample the products to maintain quality and potency. The co-packer packages the product in bottles and caps provided by us. We currently use Castle Beverage as a co-packer; however, we believe that switching to another co-packer would cause little or no disruption to our business at any time.

The finished product is stored at the co-packer's warehouse. When a distributor places an order, we use contracted trucks to deliver the final product to the distributor and the distributor is responsible for delivering the product to retail locations. Certain distributors also pick up our products at the warehouse. Although we use contracted trucks, the cost of fuel is passed on to us and therefore an increase in fuel prices will likely cause an increase in our delivery costs.

We may use additional co-packers if we expand our market reach. As we move into new markets, the use of regional co-packers may offset increases in fuel prices, by reducing the distance product travels to reach a distributor, and result in faster deliveries. Additionally, using multiple co-packers reduces risk of interruption in the manufacturing process due to one co-packer's failure to manufacturer the product.

The ingredients of New Leaf's Teas are generally considered commodity items and, as such, are readily available from multiple sources at comparable prices. Additionally, the suppliers of the caps and labels for our packaging can be obtained from multiple sources at similar prices with little or no lead time.

The price of our bottles may fluctuate over time. Market prices for bottles fluctuate and an increase in energy costs will likely increase the price of bottles. Our price per bottle, however, generally decreases as the total number of bottles ordered increases. Although we expect our price per bottle to decrease as our orders increase, it is possible these volume discounts could be offset by higher prices of glass overall.

We use paper packaging to store our products. The cost of the paper packaging could also fluctuate over time, however, this fluctuation would not represent a large enough percentage of our overall cost of product to have a significant impact on our bottom line.

MARKETING AND BRANDING

We sell and market our products through an internal sales force as well as select broker networks. Our sales force is organized to serve a specific market, focusing on one or more geographic territories, distribution channels or product lines. We believe this focus allows our sales group to provide high level, responsive service and support to our customers and markets.

Our sales and marketing programs emphasize maintaining and enhancing consumer brand recognition and loyalty and typically utilize a combination of regional advertising, special event marketing, endorsements and sponsorships in conjunction with consumer coupon distribution if need arises and if appropriate. We retain advertising agencies to assist with media advertising programs and offer numerous promotional programs to retail customers, including cooperative advertising support, in-store advertising materials and other incentives. These elements allow us to tailor marketing and advertising programs to meet local and regional economic conditions and demographics. We also seek to maintain points of difference between our brands and those of our competitors by combining high product quality, flavor innovation, unique packaging designs and, for some product lines, value pricing.

We believe that our acquired product lines will develop into the New Leaf Basket of branded beverage products that will be attractive to distributors and chain stores. Ultimately, our full array of beverage products will provide a basket of products capable of competing with established industry brands in defined categories.

CUSTOMERS

Our customers and consumers are material to our success. If we are unable to maintain good relationships with our existing customers, our business could be adversely affected. Unilateral decisions could be taken by our distributors, retailers and other customers to discontinue carrying all or any of our products or categories that they are carrying at any time, which could cause our revenues to decline.

Manhattan Beer is one of our larger distributors and accounted for approximately 27.1% of our sales for the year ended December 31, 2011. We do not have a written contractual arrangement with Manhattan Beer. While we believe we have a good relationship with Manhattan Beer, they are not obligated to purchase any of our products and could terminate the relationship on short notice. Most of our other distributors do have written contracts with us.

RESEARCH AND DEVELOPMENT

We believe that we can grow in the ready-to-drink tea category by adding new products, brands and brand extensions. An integral part of our strategy is to develop and introduce innovative products and packaging. The development time from inception of the concept through product development and testing to the manufacture and sale of the finished product take several months, however, not all of our new ideas survive consumer research. We may also introduce new and innovative products by means of acquisitions. Our current research and development of New Leaf and other future beverage products is limited by our capital resources.

COMPETITION

The ready-to-drink tea and lemonade markets are highly competitive and are currently dominated by well-known beverage companies such as Coca-Cola, Pepsi and Dr. Pepper/Snapple Group. Many of our competitors are substantially larger and more experienced and have longer operating histories and materially greater financial and other resources than we do. As a result, we may not be able to successfully compete with these larger competitors in the marketplace.

Our principal competition in the “street” channel comes from a limited number of large, nationally known manufacturers and many smaller manufacturers of non-alcoholic beverages. Since we do not yet widely market our products into mass-market distribution channels, we face limited direct competition from broad line manufacturers and major private label manufacturers and similar companies. We also face indirect competition from mass-market distribution channels to the extent that consumers may choose to forgo their purchases of a ready-to-drink tea in the “street” distribution channels based on price and availability. In addition, we compete with several large beverage brands, including Arizona, Snapple, Lipton Brisk, Sobe, Vitamin Water, Fuze, Nestea, Tazo, Honest Tea and Sweet Leaf Tea.

We believe that our brands compete favorably with other ready-to-drink tea and lemonade products because of the quality of our products, our emphasis on wellness and innovation, and our ability to timely introduce new products that are exciting to consumers. We have developed tea flavors such as plum, honeydew melon, mango and strawberry and lemonade flavors such as mango, strawberry and black cherry. Our distinctive flavors differentiate us from those offered by our competitors.

INTELLECTUAL PROPERTY RIGHTS

We own or have filed the following trademarks with the U.S. Patent and Trademark Office:

- "New Leaf" (word mark): registration date of January 4, 2005 under Registration Number 2916219;
- “New Leaf” (design mark): registration date of December 2, 2008 under Registration Number 3539503;

In addition, we consider our finished products and formulas, which are not the subject of any patents, to be trade secrets. We have not sought any patents on our brewing processes because we would be required to disclose our product formulae in patent applications. We consider our trademarks and trade secrets to be of substantial value and importance to our business.

GOVERNMENT REGULATION

The production, distribution and sale in the United States of many of our products is subject to the Federal Food, Drug and Cosmetic Act, the Dietary Supplement Health and Education Act of 1994, the Occupational Safety and Health Act, various environmental statutes and various other federal, state and local statutes and regulations applicable to the production, transportation, sale, safety, advertising, labeling, recycling and ingredients of such products.

Measures have been enacted in various localities and states that require that a deposit be charged for certain non-refillable beverage containers. The precise requirements imposed by these measures vary. Other deposit, recycling or product stewardship proposals have been introduced in certain states and localities and in Congress, and we anticipate that similar legislation or regulations may be proposed in the future at the local, state and federal levels, both in the United States and elsewhere. Any such legislative or regulatory changes may have a negative impact on New Leaf's sales, operating costs and gross margins.

Our facilities in the United States are subject to federal, state and local environmental laws and regulations. Compliance with these provisions has not had, and we do not expect such compliance to have, any material adverse effect upon our capital expenditures, net income or competitive position.

We are not aware of any incidences or circumstances where we are out of compliance with any governmental regulations.

EMPLOYEES

As of December 31, 2011, we had seven full-time employees of which four were in sales/marketing and three employees were performing administrative functions. None of our employees is represented by a collective bargaining arrangement and we believe our relations with employees are good.

ITEM 1A – RISK FACTORS

An investment in our securities involves a substantial degree of risk. Before making an investment decision, you should give careful consideration to the following risk factors in addition to the other information contained in this annual report. The following risk factors, however, may not reflect all of the risks associated with our business or an investment in our Company. You should invest in our Company only if you can afford to lose your entire investment.

RISKS RELATED TO OUR BUSINESS

Our Independent Auditors have expressed doubt about our ability to continue as a going concern and, if we do not continue as a going concern, you may lose your entire investment.

In their report dated July 26, 2012, our independent registered public accounting firm, EisnerAmper LLP stated that there is substantial doubt on our ability to continue as a going concern and our consolidated financial statements for the year ended December 31, 2011 were prepared assuming that we would continue as a going concern. Our ability to continue as a going concern is an issue raised as a result of a loss from continuing operations $6,681,254 for the year ended December 31, 2011 and negative working capital of $5,048,740 and cash and cash equivalents position of $75,762. We expect to continue to experience net operating losses. Our ability to continue as a going concern is subject to our ability to generate profits and operating cash flows, as well as raising additional capital. Our ability to generate profits depends on the success of our brands, of which there can be no assurance. We believe that the going concern qualification in the Independent Auditors' report is designed to emphasize the uncertainty related to our business as well as the level of risk associated with an investment in our common stock.

We have had a history of losses and if we cannot consistently generate positive cash flows or raise sufficient capital then we will not realize our growth potential and our business could suffer financially.

Our net loss attributable to common stockholders' in 2011 was $8,845,254 and in 2010 was $9,131,354. We are attempting to grow our portfolio of brands and products while maintaining costs. However, we expect to require increasing cash flows to finance our needs for inventory to successfully build the distribution of our products into the marketplace. In order to finance our growth, we need to raise capital to fund our inventory needs and implement more aggressive sales, marketing and advertising programs. However, if we are not successful in raising additional capital, we may not meet our projections for growth and our sales could be adversely affected due to delays in shipments and loss of customers.

Current economic conditions could have a material adverse effect on our business.
Our current and future business plans are dependent, in large part, on the overall state of the national economy which remains anemic. Any adverse changes in economic conditions may adversely affect our plan of operation. Our operations and performance also depend on economic conditions, levels of disposable income and their impact on levels of consumer spending. These have deteriorated significantly in many countries and regions during the past several years, including the regions in which we operate, and may remain depressed for the foreseeable future. For example, some of the factors that could influence the levels of consumer spending include continuing volatility in fuel and other energy costs, conditions in the residential real estate and mortgage markets, labor and healthcare costs and uncertainty about same, access to credit, consumer confidence and other macroeconomic factors affecting consumer spending behavior for discretionary consumer goods such as ours. These and other economic factors could have a material adverse effect on demand for our products and on our financial condition and operating results.

We have recently engaged new management to enable a turnaround and restructuring plan.

On February 14, 2012, we engaged David Fuselier as our new Chairman and Chief Executive Officer and Fuselier & Co. as our turnaround specialist. We are substantially dependent upon their ability to execute a turnaround of New Leaf, both financially and operationally. Mr. Fuselier has significant experience in turnarounds, but not in the beverage industry.

We presently have only two directors on our Board.

At present, David Fuselier and Terry Kinder are the sole directors of our company. While we have an independent "audit committee financial expert" we still need an audit committee consisting of independent directors. Moreover, good corporate governance principles provide that we have additional independent directors. We are presently seeking qualified individuals to serve as such and to strengthen our oversight and the company's potential. However, there can be no assurance that such individuals will be identified or if identified, that they will wish to serve on our Board.

We depend upon our trademarks and proprietary rights, and any failure to protect our intellectual property rights or any claims that we are infringing upon the rights of others may adversely affect our competitive position.

Our success depends, in large part, on our ability to protect our current and future brands and products and to defend our intellectual property rights. We cannot be sure that trademarks will be issued with respect to any future or currently pending trademark applications or that our competitors will not challenge, invalidate or circumvent any existing or future trademarks issued to, or licensed by, us. Litigation related to the protection of intellectual property rights could disrupt our business, divert management attention and cost a substantial amount to protect our rights or defend ourselves against claims. We believe that our competitors, many of whom are more established and have greater financial and personnel resources than we do, may be able to replicate our processes, brands, flavors, or unique market segment products in a manner that could circumvent our protective safeguards. Therefore, we cannot give you any assurance that our confidential business information will remain proprietary.

We depend on third-party suppliers and manufacturers. Any disruption or extended delay in product supply from any of our third-party suppliers could have a significant adverse impact on our operations.

There are numerous companies that produce or supply the types of products we distribute. We do not manufacture any of our products and depend entirely on third-party manufacturers and suppliers. Typically, we do not have supply agreements, but submit purchase orders for our products. We use third-parties to manufacture and package our New Leaf beverages according to the formulae and packaging guidelines dictated by us. A disruption could occur at any of our suppliers for many reasons, including fire, natural disasters, weather, manufacturing problems, transportation interruption or government regulation. Although we believe that a number of alternative manufacturers are available and that we could replace our main suppliers with alternative sources at comparable prices and terms, any disruption or extended delay in our product supply from any of our third-party suppliers could have a significant adverse impact on our operations. In addition, the time needed to replace any of our main suppliers could adversely affect our operations by delaying shipments and potentially losing customers to our competition.

Our business is sensitive to public perception. If any of our products prove to be harmful to consumers or if scientific studies provide unfavorable findings regarding their safety, then our brands and our image in the marketplace would be negatively impacted.

Our beverage business could be adversely affected if any of our products or similar products distributed by other companies proves to be harmful to consumers or if scientific studies provide unfavorable findings regarding the safety of our products or any similar products. Our products may contain certain nutritional ingredients such as vitamins, herbs and other ingredients that we regard as safe when taken as directed by us and that various scientific studies and literature have suggested may offer health benefits. While we conduct quality control testing on the ingredients in our products, we depend on consumers' perception of the overall integrity of the tea and beverage business. The safety and quality of products made by competitors in our industry may not adhere to the same quality standards that ours do, and may result in a negative consumer perception of the entire industry. If our products suffer from this negative consumer perception, it is likely our sales will slow and we will have difficulty generating revenues.

Our products may not meet health and safety standards or could become contaminated; causing product recalls that may adversely affect our brand image.

We have adopted various quality, environmental, health and safety standards. However, our products may still not meet these standards or could otherwise become contaminated. A failure to meet these standards or contamination could occur in our operations or those of our bottlers, distributors or suppliers. This could result in expensive production interruptions, recalls and liability claims. Moreover, negative publicity could be generated from false, unfounded or nominal liability claims or limited recalls. Any of these failures or occurrences could negatively affect our business and financial performance.

If we cannot maintain adequate inventory, our revenues will likely decrease and our operating results will be adversely affected.

From time to time, we have experienced difficulty maintaining sufficient inventory to meet customer demand. This failure results from insufficient capital necessary to build and manage our inventory. We rely on financing to build our inventories and in the future we may not be able to obtain such financing on acceptable terms, if at all. If we do not have sufficient inventory to meet our demand, our revenues will likely decrease. Additionally, if we do not fill our customers' orders, they may turn to other suppliers and we could lose the relationship entirely. If we cannot build sufficient inventories, our business may be curtailed or could fail entirely and you could lose all or part of your investment.

We are at risk for product liability claims and if we do not maintain adequate insurance to protect us against such claims, a material lawsuit could cause our business to fail.

We are constantly at risk that consumers and users of our products will bring lawsuits alleging product liability. We are not aware of any claims pending against us or our products that we believe would adversely affect our business except as disclosed under Item 3 hereof. While we will continue to attempt to take what we consider to be appropriate precautions, these precautions may not protect us from significant product liability exposure in the future. We maintain product liability insurance for our products through third-party providers. We believe our insurance coverage is adequate; however, we may not be able to retain our existing coverage or this coverage may not be cost-justified or sufficient to satisfy any future claims. If we are unable to secure the necessary insurance coverage at affordable costs, then our exposure to liability will greatly increase and it will be difficult to market and sell our products since customers rely on this insurance to distribute our products. In addition to carrying our own coverage, we also require our manufacturers to carry product liability insurance. If we are sued, we may not have sufficient resources to defend against the suit or to pay damages. A material lawsuit could negatively impact our business by increasing our expenses and negatively impacting our available capital which, in turn, could cause our business to fail.

If we do not develop and introduce new products that appeal to consumers, our revenues may not be sufficient to cover our expenses and our business could fail.

Our success depends on new product development. The success of new product introductions depends on various factors, including the following:

- proper new product selection;
- successful sales and marketing efforts;
- timely delivery of new products;
- availability of raw materials; and
- customer acceptance of new products.

We face challenges in developing new products, primarily with funding development costs and diversion of management time. On a regular basis, we evaluate opportunities to develop new products through product line extensions and product modifications. We may not successfully develop product line extensions or integrate newly developed products into our business. In addition, newly developed products may not contribute favorably to our operations and financial condition. Our failure to develop and introduce new products on a timely basis would adversely affect our future operating results.

We need additional capital and if we do not generate sufficient cash flow and we cannot raise additional capital, we will not be able to fulfill our business plans.

We need to obtain additional funding in the future in order to finance our business strategy, operations and growth. We may not be able to obtain additional financing in sufficient amounts or on acceptable terms when needed. If we fail to arrange for sufficient capital on a timely basis, we may be required to curtail our business activities until we can obtain adequate financing. Debt financing must be repaid regardless of whether or not we generate profits or cash flows from our business activities. Equity financing may result in dilution to existing stockholders and may involve securities that have rights, preferences, or privileges that are senior to our common stock or other securities. If we cannot raise sufficient capital when necessary, we will likely have to curtail operations and you may lose part or all of your investment.

We have a material amount of outstanding debt that may hinder our ability to sustain or grow our business.

As of July 26, 2012, we have $2,685,258 in outstanding debt. This debt could have significant consequences to us and our investors, including:

- requiring a substantial portion of our cash flow from operations to make interest payments on this debt;
- making it more difficult to satisfy debt service and other obligations;
- increasing our vulnerability to general adverse economic and industry conditions;
- reducing the cash flow available to fund capital expenditures and other corporate purposes and to grow our business;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry;
- placing us at a competitive disadvantage to our competitors that may not be as highly leveraged with debt as we are; and
- limiting our ability to borrow additional funds as needed or take advantage of business opportunities as they arise, pay cash dividends or repurchase common stock.

To the extent we become more leveraged, the risks described above would increase. In addition, our actual cash requirements in the future may be greater than expected. Our cash flow from operations may not be sufficient to repay at maturity all of the outstanding debt as it becomes due, and we may not be able to borrow money, sell assets or otherwise raise funds on acceptable terms, or at all, to refinance our debt.

We have outstanding indebtedness that may have to be renegotiated or refinanced

As of December 31, 2011, we are in default to certain former owners of Nutritional Specialties, Inc, on an obligation of $822,920, all of which is now reflected as currently due. In the coming months, Management believes it can remedy these defaults through renegotiation, waivers, pay-down of indebtedness and/or issuance of equity capital. However, there can be no assurances that we will be able to complete any new financings or reach agreement with these parties. One of the former owners of Nutritional Specialties, Inc. has demanded payment of the obligation. We have negotiated a standstill arrangement with another debtor which expired May 16, 2011 (See "Legal Proceedings"). If we are unable to repay the foregoing indebtedness or renegotiate or refinance on acceptable terms, or obtain necessary waivers, this could have a material adverse effect on our business, prospects, financial condition and/or results of operations.

We may face significant competition for our ready-to-drink tea products which could adversely affect our revenues, results of operations and financial condition.

The ready-to-drink tea and lemonade segment of the commercial beverage industry is highly competitive. Our New Leaf Tea products will compete with well-known products such as Arizona, Snapple, Lipton Brisk, Sobe, Vitamin Water, Fuze, Nestea, Tazo, Honest Tea and Sweet Leaf Tea, some of which are produced and/or owned by major international beverage companies such as Coca-Cola, Pepsi and Dr. Pepper/Snapple Group. These companies are substantially larger and more experienced than we are. In addition, they have longer operating histories and have materially greater financial and other resources than we do. Our ability to gain or maintain share of sales or gross margins in the global market or in various local markets may be limited as a result of actions by our competitors. If we cannot compete in the marketplace, we may have difficulty selling our products and generating revenues. Additionally, competition may drive down the prices of our products, which could adversely affect our revenues and our profitability, if any.

If we are unable to manage our projected growth, we may not be able to implement our business plan and we may not achieve profitability in the future.

We believe we must expand our business to achieve profitability. Any further expansion of our business may strain our current managerial, financial, operational, and other resources. We will need to continually improve our operations and our financial, accounting and other internal control systems in order to manage our growth effectively. Success in managing this expansion and growth will depend, in part, upon the ability of our senior management to manage our growth effectively. Any failure to do so may lead to inefficiencies and redundancies, and result in reduced growth prospects. As a result, our profitability, if any, may be curtailed or eliminated.

Our revenues and operating results may fluctuate unexpectedly from quarter to quarter, which may cause a shareholder's investment in our common stock to decline in value.

Our revenues and operating results may fluctuate significantly in the future due to various factors including, but not limited to, changes in sales, inventory expenses, operating expenses, market acceptance of our products, or regulatory changes that may affect the marketability of our products and buying cycles of our customers. As a result of these and other factors, we believe that period-to-period comparisons of our operating results may not be meaningful in the short term and that you should not rely upon our performance in a particular period as indicative of our performance in any future period.

Price fluctuations in, and unavailability of, raw materials that we use could adversely affect our business operations.

We do not enter into hedging arrangements for raw materials. Prices of certain raw materials have fluctuated in recent years which have affected our cost of goods. To mitigate the impacts of these price fluctuations on our cost of goods, we actively source the production of raw materials and finished goods through different suppliers to stabilize our costs. If these suppliers are unable or unwilling to meet our requirements, we could suffer shortages or substantial cost increases. Changing suppliers can require long lead times. The failure of our suppliers to meet our needs could occur for many reasons, including preferred customers, fires, natural disasters, weather, manufacturing problems, disease, strikes, transportation interruption, government regulation, political instability and terrorism. In addition, we pass some of these costs onto our customers through intermittent price increases. If we are not able to continue to effectively negotiate competitive costs with various suppliers or pass along certain price increases to our customers, our margins and operations will be adversely affected.

Our business is subject to many regulations and noncompliance is costly.

The production, marketing and sale of our beverages, including contents, labels, caps and containers, are subject to the rules and regulations of various federal, provincial, state and local health agencies. If a regulatory authority finds that a current or future product or production run is not in compliance with any of these regulations, we may be fined, or production may be stopped, thus adversely affecting our financial condition and results of operations. Similarly, any adverse publicity associated with any noncompliance may damage our reputation and our ability to successfully market our products. Furthermore, the rules and regulations are subject to change from time to time and while we closely monitor developments in this area, we have no way of anticipating whether changes in these rules and regulations will impact our business adversely. Additional or revised regulatory requirements, whether labeling, environmental, tax or otherwise, could have a material adverse effect on our financial condition and results of operations.

Failure to retain our executive officers and to attract other key personnel could materially affect our ability to compete in the ready-to-drink tea segment.

Our performance depends substantially on the performance of our executive officers and other key personnel. The success of our business in the future will depend on our ability to attract, train, retain and motivate high quality personnel, especially highly qualified managerial personnel. The loss of services of any executive officers or key personnel could have a material adverse effect on our business, revenues, and results of operations or financial condition. Competition for talented personnel is intense, and we may not be able to continue to attract, train, retain or motivate other highly qualified technical and managerial personnel in the future. In addition, market conditions may require us to pay higher compensation to qualified management and technical personnel than we currently anticipate. Any inability to attract and retain qualified management and technical personnel in the future could have a material adverse effect on our business, prospects, financial condition, and/or results of operations.

We have several lawsuits pending against us which could negatively affect our business.

At present we have a number of lawsuits pending against us seeking significant sums of money. If we were to be forced to pay judgments under such suits it would have a negative impact on our operations. See ITEM 3 – Legal Proceedings.

RISKS RELATED TO OUR SECURITIES

The price of our common stock may be volatile, and a shareholders' investment in our common stock could decline in value or become worthless.

During the years ended December 31, 2006 through 2011, the trading price of our common stock has ranged from $0.01 to $1.60, adjusted for stock splits. The volatility in our stock price could be caused by a variety of factors, many of which are beyond our control. These factors include, but are not limited to, the following:

- operating results that vary from the expectations of management, securities analysts and investors;
- changes in expectations as to our business, prospects, financial condition, and results of operations, including financial estimates by third-party analysts and investors;
- announcements by us or our competitors of new product innovations and material developments;
- the operating and securities price performance of other companies that investors believe are comparable to us;
- future sales of our equity or equity-related securities;
- more limited exposure of our equity securities being quoted on the OTCBB to the investing public as compared to other exchanges;
- changes in general conditions or trends in our industry and in the economy, the financial markets, and the domestic or international political situation;
- fluctuations in oil and gas prices;
- additions or departures of key personnel;
- future sales of our common stock; and
- regulatory considerations.

Domestic and international stock markets often experience significant price and volume fluctuations that are unrelated to the operating performance of companies with securities trading in those markets. These fluctuations, as well as political events, terrorist attacks, threatened or actual war and general economic conditions unrelated to our performance, may adversely affect the price of our common stock. In the past, securities holders of other companies often have initiated securities class action litigation against those companies following periods of volatility in the market price of those companies' securities. If the market price of our stock fluctuates and our stockholders initiate this type of litigation, we could incur substantial costs and experience a diversion of our management's attention and resources, regardless of the outcome. This could materially and adversely affect our business, prospects, financial condition and/or results of operations. In addition, the exposure of our common stock to the general investing community is limited and thereby inhibits our ability to obtain new investors to help finance our business.

Our current management may control the right to vote our common stock and they may be able to control our company indefinitely.

As of July 26, 2012, members of our Board of Directors and our management team beneficially own approximately 9.55% of our common stock. As a result, our Board and management may collectively and effectively control our management and affairs and all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, for an indefinite period of time. Without a broad stockholder base or a fluid aggregation of stockholders, it will be more difficult for a third party to acquire our Company without the consent of the insiders. This concentration of ownership might adversely affect the market value of our common stock in the future and the voting and other rights of our other stockholders.

Future classes of preferred stock may be issued with greater rights than our common stock.

As of January 21, 2011, we had outstanding 217.11 shares of Series K Preferred Stock preferred stock outstanding. On April 30th, 2011 we closed an offer to our Preferred K shareholders to convert their preferred shares into common stock at a negotiated price based upon a formula of 112% of original investment/ $0.10. On December 23rd, 2011 the Company received majority consent to reduce the conversion price of its Series K Preferred to 3 cents per share.

Of the original 217.77 Preferred K Shares, the investors converted 187.61 Preferred Shares into 52,531,893 shares of our common stock, as of December 31, 2012. Our Board is authorized to issue additional classes or series of shares of our preferred stock without any action on the part of our stockholders, subject to the limitations of the preferred stock already outstanding. Our Board also has the power, without stockholder approval, to set the terms of any such classes or series of shares of our preferred stock that may be issued, including voting rights, dividend rights, conversion features and preferences over shares of our common stock with respect to dividends or if we liquidate, dissolve or wind up our business and other terms. The Series K Preferred Stock have preference over shares of our common stock with respect to the payment of dividends or upon our liquidation, dissolution or winding up, and have as-converted voting rights which dilute the voting power of shares of our common stock. Moreover, should we issue shares of other series of our preferred stock in the future that have preference over shares of our common stock with respect to the payment of dividends or upon our liquidation, dissolution or winding up, or if we issue shares of our preferred stock with voting rights that dilute the voting power of shares of our common stock, the rights of our stockholders or the market price of shares of our common stock, and as a result our preferred stock and warrants, could be adversely affected.

In the event of bankruptcy, all creditors' claims will have priority over the rights of holders of shares.

In the event of bankruptcy, liquidation or winding up, our assets will be available to pay obligations on our preferred stock and common stock only after all of our liabilities has been paid. In addition, our preferred shares will effectively rank senior to the claims or holders of common shares. In the event of bankruptcy, liquidation or winding up, there may not be sufficient assets remaining, after paying our and our subsidiaries' liabilities, to pay amounts due on any or all of our preferred stock then outstanding, and holders of our common stock will not have the right to receive any amount of our assets unless and until all amounts due on all our preferred stock have been paid in full.

Shares of our common stock and other securities are considered "penny stocks."

If the market price per share of our common stock is less than $5.00, the shares may be considered "penny stocks" as defined in the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act. As a result, an investor may find it more difficult to dispose of or obtain accurate quotations as to the price of these securities. In addition, "penny stock" rules adopted by the SEC under the Exchange Act subject the sale of these securities to regulations which impose sales practice requirements on broker-dealers. For example, broker-dealers selling penny stocks must, prior to effecting the transaction, provide their customers with a document that discloses the risks of investing in penny stocks.

Furthermore, if the person purchasing the securities is someone other than an accredited investor or an established customer of the broker-dealer, the broker-dealer must also approve the potential customer's account by obtaining information concerning the customer's financial situation, investment experience and investment objectives. The broker-dealer must also make a determination whether the customer has sufficient knowledge and experience in financial matters to be reasonably expected to be capable of evaluating the risk of transactions in penny stocks. Accordingly, the SEC's rules may limit the number of potential purchasers of shares of our common stock. Moreover, various state securities laws impose restrictions on transferring "penny stocks," and, as a result, investors in our securities may have their ability to sell their securities impaired.

Our stock has been delisted from the OTC Bulletin Board.

Due to lateness in filing the Annual Report on Form 10-K for the year ended December 31, 2010 with the SEC, on May 19, 2011 the OTC Bulletin Board ("OTCBB") de-listed our common stock from trading thereon. This delisting could impair the trading market and price for our shares and has caused us to lose our ability to file registration statements with the SEC for future capital raises. It could also negatively affect our ability to conduct operations. Since May 19, 2011 our common stock has been listed for quotation on OTC Pink under the symbol "NLEF.PK". While we will try re-list our shares on the OTCBB, there can be no assurance that will occur. Even if we re-list successfully on the OTCBB, our inability to timely file periodic reports in the future could materially and adversely affect our financial condition and results of operations.

Future sales of common stock by our existing stockholders could adversely affect the price of our securities.

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market, or the perception that these sales could occur. These sales also might make it more difficult for us to sell equity securities in the future at a time and at a price that we may deem appropriate. We can make no prediction as to the effect, if any, that future sales of shares of common stock or equity-related securities, or the availability of shares of common stock for future sale, will have on the trading price of our common stock.

We do not expect to pay cash dividends on our common stock in the foreseeable future.

We have not declared or paid any cash dividends on our common stock and do not expect to pay cash dividends in the foreseeable future. As a result, investors may have to sell their shares of our common stock to realize their investment. We currently intend to retain all future earnings for use in the operation of our business and to fund future growth.

ITEM 2 - PROPERTIES

Our principal executive office is located at One DeWolf Rd., Suite 208, Old Tappan NJ. On March 8, 2010 we entered a lease agreement on 2,690 square feet of space at One DeWolf Road for a three year term commencing April 15, 2010. The rent expense under this lease was $49,090 for the year ended December 31, 2011. The minimum lease obligation for the three year term of the lease commencing April 15, 2010 is $147,324.
We believe the New Jersey facility will be adequate for our immediate needs..

ITEM 3 - LEGAL PROCEEDINGS

On December 27, 2007, Farmatek IC VE DIS TIC, LTD, STI, a former distributor of Nutritional Specialties, filed a claim in the Superior Court of California, County of Orange, against our wholly-owned subsidiary, Nutritional Specialties. Farmatek alleges breach of contract and a violation of California Business and Professional Code. Farmatek was seeking $4,000,000 plus punitive damages and costs. In February 2009, we reached a settlement with Farmatek to pay Farmatek an aggregate of $250,000 over the following twelve months. We paid $200,000 during 2009 and had a remaining balance of $50,000 at December 31, 2009, accrued remaining $8,668 in accrued liabilities in the accompanying consolidated balance sheet at December 31, 2010. Further disputes arose between the parties following the settlement, and Farmatek accepted a payment of $13,826 on January 24, 2011 in full settlement of all outstanding amounts.

On January 29, 2009, we were notified that we were named as a defendant, along with 54 other defendants, in a class action lawsuit under California Proposition 65 for allegedly failing to disclose the amount of lead in one of our products. Although the product in question was sold as part of our Asset Sale to Nutra, Inc. we remain as a named defendant in the case. We believe this case is without merit and we plan to defend it vigorously. We believe this suit will not have a material adverse effect on our results of operations, cash flows or financial condition.

On December 7, 2009, we received a demand notice for payment for $822,920 (see Footnote 7, Long Term Debt) from the estate of a former owner of Nutritional Specialties, Inc. Without acknowledging liability, we offered to settle any claims against us in this matter for cash and restricted common stock. Our offer lapsed before it was accepted. We intend to continue to attempt to negotiate a settlement for this debt. We have accrued for this payment of $822,920 as of December 31, 2010 as a current portion of long-term debt. On July 7, 2010, the Company was served with a Complaint demanding payment of the remaining balance of a $1,200,000 note payable with a current balance of $822,920 from the estate of a former owner of Nutritional Specialties, Inc. We are hopeful that this may be amicably resolved.

On March 12, 2010, the Company was notified that it was named as a defendant in lawsuit in the United States District Court, Eastern District of Texas, brought by Vitro Packaging de Mexico, SA de CV, the assignee of a former supplier. Vitro Packaging alleges the Company owed unpaid accounts payable and is seeking payment of approximately $345,000. The Company has entered into a Side Compromise Settlement Agreement, Indemnity and Release with Vitro Packaging De Mexico, S.A. DE C.V. with Vitro agreeing not to execute on an Agreed Final Judgment for $245,275 until after May 16, 2011, which the Company has not paid and is recorded as a current liability. On August 17, 2011, the judgment was recorded in the State of New Jersey. Management believes it can remedy the indebtedness through renegotiation, waiver, pay-down of indebtedness, however there can be no assurance that we will be able to negotiate a settlement.

In December 2010, the Company's Chief Operating Officer, William Sipper, resigned following an alleged incident involving a prospective employee of the Company. The Company insurance carrier settled this matter in March 2012.

On July 11, 2011, we were served with a complaint from Bett-A-Way Traffic Systems, Inc. demanding payment of $90,928 in a collection matter. We have accrued for this payment of $90,928 as of December 31, 2011 as part of accounts payable. The parties settled this matter on April 15, 2012.

Key Equipment v New Leaf Brands, Inc.: On January 12, 2012 Key Equipment filed a complaint demanding payment of $81,943 in a collection matter. The parties have been involved in settlement negotiations to resolve this matter.

On February 4, 2012, we were served with a complaint by Hartford Meir, Inc demanding payment of $160,009 in a collection matter regarding a trade receivable conveyed to them by Mode Transportation (with whom the Company originally incurred the debt). We have accrued for this payment of $136,920 as of December 31, 2011 as part of accounts payable. The Company reached a settlement agreement with this creditor which was completed upon a final payment of $20,000 on 7/18/12.

Except as described above, we are not a party to any other legal proceeding that we believe would have a material adverse effect on our business, results of operations or financial condition. We may be involved from time to time in ordinary litigation, negotiation and settlement matters that will or will not have a material effect on our operations or liquidity. Other than as set forth above, we are not aware of any pending or threatened litigation against us or our officers and directors in their capacity as such that could have a material impact on our operations or liquidity.

ITEM 4 – Not applicable.

PART II

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

Until May 19, 2011 our common stock had traded publicly on the Over-the-Counter Bulletin Board, or OTCBB, under the symbol NLEF. It currently trades in on the OTC Pink market as set forth below. The Company intends to seek re-listing of its common stock on the OTCBB after the filing of its Quarterly Report on Form 10-Q for the quarter ended March 31, 2012.

The following table sets forth the quarterly high and low bid prices per share of our common stock as reported by OTC Markets. The quotes represent inter-dealer quotations, without adjustment for retail mark-up, markdown or commission and may not represent actual transactions. The trading volume of our securities fluctuates and may be limited during certain periods. As a result of these volume fluctuations, the liquidity of any investment in our securities may be adversely affected.

Year Ended December 31, 2011	High	Low
March 31, 2011	$ 0.16	$ 0.06
June 30, 2011	$ 0.11	$ 0.05
September 30, 2011	$ 0.06	$ 0.02
December 31, 2011	$ 0.05	$ 0.0075

Year Ended December 31, 2010	High	Low
March 31, 2010	$ 0.69	$ 0.10
June 30, 2010	$ 0.48	$ 0.01
September 30, 2010	$ 0.38	$ 0.01
December 31, 2010	$ 0.26	$ 0.00

Holders of Record

We had approximately 470 holders of record of our common stock as of December 31, 2011.

Dividends

We have never paid a cash dividend on our common stock nor do we anticipate paying cash dividends on our common stock in the near future. It is our present policy not to pay cash dividends on the common stock but to retain earnings, if any, to fund growth and expansion. Under Nevada law, a company is prohibited from paying dividends if the company, as a result of paying such dividends, would not be able to pay its debts as they become due, or if the company's total liabilities and preferences to preferred stockholders exceed total assets. Any payment of cash dividends on our common stock in the future will be dependent on our financial condition, results of operations, current and anticipated cash requirements, plans for expansion, as well as other factors our board of directors deems relevant.

Securities Authorized For Issuance under Equity Compensation Plans

This information is incorporated by reference from Item 12 of this annual report.

Recent Sales of Unregistered Securities

On January 28, 2010, we agreed with certain vendors and converted their trade payable in the amount of $85,000 into 170,000 shares of our common stock.

On February 22, 2010, we closed a private placement of common stock and warrants with certain accredited investors. Pursuant to the private placement, we sold an aggregate of 1,988,889 (1,222,219 shares was issued in 2009) shares of our common stock, plus warrants to purchase 1,057,727 (649,999 warrants was issued in 2009) shares of our common stock at an exercise price of $0.55 per share, subject to adjustment. Gross proceeds from the private placement were approximately $895,000 ($550,000 was received in 2009).

In February 2010, we issued a side letter to investors in the private placements which had closed in December 2009 and February 2010 effectively amending the terms of the private placements to grant a price protection clause through April 30, 2010. The price protection clause required us to issue additional common stock and warrants to these investors, based upon a formula contained in the side letter, in the event that common stock was issued during the price protection period at an effective price less than the purchase price paid by such investors, subject to certain exceptions.

The commencement of the private placement in April 6, 2010 triggered the price protection clause contained in the side letter which we issued to certain investors on February 16, 2010. Accordingly, we issued such investors 568,253 shares of common stock and warrants to purchase 1,499,410 shares of common stock at an exercise price of $0.45 per share. The warrants are fully vested, with a five year term and provide their holders with certain anti-dilution and cashless exercise provisions.

On February 22, 2010, we agreed to issue for services rendered (fair value of $1,106,225), 3,000,000 shares of common stock, which consist of 2,557,500 shares issued on February 24, 2010 and the remaining 422,500 shares were to be issued on May 22, 2010. Prior to issuance of the remaining shares on May 22, 2010 the contract was rescinded.

In January and February 2010, we agreed with certain vendors to convert their trade payables in the amount of $78,781 into 270,923 shares of our common stock. Also on February 24, 2010, we agreed to issue for services rendered (fair value of $54,830), a warrant for 150,000 shares of our common stock with a exercise price of $0.49 per share and an expiration date of March 2015.

On April 6, 2010, we commenced a private placement of common stock and warrants with certain accredited investors. Pursuant to the private placement, we agreed to issue an aggregate of 1,821,414 shares of common stock and warrants to purchase 1,821,414 shares of common stock at an exercise price of $0.45 per share for net proceeds of $637,500. The warrants issued in connection with the private placement are fully vested, have a five year term and provide their holders with certain anti-dilution and cashless exercise provisions.

On May 28, 2010, we issued a side letter to investors in the private placement which commenced in April 2010 which effectively amended the terms of the private placement to contain a price protection clause through August 31, 2010. The price protection clause requires us to issue additional common stock to these investors, based upon a formula contained in the side letter, in the event that common stock is issued during the price protection period at an effective price less than the purchase price paid by such investors, subject to certain exceptions.

In August 2010, we issued a side letter to investors in the private placement which commenced on April 6, 2010 which effectively amended the terms of the private placement to extend the price protection clause provided to such investors in a side letter issued to them in May 2010 through September 25, 2010. The price protection clause required us to issue additional common stock to these investors, based upon a formula contained in the side letter, in the event that common stock or common stock equivalents were issued during the price protection period at an effective price less than the purchase price paid by such investors, subject to certain exceptions.

The commencement of the October 8, 2010 promissory note issuance (see below) triggered the price protection clause contained in the side letter which we issued to certain investors on August 26, 2010. Accordingly we issued such investors 728,586 shares of common stock.

In April 2010, the holders of $212,500 of notes agreed to convert the outstanding note balance into 531,250 shares of common stock in exchange for us agreeing to pay all unpaid interest which had accrued on the notes.

In May 2010, we issued 360,000 shares of common stock to the holders of $1,500,000 of notes in exchange for extending the maturity date to June 2010. In June 2010, we issued 4,500,000 shares of common stock to the same holders in exchange for further extending the maturity date to September 2010. In August 2010, the holders agreed to extend the term of these notes to December 24, 2010. In October 2010, the holders agreed to extend the maturity date to January 12, 2011. On January 21, 2011 theses notes were converted into 60 shares of our Preferred Series K shares and Series Y warrants to purchase 5,000,000 shares of common stock at a strike price of $0.15.

In September 2010, we consummated a private placement of promissory notes with a face value of $1,782,955 and detachable warrants to purchase 2,139,546 shares of common stock to accredited investors, excluding related parties which are described later in Note 6, pursuant to a private placement memorandum. The promissory notes were issued at an original issuance discount of $213,955, did not have a stated interest rate and matured on the three month anniversary of their issuance date in December 2010 or January 2011. In addition, the notes are automatically convertible upon the consummation of a qualified offering, as defined, into the type of securities issued in such offering at a conversion price equivalent to the price of the securities sold. The warrants are fully vested and provide its holder with the right to purchase the specified number of shares of common stock at an exercise price of $0.25 per share during its five year term. The warrants also provide its holders with certain anti-dilution and cashless exercise provisions. The terms of the offering also provide investors with a reset feature which gives them the right, for as long as the notes are outstanding, to exchange the promissory notes for securities issued in a subsequent offering in the event that the Company enters into any subsequent transaction other than the qualified offering, as defined, on terms more favorable than those governing the current offering.

As a result of the private placement of promissory notes and warrants we issued to the placement agent 266,760 warrants that are fully vested and provide its holder with the right to purchase the specified number of shares of common stock at an exercise price of $0.25 per share during its five year term. The warrants also provide its holder with certain anti-dilution and cashless exercise provisions.

On January 12, 2011 our note holders agreed to extend the maturity date of such notes to January 17, 2011.

On January 14, 2011 the Company received consent from all its September OID note holders to:

1. Lower the amount of a “Qualified Offering” to $1,200,000.”
2. Extend the “Maturity Date” to “January 21, 2011.”
3. Waive the full ratchet anti-dilution protection on their Warrant

On January 21, 2011, the Company completed a unit offering of an aggregate of $1,215,000 of its Series K 10% Convertible Preferred Stock (“Series K Preferred Stock”) and three series (Series X, Y and Z) of common stock purchase warrants (“Warrants”) to 11 accredited investors. Each unit sold consisted of one share of $25,000 stated value (and liquidation preference) of Series K Preferred Stock and Warrants to purchase up to an aggregate of 333,333 shares of common stock at $0.15 per share, subject to adjustment. A total of 48.6 units were sold. The Series X Warrants are 5 year warrants, exercisable immediately to purchase an aggregate of 4,049,999 shares of common stock. The Series Y Warrants are exercisable until 45 days after the effectiveness of a certain registration statement that the Company is obliged to file (see below) and are exercisable to purchase an aggregate of 4,049,999 shares of common stock. The Series Z Warrants are five year warrants whose effectiveness is conditional upon the exercise of the holder’s Y warrants and are exercisable to purchase an aggregate of 8,100,001 shares of common stock. Pursuant to a Registration Rights Agreement described below, investors also received the right to demand that the Company file one or more registration statements covering the securities into which the Series K Preferred Stock is convertible and as to which the Warrants are exercisable as further described below. The offering was made under Rule 506 under the Securities Act of 1933, as amended, and was made exclusively to “accredited investors”. As a condition to consummation of the offering, certain individuals converted outstanding debt in the original principal amount of $2,050,000 into the Company’s Series K Preferred Stock. Additionally, all subscribers to the Company’s 12% Original Issue Discount Notes sold in September and October 2010, whose then current balances on such Notes aggregated $2,081,176, were automatically converted into 83.16 shares of the Company’s Series K Preferred Stock and were issued X,Y and Z warrants *pari passu* to the current unit investors (an aggregate of 6,930,571 Series X warrants, 6,930,571 Series Y warrants and 13,861,139 Series Z warrants).

Additionally, in conjunction with the closing of the Preferred K Offering on January 21, 2011:

1. Lorraine DiPaolo agreed to convert her $1,500,000 in secured debt into 60 Series Preferred shares plus 5,000,000 Series Y common stock Warrants.
2. O. Lee Tawes agreed to convert his $500,000 in unsecured debt into 20 Series K Preferred Shares plus 1,666,667 Series Y common stock Warrants
3. Eric Skae agreed to convert his $50,000 in unsecured debt into 2 Series K Preferred Shares plus 166,667 of Series Y common stock Warrants
4. Eric Skae agreed to amend his current Earn Out Agreement, by waiving the earn-out of $325,000 earned in 2010 and extending the earn-out for through 2012 to waive certain sums due him and extend the term of the earn-out.

On February 8, 2011, we agreed to issue for investor relation services rendered 1,000,000 common shares. The initial aggregate value of these shares was valued at the closing market price on February 8, 2011 of $0.14 per share.

On April 29, 2011:
We received majority consent to:
Amend the Certificate of Designation for the Company's Series K Preferred Stock (the "Certificate of Designation")

- to eliminate the full ratchet anti-dilution provision contained in Section 6(a)(ii) thereof, "Subsequent Equity Sales,"
- to add a clause to paragraph (f) of Section 9 thereof permitting an asset-based credit line or factoring agreement pursuant to which the Company may obtain loans in an amount of up to $1.5 million, under certain conditions; and

Amend the Registration Rights Agreement, dated as of January 21, 2011, between the Company and each of the parties thereto to eliminate Section 2(b) to remove the liquidated damages provisions from the agreement.

On April 29, 2011, we closed a private placement of common stock with certain accredited investors. We sold an aggregate of 6,866,667 shares of our common stock. Gross proceeds from the private placement were approximately $515,000.

Also on April 29, 2011, we closed an offer to existing Series K Preferred stockholders to convert their Series K Preferred shares into common stock at a lowered price based upon a formula of 112% of original investment/ $0.10. Of the original 217.77 Series K Preferred Shares, investors owning 187.61 Series K Preferred Shares converted them into 52,531,893 shares of common stock.

Also on April 29, 2011, we closed an offer to existing X, Y and Z Warrant holders to exercise their warrants into common stock at a reduced price of 0.075 per share. 6,666,665 X, Y and Z Warrants were exercised in the process and one warrant holder also voluntarily surrendered 6,400,000 Warrants on the same date.

On July 14, 2011, July 28, 2011 and July 29, 2011 we issued Original Issue Discount Notes with lenders who lent $75,000, $50,000 and $25,000 respectively. These notes mature on January 14, 2012 at $170,458 and are secured by all of the Company assets, subject to subordinations of certain assets to present and future factoring facilities.

On August 24, 2011, the Company recast $570,281 (principal plus accrued interest) in existing secured loans with six parties (entered into between June and July 2011), one of whom is a director of the Company for $120,517, and another who is a principal shareholder for $298,227, in exchange for 10% Secured Convertible Subordinated Notes ("Secured Notes") which Notes were coupled with common stock. Each Secured Note is collateralized by all of the Company's assets and is convertible into common stock at a conversion price of $0.05 per share. Additionally, such lenders were granted an additional 5 shares of our common stock for each $1.00 of interest and principal due them totaling 2,881,405 common shares. The Company determined that the conversion of the secured notes into the secured recast notes was greater than the carrying value of the obligation on the date of the conversion and recorded a loss on extinguishment of debt of $144,392 for the year ended December 31, 2011

Between September 13-16, 2011, we borrowed aggregate gross proceeds of $250,000 from two investors and recast an existing unsecured loan from one investor. We issued to these investors the same 10% Secured Convertible Subordinated Notes we had issued to the lenders reported in the above paragraph. Each Secured Note is collateralized by all of the Company's assets and an assignment of the Company's trademark with the US Patent and Trademark Office and is convertible into common stock at a conversion price of $0.05 per share. Additionally, such investors received an additional 5 shares of our common stock for each $1.00 invested totaling 1,400,500 common shares (625,000 included in shares issuable).

On September 20, 2011 the Company entered into secured Purchase Order Financing agreements with certain suppliers for additional trade credit to produce and ship approximately $750,000 in orders to Company customers. The agreements are secured by certain future sales and inventory provided by the suppliers. The agreement included repayment of $307,563 of existing accounts payable and $443,000 in additional trade credit.

The Company further agreed to segregate all cash proceeds from specific sales to certain customers (the "Customers") to enable the Company to pay the suppliers. The Company entered into an Escrow Agreement with the Suppliers and an escrow agent for the purpose of establishing a segregated account controlled by the Escrow Agent to disburse the cash proceeds from such Customer accounts directly to each Supplier based upon a predetermined percentage. In connection with this facility, the Company also received consent from Secured Note holders to consent to (a) the Company entering into the Escrow Agreement with the Escrow Agent and the Suppliers for the benefit of each Supplier, and (b) consent to the Company's segregation of proceeds from Customer accounts receivable to the Escrow Account and waive each such Secured Note holder's security interest in and lien on all cash proceeds in the Escrow Account so long as the Escrow Agreement and the Escrow Account remains in place. As of December 31, 2011 the Company's accounts payable to those Suppliers was $460,490 of which $306,037 represented Purchase Order Financing.

On October 18, 2011, the Company borrowed $50,000 in exchange for 10% Secured Convertible Subordinated Notes which Notes were coupled with common stock. Each Secured Note is collateralized by all of the Company's assets and an assignment of the Company's trademark with the US Patent and Trademark Office and is convertible into common stock at a conversion price of $0.05 per share. Additionally, such lenders were granted an additional 5 shares of our common stock for each $1.00 of interest and principal due them.

On November 1, 2011, the Company borrowed $50,000 from a director in exchange for 10% Secured Convertible Subordinated Note which Notes were coupled with common stock. Each Secured Note is collateralized by all of the Company's assets and an assignment of the Company's trademark with the US Patent and Trademark Office and is convertible into common stock at a conversion price of $0.05 per share. Additionally, such lenders were granted an additional 5 shares of our common stock for each $1.00 of interest and principal due them.

On November 14, 2011, we borrowed aggregate gross proceeds of $60,000 from two existing investor in exchange for 10% Secured Convertible Subordinated Notes ("Secured Notes") which Notes were coupled with common stock. Each Secured Note is collateralized by all of the Company's assets and an assignment of the Company's trademark with the US Patent and Trademark Office and is convertible into common stock at a conversion price of $0.05 per share. Additionally, such lenders were granted an additional 5 shares of our common stock for each $1.00 of interest and principal due them.

On December 1, 2011, we borrowed $175,000 from one investor in exchange for a 10% Secured Convertible Subordinated Note ("Secured Note") which Note was coupled with common stock. The Secured Note is collateralized by all of the Company's assets and an assignment of the Company's trademark with the US Patent and Trademark Office and is convertible into 875,000 restricted common shares at a conversion price of $0.01 per share. Additionally, such lender was granted an additional 5 shares of our common stock for each $1.00 of interest and principal due him. Additionally, for arranging this facility which will total $330,000 an assignee of the Lender was granted a Revenue Participation Agreement. This agreement grants the lender a revenue participation of 2% of the Company's annual net sales of the first $2 million and 3% of any net sales in excess of the first $2 million in annual net sales.

On December 23rd, 2011 the Company received the required consent to:

- Amend the Certificate of Designation of the Corporation for the Series K Preferred Stock (the "Certificate of Designation")

  - to eliminate paragraph (f) of Section 9 of the Certificate of Designation, "Protective Provisions," which limits the Company's ability to enter into, create, incur, assume, guarantee or suffer to exist any indebtedness for borrowed money of any kind, other than "Permitted Indebtedness"

- Amend the Security Purchase Agreement for the Series K Preferred Stock (the "Security Purchase Agreement")

i. To eliminate paragraph 8.2 "Subsequent Equity Sales," in its entirety;
ii. To eliminate paragraph 8.3 "Participation in Future Financing ," in its entirety;

In consideration for same, the Company agreed:

- To reduce the conversion price of its Series K Preferred to 3 cents per share.
- To exchange every 5 Warrants (of the X, Y and Z Series) into 1 share of common stock.

On December 22, 2011, we borrowed aggregate gross proceeds of $155,000 from one investor in exchange for a 10% Secured Convertible Subordinated Note (“Secured Note”) which Note was coupled with common stock. Each Secured Note is collateralized by all of the Company’s assets and an assignment of the Company’s trademark with the US Patent and Trademark Office and is convertible into 775,000 restricted common shares at a conversion price of $0.01 per share. This loan triggered the Revenue Participation Agreement that was referenced in the discussion of the December 1, 2011 Secured Note.

Between February 15, 2012 and March 2, 2012, the Company received proceeds of $250,000 from four investors in exchange for 8% 18 month Unsecured Convertible Notes (“Unsecured Note”), which Notes were coupled with warrants. Each Unsecured Note is convertible thirteen months after their respective issuance dates into common stock at a conversion price equal to the greater of (i) the Variable Conversion Price of 50% of the Market Price and (ii) the Fixed Conversion Price of $0.01. The investors also received 25,000,000 5 year warrants at a strike price of $0.03 per share. In addition the investors received the right to invest in new notes on the same basis as provided.

On March 2, 2012 the Company entered into a public relations agreement with a consultant. In addition to the cash compensation of $7,000 paid, the party was also granted 1,000,000 restricted shares of common stock.

On March 7,2012 the Company commenced a warrant reset and exercise offer to eligible holders of its outstanding warrants, pursuant to which all issued and outstanding warrants to purchase common stock of the Company issued, irrespective of current exercise price or expiration date, may, in each holder’s sole discretion, be exercised at $0.03 per share during the offer period. Approximately 15 investors elected to exercise their warrants for which the Company received $400,147 and issued 13,338,225 shares of common stock.

On March 21, 2012 the Company granted 25,000,000 restricted shares of common stock to an investor who loaned the Company $330,000 on December 1, 2011 and December 22, 2011.

Additionally, for arranging this facility which totalled $330,000 the assignee of the Lender was granted a Revenue Participation Agreement. This agreement granted the lender a revenue participation of 2% of the Company’s annual net sales of the first $2 million and 3% of any net sales in excess of the first $2 million in annual net sales. On March 22, 2012 the Company and the assignee of the lender agreed to terminate the Revenue Participation Agreement.

On or about March 30, 2012 the Company settled approximately $1.7 million in 105 vendor claims against the Company for approximately $333,454 in cash and $467,567 in common stock to be issued at a later date.

On March 30, 2012 the Company granted approximately 7,000,000 shares of common stock to six key distribution partners as inducement for their continued support and 17,606,556 shares of common stock to 35 vendors to in connection settlement certain outstanding claims.

On March 30, 2012 the Company granted certain contract employees and consultants 9,000,000 shares common stock in New Leaf Brands, Inc and warrants to purchase 3,750,000 shares of common stock at $0.03 per share

On May 4, 2012 the Company commenced a warrant reset and exercise offer to eligible holders of its outstanding warrants, pursuant to which all issued and outstanding warrants to purchase common stock of the Corporation issued, irrespective of current exercise price or expiration date, may, in each holder’s sole discretion, be exercised at $0.03 per share during the offer period. Approximately 7 investors elected to exercise their warrants for which the Company received $117,471 and issued 3,915,687 shares of common stock

With respect to the issuance of our securities as described above, we relied on Section 4(2) exemption from securities registration under the federal securities laws for transactions not involving any public offering. No advertising or general solicitation was employed in offering the securities and the securities were sold to accredited investors. The securities were offered for investment purposes only, and not for the purpose of resale or distribution and the transfer thereof was restricted by us.

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

OVERVIEW

We are a competitive beverage holding company built around our initial success of our New Leaf ready-to-drink teas and lemonades. We intend to acquire other regional branded beverages in complementary categories with strong followings. We believe that our products are well-positioned to grow and we have a competitive advantage in ingredients, flavor and packaging. As of July 26, 2012, we sell New Leaf beverages in seven states, through 30 distributors in over 8,000 outlets. We plan to expand our business by targeting larger mainstream grocery, convenience and drug store channels,

We intend to offer a beverage portfolio of branded proprietary products, with distinctive packaging and deep regional appeal in the following categories.

- Ready to drink Lemonades and Teas
- Carbonated Beverages
- Juice and Juice Blends
- Weight Control drinks
- Water and Enhanced Water
- Functional/Health and Wellness drinks

These categories are tailored toward premium, gourmet and healthy lifestyles for the "quality-value" expectations of our consumers. We believe that each future-acquired brand, in its category, will provide operating efficiencies and established regional distribution for the Company's full array of beverage products

New Leaf Beverages is the company's flagship brand in the ready to drink Lemonades and Teas category since 2008 and intends to acquire additional brands in the category in 2012.

At New Leaf Beverages, we develop market and distribute healthy and functional ready-to-drink teas and lemonades under the New Leaf® brand. We focus primarily on functional ready-to-drink beverages, which include teas, lemonades and other functional drinks. New Leaf offers natural iced-tea and lemonade beverages which are sweetened with evaporated pure cane sugar and specifically formulated to address an unmet consumer demand in the very competitive, but rapidly growing, ready-to-drink beverage market. The pure cane sugar sweetening creates a healthier, premium product with 20-30% fewer calories than competing brands who use high fructose corn syrup. New Leaf is available in 17 varieties of teas (including white, black, green, and blue teas) and lemonades (including half tea/half lemonade beverages).

CRITICAL ACCOUNTING POLICIES

We have identified the policies below as critical to our business operations and the understanding of our results of operations. The impact and any associated risks related to these policies on our business operations are discussed throughout this section.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition, Sales Returns and Allowances

We recognize revenue when the product is shipped. Sales returns are recorded as a reduction to sales when we agree with a customer that a return is warranted. All returns must be authorized in advance and must be accompanied by an invoice number within 180 days. Our customers are responsible for returning merchandise in resalable condition. Full credit cannot be given for merchandise that has been defaced, marked, stamped, or priced in any way. All price tags and glue residue must be removed prior to return. Management communicates regularly with customers to compile data on the volume of product being sold to the end consumer. This information is used by management to evaluate the need for additional sales returns allowance prior to the release of any financial information. Our experience has been such that sales returns can be estimated accurately based on feedback within 30 days of customer receipt.

Inventories

Inventories consist primarily of raw material and finished product and are recorded at the lower of cost or market on an average cost basis. Raw material includes: material, packaging and labeling materials. We do not process raw materials, but rather have third-party suppliers who formulate 'co-pack' and package finished goods. Effective July 1, 2012 the company will be converting to standard cost for the valuation of our inventory.

We analyze inventory for possible obsolescence on an ongoing basis, and provides a write down of inventory costs when items are no longer considered to be marketable. Our estimate of a fair market value is inherently subjective and actual results could vary from our estimate, thereby requiring future adjustments to inventories and results of operations.

Other intangibles

We evaluate intangible assets for potential impairment on an annual basis or whenever events or circumstances indicate that an impairment may have occurred in accordance with the provisions of Goodwill and Other Topic of the Codification (ASC Topic 350-30), which requires that other intangible assets be tested for impairment using a two-step process. The first step of the impairment test, used to identify potential impairment, compares the estimated fair value of the reporting unit containing the amortizing intangible with the related carrying amount. If the estimated fair value of the reporting unit exceeds its carrying amount, the reporting unit's amortizing intangible is not considered to be impaired and the second step is unnecessary.

The brand value (including Trademarks and Trade Names) of continuing operations are being amortized over a ten year period.

Derivatives

As part of certain note and warrant agreements, we provided holders with the option to convert the note or exercise the warrant into our common stock at a specified strike price. In order to prevent dilution, if the new strike price is lower than the original strike price on the day of conversion or exercise, the strike price will be lowered to the new conversion or exercise price. Under the Derivatives and Hedging Topic of the Codification, ASC Topic 815-40, we determined that these types of down round protection terms are considered derivatives.

Estimating the fair value of derivative financial instruments requires the development of significant and subjective estimates that are likely to change over the duration of the instrument with related changes in internal and external market factors. In addition, option-based techniques are highly volatile and sensitive to changes in the traded market price of our common stock. Since derivative financial instruments are initially and subsequently carried at fair value, the statement of operations reflects the volatility in these estimates and assumption changes.

Stock-Based Compensation

Under the Compensation Topic of the Codification, of ASC Topic 718-10 ("ASC 718"), we are required to measure the cost of employee services received in exchange for all equity awards granted. Under ASC 718, share-based compensation cost is measured at grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite service period on a straight-line basis. We granted stock options and issued restricted stock in the years ended December 31, 2010 and none in December 31, 2011.

Warrants issued on debt and beneficial conversion

We estimate the fair value of each warrant grant on the date of grant using the Black-Scholes option-pricing model.

We account for the beneficial conversion feature of debt and preferred stock under the Debt Topic of the Codification, or ASC Topic 470-20, using intrinsic value method measure at the date of the note.

Income Taxes

We account for income taxes using the asset and liability method under the Income Taxes Topic of the Codification, or ASC Topic 740-10. Deferred taxes arise from temporary differences between accounting methods for tax and financial statement purposes. We establish a valuation allowance for the uncertainty related to our ability to generate sufficient future taxable income to utilize the net operating loss carry forwards and other deferred items.

Recently Issued Accounting Standards

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220), Presentation of Comprehensive Income* This update is intended to increase the prominence of other comprehensive income in the financial statements by requiring public companies to present comprehensive income either as a single statement detailing the components of net income and total net income, the components of other comprehensive income and total other comprehensive income, and a total for comprehensive income or using a two statement approach including both a statement of income and a statement of comprehensive income. The option to present other comprehensive income in the statement of changes in equity has been eliminated. The amendments in this update, which should be applied retrospectively, are effective for public companies for fiscal years, and interim periods beginning after December 15, 2011. The Company is in the process of determining if it will present other comprehensive income in a single continuous statement of comprehensive income or in two separate but consecutive statements.

RESULTS OF OPERATIONS

The following table sets forth our statement of results of operation data from continuing operations for the quarter ended and years indicated:

	For the quarter ended,		For the year ended,	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Continuing Operations				
Net sales	$ 791,412	$ 586,033	$ 2,266,321	$ 4,257,361
Cost of sales	623,947	434,087	1,792,487	2,848,348
Gross profit	167,465	151,946	473,834	1,409,013
Operating expenses	1,931,885	1,950,760	7,086,362	9,251,795
Loss from continuing operations	(1,764,420)	(1,798,814)	(6,612,528)	(7,842,782)
Other income and (expenses), net	(90,710)	(143,131)	(68,726)	(1,233,459)
Loss before income taxes	(1,855,130)	(1,941,945)	(6,681,254)	(9,076,241)
Income tax provision	-	-	-	-
Loss from continuing operations	$ (1,855,130)	$ (1,941,945)	$ (6,681,254)	$ (9,076,241)

Net sales for the fourth quarter ended December 31, 2011 were $791,412 compared to net sales of $586,033, for the comparable quarter ended December 31, 2010. Our gross profit margin for the fourth quarter ended December 31, 2011 was 21.2%, compared to 25.9% for the same period last year.

Net sales for the year ended December 31, 2011 decreased by $1,991,040 from $4,257,361 to $2,266,321 a 46.8% decline. We believe that this decline reflected cash flow shortages which occupied a significant amount of management time and distributors' confidence in the future of the brand. Our gross profit for the year ended December 31, 2011 declined to 20.9% from 33.1% of sales for the same period last year, reflecting above discussion of cash flow shortages and lower efficiencies realized on smaller production runs.

Operating expenses for the fourth quarter ended December 31, 2011 and 2010 were $1,931,885 and $1,950,760, respectively. Operating expenses for the year ended December 31, 2011 and 2010 were $7,086,362 and $9,251,795 respectively. The decrease in operating expense for the year is primarily due to decreased expenses for Shipping and Handling of $205,420 and Selling and Marketing of $2,714,047 associated with the decreased sales force and promotion of the ready-to-drink beverage business, a decrease in General and Administrative Expenses of $1,360,327 due to planned cost reductions and option and stock compensation expenses, decrease of $40,639 in depreciation and amortization of intangible and $2,155,000 in 2011 for the impairment of Brand Value intangible.

The Company evaluates intangible assets for potential impairment on an annual basis or whenever events or circumstances indicate that impairment may have occurred using a two-step process. The first step of the impairment test, used to identify potential impairment, compares the estimated fair value of the intangible with the related carrying amount. If the estimated fair value of the intangibles exceeds its carrying amount, the intangible is not considered to be impaired and the second step is unnecessary. During the quarter ended September 30, 2011, the Company determined that a triggering event occurred and performed an interim impairment analysis. The interim impairment analysis resulted in an impairment of $1,100,000 for the third quarter of 2011. During the year ended December 31, 2011, the Company determined that the economic uncertainty surrounding the Company's ability to remain in business triggered an impairment analysis. The Company's interim and annual tests, using predominately a discounted cash flow model derived from internal budgets in assuming fair values for the impairment testing. Factors that could change the result of our impairment test include, but are not limited to, different assumptions used to forecast future net sales, expenses, capital expenditures and resources, and liquidity and working capital requirements used in our cash flow models. In addition, selection of a risk-adjusted discount rate on the estimated undiscounted cash flow is susceptible to future changes in market conditions, and when unfavorable, can adversely affect our original estimates of fair value. The Company's key assumptions used in its annual impairment analysis included the following: a discount rate of 18% based on the estimated weighted average cost of capital from the market participant point of view; royalty rate of 4.0%; an average perpetual growth rate of 66% for six years and a tax rate of 38%. An increase in the discount rate of 1% or a 1% deterioration of the perpetual revenue growth rate would increase the impairment loss by approximately $38,000 or $11,000, respectively. The Company bases its fair value estimates on assumptions it believes to be reasonable, but which are unpredictable and inherently uncertain. For the year ended December 31, 2011, the impairment of the Company's brand value mainly resulted in the decline in its projected revenues and operating results and cash flows.The Company has concluded that impairment had existed at December 31, 2011 and has recorded an impairment charge, measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value, of $2,155,000 for the year ended December 31, 2011. In conjunction with preparing the revised forecasts, the Company reevaluated the remaining estimated useful lives of the long-lived intangibles and concluded there is no change in its estimated remaining useful lives.

Other income (expense) for the years ended December 31, 2011 and 2010 was $(68,726) and $(1,233,459), respectively. The $1,164,733 change was primarily related to lower debt financing costs, loss on extinguishment of debt and interest expense and partially offset by lower recovery of change in derivative payable. Other income (expense) for the quarter ended December 31, 2011 and 2010 was $(90,710) and $(143,131), respectively. The $52,421 change was primarily related to lower debt financing costs, loss on extinguishment of debt, and interest expense and partially offset by lower recovery of change in derivative payable.

There is no income tax benefit recorded because any potential benefit of the income tax net operating loss carry forwards has been equally offset by an increase in the valuation allowance on the deferred income tax asset.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2011, we had $ 417,423 in current assets of which $ 245,252, or 58.8%, was cash and receivables. On average, our receivables are collected in about 30 days. Total current liabilities at December 31, 2011 totaled $ 5,466,163, of which $2,593,537, or 47.4%, represented trade and operating payables. At December 31, 2011, we had a net working capital deficiency of $5,048,740. Our need for cash during the year ended December 31, 2011 was primarily funded through the issuance of debt totaling approximately $1,675,944: the issuance of preferred and common stock of approximately $1,493,000 and exercise of warrants of $500,000

We have traditionally funded working capital needs through product sales, management of working capital components of our business, and by cash received from private offerings of our common stock, preferred stock, warrants to purchase shares of our common stock and convertible notes.

We believe that our needs for capital over the next 12 to 24 months could be minimized if we are able to increase our sales via the introduction of new products, support our inventory needs and promote our products in the marketplace. Since our existing operations are capable of absorbing growth without any significant operational expense, any increases in sales will allow us to lessen our needs for long-term capital. However, we intend to aggressively expand our distribution channel more rapidly than in the past and implement more aggressive advertising programs. These programs require further significant investments of capital. The amount and nature of how we would raise any necessary funds cannot be determined at this time. It is possible we may not be able to find capital on acceptable terms.

The following table presents future maturities of debt owed through the end of fiscal year 2014:

Year	Amount
2012	1,717,316
2013	14,338

Contractual obligations and commitments

The following table presents certain payments due under contractual obligations with minimum firm commitments as of December 31, 2011: (in thousands)

	Payments Due by Period				
	Total	Due in 2012	Due in 2013	Due in 2014	Thereafter
Operating lease obligations(1)	$ 62	$ 50	$ 12	$ -	$
Capital lease obligations(2)	25	18	4	3	
Notes payable(3)	2,315	2,315		—	—
Total contractual obligations	$ 2,402	$ 2,383	$ 16	$ 3	$

(1) We have entered into various non-cancelable operating lease agreements for our offices with original lease periods up to three years, expiring 2013. See Note 19—"Commitments" in the Notes to the consolidated financial statements for additional information.

(2) We are obligated to make payments under equipment leases

(3) We are obligated to make payments under short term notes, notes payable to related parties and long term debt obligations

The Company's various equity financings are detailed under Item 5 – MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES – Recent Sales of Unregistered Securities. The Company's various borrowings are set forth below.

On June 15, 2011, the Company entered into a Secured Factoring Loan with a principal amount of $426,680 with four lenders, the total amount received on the Secured Factoring Loans was $400,000 of which $125,000 was purchased by a then-director of the Company and $200,000 was purchased by a principal shareholder. These notes matured on August 20, 2011 and are secured by all of the Company assets, subject to subordinations of certain assets to present and future factoring facilities. On August 24, 2011 these notes were converted into the Secured Convertible Subordinated Notes described below.

On July 14, 2011, July 28, 2011 and July 29, 2011 we issued Original Issue Discount Notes to three lenders receiving amounts of $75,000 from a principal shareholder, $50,000 and $25,000 respectively from other investors. These notes matured on January 14, 2012 at $170,458 and are secured by all of the Company assets, subject to subordinations of certain assets to present and future factoring facilities, of which $85,227 was due to Lorraine DiPaolo, a principal shareholder. On August 24, 2011 these notes were converted into the recast notes as described below.

On August 24, 2011, we recast $606,381 (principal plus accrued interest) in existing secured loans with six parties (entered into between June and July 2011), one of whom was then a director of the Company, for $120,517, another of whom is an executive officer and director of the Company for $30,100 and another of whom is a principal shareholder for $298,227, in exchange for 10% Secured Convertible Subordinated Notes ("Secured Notes") which Notes were coupled with common stock. Each Secured Note is collateralized by all of the Company's assets and is convertible into common stock at a conversion price of $0.05 per share. Additionally, such lenders were granted an additional 5 shares of our common stock for each $1.00 of interest and principal due them. We determined that the conversion of the secured notes into the secured recast notes was more than the carrying value of the obligation on the date of the conversion and recorded a loss on extinguishment of debt of $144,392 for the year ended December 31, 2011.

Between September 13 and 16, 2011, we borrowed $250,000 from two investors, one of whom is a principal shareholder, for $125,000 and refinanced an existing unsecured loan with one officer in the amount of $30,100. We issued to these investors the same 10% Secured Convertible Subordinated Notes we had issued to the lenders reported in the above paragraph. Additionally, such investors received an additional 5 shares of our common stock for each $1.00 invested totaling 1,450,000 common shares (625,000 included in shares issuable). The shares were valued at $31,250 as discount debt and will be amortized over the term of notes.

On September 20, 2011 the Company entered into Secured Purchase Order Financing agreements with certain suppliers for additional trade credit to produce and ship approximately $750,000 in orders to Company customers. The agreements were secured by certain future sales and inventory provided by the suppliers. The agreement included repayment of $307,563 of existing accounts payable and $ 443,000 in additional trade credit. The Company further agreed to segregate all cash proceeds from specific sales to certain customers (the "Customers") to enable the Company to pay the suppliers. The Company entered into an Escrow Agreement with the Suppliers and an escrow agent for the purpose of establishing a segregated account controlled by an independent escrow agent to disburse the cash proceeds from such Customer accounts directly to each Supplier based upon a predetermine percentage. In connection with this facility, the Company also received consent from Secured Note holders to consent to (a) the Company entering into an escrow agreement with the escrow agent and the Suppliers for the benefit of each Supplier, and (b) consent to the Company's segregation of proceeds from Customer accounts receivable to the escrow account and waive each such Secured Note holder's security interest in and lien on all cash proceeds in the escrow account so long as the escrow agreement and the escrow account remained in place. As of December 31, 2011 the Company's accounts payable to those Suppliers was $460,490 of which $306,037 represented Purchase Order Financing. The escrow agent received aggregate proceeds of $444,526, all of which have been disbursed to the Suppliers.

On October 18, 2011, the Company borrowed $50,000 from two lenders in exchange for 10% Secured Convertible Subordinated Notes which Notes were coupled with common stock. One of the purchasers was a principal shareholder who subscribed for $25,000. Each Secured Note is collateralized by all of the Company's assets and an assignment of the Company's trademark with the US Patent and Trademark Office and is convertible into common stock at a conversion price of $0.05 per share. Additionally, such lenders were granted an additional 5 shares of our common stock for each $1.00 of interest and principal due them.

On November 1, 2011, the Company borrowed $50,000 from a then-director in exchange for 10% Secured Convertible Subordinated Note which Note was coupled with common stock. Each Secured Note is collateralized by all of the Company's assets and an assignment of the Company's trademark with the US Patent and Trademark Office and is convertible into common stock at a conversion price of $0.05 per share. Additionally, such lenders were granted an additional 5 shares of our common stock for each $1.00 of interest and principal due them.

On November 14, 2011, we borrowed aggregate gross proceeds of $60,000 from two investors, one of whom was a principal shareholder ($30,000) in exchange for 10% Secured Convertible Subordinated Notes ("Secured Notes") which Notes were coupled with common stock,. Each Secured Note is collateralized by all of the Company's assets and an assignment of the Company's trademark with the US Patent and Trademark Office and is convertible into common stock at a conversion price of $0.05 per share. Additionally, such lenders were granted an additional 5 shares of our common stock for each $1.00 of interest and principal due them.

On November 22, 2011 we entered into an investor relations maintenance agreement. In addition to the cash compensation of $50,000 (of which $25,000 was) paid, the party was granted 3,000,000 restricted shares of common stock and we assigned to the principal plus a warrant to purchase 5 million shares of common stock at a strike price of $0.25 per share.

On December 1, 2011, we borrowed $175,000 from one investor in exchange for 10% Secured Convertible Subordinated Notes ("Secured Notes") which Notes were coupled with common stock. Each Secured Note is collateralized by all of the Company's assets and an assignment of the Company's trademark with the US Patent and Trademark Office and is convertible into common stock at a conversion price of $0.01 per share. Additionally, such lenders were granted an additional 5 shares of our common stock for each $1.00 of interest and principal due them. Additionally, for arranging this facility which will total $330,000 assignee of the Lender was granted a Revenue Participation Agreement. This agreement grants the lender a revenue participation of 2% of the Company's annual net sales of the first $2 million and 3% of any net sales in excess of the first $2 million in annual net sales.

On December 14, 2011, the Company reached an agreement with a former employee to grant common stock and warrants to in exchange for satisfaction of deferred salary of $7,516 and an outstanding note to his wife in the amount of $4,800. We intend to grant 400,000 restricted shares of common to them.

On December 22, 2011, we borrowed $155,000 from one investor in exchange for 10% Secured Convertible Subordinated Note ("Secured Note") which Note was coupled with common stock. Each Secured Note is collateralized by all of the Company's assets and an assignment of the Company's trademark with the US Patent and Trademark Office and is convertible into common stock at a conversion price of $0.01 per share. This loan triggered the Revenue Participation Agreement that was referenced in the discussion of the December 1, 2011 Secured Note.

On December 23rd, 2011 the Company received the required consent to:

- Amend the Certificate of Designation of the Corporation for the Series K Preferred Stock (the "Certificate of Designation")
  - to eliminate paragraph (f) of Section 9 of the Certificate of Designation, "Protective Provisions," which limits the Company's ability to enter into, create, incur, assume, guarantee or suffer to exist any indebtedness for borrowed money of any kind, other than "Permitted Indebtedness"

- Amend the Security Purchase Agreement for the Series K Preferred Stock (the "Security Purchase Agreement")

i. To eliminate paragraph 8.2 "Subsequent Equity Sales," in its entirety;

ii. To eliminate paragraph 8.3 "Participation in Future Financing ," in its entirety;

In consideration of same, the Company agreed:

- To reduce the conversion price of its Series K Preferred to 3 cents per share.
- To exchange every 5 Warrants (of the X, Y and Z Series) into 1 share of common stock.

Going forward, the Company will continue to concentrate on seeking strategic alternatives. Alternatives could include, but may not be limited to, a sale, merger or other business combination involving the Company, a sale of shares or other recapitalization of the Company, a joint venture arrangement, the sale or spinoff of Company assets, or the continued execution of the Company's business plan. There can be no assurance that the exploration of strategic alternatives will result in any transaction, or that, if completed, any transaction will be on attractive terms

We believe that our existing cash resources, combined with projected cash flows from operations will not be sufficient to execute our business plan and continue operations for the next twelve months. We continue to explore various longer term capital options which we believe will be necessary to provide for the growth of our business. Additionally, we are evaluating our strategic direction aimed at achieving profitability and positive cash flow. We intend to continue to issue debt or equity securities in order to raise additional capital. If we issue additional common stock or securities that could convert into our common stock, our current stockholders will be diluted and the trading price of our common stock may decrease. Additionally, we may not be successful in obtaining additional financing on acceptable terms, on a timely basis, or at all, in which case, we may be forced to make further cutbacks or ultimately cease operations.

GOING CONCERN

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. As reflected in the consolidated financial statements included in this annual report, we had a working capital deficiency of $5,048,740 at December 31, 2011. We have had material operating losses and have not yet created positive cash flows. These factors raise substantial doubt about our ability to continue as a going concern. We cannot provide any assurance that profits from operations will generate sufficient cash flow to meet our working capital needs and service our existing debt. The consolidated financial statements do not include adjustments related to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should we be unable to continue as a going concern.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2011, we have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Statement of Information Furnished

The accompanying consolidated financial statements have been prepared in accordance with Form 10-K instructions for a smaller reporting company and in the opinion of management contain all adjustments necessary to present fairly the consolidated financial position as of December 31, 2011 and 2010, the results of operations and cash flows for the years ended December 31, 2011 and 2010. These results have been determined on the basis of U.S. generally accepted accounting principles and practices applied consistently.

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

Effective April 15, 2011, we dismissed our principal independent accountant Mayer, Hoffman, McCann P.C.(“MHM”). Our Board of Directors approved the decision to dismiss MHM.

Except as reported in the Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which stated that "[t]he accompanying consolidated financial statements has been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations, has a working capital deficiency, was not in compliance with certain financial covenants related to debt agreements, and has a significant amount of debt maturing in 2010. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.," the report of MHM on the Company's financial statements for the fiscal years ended December 31, 2009 and 2008 did not contain an adverse opinion or a disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles.

In connection with the audit of our financial statements for the fiscal year ended December 31, 2009, and in the subsequent interim periods through April 15, 2011, there were no disagreements with MHM on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure which, if not resolved to the satisfaction of MHM, would have caused MHM to make reference to the subject matter of the disagreement in connection with its report.

Effective April 18, 2011, we engaged EisnerAmper LLP ("EISNER") to act as our independent registered public accounting firm. Our Board of Directors approved the decision to engage EISNER.

During the fiscal years ended December 31, 2009 and 2008 and during all subsequent interim periods through April 15, 2011, except for a discussion with EISNER regarding the misapplication of EITF 07-5 as it related to previously issued interim financial statements for the first and second quarters of 2010 that were identified by MHM during the performance of their reviews and determined by management to be immaterial, we did not consult EISNER regarding: (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company's financial statements, and neither a written report nor oral advice was provided to us that EISNER concluded was an important factor considered by us in reaching a decision as to any accounting, auditing or financial reporting issue; or (ii) any matter that was the subject of a disagreement (as that term is defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K) or a reportable event (as that term is defined in Item 304(a)(1)(v) of Regulation S-K) with its former accountants, MHM.

ITEM 9A - CONTROLS AND PROCEDURES

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 management is required to provide information on our internal control over financial reporting including that the Company's management is responsible for establishing and maintaining adequate internal control over financial reporting and the Company's management has evaluated the system of internal control using the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, framework for its evaluation. The COSO control framework is recognized by the United States Securities and Exchange Commission (SEC).

Evaluation of Disclosure Controls and Procedures

Our management evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this annual report on Form 10-K. Based on this evaluation, our management concluded that our disclosure controls and procedures, including internal control over financial reporting, were not effective as of December 31, 2011 to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (ii) is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Our disclosure controls and procedures are designed to provide reasonable assurance that such information is accumulated and communicated to our management. Our disclosure controls and procedures include components of our internal control over financial reporting. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls, no matter how well designed and operated, can provide only reasonable, but not absolute, assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, with our Company have been detected.

Our management identified control deficiencies during 2010 that continued to exist in the year ended December 31, 2011 because we lacked adequate controls in place to properly evaluate and account for all the complex characteristics of the debt and equity transactions executed by our Company in accordance with accounting principles generally accepted in the United States of America. Management concluded that there were not adequate controls in place to properly evaluate and account for stock-based awards issued by our Company in accordance with accounting principles generally accepted in the United States of America. These deficiencies are the result of the complexity of the individual debt and equity transactions entered into by our Company and the limited amount of personnel available to provide for the proper level of oversight needed in accounting for these transactions. Management has determined that these control deficiencies represent material weaknesses. In addition, we lacked sufficient staff to segregate accounting duties. Based on our review of our accounting controls and procedures, we believe these control deficiencies resulted primarily because we have one person performing all accounting-related duties. As a result, we did not maintain adequate segregation of duties which results in material weaknesses related to the preparation of financial statements and other documents required to be filed with the SEC and identifying accounting for material loss contingencies. Within our critical financial reporting applications, management believes these are "material weaknesses."

A material weakness is defined as a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

In preparing our financial statements and in reviewing the effectiveness of the design and operation of our internal accounting controls and procedures and our disclosure controls and procedures for the year ended December 31, 2011, we performed transaction reviews and control activities in connection with reconciling and compiling our financial records for the year ended December 31, 2011. These reviews and procedures were undertaken in order to confirm that our financial statements for the year ended December 31, 2011 were prepared in accordance with generally accepted accounting principles, fairly presented and free of material errors.

Our management is in the process of actively addressing and remediating the material weaknesses in internal control over financial reporting described above. Steps taken by management include the relocation of accounting activities to our new facility in New Jersey, installation of a new ERP system and the retention of a financial services company who will maintain the records and train our personnel. We expect the new ERP system to be fully operational by July 31, 2012.They will also be responsible for establishing new internal controls designed to address any and all weaknesses including segregation of duties.

We believe that the steps outlined above will strengthen our internal control over financial reporting and address the material weaknesses described above. Our management will test and evaluate additional controls to be implemented in 2012 to assess whether they will enhance the operating effectiveness of our internal control environment. However we continue to have only one person who performs our accounting and reporting functions.
We intend to continue to remediate material weaknesses and enhance our internal controls, but cannot guarantee that our efforts will result in remediation of our material weakness or that new issues will not be exposed in this process.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Such internal control over financial reporting was not subject to attestation by our independent registered public accounting firm pursuant to the temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting

Other than the changes described in the above section, there were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our management is in the process of actively addressing and remediating the material weaknesses in internal control over financial reporting described above. During 2012, we intend to undertake actions to remediate the material weaknesses identified, including implementation of a new ERP system, hiring additional staff to allow for appropriate checks and reviews of internal control record-keeping and reporting.

We intend to continue to remediate material weaknesses and enhance our internal controls. We expect these changes to result in remediation of our material weakness.

ITEM 9B - OTHER INFORMATION

None.

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Set forth below is certain information with respect to the individuals who were our directors and executive officers as of December 31, 2011.

Name	Age	Position(s) or Office(s) Held
David Fuselier (1)	52	Chairman of the Board, President, Director and Chief Executive Officer since February 15, 2012
Terry L. Kinder (2)	53	Director since July 10, 2012
Eric Skae (3)	49	Former Chairman of the Board, President, and Chief Executive Officer
O. Lee Tawes, III (4)	63	Former Director

1 Mr. Fuselier joined our Company on February 14, 2012. On February 15, 2012, Mr. Fuselier was appointed Chairman, President Director and Chief Executive Officer of our Company.

2. Mr. Kinder was appointed the Board of Directors on July 12, 2012.

2. Mr. Skae joined our Company on September 8, 2008. On January 8, 2009, Mr. Skae was appointed President and Chief Operating Officer of our Company. On March 4, 2009, Mr. Skae was appointed Chairman and Chief Executive Officer of our Company. Mr. Skae resigned as Chairman of the Board, President, a Director and Chief Executive Officer on February 14, 2012

3. Mr. Tawes resigned as a director on February 14, 2012.

The following is a summary of the business experience of our directors and officers:

DAVID FUSELIER joined the Company on February 14, 2012 and was appointed Chairman, Chief Executive Officer and President on February 15, 2012. For the last fifteen years, Mr. Fuselier has been the principal of Fuselier and Co., a private merchant banking firm engaged in corporate turnarounds. He is a graduate of Louisiana State University (MSJ) and Louisiana College (BA).

TERRY L. KINDER joined the Company on July 12, 2012 as a Director. Mr. Kinder is currently President of First Choice Business Brokers of Charleston of South Carolina and has operated it since 2008. Prior to that he was the Managing Director of East Bay Partners, LLC, a management consulting firm a based in Charleston, SC from 2006. From 2005 to 2006, Mr. Kinder was Chairman of Sequence Holdings, LLC., an investment banking firm. From 2001 to 2004, Mr. Kinder was President & CEO of Giant Cement Holding, Inc. (NASDAQ-GCHI) and its CFO from 1994 to 2001. Mr. Kinder received his from the Bachelor of Science in Business Administration, University of South Carolina. Mr. Kinder is a Certified Public Accountant.

ERIC SKAE joined our Company on September 8, 2008. On January 8, 2009, Mr. Skae was appointed President and Chief Operating Officer of our Company. On March 4, 2009, Mr. Skae was appointed Chief Executive Officer of our Company. Mr. Skae has served as our director since September 28, 2008 and was appointed Chairman of the Board on March 4, 2009. Prior to joining our Company, Mr. Skae founded Skae Beverage International, LLC as Midnight Sun Brands, LLC in October 2002. He has spent the past fifteen years in the beverage industry working in senior-level sales, marketing and distribution roles. From 1999 to 2002, Mr. Skae worked as President and General Manager of Fresh Solutions, Inc., a Division of Saratoga Beverage Group. While there he was responsible for a $25 million distribution business as well as advising the CEO on the company's sale to North Castle Partners. He also was responsible for rolling out the Naked Juice brand. From 1997 to 1999, Mr. Skae was Director of Sales at Fresh Samantha Inc. where he managed 7 distribution centers, was responsible for 70% of company's sales and assisted the company grow from $5 million in total sales to $45 million in 2 ½ years. Prior to that from 1996 to 1997, he was Vice-President of National Accounts at Hansen Beverage Company where he secured and managed National Accounts such as Seven Eleven, Walgreens, Circle K, Publix, Giant Foods, Mobil, Chevron, Texaco and Quik Trip. He also managed all Canadian business. From 1993 to 1996, Mr. Skae was a Regional Manager at Arizona Beverages where he managed the Mid-Atlantic region from $2 million to $10 million in sales in 2 years. Mr. Skae graduated from Northwood University with a Bachelors degree in Business Administration. Mr. Skae resigned as Chairman of the Board, President, Director and Chief Executive Officer on February 14, 2012.

O. LEE TAWES, III has been a director since March 1, 2001. He is Executive Vice President and Head of Investment Banking and a Director, at Northeast Securities, Inc. From 2000 to 2001 he was Managing Director of Research for C.E. Unterberg, Towbin, an investment and merchant banking firm specializing in high growth technology companies. Mr. Tawes spent 20 years at Oppenheimer & Co. Inc. and CIBC World Markets, where he was Director of Equity Research from 1991 to 1999. He was also Chairman of the Stock Selection Committee at CIBC, a member of the firm's Executive Committee and Commitment Committee. From 1972 to 1990, Mr. Tawes was an analyst covering the food and diversified industries at Goldman Sachs & Co. from 1972 to 1979, and Oppenheimer from 1979 to 1990. As food analyst, he was named to the Institutional Investor All American Research Team five times from 1979 through 1989. Mr. Tawes is a graduate of Princeton University and received his Masters in Business Administration from Darden School at the University of Virginia. Mr. Tawes resigned as a Director on February 14, 2012.

COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who beneficially own more than 10% of a registered class of our securities to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other of our equity securities. Officers, directors and greater than 10% beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Due to administrative oversight, during the last calendar year, the following officers and directors were late in filing the following reports: Mr. Tawes was late in filing eight items reportable on Form 4.

BOARD OF DIRECTORS AND OFFICERS

At present, David Fuselier and Terry Kinder are the only directors of the Company. We are actively seeking additional independent directors to join our Board. Each director is elected for a period of one year at our annual meeting of stockholders and serves until the next such meeting and until his or her successor is duly elected and qualified. Our directors do not presently receive any compensation for their services as directors. The Board may also appoint additional directors up to the maximum number permitted under our By-laws. A director so chosen or appointed will hold office until the next annual meeting of stockholders.

Each of our executive officers is elected by and serves at the discretion of our Board and holds office until his or her successor is elected or until his or her earlier resignation or removal in accordance with our Articles of Incorporation, as amended, and By-laws. At present, David Fuselier is the sole officer of the Company. We are actively seeking additional individuals to fulfill executive management roles

MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

During the year ended December 31 2011, our Board held 12 meetings and took actions by written consent on 13 occasions. None of our directors attended less than 75% of our board meetings.

COMMITTEES OF THE BOARD OF DIRECTORS

Until January 30, 2008, we had separate board committees that performed the functions of audit and compensation committees.. On January 30, 2008, we dissolved the committees and the entire board resumed the functions of those committees. As we continue to grow our company we will periodically reevaluate the benefits of delegating these duties to an independent committee. Currently our entire board of directors performs the function of the audit and compensation committees.

The company is actively seeking candidates for its Board of Directors, one of whom shall be an "audit committee financial expert" as that term is set forth in Item 407(d)(5)(ii).

RELATIONSHIP OF COMPENSATION TO PERFORMANCE

Generally, our board of directors annually establishes any applicable employment agreements, the salaries that will be paid to our executive officers during the coming year. In setting salaries, our board of directors intends to take into account several factors, including the following:

- competitive compensation data;
- the extent to which an individual may participate in the stock plans which may be maintained by us; and
- qualitative factors bearing on an individual's experience, responsibilities, management and leadership abilities, and job performance.

NOMINATING COMMITTEE

Each member of our Board participates in the consideration of director nominees. Stockholders may submit the names and five year backgrounds for the Board's consideration in its selection of nominees for directors in writing to our secretary at our address set forth elsewhere in this prospectus. Currently, our share ownership is relatively concentrated; as such, it is improbable that any Board nominee found to be unqualified or unacceptable by majority stockholders could be selected as a member of the Board. Accordingly, there is no nominating committee and we do not rely on pre-approval policies and procedures for our nomination process. We intend to implement the necessary formation of a nominating committee and will establish proper policies and procedures upon such time as our share ownership is more diversified.

PROCEDURE FOR NOMINATING DIRECTORS

We have not made any material changes to the procedures by which security holders may recommend nominees to our Board of Directors.

Our Board does not have a written policy or charter regarding how director candidates are evaluated or nominated for the Board. Our directors annually select director nominees based on experience in the beverage industry, financial background and specific knowledge of our operations, corporate strategies, as well as an individual's basis to act as a fiduciary to us and our stockholders.

Our directors annually review all director performance over the prior year and make recommendations to the Board of Directors for future nominations. Stockholders wishing to nominate individuals to serve as directors may submit such nominations, along with a nominee's curriculum vitae, to our Board of Directors at New Leaf Brands, Inc., One DeWolf Rd., Old Tappan NJ 07675, and the Board of Directors will consider such nominee. There is no assurance that a director candidate suggested by a stockholder will be placed on the ballot at our annual meeting of stockholders.

CODE OF ETHICS

On June 29, 2007, we adopted a Code of Ethics that applies to our officers, employees and directors, including our principal executive officers, principal financial officers and principal accounting officers.

ITEM 11 - EXECUTIVE COMPENSATION

SUMMARY COMPENSATION

The following table sets forth all compensation for the last two completed fiscal years awarded to, earned by, or paid to our current and former Principal Executive Officers and two most highly compensated executive officers, referred to herein as the "Named Executive Officers." No other executive officer compensation exceeded $100,000 during the last completed fiscal year.

Summary Compensation Table for the Fiscal Years Ended December 31, 2011 and 2010

Name and Principal Position	Year	Salary $	Bonus $	Stock Awards $(1)	All Other Compensation $	Nonqualified Deferred Compensation Earnings $	Total $
(a)	(b)	(c)	(d)	(e)	(i)	(h)	(j)
Eric Skae (2)							
Principal Executive Officer, President	2011	175,675	-	-	8,050	50,000	$ 233,725
	2010	159,023	-	-	8,400	50,000	217,423
David Tsiang,							
Chief Financial Officer, Secretary and Treasurer	2011	111,140	-	-	-	-	111,140
	2010	129,500	-	192,777	-	-	322,277
William Sipper,							
Former Chief Operating Officer(3)	2010	155,087	-	173,599	7,500	-	343,686

1 Dollar amounts are recognized for financial statement reporting purposes with respect to the fiscal year in accordance with ACS Topic 718.

2 Mr. Skae joined our Company on September 9, 2008. On January 8, 2009, Mr. Skae was appointed President and Chief Operating Officer of our Company. On March 4, 2009, Mr. Skae was appointed Chief Executive Officer on March 4, 2009. The amount in the “All Other Compensation” column represents a car allowance paid to Mr. Skae.

3 Mr. Sipper served as our Chief Operating Officer from February 1, 2010 until December 31 2010..

EMPLOYMENT AGREEMENTS

David Fuselier

For details regarding Mr. Fuselier’s compensation arrangements, please see Item 13.

Eric Skae

Effective September 9, 2008, we entered into an employment agreement with Mr. Skae pursuant to which Mr. Skae agreed to serve as our Vice President and President of Baywood New Leaf Acquisition Inc., our wholly owned subsidiary, for a five-year term, with annual compensation of $175,000 subject to an annual increase of 5% upon meeting performance standards reasonably established by the board, or otherwise based on performance as reasonably determined by the board together with (i) an annual bonus of 4% of our annual net operating income based on achievement of performance standards reasonably established by the board, or otherwise based on performance as reasonably determined by the board, with a minimum bonus of $50,000, (ii) a car allowance of $750 per month, (iii) a stock option grant to purchase 250,000 shares of our common stock at an exercise price of $0.90 per share, vesting in equal annual installments over five years and exercisable for a five-year period after each vesting date, as to the installment then vesting, subject to reduction of such period upon death, disability or termination of employment, and (iv) access to our benefit plans which we make generally available to other similarly situated senior level employees performing similar functions. The employment agreement contains restrictions on competition for one year after termination of employment, or three years after the closing of the acquisition of Skae Beverage International, whichever is the longer period.

On February 14, 2012 Eric Skae, our then Chairman, Chief Executive Officer and President, resigned as our Chairman, CEO, CFO and COO. Mr. Skae also resigned as a member of our Board of Directors. Mr. Skae will remain with the Company in a non-executive consulting capacity to assist will all matters necessary. On February 14, 2012 the Company entered into a Mutual Termination and Release agreement between New Leaf Brands, Inc. and Eric Skae. A copy of the Agreement is included as Exhibit 10.3 of the 8-K filed February 23, 2012. On February 15, 2012 the Company issued Mr. Skae an 8% 18 month Unsecured Note in the amount of $200,000 which is convertible if asked by Mr. Skae, 13 months after the date of issuance at $0.01 and an 8% Demand Note in the amount of $100,000.

David Tsiang

Mr. Tsiang was appointed our Chief Financial Officer effective January 7, 2010 and resigned on November 30, 2011. Mr. Tsiang received an annual salary of $130,000. Mr. Tsiang was also granted 350,000 options to purchase our common stock at an exercise price of $0.63 per share. The stock options vest 20% every year for 5 years commencing January 7, 2011.

Other than as described above, we do not have any other oral or written employment, severance or change-in-control agreements with our Named Executive Officers.

COMPENSATION PURSUANT TO STOCK OPTION

We grant stock options from time to time to our officers, key employees and directors. Effective September 9, 2008, we granted Eric Skae an option to purchase 250,000 shares of our common stock, vesting at 50,000 shares per year for 5 years, at an exercise price of $0.90 per share, exercisable within 5 years after the vesting date. Effective September 28, 2009, we granted Neil Reithinger (then a director) two separate options, each to purchase 300,000 shares of our common stock at an exercise price of $0.80 per share, exercisable for a ten-year term. On November 13, 2009, pursuant to the First Amendment to Employment Agreement between Neil Reithinger and our Company, we agreed to reduce the exercise price of the options held by Mr. Reithinger to $0.65 per share

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table shows grants of options outstanding on December 31, 2011, the last day of our fiscal year, to each of the Named Executive Officers included in the Summary Compensation Table.

Outstanding Equity Awards at Fiscal Year-End December 31, 2011 Table

Name (a)	Number of securities underlying unexercised options (#) exercisable (b)	Number of securities underlying unexercised options (#) unexercisable (c)	Option exercise price($) (e)	Option expiration date (f)
Eric Skae	150,000	100,000	$ 0.90	September 9, 2018
David Tsiang	70,000	280,000	$ 0.63	January 7, 2020

NARRATIVE TO OUTSTANDING EQUITY AWARDS TABLE

Retirement Benefits

We do not have any qualified or non-qualified defined benefit plans.

Nonqualified Deferred Compensation

We do not have any nonqualified defined contribution plans or other deferred compensation plans.

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

The following table sets forth certain information concerning the beneficial ownership of our common stock as of June 22, 2012 by each person known by us to (i) beneficially own more than 5% of our common stock and by each of our (ii) directors, (iii) named executive officers at the end of our most recently completed fiscal year as defined in Regulation S-K, Item 402(m)(2) and (iv) all directors and executive officers as a group. Except as otherwise indicated, to our knowledge, all persons named in the table have sole voting and dispositive power with respect to their shares beneficially owned, except to the extent that authority is shared by spouses under applicable law.

Title of Class	Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Owner (3)	Percent of Class (2)
Common	David Fuselier (4)	28,000,000	8.63%
Common	Terry L. Kinder (5)	3,000,000	0.92%
Common	Lee Tawes (6)	31,958, 897	9.60%
Common	Lorraine DiPaolo (8)	38,208,448	11.74%

(1) Unless otherwise indicated, the mailing address for each party listed is c/o New Leaf Brands, Inc., One DeWolf Drive, Old Tappan NJ 07675.

(2) Based on 324,533,316 shares of common stock issued and outstanding as of July 26, 2012.

(3) Excludes OID, XY and Z warrants and 2012 Unsecured Notes which have beneficial ownership blockers and provosions.

(4) Mr. Fuselier the current CEO and Chairman of the Board of Director of the Company, beneficially owns a total of 28,000,000 shares of common stock.

(5) Mr. Kinder, a Director of the Company, beneficially owns a total of 3,000,000 shares of common stock.

(6) Mr. Tawes beneficially owns 23,548,557 shares of common stock plus warrants to purchase 5,000,000 shares of common stock. Mr. Tawes also beneficially owns a total of 3,410,340 shares of Common Stock issuable upon the conversion of promissory notes with a total principal amount of $170,517 plus approximately $4,651 of accrued interest as of December 31, 2011. Excluded from this table are all securities with beneficial ownership blockers: (a) a warrant to purchase 272,727 shares of common stock at an exercise price of $0.15 per share, (b) warrants to purchase 4,803.922 shares of common stock at an exercise price of $0.03 per share and (c) a $50,000 promissory note with a Variable Conversion Price (subject to a floor of $0.01 per share) and a convertible date in excess of one year from issuance date February 16, 2012.

(8) Ms. DiPaolo beneficially owns 28,643,908 shares of common stock warrants to purchase 1,150,000 shares of common stock at an exercise price of $0.03 per share. . Ms. DiPaolo also beneficially owns a total of 9,564,540 shares of Common Stock issuable upon the conversion of promissory notes with a total principal amount of $478,227 plus approximately $13,044 of accrued interest as of December 31 2011, Excluded from this table are all securities with beneficial ownership blockers: (a) warrants to purchase 21,638 shares of common stock at an exercise price of $0.15 per share and (b)$50,000, and $37,500 respectively in promissory notes with a Variable Conversion Price (subject to a floor of $0.01 per share) and a convertible date in excess of one year from issuance dates February 15, 2012 and March 2, 2012 respectively.

As of December 31, 2011, there were no arrangements known to management which may result in a change in control of our Company.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information as of December 31, 2011 regarding our stock option plan compensation under which our equity securities are authorized for issuance:

Equity Compensation Plan Information

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	410,750	$ 0.92	278,625
Equity compensation plans not approved by security holders	3,128,000	$ 0.61	400,500
Total	3,538,750	$ 0.65	

At our Annual Meeting held on December 10, 2004, our stockholders approved our 2004 Stock Option Plan. The 2004 Plan provides that 5,000,000 shares, adjusted to 250,000 shares following a 1 for 20 reverse split on September 7, 2007, would be reserved for issuance from our authorized by unissued common stock.

At our board of directors meeting held on July 28, 2007, the board approved an increase in the number of shares of common stock that may be granted under all plans to 2,000,000, adjusted to 100,000 shares following a 1 for 20 reverse split on September 7, 2007.

On May 14, 2008, our board of directors approved our 2008 Stock Option and Incentive Plan. Under our 2008 Stock Option and Incentive Plan, we reserved a maximum of 2,000,000 shares of common stock, subject to adjustment. The 2008 Plan provides that shares granted come from our authorized but unissued common stock or shares of common stock that we reacquired. At the Company’s Board of Directors meeting held on February 2, 2010, the Board approved a new Stock Option Plan (the “2010 Plan”) for a total of 3,000,000 additional shares. The price of the options granted pursuant to these plans shall be no less than 100% of the fair market value of the shares on the date of grant. The options expire ten years from the date of grant.

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

In conjunction with the closing of the Preferred K Offering on January 21, 2011:

1. Lorraine DiPaolo(a principal shareholder) agreed to convert her $1,500,000 in secured debt into 60 Series Preferred shares plus 5,000,000 Series Y common stock Warrants.
2. O. Lee Tawes (a then director) agreed to convert his $500,000 in unsecured debt into 20 Series K Preferred Shares plus 1,666,667 Series Y common stock Warrants
3. Eric Skae (a then officer and director) agreed to convert his $50,000 in unsecured debt into 2 Series K Preferred Shares plus 166,667 of Series Y common stock Warrants
4. Eric Skae agreed to amend his current Earn Out Agreement, by waiving the earn-out of $325,000 earned in 2010 and extending the earn-out for through 2012 to waive certain sums due him and extend the term of the earn-out.

On September 21, 2010 we issued to O. Lee Tawes III, a then-Director, as part of a private placement of promissory notes with a face value of $227,273 and detachable warrants to purchase 272,727 shares of common stock to accredited investors pursuant to a private placement memorandum. The promissory notes were issued at an original issuance discount of $27,273, do not have a stated interest rate and mature on the three month anniversary of their issuance date in December 2010. In addition, the notes are automatically convertible upon the consummation of a qualified offering into the type of securities issued in such offering at a conversion price equivalent to the price of the securities sold. The warrants are fully vested and provide its holder with the right to purchase the specified number of shares of common stock at an exercise price of $0.25 per share during its five year term. The warrants also provide its holder with certain anti-dilution and cashless exercise provisions. The terms of the offering also provide investors with a reset feature which gives them the right, for as long as the notes are outstanding, to exchange the promissory notes for securities issued in a subsequent offering in the event that the Company enters into any subsequent transaction other than the qualified offering, as defined, on terms more favorable than those governing the subject offering.

In April 2010 David Tsiang, the then Chief Financial Officer of the Company exercised a warrant to acquire 40,000 Common Shares in the Company for $10,000.

In April 2010 Eric Skae, the then Chief Executive Officer and Chairman of the Board of Directors of the Company, entered into a $50,000, 0% Subordinated Demand Note. This Note was subsequently converted to Series K Preferred Stock, and then to common stock. See Item 5 under “Recent Sales of Unregistered Securities”

In April 2010 O. Lee Tawes, a then Director of the Company, received a $50,000, 10% Subordinated Demand Note. This Note was subsequently converted to Series K Preferred Stock, and then to common stock. See Item 5 under “Recent Sales of Unregistered Securities”

In May 2010 Mr. Tawes, a then Director of the Company, received a $300,000, 15% Subordinated Demand Note. This Note was subsequently converted to Series K Preferred Stock, and then to common stock. See Item 5 under “Recent Sales of Unregistered Securities”

For the year ended December 31, 2010, interest expense on note payable to related parties was $52,597.

As of December 31, 2010, we had outstanding warrants to officers and directors of 633,253 with an average exercise price and weighted average contractual life of $0.25 and 3.5 years, respectively.

As of December 31, 2010, we had amounts due to related parties of $750,103 for interest, deferred salaries and an earn-out arrangement related to the prior acquisition of a company owned by Eric Skae. In connection with the acquisition of Skae Beverage International LLC ("Skae") in 2008, we agreed to provide the former member of Skae, who is also our current Chief Executive Officer, with a three year earn-out arrangement. Under the terms of the earn-out arrangement, we can be required to pay an additional $4,776,100 to the owner of Skae if the acquired operations meet certain performance targets related to sales and gross profit. As of December 31, 2009 and December 31, 2010, we have accrued $260,000 and $325,000, respectively, related to the achievement of the first and second year performance target. Currently, we are unable to determine the likelihood that future performance targets will be met or estimate the future liability that will be incurred. As part of the January 21, 2011 Preferred Stock offering, Eric Skae agreed to amend his current Earn Out Agreement to provide for lower levels of compensation due him.

On January 21, 2011, O. Lee Tawes, a then director of the Company, lent the Company an aggregate of $75,000 for which he received a demand promissory note bearing interest at the rate of 12% per annum. Mr. Tawes lent the Company an additional $30,000 on February 24, 2011 for which he received a promissory note bearing interest at the rate of 0% per annum. Mr. Tawes converted the second promissory note into shares of common stock in the April 29, 2011 private placement closing described above in Item 5 under "Recent Sales of Unregistered Securities".

On February 24, 2011, Eric Skae, the Company's then CEO and a director, lent the Company an aggregate of $12,500 for which he received a demand promissory note bearing interest at the rate of 0% per annum. Also on February 24, 2011, David Tsiang, the Company's then CFO, lent the Company an aggregate of $20,500 for which he received a demand promissory note bearing interest at the rate of 6% per annum.

On November 1, 14 and 19, 2011, the Company borrowed $25,000, $50,000, and $30,000 from two investors, both of whom are principal shareholders of the Company. The Company issued these investors 10% Secured Convertible Subordinated Notes. Additionally, such investors received an additional 5 shares of our common stock for each $1.00 invested, totaling 525,000 common shares.

On February 14, 2012 Eric Skae, our then Chairman, Chief Executive Officer and President, resigned as our Chairman, CEO, CFO and COO. Mr. Skae also resigned as a member of our Board of Directors. Mr. Skae will remain with the Company in a non-executive consulting capacity to assist will all matters necessary. Also on February 14, 2012, O. Lee Tawes resigned as a member of our Board of Directors. Mr. Tawes was not a member of any committee of the Board at the time of his resignation.

Effective February 15, 2012, we entered into an employment agreement with David Fuselier pursuant to which Mr. Fuselier agreed to serve as our Chairman. Chief Executive Officer and President of New Leaf , for a five-year term, with annual compensation of $150,000 subject to an annual increase of 5% upon meeting performance standards reasonably established by the board, or otherwise based on performance as reasonably determined by the board together with (i) a car allowance of $750 per month, (iii) a stock option grant from a plan to be determined, vesting in equal annual installments over five years and exercisable for a five-year period after each vesting date, as to the installment then vesting, subject to reduction of such period upon death, disability or termination of employment, and (iv) access to our benefit plans which we make generally available to other similarly situated senior level employees performing similar functions. The employment agreement contains restrictions on competition for one year after termination of employment.

On February 14, 2012 the Company entered into a Consulting Agreement with Fuselier and Co., Inc., an entity controlled by David Fuselier, to advise the Company on a corporate turnaround strategy. The compensation arrangement gives Fuselier the right to earn up to 34,000,000 shares of New Leaf Brands, Inc. common stock in 2012 and 12,000,000 shares thereafter annually. As of July 26, 2012, the Company has issued 28,000,000 shares under this agreement,

On February 14, 2012 the Company entered into a Mutual Termination and Release agreement between New Leaf Brands, Inc. and Eric Skae. On February 15, the Company issued Mr. Skae an 8% 18 month Unsecured Note in the Amount of $200,000 which is convertible if asked by Mr. Skae, 13 months after the date of issuance at $0.01 and an 8% Demand Note in the amount of $100,000. Also on February 14, 2012 the Company entered into a two year Consulting Agreement with Eric Skae. Effective February 16, 2012, Mr. Skae will receive a monthly consulting fee of $14,000 plus reimbursement of $4,000 in authorized expenses.

On March 2, 2012 the Company granted 12,500,000 restricted shares of common stock to six strategic advisors to the Company.

On March 22, 2012 the Company and the assignee of the lender agreed to terminate the Revenue Participation Agreement and the Company granted 25,000,000 restricted shares of common stock

On May 16, 2012, the Company borrowed $20,000 from CS Healthcare, a related party, in exchange for 8% 18 month Unsecured Promissory Notes ("Unsecured Note").

On June 26, 2012, the Company reached an agreement with related party Fuselier Bridge Capital, LLC to provide a secured working capital loan facility up to $300,000. The loan facility is secured by all Company assets including general intangibles (including trademarks, formulations, customer lists) and accounts receivables, fixed assets, inventory (all raw, work in progress and finished goods including labels) present and hereafter acquired. Each advance under the loan facility bears an interest rate of 1.5% per month and is due in full ten months after the issuance date. The investors also received up to 10,000,000 5 year warrants at a strike price of $0.03 per share and up to 10,000,000 shares of common stock at a price of $0.03 per share. On June 26, 2012, the Company borrowed $50,000 under this loan facility. On June 26, 2012, the Company borrowed $50,000 under this loan facility.

During 2011 and 2012, the Company engaged in a number of financing and borrowing transactions with O. Lee Tawes III, a then-director and still principal shareholder of the Company, and Lorraine DiPaolo, a principal shareholder of the Company. These transactions are more fully described in Item 5 under "Recent Sales of Unregistered Securities" and Item 7 under "LIQUIDITY AND CAPITAL RESOURCES – Contractual Obligations and Commitments".

Other than as described above, we do not have any other oral or written employment, severance or change-in-control agreements with our Named Executive Officers.

Our policy with regard to transactions with affiliated persons or entities is that such transactions will be on terms no less favorable than could be obtained from non-affiliates. The foregoing transactions are on terms no less favorable than those that could be obtained from non-affiliates. Any such related party transaction must be reviewed by our independent directors.

Director Independence

During the year ended December 31, 2011, Eric Skae, O. Lee Tawes, III, David Tsiang, Neil Russell and Scott Ricketts served as our directors, although Messrs. Russell, Ricketts, Skae, Tawes and Tsiang have subsequently resigned. Currently, David Fuselier and Terry Kinder are the only directors of the Company. The Company is actively seeking candidates for addition to its Board. At present, Mr. Fuselier is not considered an independent director as defined under the standards of independence set forth in Marketplace Rule 4200(a)(15) of the NASDAQ Stock Market. We are currently traded on the OTC Pink marketplace. The OTC Pink marketplace does not require that a majority of the board be independent.

ITEM 14 – PRINCIPAL ACCOUNTANT FEES AND SERVICES

Change in auditors

Effective April 15, 2011, New Leaf Brands, Inc. (the "Company"), dismissed its principal independent accountant Mayer, Hoffman, McCann P.C.("MHM"). The Company's Board of Directors approved the decision to dismiss MHM.

Except as reported in the Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which stated that "[t]he accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations, has a working capital deficiency, was not in compliance with certain financial covenants related to debt agreements, and has a significant amount of debt maturing in 2010. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern..," the report of MHM on the Company's financial statements for the fiscal years ended December 31, 2009 and 2008 did not contain an adverse opinion or a disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles.

In connection with the audit of the Company's financial statements for the fiscal year ended December 31, 2009, and in the subsequent interim periods through April 15, 2011, there were no disagreements with MHM on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure which, if not resolved to the satisfaction of MHM, would have caused MHM to make reference to the subject matter of the disagreement in connection with its report.

Effective April 18, 2011, the Company engaged EisnerAmper LLP ("EISNER") to act as the Company's independent registered public accounting firm. The Board of Directors of the Company approved the decision to engage EISNER.

We have paid or expect to pay the following fees to EisnerAmper LLP and Mayer Hoffman McCann P.C. for work performed in 2011 and 2010 in their audit of our consolidated financial statements:

	2011	2010
Audit Fees	$ 143,000	$ 273,000
Audit-Related Fees	-	-
Tax Fees	-	-
All Other Fees	-	-

In January 2003, the SEC released final rules to implement Title II of the Sarbanes-Oxley Act of 2003. The rules address auditor independence and have modified the proxy fee disclosure requirements. Audit fees include fees for services that normally would be provided by the accountant in connection with statutory and regulatory filings or engagements and that generally only the independent accountant can provide. In addition to fees for an audit or review in accordance with generally accepted auditing standards, this category contains fees for comfort letters, statutory audits, consents, and assistance with and review of documents filed with the SEC. Audit-related fees are assurance-related services that traditionally are performed by the independent accountant, such as employee benefit plan audits, due diligence related to mergers and acquisitions, internal control reviews, attest services that are not required by statute or regulation, and consultation concerning financial accounting and reporting standards.

The board has reviewed the fees paid to EisnerAmper LLP for 2011 and 2010. The board has also adopted policies and procedures to approve audit and non-audit services provided in 2011 and 2010 by EisnerAmper LLP in accordance with the Sarbanes-Oxley Act and rules of the SEC promulgated there under. These policies and procedures involve annual pre-approval by the board of the types of services to be provided by our independent auditor and fee limits for each type of service on both a per-engagement and aggregate level. The board may additionally ratify certain de minimis services provided by the independent auditor without prior board approval, as permitted by the Sarbanes-Oxley Act and rules of the SEC promulgated there under.

PART IV

ITEM 15 - EXHIBITS

3.1	Articles of Incorporation, as amended (included as Exhibit 3.1 to the form 10-KSB filed March 6, 1997, and incorporated herein by reference).
3.2	By-Laws, dated February 14, 1988 (included as Exhibit 3 to the Form S-1 filed January 27, 1987, and incorporated herein by reference).
3.3	Amendment to Articles of Incorporation, dated December 6, 2007 and effective on December 18, 2007 (included as Exhibit 3.1 to the Form 8-K filed December 26, 2007, and incorporated herein by reference).
3.4	Certificate of Amendment to the Articles of Incorporation, effective October 16, 2009 (included as Exhibit 3.1 to the Form 8-K filed October 14, 2009, and incorporated herein by reference).
3.5	Form of Warrant to purchase the common stock of New Leaf Brands, Inc. (included as Exhibit 3.1 to the Form 8-K filed February 24, 2010, and incorporated herein by reference).
4.1	Specimen Common Stock Certificate, dated July 9, 1993 (included as Exhibit 1 to the Form 8-A filed July 2, 1993, and incorporated herein by reference).
4.2	Certificate of Designation for Preferred Shares (included as Exhibit 4.3 to the Form 10-QSB filed August 11, 1997, and incorporated herein by reference.
4.3	Certificate of Designation for Shares, dated July 18, 1997 (included as Exhibit 4.5 to the Form 10-KSB dated March 30, 1998, and incorporated herein by reference).
4.4	Certificates of Designation for Class D Redeemable Convertible Preferred Stock (included as Exhibit 4.4 to the Form 10-QSB dated May 17, 1999, and incorporated herein by reference).
4.5	Certificate of Designation of Preferences and Rights of Series G Preferred Stock, dated September 20, 2005 (included as Exhibit 4.1 to the Form 8-K filed September 23, 2005, and incorporated herein by reference).
4.6	Certificate of Designation of Preferences and Rights of Series H Preferred Stock, dated December 21, 2005 (included as Exhibit 4.1 to the Form 8-K filed January 3, 2006, and incorporated herein by reference).
4.7	Certificate of Designation of Series I 8% Cumulative Convertible Preferred Stock, dated March 30, 2007 (included as Exhibit 4.X to the Form 8-K filed April 11, 2007, and incorporated herein by reference).
4.8	Common Stock Purchase Warrants between the Company and O. Lee Tawes and John Talty, dated March 30, 2007 (included as Exhibit 4.v to the Form 8-K filed on April 11, 2007, and incorporated herein by reference).
4.9	Common Stock Purchase Warrant between the Company and JSH Partners, dated March 30, 2007 (included as Exhibit 4.vii to the Form 8-K filed on April 11, 2007, and incorporated herein by reference).
4.10	Common Stock Purchase Warrants between the Company and Thomas Pinkowski, Charles Ung and M. Amirul Karim, dated March 30, 2007 (included as Exhibit 4.ix to the Form 8-K filed on April 11, 2007, and incorporated herein by reference).
4.11	Form of Common Stock Purchase Warrant between the Company and Northeast Securities, Inc., dated March 30, 2007 (included as Exhibit 4.23 to the Form SB-2/A filed on October 12, 2007, and incorporated herein by reference).
4.12	Common Stock Purchase Warrant between the Company and Ira. J. Gaines, dated June 28, 2006 (included as Exhibit 4.25 to the Form SB-2/A filed on October 12, 2007, and incorporated herein by reference).
4.13	Letter Agreement by and between the Company and Northeast Securities, Inc., dated March 12, 2007 (included as Exhibit 4.27 to the Form SB-2/A filed on October 12, 2007, and incorporated herein by reference).
4.14	Letter Agreement by and between the Company and Northeast Securities, Inc., dated August 21, 2006 (included as Exhibit 4.28 to the Form SB-2/A filed on October 12, 2007, and incorporated herein by reference).

4.15	Common Stock Purchase Warrant between the Company and Ira J. Gaines, dated April 5, 2005 (included as Exhibit 4.30 to the Form SB-2/A filed October 12, 2007, and incorporated herein by reference).
4.16	Common Stock Purchase Warrant between the Company and O. Lee Tawes, III, dated May 18, 2004 (included as Exhibit 4.36 to the Form SB-2/A filed October 12, 2007, and incorporated herein by reference).
4.17	Common Stock Purchase Warrant between the Company and O. Lee Tawes, III, dated February 4, 2005 (included as Exhibit 4.37 to the Form SB-2/A filed October 12, 2007, and incorporated herein by reference).
4.18	Common Stock Purchase Warrant between the Company and Eric Skae, dated March 20, 2009 (included as Exhibit 4.1 to the Form 8-K filed March 24, 2009, and incorporated herein by reference).
4.19	Baywood International, Inc. 2008 Stock Option and Incentive Plan, dated May, 14, 2008 (included as Exhibit 4.1 to the Registration Statement on Form S-8 filed June 27, 2008, and incorporated herein by reference).
4.20	Form of the Common Stock Purchase Warrant, dated September 5, 2008 (included as Exhibit 10.2 to the Form 8-K filed September 11, 2008, and incorporated herein by reference).
4.21	Common Stock Purchase Warrant between the Company and O. Lee Tawes, III, dated February 4, 2008 (included as exhibit 4.29 to the Form 10-Q filed May 20, 2009, and incorporated herein by reference).
4.22	Common Stock Purchase Warrant between the Company and O. Lee Tawes, III, dated February 19, 2008 (included as Exhibit 4.30 to the Form 10-Q filed May 20, 2009, and incorporated herein by reference).
4.23	Form of Subscription Agreement (included as Exhibit 4.31 to the Form 10-Q filed May 20, 2009, and incorporated herein by reference).
4.24	Form of Warrant (included as Exhibit 4.32 to the Form 10-Q filed May 20, 2009, and incorporated herein by reference).
4.25	Common Stock Purchase Warrant between the Company and O. Lee Tawes, dated July 14, 2008 (included as Exhibit 4.33 to the Form 10-Q filed May 20, 2009, and incorporated herein by reference).
4.26	Common Stock Purchase Warrant between the Company and Eric Skae, dated October 23, 2008 (included as Exhibit 4.34 to the Form 10-Q filed May 20, 2009, and incorporated herein by reference).
4.27	Certificate of Designation of Serie J 6% Redeemable Convertible Stock, dated December 22, 2008 (included as Exhibit 4.1 to the Form 8-K filed December 23, 2008, and incorporated herein by reference).
4.28	Certificate of Amendment to Certificate of Designation of Class A Preferred Shares (included as Exhibit 4.1 to the 8-K filed October 26, 2009, and incorporated herein by reference).
4.29	Certificate of Amendment to Certificate of Designation of Series I 8% Cumulative Convertible Preferred Stock (included as Exhibit 4.2 to the 8-K filed October 26, 2009, and incorporated herein by reference).
4.30	Certificate of Amendment to Certificate of Designation of Series J 6% Redeemable Convertible Preferred Stock (included as Exhibit 4.3 to the 8-K filed October 26, 2009, and incorporated herein by reference).
4.31	Form of 10% Senior Secured Note issued by the Company (included as Exhibit 4.1 to the Form 8-K filed December 1, 2009, and incorporated herein by reference).
4.32	Term sheet agreement between the Company and the Noteholders dated November 24, 2009 (included as Exhibit 4.2 to the Form 8-K filed December 1, 2009, and incorporated herein by reference).
4.33	Form of Common Stock Purchase Warrant, dated June 29, 2010 ((filed as Exhibit 4.33 to the Form 10-K filed May 23, 2011 and incorporated herein by reference)
4.34	Form of Common Stock Purchase Warrant, dated September 2010 (filed as Exhibit 99.2 to the Form 8-K, filed September 24, 2010 and incorporated herein by reference).
4.35	Form of Original Issue Discount Promissory Note, dated September 2010 (filed as Exhibit 99.1 to the Form 8-K, filed September 24, 2010 and incorporated herein by reference).

4.36	Form of Series X Warrant, dated January 21, 2011 (filed as Exhibit 4.1 to the Form 8-K filed January 26, 2011 and incorporated herein by reference).
4.37	Form of Series Y Warrant, dated January 21, 2011 (filed as Exhibit 4.2 to the Form 8-K filed January 26, 2011 and incorporated herein by reference).
4.38	Form of Series Z Warrant, dated January 21, 2011 (filed as Exhibit 4.3 to the Form 8-K filed January 26, 2011 and incorporated herein by reference).
4.39	Certificate of Designation of Series K Preferred Shares, dated January 14, 2011 (included as Exhibit 4.4 to the Form 8-K filed January 26, 2011 and incorporated herein by reference).
4.40	Preferred Stock Exchange Offer, dated March 29, 2011 (filed herewith)
4.41	Warrant Reset and Exercise Offer dated March 29, 2011 (filed herewith)
4.42	Certificate of Amendment to the Certificate of Designation of the Series K Preferred Stock (filed herewith)
4.43	Certificate of Designation of Series L Preferred Stock (filed herewith)
4.44	Form of Original Issue Discount Promissory Note, issued July 2011 (filed herewith)
4.45	Form of 10% Secured Convertible Promissory Note, issued August, September, October, November and December 2011 (filed as Exhibit 99.1 to the Form 8-K filed October 5, 2011 and incorporated herein by reference).
4.46	Form of 8% 18 month Unsecured Convertible Note issued February and March 2012 (filed herewith)
4.47	Form of Common Stock Purchase Warrants issued February and March 2012 (filed herewith)
4.48	Form of Promissory Note Issued To CS Healthcare on May 16, 2012 (filed herein)
4.49	Form of Loan Facility Agreement Issued to Fuselier Bridge Capital, LLC issued on June 26, 2012 (filed herein)
10.1	Promissory Note between the Company and Ira J. Gaines, dated April 2005 (included as Exhibit 4.29 to the Form SB-2/A filed on October 12, 2007, and incorporated herein by reference).
10.2	Bridge Loan Agreement between the Company and O. L. Tawes, dated May 10, 2004 (included as Exhibit 10 to the Form 10-KSB filed May 12, 2005, and incorporated herein by reference).
10.3	Promissory Note between the Company and Ronald Patterson, dated October 25, 2005 (included as Exhibit 4.34 to the Form SB-2/A filed October 12, 2007, and incorporated herein by reference).
10.4	Promissory Note between the Company and Ira J. Gaines, dated June 28, 2006 (included as Exhibit 4.24 to the Form SB-2/A filed on October 12, 2007, and incorporated herein by reference).
10.5	10% Senior Convertible Note Agreement between the Company and a certain number of accredited investors, dated September 19, 2006 (included as Exhibit 4.1 to the Form 8-K filed on September 25, 2006, and incorporated herein by reference).

10.6	Asset Purchase Agreement by and among the Company, Baywood Acquisition, Inc, Nutritional Specialties, Inc., d/b/a LifeTime® or LifeTime® Vitamins, and certain individuals named therein, dated March 30, 2007 (included as Exhibit 2 to the Form 8-K filed April 11, 2007, and incorporated herein by reference).
10.7	10% Note Agreement between the Company and Baywood Acquisition, Inc. on one side and O. Lee Tawes, III, on the other side, dated March 30, 2007 (included as Exhibit 4.iv to the Form 8-K filed April 11, 2007, and incorporated herein by reference).
10.8	10% Note Agreement between the Company and Baywood Acquisition, Inc. on one side and John Talty on the other side, dated March 30, 2007 (included as Exhibit 4.iv to the Form 8-K filed April 11, 2007, and incorporated herein by reference).
10.9	12% 2007 Bridge Loan Agreement between the Company and JSH Partners and Guaranty executed by O. Lee Tawes, dated March 30, 2007 (included as Exhibit 4.vi to the Form 8-K filed April 11, 2007, and incorporated herein by reference).
10.10	12% Note between the Company, Baywood Acquisition, Inc. and JSH Partners, dated March 30, 2007 (included as Exhibit 4.vi to the Form 8-K filed on April 11, 2007, and incorporated herein by reference).
10.11	8% Convertible Subordinated Promissory Notes of the Company and Baywood Acquisition, Inc. issued to Thomas Pinkowski, Charles Ung and M. Amirul Karim, dated March 30, 2007 (included as Exhibit 4.viii to the Form 8-K filed April 11, 2007, and incorporated herein by reference).
10.12	8% Subordinated Promissory Notes of the Company and Baywood Acquisition, Inc. issued to Thomas Pinkowski, Charles Ung and M. Amirul Karim, dated March 30, 2007 (included as Exhibit 4.ix to the Form 8-K filed April 11, 2007, and incorporated herein by reference).
10.13	Business Loan Agreement between the Company and Baywood Acquisition, Inc., as Borrowers, and Vineyard Bank N.A., dated March 30, 2007 (included as Exhibit 4.xi to the Form 8-K filed April 11, 2007, and incorporated herein by reference).
10.14	Promissory Note issued by the Company and Baywood Acquisition, Inc. to Vineyard Bank N.A., dated March 30, 2007 (included as Exhibit 4.xii to the Form 8-K filed April 11, 2007, and incorporated herein by reference).
10.15	Promissory Note issued by the Company and Baywood Acquisition, Inc. to Vineyard Bank N.A., dated March 30, 2007 (included as Exhibit 4.xiii to the Form 8-K filed April 11, 2007, and incorporated herein by reference).
10.16	Employment Agreement between the Company and Thomas Pinkowski, dated March 30, 2007 (included as Exhibit 10.4 to the Registration Statement on Form SB-2/A filed on July 23, 2007, and incorporated herein by reference).
10.17	Manufacturing Agreement between the Company and NHK Laboratories, Inc., dated March 30, 2007 (included as Exhibit 10.5 to the Registration Statement on Form SB-2/A filed on July 23, 2007, and incorporated herein by reference).
10.18	Manufacturing Agreement between the Company and Ultimate Formulations, Inc. d/b/a Best Formulations, dated March 30, 2007 (included as Exhibit 10.6 to the Registration Statement on Form SB-2/A filed on July 23, 2007, and incorporated herein by reference).
10.19	Registration Rights Agreement among Baywood International, Inc., O. Lee Tawes, John Talty, JSH Partners and Northeast Securities, Inc., as Attorney-in-Fact for the investors set forth therein, dated March 30, 2007 (included as Exhibit 10.7 to the Registration Statement on Form SB-2/A filed on July 23, 2007, and incorporated herein by reference).

10.20	Voting Agreement between Baywood International, Inc. and the individuals listed as stockholders therein, dated March 30, 2007 (included as Exhibit 10.8 to the Registration Statement on Form SB-2/A filed on July 23, 2007, and incorporated herein by reference).
10.21	Employment Agreement between Baywood the Company and Neil Reithinger, dated July 11, 2007 (included as Exhibit 10.1 to the Form 8-K filed on July 16, 2007, and incorporated herein by reference).
10.22	Business Loan Agreement between the Company and Nutritional Specialties, Inc., as borrowers, and Vineyard Bank, N.A., dated July 9, 2007 (included as Exhibit 10.11 to the Form SB-2/A filed October 12, 2007, and incorporated herein by reference).
10.23	Promissory Note between the Company and Nutritional Specialties, Inc., dated July 9, 2007, and issued to Vineyard Bank, N.A. (included as Exhibit 4.35 to the Form SB-2/A filed October 12, 2007, and incorporated herein by reference).
10.24	Operating Agreement between the Members and Layfield Energy, LLC, dated December 19, 2007 (included as Exhibit 10.1 to the Form 8-K filed January 4, 2008, and incorporated herein by reference).
10.25	Real Estate Lease between Baywood International Inc. and Glenn Reithinger, dated October 1, 2008 (included as Exhibit 10.23 to the Form 10-Q filed August 19, 2008, and incorporated herein by reference).
10.26	Form of 12% Subordinated Note, dated September 5, 2008 (included as Exhibit 10.1 to the Form 8-K filed September 11, 2008, and incorporated herein by reference).
10.27	Form of Side Letter Agreement between the Company and the investors signatory thereto, dated September 5, 2008 (included as Exhibit 10.3 to the Form 8-K filed September 11, 2008, and incorporated herein by reference).
10.28	Form of Guaranty made by O. Lee Tawes, III, dated September 5, 2008 (included as Exhibit 10.4 to the Form 8-K filed September 11, 2008, and incorporated herein by reference).
10.29	Form of Put between O. Lee Tawes, III, and the investors signatory thereto, dated September 5, 2008 (included as Exhibit 10.5 to the Form 8-K filed September 11, 2008, and incorporated herein by reference).
10.30	Asset Purchase Agreement by and among the Company, Baywood New Leaf Acquisition, Inc., Skae Beverage International, LLC, and Eric Skae, dated September 9, 2008 (included as Exhibit 10.1 to the Form 8-K filed September 15, 2008, and incorporated herein by reference).
10.31	Intellectual Property Assignment by and among the Company and Baywood New Leaf Acquisition, Inc. on the one hand, and Skae Beverage International, LLC, and Eric Skae on the other hand, dated September 9, 2008 (included as Exhibit 10.2 to the Form 8-K filed September 15, 2008, and incorporated herein by reference).
10.32	Bill of Sale and Assignment from Skae Beverage International, LLC, to the Company, Baywood New Leaf Acquisition, Inc. and Eric Skae, dated September 9, 2008 (included as Exhibit 10.3 to the Form 8-K filed September 15, 2008, and incorporated herein by reference).
10.33	Assumption Agreement by and among the Company, Baywood New Leaf Acquisition, Inc., Skae Beverage International, LLC, and Eric Skae, dated September 9, 2008 (included as Exhibit 10.4 to the Form 8-K filed September 15, 2008, and incorporated herein by reference).
10.34	Form of Release and Cancellation, dated September 9, 2008 (included as Exhibit 10.5 to the Form 8-K filed September 15, 2008, and incorporated herein by reference).
10.35	Release and Cancellation by Eric Skae in favor of the Released Parties, dated September 9, 2008 (included as Exhibit 10.6 to the Form 8-K filed September 15, 2008, and incorporated herein by reference).
10.36	Form of 8% Subordinated Promissory Note, issued by the Company to the creditors signatory thereto, dated September 9, 2008 (included as Exhibit 10.7 to the Form 8-K filed September 15, 2008, and incorporated herein by reference).

10.37	8% Convertible Subordinated Promissory Note for $1,000,000, issued by the Company to Skae Beverage International, LLC, dated September 9, 2008 (included as Exhibit 10.8 to the Form 8-K filed September 15, 2008, and incorporated herein by reference).
10.38	8% Convertible Subordinated Promissory Note for $100,000, issued by the Company to Skae Beverage International, LLC, dated September 9, 2008 (included as Exhibit 10.9 to the Form 8-K filed September 15, 2008, and incorporated herein by reference).
10.39	Employment Agreement between the Company and Eric Skae, dated September 9, 2008 (included as Exhibit 10.10 to the Form 8-K filed September 15, 2008, and incorporated herein by reference).
10.40	Form of 12% Subordinated Promissory Note (included as Exhibit 10.38 to the Form 10Q filed November 19, 2008, and incorporated herein by reference).
10.41	12% Subordinated Note issued by the Company to O. Lee Tawes, III, dated July 14, 2008 (included as Exhibit 10.39 to the Form 10Q filed November 19, 2008, and incorporated herein by reference).
10.42	12% Subordinated Note issued by the Company to Eric Skae, dated October 23, 2008 (included as Exhibit 10.40 to the Form 10Q filed November 19, 2008, and incorporated herein by reference).
10.43	18% Subordinated Note issued by the Company to Eric Skae, dated March 20, 2009 (included as Exhibit 10.1 to the Form 8-K filed March 24, 2009, and incorporated herein by reference).
10.44	Asset Purchase Agreement by and among the Company, Nutritional Specialties, Inc., and Nutra, Inc., dated July 24, 2009 (included as Exhibit 10.1 to the Form 8-K filed July 30, 2009, and incorporated herein by reference).
10.45	Settlement Agreement and Mutual Release between Farmatek IC VE DIS TIC, LTD.STI and Oskiyan Hamdemir on the one hand and the Company and Nutritional Specialties, Inc. on the other hand, dated June 12, 2009 (included as Exhibit 10.45 to the Form 10-Q filed August 19, 2009, and incorporated herein by reference).
10.46	Assignment of Lease between Nutritional Specialties, Inc. and Boyd Business Center of Orange, dated October 9, 2009 (included as Exhibit 10.2 to the Form 8-K filed on October 14, 2009, and incorporated herein by reference).
10.47	Settlement Agreement and General Release by and among the Company, Nutritional Specialties, Inc. and Thomas Pinkowski, dated October 9, 2009 (included as Exhibit 10.3 to the Form 8-K filed on October 14, 2009, and incorporated herein by reference).
10.48	First Amendment to the Employment Agreement between the Company and Neil Reithinger, dated November 13, 2009 (included as Exhibit 10.49 to the Form 10-Q filed on November 15, 2009, and incorporated herein by reference).
10.49	Settlement Agreement between the Company and O. Lee Tawes, dated November 30, 2009 (included as Exhibit 10.1 to the Form 8-K filed December 1, 2009, and incorporated herein by reference).
10.50	Securities Purchase Agreement between New Leaf Brands, Inc. and certain accredited investors, dated December 4, 2009 (included as Exhibit 10.1 to the Form 8-K filed February 24, 2010, and incorporated herein by reference).
10.51	Non-interest bearing subordinated note issued by the Company to Eric Skae, dated April 1, 2010 (included as Exhibit 10.20 to the Form 10-Q filed May 17, 2010, and incorporated herein by reference).
10.52	10% Subordinated note issued by the Company to O. Lee Tawes, dated April 30, 2010 (included as Exhibit 10.21 to the Form 10-Q filed May 17, 2010, and incorporated herein by reference).
10.53	Employment agreement between the Company and David Tsiang, dated May 11, 2010 (included as Exhibit 10.22 to the Form 10-Q filed May 17, 2010, and incorporated herein by reference).
10.54	Note and Warrant Purchase Agreement, dated September 2010, dated September 2010 (filed as Exhibit 99.3 to the Form 8-K, filed September 24, 2010 and incorporated herein by reference).

10.55	Securities Purchase Agreement, dated January 21, 2011 (filed as Exhibit 10.1 to the Form 8-K filed January 26, 2011 and incorporated herein by reference).
10.56	Registration Rights Agreement, dated January 21, 2011 (filed as Exhibit 10.2 to the Form 8-K filed January 26, 2011 and incorporated herein by reference).
10.57	Amendment to Asset Purchase Agreement, January 21, 2011 (filed as Exhibit 10.3 to the Form 8-K filed January 26, 2011 and incorporated herein by reference).
10.58	Form of letter to certain investors, dated February 16, 2010 (filed as Exhibit 10.55 to the Form 10-K filed May 23, 2011 and incorporated herein by reference)
10.59	Form of letter to certain investors, dated May 27, 2010 (filed as Exhibit 10.56 to the Form 10-K filed May 23, 2011 and incorporated herein by reference)
10.60	Form of letter to certain investors, dated August 26, 2010 (filed as Exhibit 10.57 to the Form 10-K filed May 23, 2011 and incorporated herein by reference)
10.61	Lease Agreement, dated July 5, 2010 (filed as Exhibit 10.58 to the Form 10-K filed May 23, 2011 and incorporated herein by reference)
10.62	Purchase Order and Working Capital Financing Agreement, by and among the Company, John Tally, O. Lee Tawes, Lorraine DiPaolo and Jack Harris (included as Exhibit 10.23 to the Form 10-Q filed July 18, 2011, and incorporated herein by reference).
10.63	Form Of Secured Convertible Subordinated Note(filed as Exhibit 10.24 to the Form 10-Q filed January 3, 2012 and incorporated herein by reference)
10.64	Form Of Purchase Money Security Interest Note(filed as Exhibit 10.25 to the Form 10-Q filed January 3, 2012 and incorporated herein by reference)
10.65	Form of Revenue Participation Agreement(filed as Exhibit 10.26 to the Form 10-Q filed January 3, 2012 and incorporated herein by reference)
10.66	Engagement Agreement between the Company and Fuselier & Co., dated February 14, 2012 (filed as Exhibit 10.1 to the Current Report on Form 8-K, filed February 23, 2012)
10.67	Employment Agreement between the Company and David Fuselier., dated February 14, 2012 (filed as Exhibit 10.2 to the Current Report on Form 8-K, filed February 23, 2012)
10.68	Mutual Termination and Release Agreement between the Company and Eric Skae, dated February 14, 2012 (filed as Exhibit 10.3 to the Current Report on Form 8-K, filed February 23, 2012)
10.69	Engagement Agreement between the Company and Eric Skae, dated February 14, 2012 (filed as Exhibit 10.4 to the Current Report on Form 8-K, filed February 23, 2012)
10.71	Form of Vendor Financing Agreement, dated September ___, 2011, by and between the Company and certain vendors (filed herewith)
10.72	Stock Purchase Agreement, dated April 9, 2012, by and between the Company and Deep South Capital (filed herewith)
10.73	Public Relations Agreement, dated March 2, 2012, by and between the Company and Olana Capital/ Steven Marmon (filed herewith)
10.74	Consulting Agreement, dated May 31, 2012 by and between the Company and Eugene Leventis (filed herewith)

14.1	Code of Ethics (included as Exhibit 14.1 to the Form 10-K filed April 15, 2008, and incorporated herein by reference).
21.1	Subsidiaries of the Registrant (filed herewith)
23.1	Consent of EisnerAmper LLP, Independent Registered Public Accounting Firm
31.1	Certificate of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certificate of Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

SIGNATURES

Pursuant to the requirements of Section 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

July 30, 2012	By: /s/ David N. Fuselier David N. Fuselier Chairman of the Board, President, and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated:

SIGNATURE	CAPACITY	DATE
/s/ David N. Fuselier David N. Fuselier	Chairman of the Board, Principal Executive Officer and President	July 30, 2012
/s/ David N. Fuselier David N. Fuselier	Chief Financial Officer and Principal Accounting Officer	July 30, 2012

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of
New Leaf Brands, Inc.

We have audited the accompanying consolidated balance sheets of New Leaf Brands, Inc. and subsidiaries (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders' deficit, and cash flows for each of the years in the two-year period ended December 31, 2011. The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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. The Company is not required to have, nor were we engaged to perform, an audit of their 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of New Leaf Brands, Inc. and subsidiaries as of December 31, 2011 and 2010, and the consolidated results of their operations and their consolidated cash flows for each of the years in the two-year period ended December 31, 2011, 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 1 to the consolidated financial statements, the Company has suffered recurring losses from operations, has a working capital deficiency, was not in compliance with certain financial covenants related to debt agreements, and has a significant amount of debt maturing in 2012. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

New York, New York
July 26, 2012

New Leaf Brands, Inc.
Consolidated Balance Sheets

	December 31, 2011	December 31, 2010
CURRENT ASSETS		
Cash & cash equivalents	$ 75,762	$ 13,024
Accounts receivable, net of allowances for doubtful accounts of approximately $37,689 at December 31, 2011 and $35,000 at December 31, 2010	169,490	148,833
Inventory	163,709	435,414
Prepaid expense and other current assets	8,462	67,780
Total current assets	417,423	665,051
Property and equipment, net	58,000	91,099
Intangible assets, net	1,117,609	4,040,824
Deferred financing cost	-	-
Total assets	$ 1,593,032	$ 4,796,974
CURRENT LIABILITIES		
Accounts payable	$ 1,818,053	$ 2,670,993
Purchase order financing	306,037	-
Accrued liabilities	469,447	449,431
Accrued liabilities related parties	582,787	750,103
Accrued dividend	196,978	
Interest payable	130,270	118,784
Short-term notes - other	120,490	3,282,954
Notes payable to related parties	752,787	777,273
Current portion of long-term debt	844,039	838,741
Other current liabilities	245,275	-
Total current liabilities	5,466,163	8,888,279
Long-term debt	14,338	34,904
Derivative payable	45,613	594,271
Total long-term liabilities	59,951	629,175
Total liabilities	5,526,114	9,517,454
Contingencies (Note 17)		
STOCKHOLDERS' DEFICIT		
Preferred stock, $0.001 par value, convertible 10,000,000 shares authorized Series K 10% Convertible Preferred Stock, 1,000 cummulative shares designated; 30 shares issued and outstanding (Liquidation Preferred $860,974 and $0) at December 31, 2011 and 2010, respectively	-	-
Common Stock, $0.001 par value, 500,000,000 shares authorized; issued and outstanding 150,811,031 and 75,761,856 at December 31, 2011 and 2010, respectively	150,811	75,762
Shares issuable	5,550	-
Additional paid-in capital	44,025,118	36,440,087
Accumulated deficit	(48,114,561)	(41,236,329)
Total stockholders' deficit	(3,933,082)	(4,720,480)
Total liabilities and stockholders' deficit	$ 1,593,032	$ 4,796,974

See accompanying notes to the consolidated financial statements

New Leaf Brands, Inc.
Consolidated Statements of Operations

	Years ended December 31, 2011	2010
Net sales	$ 2,266,321	$ 4,257,361
Cost of goods sold	1,792,487	2,848,348
	473,834	1,409,013
Operating expenses:		
Shipping and handling	339,439	544,859
Selling and Marketing	2,281,921	4,995,968
General and administration	1,833,688	3,194,015
Depreciation and amortization	476,314	516,953
Impairment of intangibles	2,155,000	-
Total operating expenses	7,086,362	9,251,795
Loss from continuing operations	(6,612,528)	(7,842,782)
Other income (expense):		
Other expense	(23,255)	(10,450)
Interest expense	(169,558)	(287,822)
Loss on extinguishment of debt	(231,022)	(1,679,439)
Amortization of debt discount & deferred financing costs	(193,549)	(954,709)
Change in fair value of derivative payable liabilities	548,658	1,698,961
Total other expense, net	(68,726)	(1,233,459)
Loss from continuing operations before provision for income taxes	(6,681,254)	(9,076,241)
Provision for income taxes	-	-
Loss from continuing operations	(6,681,254)	(9,076,241)
Loss from discontinued operations		
Loss from discontinued operations	-	(55,113)
Loss from discontinued operations	-	(55,113)
Net loss	(6,681,254)	(9,131,354)
Deemed dividends -Series K Preferred stock and warrants	1,967,699	-
Dividends on Series K preferred stock	196,978	-
Net loss available to common stockholders	$ (8,845,931)	$ (9,131,354)
Net loss per share- basic and diluted		
Continuing operations	$ (0.08)	$ (0.14)
Discontinued operations	-	-
Net loss per share- basic and diluted	$ (0.08)	$ (0.14)
Basic and diluted weighted average common shares outstanding	110,746,000	66,415,000

See accompanying notes to the consolidated financial statements

NEW LEAF BRANDS, INC.
Consolidated Statements of Stockholders' Equity (Deficit)

	Preferred Stock		Common stock			Additional		
	Shares	Dollars	Shares	Dollars	Shares issuable	Paid-in Capital	Accumulated Deficit	Total
Balance December 31, 2009	**-**	**$ -**	**63,105,447**	**$ 63,105**		**$ 33,706,045**	**$ (32,104,975)**	**$ 1,664,175**
Adjustment for fair value of warrant liabilities, as of January 1, 2010						(549,305)		(549,305)
Common stock issued through private placement			2,588,081	2,588		979,912		982,500
Common stock issued in connection with private placement amendment			1,296,839	1,297		(1,297)		-
Exercise of warrants for cash			40,000	40		9,960		10,000
Stock-based compensation expense			-	-		248,868		248,868
Common stock issued for services			2,557,500	2,558		1,103,668		1,106,226
Warrants issued for services			-	-		54,830		54,830
Settlement of accounts payable and notes payable for common stock			972,173	972		487,874		488,846
Common stock issued for the modification of certain short term notes			5,201,818	5,202		1,561,671		1,566,873
Beneficial conversion of related party debt			-	-		100,000		100,000
Fees incurred on issuance of common stock			-	-		(17,500)		(17,500)
Derivative liability of warrants issued in connection with common stock offerings			-	-		(1,259,199)		(1,259,199)
Reclassification of derivative liability on warrant exercised			-	-		14,560		14,560
Net loss							(9,131,354)	(9,131,354)
Balance December 31, 2010	**-**	**$ -**	**75,761,858**	**$ 75,762**		**$ 36,440,087**	**$ (41,236,329)**	**$ (4,720,480)**
Preferred stock issued through private placement	49	-				1,215,000		1,215,000
Common stock issued through private placement			5,666,667	5,666		419,334		425,000
Conversion of short term notes into common			1,200,000	1,200		88,800		90,000
Exercise of Warrants for cash			6,666,665	6,667		493,333		500,000
Shares issued with recast notes			3,656,905	3,657	$ 625	202,610		206,892
Shares issued with 10% convertible debt			525,000	525	1,925	594,066		596,516
Stock based compensation expense						64,749		64,749
Common stock issued for services	-	-	4,000,000	4,000	3,000	343,000		350,000
Common stock issued for the modification of certain short term notes			402,045	402		65,936		66,338
Warrants issued for services						10,398		10,398
Settlement of accounts payable and notes payable for common stock		-	400,000	400		5,600		6,000
Settlement of accounts payable and notes payable for preferred stock	169					4,281,337		4,281,337
Preferred shares converted to Common	(188)	-	52,531,893	52,532		(52,532)		-
Fees incurred on issuance of common stock						(146,600)		(146,600)
Dividends on Series K 10% Convertible preferred stock							(196,978)	(196,978)
Deemed dividends - series K preferred stock and warrants						1,967,699		1,967,699
Deemed dividends - series K preferred stock and warrants						(1,967,699)		(1,967,699)
Net (loss)							(6,681,254)	(6,681,254)
Balance December 31, 2011	**30**	**$ -**	**150,811,033**	**$ 150,811**	**$ 5,550**	**$ 44,025,118**	**$ (48,114,561)**	**$ (3,933,082)**

See accompanying notes to the consolidated financial statements

New Leaf Brands, Inc.
Consolidated Statements of Cash Flows

	For the Years ended December 31	
	2011	2010
Operating Activities:		
Continuing operations:		
Net Loss from continuing operations	$ (6,681,254)	$ (9,076,241)
Adjustments to reconcile net loss from continuing operations to net cash used in continuing operating activities:		
Depreciation and amortization	476,314	516,953
Bad debt expense	2,689	
Loss on settlement of accounts payable and extinguishement of long-term debt	231,022	1,679,439
Amortization of debt discount & deferred financing cost	193,549	954,709
Warrants issued for services	10,398	54,830
Stock based compensation	64,749	248,868
Common stock issued for services	350,000	1,106,226
Loss on disposal of property and equipment		4,250
Impairment of intangible asset	2,155,000	
Change in fair value of derivatives payable	(548,658)	(1,698,961)
Changes in continuing operating assets & liabilities:		
Accounts receivable	(23,346)	57,390
Inventory	271,705	50,475
Prepaid expenses and other current assets	59,318	(49,875)
Accounts payable	(740,152)	1,551,982
Accrued expenses	59,220	(480,707)
Due to related parties	142,839	346,856
Interest payable	11,486	64,815
Other current liabilities	245,275	-
Net cash used in continuing operating activities	(3,719,846)	(4,668,991)
Discountinued Operations:		
Net Loss from discountinued operations		(55,113)
Adjustment to reconcile net loss from discontinued operations to net cash provided by discountinued operating activities		
Write-off of escrow from sale of discontinued operations	-	50,000
Net cash provided by discountinued operations	-	(5,113)
Net cash used in operating activities	(3,719,846)	(4,674,104)
Investing Activites:		
Purchases of property & equipment,net	-	(18,771)
Cash used in continuing operations investing activities	-	(18,771)
Financing Activities:		
Proceeds from issuance of long-term debt	1,475,444	1,569,000
Proceeds from issuance of notes payable to related parties	200,500	600,000
Receipt of escrow from sale of discontinued operations		200,000
Proceeds from sale of common stock and warrants	425,000	982,500
Fees paid in connection with sale of common stock and warrants		(17,500)
Fees paid in connection with the sale of debt and warrants		(93,920)
Net Proceeds from sale of preferred stock and warrants	1,068,400	
Repayment on long-term debt	(192,797)	(92,105)
Purchase Order Financing	306,037	
Exercise of warrants	500,000	10,000
Net cash provided by (used in) financing activities	3,782,584	3,157,975
Change in cash & cash equivalents	62,738	(1,534,900)
Cash & cash equivalents beginning of year	13,024	1,547,924
Cash & cash equivalents end of period	$ 75,762	$ 13,024
Supplemental disclosures:		
Cash paid during the period for:		
Interest	$ 50,383	$ 175,259
Non-cash investing and financing activities:		
Accrued preferred stock dividends	196,978	-
Deemed dividend on Conversion of Series K Preferred and warrants	1,967,699	-
Conversion of debt and accrued expense into common stock	4,129,171	-
Forgivenness of earn-out	325,000	-
Fair value of warrrants on extinquishment of debt	52,166	-
Debt discount on debt issued	109,155	-
Recogntion of beneficial conversion feature on long-term debt	420,000	100,000
Settlement of accounts payable for shares and warrants	100,000	-
Accretion on notes payable	115,599	-
Fair value of shares used for common stock	31,250	-
Settlement of accounts payable for common stock		163,781
Settlment of long-term debt for common stock		212,500
Issuance of warrants in connection with common stock and debt offering		1,584,454
Classification of derivative payable to additional paid in capital upon the exercise of warrants		14,560
Warrants Issued to placement agent which have been classified as derivative liabilities and deferred financing costs		34,913
Increase in intangible assets due to earnout		325,000

See accompanying notes to the consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

The consolidated financial statements include NEW LEAF BRANDS, INC. ("the Company") and its wholly-owned subsidiaries Nutritional Specialties and Baywood New Leaf Acquisition, Inc. Nutritional Specialties was acquired by the Company effective March 30, 2007 and sold on July 24, 2009 and Skae Beverage International LLC was acquired by Baywood New Leaf Acquisition, Inc. effective September 9, 2008.

The Company develops markets and distributes healthy and functional ready-to-drink ("RTD") beverages. The Company distributes its products through independent distributors both internationally and domestically.

The Company incorporated as Baywood Financial, Inc. in Nevada on June 13, 1986. In March 1992, the Company changed its name from Baywood Financial, Inc. to Baywood International, Inc. Between 1992 and 1998, the Company directed most of its sales efforts to nutraceutical international markets. In 1999, the Company expanded its nutraceutical business into domestic markets.

On April 5, 2007, effective March 30, 2007, the Company acquired, through its acquisition subsidiary, substantially all of the assets, and assumed certain liabilities, of Nutritional Specialties for a purchase price of approximately $11,100,000. Nutritional Specialties is a nutraceutical company that develops and markets over 350 nutraceutical products under the brand LifeTime® or LifeTime Vitamins®. The Company caused its acquisition subsidiary to change its name to Nutritional Specialties, Inc., d/b/a LifeTime® and operated Nutritional Specialties as a separate, wholly-owned subsidiary.

On September 9, 2008 the Company acquired, though its acquisition subsidiary substantially all of the assets and assumed certain liabilities, of Skae Beverage International LLC for a purchase price of approximately $4,500,000. Skae Beverage International LLC was a branding and marketing company focusing on the ready to drink beverage market. Skae's premiere brand is New Leaf Tea. The product comes in 15 organically-sweetened varieties, of which 2 are diet varieties. Baywood New Leaf Acquisition Inc., d/b/a New Leaf is a separate, wholly-owned subsidiary of the Company.

On July 24, 2009, the Company entered into an Asset Purchase Agreement ("the Agreement") with Nutra, Inc., a subsidiary of Nutraceutical International Corporation. Pursuant to the Agreement, the Company sold substantially all of the rights and assets of Nutritional Specialties, Inc.'s business, including but not limited to its accounts, notes and other receivables, inventory, tangible assets, rights existing under assigned purchase orders, proprietary rights, government licenses, customer lists, records, goodwill and assumed contracts. Certain rights and assets were excluded from the purchased assets, including the right to market, sell and distribute beverages as described in the Agreement. In exchange for the foregoing, Nutra, Inc. agreed to pay an aggregate purchase price of $8,250,000 in cash, less payment of liabilities, a $250,000 retention and certain pre-closing working capital adjustments. Pursuant to the Agreement, the assets of Nutritional Specialties, Inc. were evaluated at closing to see if they have a minimum net asset value as of the closing date, after giving effect to normal generally accepted accounting principles, adjustments for reserves and for routine reductions related to normal amortization and depreciation, equal to $1,848,604. If the net asset value was greater or less than $1,848,604 at the closing, the purchase price payable at closing would be increased or decreased by the amount of such difference on a dollar-for-dollar basis. At closing, the net asset value was $2,176,411 and therefore the initial purchase price of $8,250,000 was increased by $327,807. The asset sale contemplated by the Agreement closed on October 9, 2009. On June 30, 2010 the company and Nutra, Inc. agreed reduce the retention to $200,000 for immediate payment of the retention and recognized a loss of $50,000 at that time.

Baywood International, Inc. changed its name effective October 16, 2009 to New Leaf Brands, Inc. to reflect the change in strategic direction with the sale of Baywood International, Inc.'s nutraceutical businesses on October 9, 2009. The name change was effective in the market at the opening of business October 19, 2009, at which time the Company's ticker symbol changed from BAYW.OB to NLEF.OB.

Going Concern

The Company has a history of recurring losses from continuing operations, deficiencies in working capital and limited cash on hand as of December 31, 2011. To date, it has also been unable to generate sustainable cash flows from operating activities. In addition, the Company has $5,466,163 in current liabilities payable within the next twelve months including an obligation which is currently in default (see Note 5). For the year ended December 31, 2011, the Company's loss from continuing operations is $6,612,254. As of December 31, 2011, the Company's cash and cash equivalents and working capital deficiency are $75,762 and $5,048,740 respectively. Collectively, these factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company's existence is dependent upon its ability to obtain the necessary financing. The Company believes that its existing cash resources, combined with projected cash flows from operations, will not be sufficient to execute its business plan and continue operations for the next twelve months without additional funding. The Company intends to continue to explore various strategic alternatives, including asset sales and private placements of debt and equity securities to raise additional capital. In the first half of 2012, the Company raised additional gross proceeds of $ $767,606 pursuant to the Unsecured Note Issuance in February 2012 and the Warrant reset and Exchange Offer in March and May 2012 (Subsequent Events). In addition to paying down and restructuring its debt, management is actively taking steps to reduce the Company's future operating expenses and increase future sales. However, the Company cannot provide any assurance that operating results will generate sufficient cash flow to meet its working capital needs and service its existing debt or that it will be able to raise additional capital as needed.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation
The consolidated financial statements include the accounts of all subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Revenue Recognition, Sales Returns and Allowances
Revenue is recognized when the product is shipped. Sales returns are recorded as a reduction to sales when a customer and the Company agree a return is warranted. All returns must be authorized in advance and must be accompanied by an invoice number within 180 days. If returned, the Company's customers are responsible for returning merchandise in resalable condition. Full credit cannot be given for merchandise that has been defaced, marked, stamped, or priced in any way. The Company does not accept products kept longer than two years. Management communicates regularly with customers to compile data on the volume of product being sold to the end consumer. This information is used by management to evaluate the need for additional sales returns allowance. The Company's experience has been such that sales returns can be estimated accurately based on feedback from the customer.

Comprehensive Income (Loss)
The Company accounts for its Comprehensive Income (Loss) under the Topic of the Codification (ASC Topic 220-10), "Comprehensive Income (Loss)," establishes standards for the reporting and display of comprehensive income (loss) and its components within the financial statements. Other comprehensive income (loss) consists of charges or credits to stockholders' equity, other than contributions from or distributions to stockholders, excluded from the determination of net income (loss). There was no other comprehensive income (loss) for the year ended December 31, 2011 and 2010.

Cash and Cash Equivalents
The Company considers cash and cash equivalents to include all short-term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less.

Allowances for Doubtful Accounts

The following table summarized the activity in the reserves for allowance for doubtful accounts for the years ended December 31:

Period	Balance beginning of the year	Charges (recovery) to cost and expenses	Deductions	Balance end of the year
December 31, 2010	$ 90,000	$ 8,469	$ 63,469	$ 35,000
December 31, 2011	$ 35,000	$ (19,576)	$ 16,887	$ 37,689

Inventories

Inventories consist primarily of raw material and finished product and are recorded at the lower of cost or market on an average cost basis. Raw material includes: material, packaging and labeling materials. The Company does not process raw materials, but rather has third-party suppliers formulate, encapsulate and package finished goods.

Management analyzes inventory for possible obsolescence on an ongoing basis, and provides a write down of inventory costs when items are no longer considered to be marketable. Management's estimate of a fair market value is inherently subjective and actual results could vary from our estimate, thereby requiring future adjustments to inventories and results of operations.

	December 31, 2011	December 31, 2010
Raw material	$ 133,376	$ 177,090
Finished goods	30,333	258,324
	$ 163,709	$ 435,414

Property, Equipment and Depreciation

Property and Equipment consisted of the following at December 31,

	2011	2010
Furniture and fixtures	$ 19,539	$ 19,539
Computers	125,654	125,654
Equipment	21,199	21,199
Total	$ 166,392	$ 166,392
Less: Accumulated depreciation	108,392	75,293
Net property and equipment	$ 58,000	$ 91,099

Furniture, fixtures, computers and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives of five years. Depreciation expense from continuing operations for the years ended December 31, 2011 and 2010 was $33,099 and $31,565, respectively.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed
The Company reviews its long-lived assets and identifiable finite-lived intangibles for impairment on an annual basis and whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If such assets were considered to be impaired, the impairment to be recognized would be measured by the amount by which the carrying amount of the assets exceeds the fair market value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

The Company evaluates the recoverability of property and equipment and intangibles not held for sale by comparing the carrying amount of the asset or group of assets against the estimated undiscounted future net cash flows expected to result from the use of the asset or group of assets. If the estimated undiscounted future net cash flows are less than the carrying value of the asset or group of assets being reviewed, an impairment loss would be recorded.
The estimates of fair value of indefinite-lived intangible assets are determined using a Discounted Cash Flow ("DCF") valuation analysis that employs a relief-from royalty methodology in estimating the fair value of trade names and trademarks. Significant judgments inherent in this analysis include the determination of royalty rates, discount rates, perpetual growth rates, and the amount and timing of future revenues.

The discount rates used in the DCF analyses reflect the risks inherent in the expected future revenue to be generated by the respective intangible assets. The royalty rates used in the DCF analyses are based upon an estimate of the royalty rates that a market participant would pay to license our trade names and trademarks.

Intangible assets consist of brand value resulted from the September 9, 2008 acquisition of certain net assets from Skae Beverage International, LLC. The terms of the acquisition agreement for Skae Beverage International Inc. included an earn-out. During 2011, 2010 and 2009, the amount of the earn-out, was $0, $325,000 and $260,000, respectively, and was attributable to the Brand Value – New Leaf Tea. In 2011 the Company and Eric Skae reached agreement to modify the earn-out agreement which also eliminated the 2010 earn-out of $325,000 and reduced the carrying value of the intangible. Intangible assets consisted of the following at December 31, 2011 and 2010:

		Brand Value – New Leaf Tea
Asset value at December 31, 2010	$	5,085,824
Accumulated amortization as of December 31, 2010	$	(1,045,000)
Net asset value at December 31, 2010	$	4,040,824
Asset value at December 31, 2011	$	4,760,824
Accumulated amortization as of December 31, 2011	$	(1,488,215)
Impairment of intangibles		(2,155,000)
Net asset value at December 31, 2011	$	1,117,609

The Company evaluates intangible assets for potential impairment on an annual basis or whenever events or circumstances indicate that impairment may have occurred using a two-step process. The first step of the impairment test, used to identify potential impairment, compares the estimated fair value of the intangible with the related carrying amount. If the estimated fair value of the intangibles exceeds its carrying amount, the intangible is not considered to be impaired and the second step is unnecessary. During the quarter ended September 30, 2011, the Company determined that a triggering event occurred and performed an interim impairment analysis. The interim impairment analysis resulted in an impairment of $1,100,000 for the third quarter of 2011. During the year ended December 31, 2011, the Company determined that the economic uncertainty surrounding the Company's ability to remain in business triggered an impairment analysis. The Company's interim and annual tests, using predominately a discounted cash flow model derived from internal budgets in assuming fair values for the impairment testing. Factors that could change the result of our impairment test include, but are not limited to, different assumptions used to forecast future net sales, expenses, capital expenditures and resources, and liquidity and working capital requirements used in our cash flow models. In addition, selection of a risk-adjusted discount rate on the estimated undiscounted cash flow is susceptible to future changes in market conditions, and when unfavorable, can adversely affect our original estimates of fair value. The Company's key assumptions used in its annual impairment analysis included the following: a discount rate of 18% based on the estimated weighted average cost of capital from the market participant point of view; royalty rate of 4.0%; an average perpetual growth rate of 66% for six years and a tax rate of 38%. An increase in the discount rate of 1% or a 1% deterioration of the perpetual revenue growth rate would increase the impairment loss by approximately $38,000 or $11,000, respectively. The Company bases its fair value estimates on assumptions it believes to be reasonable, but which are unpredictable and inherently uncertain. For the year ended December 31, 2011, the impairment of the Company's brand value mainly resulted in the decline in its projected revenues and operating results and cash flows.The Company has concluded that impairment had existed at December 31, 2011 and has recorded an impairment charge, measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value, of $2,155,000 for the year ended December 31, 2011. In conjunction with preparing the revised forecasts, the Company reevaluated the remaining estimated useful lives of the long-lived intangibles and concluded there is no change in its estimated remaining useful lives.

The brand value (including Trademarks and Trade Names) of continuing operations are being amortized over the estimated life of ten years. Amortization expense for the years ended December 31, 2011 and 2010 was $443,215 and $482,500, respectively. The aggregate amortization for the years ended December 31, 2012 through December 31, 2015 and years thereafter is as follows:

Year		Amortization
2012	$	159,658
2013		159,658
2014		159,658
2015		159,658
2016		159,658
Thereafter		319,319
Total	$	1,117,609

Debt instruments, offering costs and the associated features and instruments contained therein

Deferred issuance costs are amortized over the term of their associated debt instruments.

The Company evaluates the terms of the debt instruments to determine if any embedded derivatives or beneficial conversion features exist. The Company allocated the aggregate proceeds of the debt instrument between the warrants and the debt based on their relative fair values, if applicable, as modified in accordance with ASC 470. The fair value of the warrants issued to debt holders or placement agents are calculated utilizing the Black-Scholes-Merton or probability weighted binomial method depending on the terms of the warrant agreements. The Company amortizes the resultant discount or other features over the terms of the debt through its earliest maturity date using the straight line method which approximates the effective interest method. If the maturity of the debt is accelerated because of defaults or conversions, then the amortization is accelerated.

In conjunction with certain loans, the Company issued stock purchase warrants to purchase the Company’s Common Stock. This additional consideration is being amortized over the term of the loans using the straight line method which approximates the effective interest method. At December 31, 2011 and 2010, debt discounts, net of accumulated amortization were $583,604 and $0, respectively. The amortization expense for the years ended December 31, 2011 and 2010 was $193,549 and $198,721, respectively.

Fair Value Measurements

The Company measures fair value in accordance with Statement ASC 820, Fair Value Measurements (“ASC 820”). ASC 820 defines fair value, establishes a framework and gives guidance regarding the methods used for measuring fair value, and expands disclosures about fair value measurements. ASC 820 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, there exists a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.
- Level 2 - inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
- Level 3 - unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

Warrant Liabilities and Other Derivative Financial Instruments

Derivatives are recognized at fair value as required by ASC 815 “Derivatives and Hedging” (“ASC 815”). ASC 815 affects the accounting for warrants and many convertible instruments with provisions that protect holders from a decline in the stock price (or “down-round” provisions). For example, warrants with such provisions will no longer be recorded in equity. Down-round provisions reduce the exercise price of a warrant or convertible instrument if a company either issues equity shares for a price that is lower than the exercise price of those instruments or issues new warrants or convertible instruments that have a lower exercise price. The Company evaluated whether its warrants contain provisions that protect holders from declines in its stock price or otherwise could result in modification of either the exercise price or the shares to be issued under the respective warrant agreements. The Company determined that a portion of its outstanding warrants contained such provisions thereby concluding they were not indexed to the Company’s own stock.

Estimating the fair value of these financial instruments requires the development of significant and subjective estimates that are likely to change over the duration of the instrument with related changes in internal and external market factors. In addition, option-based techniques are highly volatile and sensitive to changes in the traded market price of the Company’s common stock. Since the warrant liabilities are initially and subsequently carried at fair value, the Company’s statement of operations reflects the volatility in these estimates and assumption changes.

The range of significant assumptions which the Company used to measure the fair value of warrant liabilities at December 31, 2011 is as follows:

Stock price	$ 0.02
Term	1.3 to 3.8 Years
Volatility	98.3% - 108.3%
Risk-free interest rate	0.12% - 0.36%
Exercise prices	$ 0.15
Dividend yield	0.00%

The Company estimated the fair value of these derivatives using a Black-Scholes-Merton valuation model. The fair value of these warrant liabilities at December 31, 2010 was $594,271 and at December 31, 2011 was $45,613. The change in fair value of derivative liabilities of $548,658 was included in the consolidated statement of operations for the year ended December 31, 2011.

Stock-Based Compensation

Under the Compensation Topic of the Codification (ASC Topic 718-10), the Company is required to measure the cost of employee services received in exchange for all equity awards granted including stock options based on the fair market value of the award as of the grant date.

The Company granted stock options and issued restricted stock in the years ended December 31, 2010 and 2009. Accordingly, compensation cost has been recognized for the stock options and restricted stock granted to employees in the years ended December 31, 2011 and 2010 of $64,749 and $248,868, respectively. There were no new Stock options issued in 2011. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions for year ended December 31 2010:

	2010
Volatility	107% to 110%
Risk free interest rate	2.14% to 3.33%
Estimated option life	5 – 8 Years
Forfeiture rate	8%

The volatility assumption for options and the liquidity discount on restricted stock is based on management’s estimate reflecting the thinly traded nature of our OTC securities and the high relative ownership of management and directors. As such management’s estimate is based on the monthly changes in stock price. The estimated option life assumption approximates the “safe harbor” method described in SAB 107 which considers the weighted average vesting period and the contract term. The forfeiture rate assumption uses the Company’s past experience of option participants exercising options granted as management believes this represents the expected future activity.

Income Taxes

The Company accounts for income taxes under the liability method under the Income Taxes Topic of the Codification (ASC Topic 740-10). Deferred taxes arise from temporary differences, due to differences between accounting methods for tax and financial statement purposes. The Company establishes a valuation allowance for the uncertainty related to its ability to generate sufficient future taxable income to utilize the net operating loss carry forwards and other deferred items. At December 31, 2011 and 2010, federal and state net operating loss carry forwards were approximately $56,000,000 and $59,000,000, respectively. The Company has not used any of the net operating loss carry forwards.

Net Loss Per Share

Net loss per share is calculated using the weighted average number of shares of common stock outstanding during the period. The Company has adopted the Earnings Per Share Topic of the Codification (ASC Topic 260-10). Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted earnings (loss) per share may not been presented if the effect of the assumed exercise of options and warrants to purchase common shares would have an anti-dilutive effect. A detailed calculation of net loss per share is discussed in Note 3.

Advertising Expenses

The Company's advertising primarily consists of print in trade and consumer publications and promotional expenses for retail placements for certain products. The Company expenses advertising costs as incurred or the first time the advertising takes place. Advertising expense from continuing operations totaled approximately $73,360 and $165,000 for the years ended December 31, 2011 and 2010, respectively, and is included in marketing expenses in the accompanying consolidated statements of operations.

Shipping & Handling Expenses

Under the Revenue Recognition Topic of the Codification (ASC Topic 605-45), all amounts billed to customers in a sales transaction for shipping and handling are classified as a reduction of revenue.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments

Financial instruments consist primarily of cash and cash equivalents, accounts receivable and obligations under accounts payable, accrued expenses, derivatives and notes payables. The carrying amounts of cash, accounts receivable, accounts payable, short term debt obligations and accrued expenses approximate fair value because of the short term maturity of those instruments.

Warrants issued on debt and beneficial conversion

The Company estimates the fair value of each warrant grant on the date of grant using the Black-Scholes option-pricing model. The warrant estimates are based on the following assumptions for the years ended December 31:

	2011	2010
Dividend yield	0%	0%
Volatility	56.4% to 99.9%	98% to 99%
Risk free interest rate	0.16% to 2.4%	1.27% to 2.71%
Term	.25 to 5 years	5 years

The Company accounts for the beneficial conversion feature of debt and preferred stock under the Debt Topic of the Codification (ASC Topic 470-20) using intrinsic value method measure at the date of the note.

Recently Issued Accounting Standards

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220), Presentation of Comprehensive Income* This update is intended to increase the prominence of other comprehensive income in the financial statements by requiring public companies to present comprehensive income either as a single statement detailing the components of net income and total net income, the components of other comprehensive income and total other comprehensive income, and a total for comprehensive income or using a two statement approach including both a statement of income and a statement of comprehensive income. The option to present other comprehensive income in the statement of changes in equity has been eliminated. The amendments in this update, which should be applied retrospectively, are effective for public companies for fiscal years, and interim periods beginning after December 15, 2011. The Company is in the process of determining if it will present other comprehensive income in a single continuous statement of comprehensive income or in two separate but consecutive statements.

NOTE 3 – NET LOSS PER SHARE

Convertible preferred stock and outstanding options and warrants were not considered in the calculation for diluted loss per share for the years ended December 31, 2011 and 2010 because the effect of their inclusion would be anti-dilutive.

	2011			2010		
	Loss	**Shares**	**Per Share**	**Loss**	**Shares**	**Per share**
Net (loss)	(5,626,254)			(9,131,354)		
Deemed Dividend series K Preferred stock and warrants	(1,967,699)					
Preferred stock dividends	(196,978)					
Basic loss per share						
Loss available to Common Stockholders	(7,790,931)	110,746,222	(0.07)	(9,131,354)	66,414,822	(0.14)
Effect of dilutive securities	N/A			N/A		
Diluted loss per share	(7,790,931)	110,746,222	(0.07)	(9,131,354)	66,414,822	(0.14)

These following securities were excluded from the computation of diluted loss per share because the effect of their inclusion would be anti-dilutive.

	2011	2010
Options	2,241,240	11,637,388
Warrants	52,893,843	-
Convertible Notes	53,327,620	5,871,429
Preferred Series K	25,127,451	
Total	133,590,154	17,508,817

On December 23rd, 2011 the Company received majority consent to:

- Amend the Certificate of Designation of the Corporation for the Series K Preferred Stock (the “Certificate of Designation”)
  - to eliminate paragraph (f) of Section 9 of the Certificate of Designation, “Protective Provisions,” which limits the Company’s ability to enter into, create, incur, assume, guarantee or suffer to exist any indebtedness for borrowed money of any kind, other than “Permitted Indebtedness”

- Amend the Security Purchase Agreement for the Series K Preferred Stock (the “Security Purchase Agreement”)

i. To eliminate paragraph 8.2 “Subsequent Equity Sales,” in its entirety;

ii. To eliminate paragraph 8.3 “Participation in Future Financing ,” in its entirety;

In consideration of same, the Company agreed:

- To reduce the conversion price of its Series K Preferred to 3 cents per share.
- To exchange every 5 Warrants (of the X, Y and Z Series) into 1 share of common stock.

NOTE 4 - ACCOUNTS RECEIVABLE

The Company records revenue and accounts receivable from customers upon shipment of product to the customer. Sales returns are recorded as a reduction to sales when a customer and the Company agree a return is warranted. All returns must be authorized in advance and must be accompanied by an invoice number within 180 days. The Company estimates returns based on historical experience and records an allowance for product returns and uncollectible accounts receivable. Historically, returns have been immaterial, and the Company has not recorded an allowance for product returns. The allowance for uncollectible is estimated based on detail review of the open receivables, accounts at December 31, 2011 and 2010 was $37,689 and $35,000, respectively.

NOTE 5 – RELATED PARTY NOTES PAYABLE

Related party notes payable at December 31, consisted of the following:

Description		December 31, 2011		December 31, 2010
Unsecured note payable to a former director with a face amounts of $50,000 bearing interest at 10% per annum and payable on October 31, 2012 (F)(G)(H)(J)	$	50,000		
Unsecured note payable to a former director with a face amounts of $5,500 bearing interest at 10% per annum and payable on demand (D)		5,500		
Unsecured note payable to a principal shareholder with a face amounts of $55,000 bearing interest at 10% per annum and payable on September 18, 2012 and October 14, 2012 (F)(G)(H)		55,000		
Unsecured note payable to an officer with a face amount of $20,000 bearing interest at 6% per annum and payable on demand (D)		20,000		-
Unsecured note payable to a director with a face amount of $75,000 bearing interest at 12% per annum and payable on demand (D)		75,000		-
Unsecured note payable to a director with a face amount of $10,000 bearing interest at 10% per annum and payable on demand (E)		10,000		-
10% Secured Convertible Subordinated Notes to a principal shareholder with a face amount of $125,000 bearing interest at 10% payable July 23, 2012 (I)		125,000		
Secured factoring loan agreement to a principal shareholder with a face amount of $298,227 bearing interest at 10% payable July 23, 2012 (F)(G)(H)		298,227		
10% Secured Convertible Subordinated Notes to a director with a face amount of $120,517 bearing interest at 10% payable July 23, 2012 (F)(G)(H)		120,517		-
Secured note payable to an officer with a face amount of $30,100 bearing interest at 10% payable August 13, 2012 (G)		30,100		-
Unsecured note payable to a director with a face amount of $50,000 bearing interest, which is payable at maturity, at 10% per annum. The note was originally payable on demand but was amended to be payable on demand after December 31, 2010 (A) (B)		-	$	50,000
Unsecured non-interest bearing note payable to an officer with a face amount of $50,000 which was originally payable on demand, but was amended to be payable on demand after December 31, 2010 (B)		-		50,000
Unsecured note payable to a director with a face amount of $150,000 bearing interest, which is payable at maturity, at 10% per annum. The note was originally scheduled to mature in June 2010, but was extended to January 12, 2011 (A)		-		150,000
Unsecured note payable to a director with a face amount of $300,000 bearing interest, which is payable maturity, at 15% per annum. The note was originally scheduled to mature in July 2010, but was extended to December 31, 2010 (A)		-		300,000
Unsecured non-interest bearing note payable to a director which was issued at an original issuance discount of $27,273. The note matures on the three month anniversary of its issuance date on December 21, 2010 but was later extended to January 21, 2011 (C)		-		227,273
Notes payable to related parties	$	789,344	$	777,273
Discount on Debt		(36,557)		-
Notes payable to related parties	$	752,787	$	777,273

A) In connection with the issuance of the $300,000 unsecured note payable to a director, the Company agreed to amend the terms of the two previous outstanding notes payable to the director to provide the director with the option to convert the outstanding note balance to common stock at $0.35 per share, subject to a reset provision which contingently adjusts the conversion price in certain circumstances through July 19, 2010. The Company concluded that the addition of the embedded conversion option to the two previous outstanding notes qualified as modification resulted in extinguishment of the notes and the resulted loss was de minimis. The Company also determined that the embedded conversion option did not need to be bifurcated as a derivative instrument. However, since the embedded conversion option contained a beneficial conversion feature of $57,143 in intrinsic value, and the notes were either payable on demand or in default, the Company immediately recognized the intrinsic value in amortization of debt discount and deferred financing costs.

In June 2010, the Company entered into a transaction which triggered the reset provision contained in the amended note terms resulting in a reduction of the conversion price to $0.30 per share. The $42,857 in incremental intrinsic value created by the reduction of the conversion price was immediately recognized in amortization of debt discount and deferred financing costs.

B) In August 2010, this note was extended to December 31, 2010. The holder did not receive any additional consideration for extending the note. The Company concluded that the modification of the note did not result in an extinguishment of debt and therefore did not record any gain (loss) on the modification of the note. This note was converted on January 21, 2011 into 2 units of Series K Preferred Stock and 166,667 Series Y warrants which are discussed in Note 8.

C) The note was issued in connection with the Company's private placement of promissory notes and warrants in September 2010. The note was extended to January 21, 2011, as part of this extension the company issued 45,455 Common shares and reflected a charge of $7,500 as extinguishment of debt for the period ended March 31, 2011. On January 21, 2011, $235,294 of these notes was converted into 9.41 units of Series K Preferred shares and 3,137,255 warrants, which are described in Notes 6 and 8.

D) These notes were issued during the year ended December 31, 2011 to provide short-term financing.

E) On June 30, 2011, the Company issued a $10,000 Demand 10% Promissory Note to a director of the Company. The note required a $5,000 repayment on July 7, 2011 which the holder converted to due on demand on the same day at no additional cost to the Company.

F) On June 15, 2011, the Company entered into a Secured Factoring Loan with a principal amount of $426,680 with four lenders, the total amount received on the Secured Factoring Loan was $400,000 of which $125,000 was purchased by a director of the Company and $200,000 was purchased by a principal shareholder. These loans matured on August 20, 2011 and are secured by all of the Company assets, subject to subordinations of certain assets to present and future factoring facilities. On August 24, 2011 these notes were converted into the recasted notes described in (H) below. The Company determined that the conversion of the secured notes into the secured recast notes was more than the carrying value of the obligation on the date of the conversion and recorded a loss on extinguishment of debt.

G) On July 14, 2011, July 28, 2011 and July 29, 2011 the Company issued Original Issue Discount Notes with three lenders receiving amounts of $75,000 from a principal shareholder, $50,000 and $25,000 respectively from other investors. These notes mature on January 14, 2012 at $170,458 and are secured by all of the Company assets, subject to subordinations of certain assets to present and future factoring facilities, of which $85,227 was due to the principal shareholder. On August 24, 2011 these notes were converted into the recast notes described in (H) below. The Company determined that the conversion of the secured notes into the secured recast notes was more than the carrying value of the obligation on the date of the conversion and recorded a loss on extinguishment of debt.

H) On August 24, 2011, the Company recast $570,281 (principal plus accrued interest) in existing secured loans with six parties (entered into between June and July 2011), one of whom is a director of the Company for $120,517, and another who is a principal shareholder for $298,227, in exchange for 10% Secured Convertible Subordinated Notes ("Secured Notes") which Notes were coupled with common stock. Each Secured Note is collateralized by all of the Company's assets and is convertible into common stock at a conversion price of $0.05 per share. Additionally, such lenders were granted an additional 5 shares of our common stock for each $1.00 of interest and principal due them totaling 2,881,405 common shares. The Company determined that the conversion of the secured notes into the secured recast notes was more than the carrying value of the obligation on the date of the conversion and recorded a loss on extinguishment of debt of $144,392 for the year ended December 31, 2011.

I) Between September 13-16, 2011, the Company borrowed $250,000 from two investors, one of whom is a principal shareholder of the Company ($125,000) and refinanced an existing unsecured loan with one officer in the amount of $30,100. The Company issued these investors and officers the same 10% Secured Convertible Subordinated Notes we had issued to the lenders reported in the above paragraph. Additionally, such investors received an additional 5 shares of our common stock for each $1.00 invested totaling 1,400,500 common shares (625,000 included in shares issuable). The common shares were fair valued at $62,500 as debt discount and will be amortized over the term of the notes.

J) On October 18, 2011, November 11, 2011 and November 14, 2011, the Company borrowed $25,000, $50,000, and $30,000 from two investors, both of whom are principal shareholders of the Company. The Company issued these investors the same 10% Secured Convertible Subordinated Notes as we had issued to the lenders reported in the above paragraph H. Additionally, such investors received an additional 5 shares of our common stock for each $1.00 invested, totaling 525,000 common shares. The common shares were fair valued at $18,313 as debt discount and will be amortized over the term of the notes.

Interest expense in the years ended December 31, 2011 and 2010 amounted to $46,299 and $48,750, respectively. The weighted average interest rate for all short term borrowings, excluding the amortization of debt discount was 5.9% for 2011 and 11.2% for 2010.

NOTE 6 – SHORT-TERM DEBT

Short-term debt at December 31 consisted of the following:

Description		December 31, 2011		December 31, 2010
Secured loan agreement with a face amount of $155,000 bearing interest at 10% payable November 21, 2012 (C) (D) (G)	$	155,000		-
Secured loan agreement with a face amount of $175,000 bearing interest at 10% payable November 1, 2012 (C) (D) (G)		175,000		
Secured loan agreement with a face amount of $30,000 bearing interest at 10% payable October 14, 2012 (C) (D) (F) (H)		30,000		
Secured loan agreement with a face amount of $25,000 bearing interest at 10% payable October 18, 2012 (C) (D) (F) (H)		25,000		
Secured factoring loan agreement with a face amount of $282,537 bearing interest at 10% payable July 23, 2012 and August 13, 2012 (C) (D)		282,537		-
Secured notes payable with an aggregate original face amount of $1,500,000 bearing interest, which is payable at maturity, at 10% per annum. The notes were originally scheduled to mature in May 24, 2010, but were extended to January 21, 2011. The notes are secured by the Company's accounts receivable and inventory. (A) (I)		-	$	1,500,000
Unsecured non-interest bearing notes payable which were issued at an original issuance discount of $213,954. The notes mature on the three month anniversary of their issuance date in December 2010. (B) (J)		-		1,782,954
Total short-term notes before discount on debt		667,537		3,282,954
Discount on Debt		(547,047)		-
Total short-term notes	$	120,490	$	3,282,954

A)	On January 21, 2011, these notes were converted into 60 units of Preferred stock as part of the Series K Preferred share offering and the note holders also received 5,000,000 warrants series Y which are discussed below. At December 31, 2011, accrued interest of $70,211 was not converted in the January 21, 2011 transaction and is included in the accrued expenses.

B)	The payment term on these notes were extended to January 21, 2011, as part of this extension, the company issued 356,596 common shares and reflected a charge of $58,838 as extinguishment of debt for the nine months ended December 31, 2011. On January 21, 2011, these notes were converted 73.76 units of Preferred stock as part of the Series K Preferred share offering and also received 24,585,026 warrants series X, Y and Z which are discussed below. The Company determined that the fair value of the Series K Preferred Stock and Common Stock warrants Series X, Y and Z collectively, were $4,129,171 and $2,284,829, respectively, at the date of the conversion. The $2,050,000 of note payable to Related Parties and $2,079,171 of Short-term notes were converted in accordance with the original terms of the debt agreements whereby if, at any time prior to or on the Maturity Date, the Company consummates a Qualified Offering, all of the outstanding Face Amount of these Notes shall, without further act at the closing of such Qualified Offering, convert into securities identical to those being sold in the Qualified Offering, at a conversion price equal to the price of the securities sold in the Qualified Offering. A “Qualified Offering” is defined as proceeds of at least $1,200,000 and consummated by January 21, 2011. Under the terms of the Qualified Offering which closed on January 21, 2011, the outstanding debt described above was converted into the respective preferred shares and common stock warrants following the terms specified in the debt agreements and therefore, no gain or loss was recorded in the accompanying financial statements.

C)	On June 15, 2011, the Company entered into a Secured Factoring Loan with a principal amount of $426,680 with four lenders, total amount received on the Secured Factoring Loans was $400,000 of which $125,000 was purchased by a director of the Company and $200,000 was purchased by a principal shareholder (See Related Party Note 6). These notes matured on August 20, 2011 and are secured by all of the Company assets, subject to subordinations of certain assets to present and future factoring facilities. On August 24, 2011 these notes were converted into recast notes described in (D) below.

D)	On July 14, 2011, July 28, 2011 and July 29, 2011 the Company issued Original Issue Discount Notes with three lenders receiving amounts of $75,000 from a principal shareholder, and $50,000 and $25,000 respectively from other investors. These notes mature on January 14, 2012 at $170,458 and are secured by all of the Company assets, subject to subordinations of certain assets to present and future factoring facilities, of which $85,227 was due to Lorraine DiPaolo, a principal shareholder of the Company. On August 24, 2011 these notes were converted into the recast notes described below.

E)	On August 24, 2011, the Company recast $570,281(principal plus accrued interest) in existing secured loans with six parties (entered into between June and July 2011), one of whom is a director of the Company for $120,517, and another who is a principal shareholder for $298,227, in exchange for 10% Secured Convertible Subordinated Notes (“Secured Notes”) which Notes were coupled with common stock. Each Secured Note is collateralized by all of the Company’s assets and is convertible into common stock at a conversion price of $0.05 per share. Additionally, such lenders were granted an additional 5 shares of our common stock for each $1.00 of interest and principal due them totaling 2,881,405 common shares. The Company determined that the conversion of the secured notes into the secured recast notes was more than the carrying value of the obligation on the date of the conversion and recorded a loss on extinguishment of debt of $144,392 for the year ended December 31, 2011.

F)	Between September 13 and 16, 2011, the Company borrowed $250,000 from two investors, one of whom is a principal shareholder of the Company for $125,000 and refinanced an existing unsecured loan with one officer in the amount of $30,100. The Company issued to these investors and officers the same 10% Secured Convertible Subordinated Notes we had issued to the lenders reported in the above paragraph. Additionally, such investors received an additional 5 shares of our common stock for each $1.00 invested totaling 1,400,500 common shares (625,000 included in shares issuable). The common shares were fair valued at $62,500 as debt discount and will be amortized over the term of the notes.

G)	Between December 1 and December 21, 2011 the Company borrowed $330,000 from an investors. We issued to these investors the same 10% Secured Convertible Subordinated Notes we had issued to the lenders reported in the above paragraph. Additionally, such investors received an additional 5 shares of our common stock for each $1.00 invested totaling 1,650,000 common shares (1,650,000 shares included in shares issuable). The shares were valued at $565,890 as debt discount and will be amortized over the term of notes. In addition we agreed in a side letter to revenue participation based on 2% of the first $2,000,000 of revenue and 3% of revenue above $2,000,000 in 2012. This agreement may be terminated by the Company with a penalty of 3 times the annual revenue participation.

H)	On 10/18/11 and 11/14/11, the Company borrowed $25,000 and $30,000 from one investor. The Company issued to this investor the same 10% Secured Convertible Subordinated Notes as we had issued to the lenders reported in the above paragraph E. Additionally, such investor received an additional 5 shares of our common stock for each $1.00 invested, totaling 275,000 common shares (275,000 included in shares issuable). The common shares were fair valued at $12,313 as debt discount and will be amortized over the term of the notes

I)	On November 24, 2009, the Company completed a private placement of 15 Units. Each Unit consisted of $100,000 principal amount of 10% Senior Secured Notes, referred to as "Notes," and 24,000 shares of our common stock. The Units were sold to accredited investors in exchange for $100,000 per Unit. Our gross proceeds from the private placement were $1,500,000 and we agreed to issue an aggregate of $1,500,000 principal value of Notes and 360,000 shares of our common stock, value at fair value of $0.25 per share. The fair value of the common stock of $90,000 was recorded as debt discount. Amortization of this debt discount of $19,000 is recorded in the consolidated statements of operations for the year ended December 31, 2009. The Notes bear interest at a rate of 10% per year and are payable monthly beginning on December 21, 2009 and thereafter payable on the 19th of each month or, if the 19th is not a business day, payable on the next business day. The Notes mature on May 24, 2010 or in the event of (i) the consummation by the Company of a merger, business combination, sale of all or substantially all of the Company's assets or other change of control; or (ii) the Company securing a bank financing for working capital and when accomplished the funds will first be used to pay off the note holders fully. If the bank financing does not materialize or is insufficient to pay the Notes, future financings will first be used to pay off the notes or (iii) following the closing of any equity or debt financing (but excluding a Friends and Family Offering or Operational Finance) by the Company. In addition, a Friends and Family Offering (defined as a Company marketed best-efforts equity offering of up to $1,500,000 that closed February 22, 2010) will not require a prepayment of the Notes and an Operational Finance (defined as any financing for normal daily operations) will not require a prepayment of the Notes. The Company has the right to redeem all or a portion of the Notes for cash at any time without premium or penalty. In each case, upon at least two business days prior notice, we will pay a purchase price plus accrued and unpaid interest, if any, to but not including the purchase date. The obligations of the Company under the Notes are secured by all accounts receivable and inventory present and after acquired of the Company and each subsidiary to be shared on a pari-passu basis relative to the number of Notes purchased by each Holder up to an aggregate total of $1,500,000 plus any accrued and outstanding interest on the Notes. In May 2010, the Company issued 360,000 shares of common stock to the holders of these notes in exchange for extending the maturity date of the notes to June 2010. The Company determined that the modification of the term of the notes qualified as a debt extinguishment and recognized a loss on the extinguishment of the notes of $165,600 which equal to the fair value of the additional shares of common stock issued. In June 2010, the Company issued 4,500,000 shares of common stock to the holders of these notes in exchange for extending the maturity date of the notes to September 2010. The Company determined that the modification of the term of the notes qualified as a debt extinguishment and recognized a loss on the extinguishment of the notes of $1,350,000 which equal to the fair value of the additional shares of common stock issued. In August 2010, the Company and the holders agreed to extend the term of these notes to December 24, 2010. No consideration was received by the note holders for agreeing to extend the notes. The Company determined that the extension of the notes did not result in an extinguishment of debt and therefore did not record a gain (loss).

J)	Commencing in September 2010, the Company consummated a private placement of promissory notes with a face value of $2,010,228 and detachable warrants to purchase 2,412,276 shares of common stock to accredited investors. The non-interest bearing promissory notes were issued at an original issuance discount of $241,228, and mature on the three month anniversary of their issuance date (December 2010 and subsequently extended to January 21, 2011). In addition, the notes were automatically convertible upon the consummation of a qualified offering, as defined, into the type of securities issued in such offering at a conversion price equivalent to the price of the securities sold. The warrants are fully vested and provide their holders with the right to purchase the specified number of shares of common stock at an exercise price of $0.25 per share during its five year term. The warrants also provide their holders with certain anti-dilution and cashless exercise provisions. The terms of the warrants also provide investors with a reset feature which gives them the right, for as long as the notes are outstanding, to exchange the promissory notes for securities issued in a subsequent offering in the event that the Company enters into any subsequent transaction other than the qualified offering, as defined, on terms more favorable than those governing the current offering. These notes were converted into Series K Preferred Stock. The Company determined that the warrants issued in connection with the offering qualified as a liability (see Note 9). As such, the proceeds initially allocated to the warrants were classified as warrant liabilities. The Company recorded the fair value of the notes to be equivalent to the proceeds received less the fair value of the warrants based upon the Black-Scholes-Merton option valuation model using the following range of assumptions:

Stock price	$ 0.26 – $0.27
Term	5 years
Volatility	98.89%
Risk-free interest rate	1.25% - 1.34%
Exercise price	$ 0.25
Dividend yield	0.00%

Accordingly, the notes and warrants were initially recorded at $1,413,782 and $355,218, respectively. The resulting discount on the notes, which includes both the original issuance discount and the portion of the proceeds allocated to the warrants, is being amortized over the life of the notes. During the period ended December 31, 2010 the Company recognized $596,445 in amortization of debt discount on these notes.

A director of the Company participated in the above mentioned private placement and is the holder of a promissory note with an original issuance price of $200,000 and a face value of $227,273. Such holder also received warrants to purchase 272,728 shares of common stock. Accordingly, the note issued to the director and related warrants were initially recorded at $157,887 and $42,113, respectively. During the period ended December 31, 2010, the Company recognized $69,386 in amortization of debt discount on this note. This note has been classified in notes payable to related parties (see Note J).

The Company also determined that the embedded conversion option did not qualify as a derivative instrument which needs to be separated from the host contract. Furthermore, since the terms of the conversion option do not permit the Company to compute the number of shares that the holder would receive upon the closing of a qualified offering, the evaluation of whether the conversion feature is beneficial will be delayed until the closing of a qualified offering.

On January 21, 2011 the secured notes of $1,500,000 were converted into 60.00 shares of Series K Preferred shares and warrants Series Y to purchase 5,000,000 shares of common stock at a price of $0.15 per share of Company; on January 21, 2011 the unsecured notes of $1,782,954 were converted into 73.76 shares of Series K Preferred and warrants to purchase 24,585,100 shares of common stock at a price of $0.15 per share of the Company.

NOTE 7 - LONG-TERM DEBT

Long-term debt at December 31 consisted of the following:

Description	December 31, 2011	December 31, 2010
Note payable to a trust, bearing interest at 5% per annum, unsecured(A)	$ 822,920	$ 822,920
Equipment loan bearing interest at 11% per annum, mature in November 2013 (B)	35,457	50,725
Total long-term debt	858,377	873,645
Less current maturities	844,039	838,741
Long-term debt	$ 14,338	$ 34,904

A)	The Company is in negotiation with certain former shareholders of Nutritional Specialties, Inc. The Company stopped making principal and interest payments on these notes in September 2009 and the notes were considered to be in default and presented as a current liability. (See Note 17)

B)	On December 3, 2008, the Company completed the purchase of a new ERP system and financed that purchase through a third-party equipment financing arrangement having an interest rate of 11% and requiring payments of monthly interest and principal of $1,719 which matures by December 2013.

Interest expense in the years ended December 31, 2011 and 2010 amounted to $45,958 and $55,757, respectively. The weighted average interest rate for all short term borrowings was 10.4% for 2011 and 8.9% for 2010.

The following is a schedule of principal maturities for the next five years and the total amount thereafter on these notes as of December 31 2011:

Year Ending December 31,		Principal Maturities
2012	$	844,039
2013		14,338
Total	$	858,377

NOTE 8 - STOCKHOLDERS EQUITY

COMMON STOCK

On December 12, 2011 the Company converted 16,359 of accrued expense into 400,000 common shares. The Company determined that the issuance of the Common share resulted in a $10,359 gain from debt extinguishment.

During the quarter ended December 31, 2011, the Company issued 6,000,000 common shares (3,000,000 issuable at December 31, 2011) for marketing services at stated market value on the date of the agreements of $0.05 and $0.02 per share. The Company determined the value of these shares was $210,000 and recorded and stock compensation expense of $210,000.

During the quarter ended December 31, 2011 the Company issued 2,450,000 common shares (1,925,000 shares issuable at December 31, 2011) as consideration for the 10% Secured Convertible Subordinated debt. The stated market values on the date of the agreements were $0.04 to $0.08 per share. The Company determined that these shares represented $176,515 of discount debt, which includes $105,000 in which the conversion price was less than the market on the date of the agreement.

During the quarter ended September 30, 2011, the Company converted $100,000 of accrued expense into 4 Series K Preferred shares at the Series K Preferred share offering rate of $25,000 per share and issued 333,333 Series X and Y warrants and 666,666 Series Z warrants. The Company determined that the issuance of the Series K Preferred and the warrants on the conversion of the accrued expense was more than the carrying value of the obligation on the date of the conversion and recorded a loss on extinguishment of debt of $52,166.

On April 29, 2011 the Company and certain Series K Preferred shareholders agreed to convert 187.6 Series K preferred shares for 31,268,984 common shares. As an inducement to convert the Series K Preferred stock into common shares, the Company issued 21,262,909 additional common shares and recorded a deemed dividend of $1,701,032.

On April 29, 2011 the Company and certain Series K Preferred shareholders agreed to exercise their warrants to acquire 6,666,665 shares of common stock for $500,000 at an exercise price of $0.075 per share, which was $0.075 per share less than the original exercise price. The Company determined that the inducement to reduce the conversion price resulted in a deemed dividend to the preferred stock warrant holders of $266,667.

On April 29, 2011 the Company entered into a private placement arrangement with accredited investors who acquired 5,666,667 shares of Common stock for $425,000 an exercise price of $0.075 per share.

In February 2011, the Company issued 1,000,000 common shares for marketing services at stated market value on the date of the agreement of $0.14 per share. In June 2011 issued and additional 80,000 shares for marketing services at stated market value on the date of the agreement of $0.0625 per share.

On February 24, 2011, the Company received proceeds of $60,000 and $30,000 of unsecured notes from investors and a director, respectively. On April 29, 2011, these unsecured notes were converted into 800,000 and 400,000 common shares respectively.

On January 12, 2011, the Company's OID note holders agreed to extend the maturity of their notes to January 17, 2011. In granting the extensions to January 17, 2011, the OID note holders received 402,045 Common Shares in the Company. As this exchange was to extend the term of the debt the Company accounted for the extension as a material modification and recognized a loss on extinguishment of debt of $66,338 in January 2011.

On January 21, 2011, the Company completed a unit offering of an aggregate of $1,215,000 of its Series K 10% Convertible Preferred Stock ("Series K Preferred Stock") and three series (Series X, Y and Z) of common stock purchase warrants ("Warrants") to eleven accredited investors. Each unit sold consisted of one share of $25,000 stated value (and liquidation preference) of Series K Preferred Stock and Warrants to purchase up to an aggregate of 333,333 shares of common stock at $0.15 per share, subject to adjustment. A total of 48.6 units were sold. The Series X Warrants are five-year warrants, exercisable immediately to purchase an aggregate of 4,049,999 shares of common stock. The Series Y Warrants are exercisable until 45 days after the effectiveness of a certain registration statement and are exercisable to purchase an aggregate of 4,049,999 shares of common stock. The Series Z Warrants are 'five-year' warrants whose effectiveness are conditional upon the exercise of the holder's Y warrants and are exercisable to purchase an aggregate of 8,100,001 shares of common stock. Pursuant to a Registration Rights Agreement described below, Investors also received the right to demand that the Company file one or more registration statements covering the securities into which the Series K Preferred Stock is convertible and as to which the Warrants are exercisable. As a condition to consummation of the offering, certain individuals converted outstanding debt in the original principal amount of $2,050,000 into 82 shares of the Company's Series K Preferred Stock and 6,833,334 Series Y warrants. Additionally, all subscribers to the Company's 12% Original Issue Discount Notes sold in September and October 2010, whose then current balances on such Notes aggregated $2,079,171, were automatically converted into 83.16 units of the Company's Series K Preferred Stock and were issued X,Y and Z warrants *pari- passu* to the current unit investors (an aggregate of 6,930,571 Series X warrants, 6,930,571 Series Y warrants and 13,861,139 Series Z warrants).

In connection with the transaction, the Company entered into a Securities Purchase Agreement, dated January 20, 2011, with eleven investors ("SPA"). In addition to providing for the purchase of the Series K Preferred Stock and warrants by such investors as above, the SPA also provided for the Company to amend its earn-out arrangement with Eric Skae, its Chief Executive Officer, as set forth in a certain Amendment to Asset Purchase Agreement; placed certain restrictions on the Company in connection with additional equity offerings by it for a period of 12 months; caused each executive officer and director to enter into a "lock-up" agreement valid until 90 days after the effectiveness of one or more registration statements to be filed to be filed pursuant to the Registration Rights Agreement described below; and caused the conversion to equity of certain outstanding debt of the Company as set forth in the last two sentences of the preceding paragraph.

The Company also entered into a Registration Rights Agreement, dated January 20, 2011 with each unit subscriber pursuant to which the Company agreed, at its expense, to file and gain effectiveness for one or more registration statements covering the Company common stock issuable pursuant to exercise of the Warrants and conversion of the Series K Preferred Stock. The Company further agreed to file such registration statement within 60 days of the closing of the offering and to obtain its effectiveness within 90 days of such closing (or 120 days if such registration statement is subject to full Securities and Exchange Commission review), failing which monetary penalties are imposed. The registration statement(s) is (are) to be maintained effective until all securities registered for sale there under have been sold. On April 29, 2011 holders of the rights agreed to amend the Registration Rights Agreement, dated as of January 21, 2011, between the Corporation and each of the several purchasers signatory thereto and eliminated Section 2(b) thereof in its entirety in order to remove the liquidated damages provisions from the agreement.

The Company also filed a Certificate of Designation of its Certificate of Incorporation which created a class of 1,000 shares of Series K 10% Convertible Preferred Stock, par value $.001 per share. The Series K Preferred Stock ranks senior to the common stock, carries a 10% cumulative rate of interest, has a liquidation preference and is convertible into shares of the Company's common stock at $.15 per share, subject to adjustment and anti-dilution protection. The Series K Stock is callable and redeemable by the Company under certain circumstances. The Series K Stock may be converted by the Company into shares of its common stock if the market price of the common stock is at least 300% of the conversion price for a period of 30 days and at least 200,000 shares have traded each day during such 30 day period. The Series K Preferred Stock has voting rights, voting with the Company's common stock on an assumed-converted basis. The Certificate of Designation contains additional restrictions on the Company's operations, including a restriction prohibiting the payment of any dividends on the Company's common stock without the affirmative consent of the holders of the Stock.

The Warrants are represented by warrant certificates and are exercisable at $.15 per share. They are exercisable in whole or in part and the Series X and Z (but not Y) warrants may be exercised on a cashless basis.

The placement agent for the offering received $72,435 in cash fees and 361,000 warrants valued at $18,804 using the Black-Scholes model described above, to purchase common stock which have terms similar to the Series X warrants.

In January and February 2010, the Company converted $163,781 of accounts payable into 440,923 shares of common stock with prices based on mutual settlement agreements ranging from $0.25 to $0.50 per share. The Company recognized a loss on the extinguishment of accounts payable of $75,378 which represented the difference between the agreed upon settlement price of such liabilities and the fair value of the Company's common stock on the settlement date.

In February 2010, the Company closed a private placement of common stock and warrants with certain accredited investors. Pursuant to the private placement, the Company agreed to issue an aggregate of 766,667 shares of common stock and warrants to purchase 407,727 shares of common stock at an exercise price of $0.55 per share for net proceeds of $327,500. The warrants issued in connection with the private placement are fully vested, have a five year term and provide their holders with certain anti-dilution and cashless exercise provisions. The Company determined that these warrants qualified as a liability (see Note 9). As such, a portion of the proceeds received in the private placement representing the fair value of the warrants of $146,682 was classified as a warrant liability. The fair value of the warrants was determined using the Black-Scholes-Merton option valuation model with the following assumptions:

Stock price	$	0.49
Term		5 years
Volatility		99.25%
Risk-free interest rate		2.38%
Exercise prices	$	0.55
Dividend yield		0.00%

In February 2010, the Company issued a side letter to investors in the private placements which closed in December 2009 and February 2010 which effectively amended the terms of the private placements to contain a price protection clause through April 30, 2010. The price protection clause required the Company to issue additional common stock and warrants to these investors, based upon a formula contained in the side letter, in the event that common stock was issued during the price protection period at an effective price less than the purchase price paid by such investors, subject to certain exceptions. The Company determined that the terms of the price protection clause did not meet the definition of a derivative instrument.

In April 2010, the Company closed a private placement of common stock and warrants with certain accredited investors. Pursuant to the private placement, the Company agreed to issue an aggregate of 1,821,414 shares of common stock and warrants to purchase 1,821,414 shares of common stock at an exercise price of $0.45 per share for net proceeds of $637,500. The warrants issued in connection with the private placement are fully vested, have a five year term and provide their holders with certain anti-dilution and cashless exercise provisions. The Company determined that these warrants qualified as a liability (see Note 9). As such, a portion of the proceeds received in the private placement representing the fair value of the warrants of $614,208 was classified as a warrant liability. The fair value of the warrants was determined using the Black-Scholes-Merton option valuation model with the following assumptions:

Stock price	$	0.45
Term		5 Years
Volatility		97.89%
Risk-free interest rate		2.29%
Exercise prices	$	0.45
Dividend yield		0.00%

The commencement of the private placement in April 2010 triggered the price protection clause contained in the side letter which the Company issued to certain investors in February 2010. Accordingly, the Company issued such investors additional 568,251 shares of common stock and warrants to purchase 1,499,410 shares of common stock at an exercise price of $0.45 per share. The additional shares of common stock were recorded as stock dividend to the shareholders. The warrants are fully vested, have a five year term and provide their holders with certain anti-dilution and cashless exercise provisions. The Company determined these warrant qualified as a liability (see Note 3). As such, a portion of the total aggregate proceeds received during the December 2009 and February 2010 private placements representing the fair value of the warrants of $505,623 was re-allocated from additional paid-in capital to the warrant liability. The fair value of the warrants was determined using the Black-Scholes-Merton option valuation model with the following assumptions:

Stock price	$	0.45
Term		5 Years
Volatility		97.89%
Risk-free interest rate		2.29%
Exercise prices	$	0.45
Dividend yield		0.00%

In April 2010, the holders of $212,500 of notes agreed to convert the outstanding note balance into 531,250 shares of common stock in exchange for the Company agreeing to pay all unpaid interest which had accrued on the notes. The Company recognized a loss on the extinguishment of notes payable of $37,188 which represented the difference between the agreed upon settlement price of such liabilities and the fair value of the Company's common stock on the settlement date.

In May 2010, the Company issued a side letter to investors in the private placement which closed in April 2010 which effectively amended the terms of the private placement to contain a price protection clause through August 31, 2010. The price protection clause required the Company to issue additional common stock to these investors, based upon a formula contained in the side letter, in the event that common stock or common stock equivalents were issued during the price protection period at an effective price less than the purchase price paid by such investors, subject to certain exceptions. The Company determined that the terms of the price protection clause did not meet the definition of a derivative instrument.

In August 2010, the Company issued a side letter to investors in the private placement which commenced in April 2010 which effectively amended the terms of the private placement to extend the price protection clause provided to such investors in a side letter issued to them in May 2010 through September 25, 2010. The price protection clause required the Company to issue additional common stock to these investors, based upon a formula contained in the side letter, in the event that common stock or common stock equivalents were issued during the price protection period at an effective price less than the purchase price paid by such investors, subject to certain exceptions. The Company determined that the terms of the price protection clause did not meet the definition of a derivative instrument.

In September 2010, in connection with the private placement of promissory notes and warrants (see Note 9), the price protection clause contained in the side letter which the Company issued to certain investors in August 2010 was triggered. Accordingly, the Company issued such investors 728,586 shares of common stock as stock dividend.

During 2010, the Company settled $163,781 of accounts payable for the issuance of 440,923 shares of common stock with prices based on mutual settlement agreements ranging from $0.25 to $0.50 per share. The Company recognized a loss on the extinguishment of accounts payable of $75,378 which represented the difference between the agreed upon settlement price of such liabilities and the fair value of the Company’s common stock on the settlement date.

During 2010, the Company issued 2,557,500 shares of common stock to service providers. The fair value of such common stock of $1,106,225 was measured at the earlier of: (a) the performance commitment date or (b) the date the services were completed based upon the specific terms of the arrangement and recognized as an operating expense.

PREFERRED STOCK

GENERAL

Preferred stock may be issued in one or more series, having the rights, privileges and limitations, including voting rights, conversion privileges and redemption rights, as may, from time to time, be determined by the Board of Directors. Preferred stock may be issued in the future in connection with acquisitions, financings, or other matters as the Board of Directors deems appropriate. In the event that any shares of Preferred stock are to be issued, a certificate of designation containing the rights, privileges and limitations of such series of Preferred stock shall be filed with the Secretary of State of Nevada. The effect of such Preferred stock is that the Board of Directors alone, subject to, federal securities laws and Nevada law, may be able to authorize the issuance of Preferred stock which could have the effect of delaying, deferring or preventing a change in control of the Company without further action by the stockholders, and may adversely affect the voting and other rights of the holders of the Common Stock. The issuance of Preferred stock with voting and conversion rights may also adversely affect the voting power of the holders of Common Stock, including the loss of voting control to others.

PREFERRED STOCK OUTSTANDING

The Company had four series of Preferred shares that were converted into Common Stock in August 2009. The total authorization for all classes of Preferred stock is 10,000,000 shares. As of December 31, 2010 and 2009 there were no outstanding Series A, H, I, J or L Preferred shares. Set forth below is a description of each such series or class of Preferred stock.

Class A Preferred Shares. The Company has authorized 35,000 shares of preferred stock designated as Class A Preferred Shares (the “Class A Shares”), par value $0.001 per share, of which 35,000 shares are issued and outstanding. The Class A Shares are convertible at any time, at the option of the holder thereof, into shares of the Company’s Common Stock on a one-to-one basis. In the event of dissolution, bankruptcy or termination of the Company, the par value of all the Class A Shares shall be paid in full before the Common Stock or any part thereof or any dividend thereon is paid. Holders of Class A Shares have no voting rights or redemption rights, and no preference as to dividends or assets.

Series H Preferred Stock. The Company has authorized 350,000 shares of preferred stock designated as Series H Preferred Stock (the “Series H Preferred”), par value $0.001 and face value of $1.00 per share, of which 23,558 shares are issued and outstanding. The Series H Preferred accrue an 8% per annum cumulative dividend payable in shares of Common Stock, conversion rights into the Company’s Common Stock at $0.40 per share and are entitled to one vote for every common share owned on an if-converted basis. The Series H Preferred are redeemable at the option of the Company only at 115% of the face value.

Series I 8% Cumulative Convertible Preferred Stock. The Company has authorized 1,000,000 shares of preferred stock designated as Series I 8% Cumulative Convertible Preferred Stock (the “Convertible Preferred Stock”), $0.001 par value per share, of which 535,000 shares are issued and outstanding. Each share of Convertible Preferred Stock has a stated value per share of $10 (the "Stated Value"). The Convertible Preferred Stock is senior to the Company’s Common Stock with respect to the right to receive proceeds on liquidation or redemption and is junior to all indebtedness of the Company. Dividends accrue at the rate of 8% per annum, payable quarterly in cash, and are due and payable unless and to the extent that funds are not legally available to the Company to pay dividends. Dividends not paid shall accrue on a cumulative basis and are payable upon a Liquidation Event, as defined below, and upon a conversion of the Convertible Preferred Stock, unless converted into Common Stock at the option of the holder. At December 31, 2009 the Company had accumulated undeclared dividends related to Series I Preferred stock of $58,637. On August 31, 2009 accumulated undeclared dividends related to Convertible Preferred Stock were converted into Common stock of the company at $0.30 per share. At the option of the holder, one share of Convertible Preferred Stock may be converted into 250 shares of Common Stock at any time at a conversion price of $0.80 per share (the “Conversion Price”), subject to anti-dilution and other customary adjustments summarized below. In the event any dividend shall not be paid in full when due (after a 10-day grace period), then for each quarterly period or portion thereof that such dividend shall not be paid in full, (i) the conversion price will be reduced by $0.05 (5 cents) but shall not be reduced below a conversion price of $0.60 per share (the “Special Conversion Price Adjustment”); and (ii) the dividend rate shall be increased by 50 basis points (1/2 of 1%), but shall not exceed a dividend rate of 10% per annum. As of December 31 2008 the Company was late in payment certain dividends and has accrued $11,737 of additional dividends payable. The Convertible Preferred Stock will convert automatically into shares of Common Stock upon the closing of an underwritten public offering by the Company in which (i) gross proceeds to the Company are equal to or greater than $10 million and (ii) the price per share of the Common Stock sold in such public offering is equal to or greater than the then-current Conversion Price. At any time after March 12, 2008, the Company has the right to cause the mandatory conversion of the Convertible Preferred Stock into shares of Common Stock if the “Current Stock Price” (as hereinafter defined) exceeds 500% of the then-current Conversion Price in effect in any consecutive 30-day trading period. This right may be exercised upon written notice delivered within 60 days of the end of such 30-day trading period. At the sole option of the holder, upon conversion of the Convertible Preferred Stock, accrued and unpaid dividends also may be converted into shares of Common Stock at the Conversion Price. “Current Stock Price” means the closing sale price (or if no closing sale price is reported, the average of the closing bid and closing ask prices or, if more than one in either case, the average of the average closing bid and average closing ask prices) as reported in composite transactions for the principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported on the OTCBB. The Conversion Price (including the Special Conversion Price Adjustment) is subject to adjustment for stock splits, stock dividends, reverse stock splits, recapitalizations, and classifications. Further, in the event that the Company should issue shares of Common Stock at an effective price per share less than $0.80, the Conversion Price shall be adjusted on a weighted average basis to reflect the dilution represented by the issuance of such shares of Common Stock at such lower effective price on a fully-diluted basis, provided, however, that no such adjustment shall be made in the case of certain excluded issuances, including (a) shares of Common Stock issued upon conversion of the Convertible Preferred Stock or exercise of the Warrants or in lieu of accrued but unpaid dividends, (b) securities issued upon the exercise of or conversion of convertible securities, options or warrants issued and outstanding on the date of authorization of the Convertible Preferred Stock, provided further that such securities have not been amended thereafter to increase the number of such securities or to decrease the exercise or conversion price of any such securities (other than by the anti-dilution provisions thereof, if any), (c) issuances of equity securities to employees, consultants, landlords or suppliers of or to the Company in one or more transactions approved by the board or in mergers, consolidations, acquisitions, joint ventures or strategic alliances approved by the Board, and (d) issuances of equity securities to commercial banks or other lenders in connection with the Company obtaining loan financing in one or more transactions approved by the Board.

Before any distribution or payment shall be made to the holders of any Common Stock with respect to the entitlement to receive liquidation proceeds upon the occurrence of a Liquidation Event (as hereinafter defined), the holders of Convertible Preferred Stock shall be entitled to be paid out of the assets of the Company legally available therefore an amount equal to the Stated Value with respect to each outstanding share of Convertible Preferred Stock held by them, plus an additional amount equal to any accrued but unpaid dividends for each share of Convertible Preferred Stock then held (such amount payable as to each such share of Convertible Preferred Stock, the “Liquidation Preference”). If, upon any Liquidation Event, the remaining assets of the Company legally available for payment of the aggregate amount of all Liquidation Preferences payable in respect of outstanding shares of Convertible Preferred Stock (after payment of requisite liquidation distributions or payments to holders of shares of any class or series of capital stock of the Company with a liquidation preference senior to the Convertible Preferred Stock) shall be insufficient to make payment in full of all Liquidation Preferences payable with respect to outstanding shares of Convertible Preferred Stock and shares of any class or series of Capital Stock of the Company at the time outstanding with a liquidation preference on parity with the Convertible Preferred Stock, then all such remaining assets legally available therefore shall be distributed among the holders of shares of Convertible Preferred Stock at the time outstanding and the holders of shares of any class or series of capital stock of the Company at the time outstanding with a liquidation preference on parity with the Convertible Preferred Stock, ratably among them in proportion to the full amounts to which they would otherwise be respectively entitled. If, upon any Liquidation Event, the remaining assets of the Company legally available for payment of the aggregate amount of all Liquidation Preferences payable in respect of outstanding shares of Convertible Preferred Stock outstanding and all shares of any class or series of capital stock of the Company at the time outstanding with a liquidation preference on parity with the Convertible Preferred Stock (after payment of requisite liquidation distributions or payments to holders of shares of any class or series of capital stock of the Company with a liquidation preference senior to the Convertible Preferred Stock) shall be in excess of the amounts necessary to make payment in full of all Liquidation Preferences payable with respect to outstanding shares of Convertible Preferred Stock and all such shares of stock on a parity with the Convertible Preferred Stock, then all such excess assets remaining and legally available therefore shall be distributed among the holders of shares of Convertible Preferred Stock at the time outstanding and the holders of the Common Stock, ratably among them in proportion to the number of shares of Common Stock then owned or into which shares of Convertible Preferred Stock would then be convertible. For purposes hereof, the term “Liquidation Event” shall mean (i)(a) an acquisition after the date hereof by an individual or legal entity or “group” (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Company, by contract or otherwise) of in excess of fifty percent of the voting securities of the Company, (b) the merger or consolidation of the Company or any subsidiary of the Company in one or a series of related transactions with or into another entity as a result of which the Company ceases to exist or as a result of which the Common Stock ceases to be a class of securities registered under the Exchange Act, other than (x) a merger solely for the purpose of changing the jurisdiction of incorporation of the Company and resulting in a reclassification, conversion or exchange of outstanding shares of Common Stock solely into shares of Common Stock of the surviving entity or (y) a merger or consolidation pursuant to which holders of the capital stock of the Company immediately prior to such transaction have the right to exercise, directly or indirectly, 50% or more of the total voting power of all shares of the capital stock entitled to vote generally in elections of directors of the continuing or surviving person immediately after giving effect to such issuance, (c) the sale, lease, license or other disposition of all or substantially all the assets or any substantial asset of the Company in one or a series of related transactions or (d) the execution by the Company of an agreement to which the Company is a party or by which it is bound, providing for any of the events set forth above in (a), (b) or (c) or (ii) any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary. Except as otherwise provided by the Nevada Revised Statutes, the Convertible Preferred Stock votes as a class with the Common Stock with a number of votes equal to the number of shares of Common Stock into which each share of Convertible Preferred Stock is convertible at the then-current Conversion Price. Neither Common Stock nor Convertible Preferred Stock possesses cumulative voting rights.

Series J 6% Cumulative Convertible Preferred Stock. The Company has authorized 100,000 shares of preferred stock designated as Series J 6% Cumulative Convertible Preferred Stock (the “Convertible Series J Preferred Stock”), $0.001 par value per share, of which 20,000 shares are issued and outstanding. Each share of Convertible Series J Preferred Stock has a stated value per share of $10 (the "Stated Value"). The Convertible Series J Preferred Stock is senior to the Company’s Common Stock with respect to the right to receive proceeds on liquidation or redemption and is junior to all indebtedness of the Company. On August 31, 2009 accumulated undeclared dividends related to Convertible Preferred Stock were converted into Common stock of the company at $0.30 per share. For the year ended December 31, 2008 the intrinsic value of the conversion feature of the Series J Preferred Stock was reflected as a dividend of $23,715 at the time of issuance of the stock. Dividends accrue at the rate of 6% per annum, payable quarterly in cash, and are be due and payable unless and to the extent that funds are not legally available to the Company to pay dividends. Dividends not paid shall accrue on a cumulative basis and are payable upon a Liquidation Event, as defined, and upon a conversion of the Convertible Series J Preferred Stock, unless converted into Common Stock at the option of the holder. At the option of the holder, one share of Convertible Preferred Stock may be converted into 57,471 shares of Common Stock at any time at a conversion price of $0.87 per share (the “Conversion Price”), subject to anti-dilution and other customary adjustments summarized. For the year ended December 31, 2008, using the Black-Scholes option-pricing model the fair-value of the warrants was $36,359, which would be reflect a net change of zero on additional paid-in capital.

Series K 10% Convertible Preferred Stock. On January 14, 2011, the Company filed a Certificate of Designation of our Certificate of Incorporation which created a class of 1,000 shares of Series K 10% Convertible Preferred Stock, par value $.001 per share. The Series K Preferred Stock ranks senior to the common stock, carries a 10% cumulative rate of interest, has a liquidation preference and is convertible into shares of our common stock at $.15 per share, subject to adjustment and anti-dilution protection. The Series K Stock is callable and redeemable by us under certain circumstances. The Series K Stock may be converted by the Company into shares of its common stock if the market price of the common stock is at least 300% of the conversion price for a period of 30 days and at least 200,000 shares have traded each day during such 30 day period. The Series K Preferred Stock has voting rights, voting with the Company's common stock on an assumed-converted basis. The Certificate of Designation contains additional restrictions on the Company's operations, including a restriction prohibiting the payment of any dividends on the Company's common stock without the affirmative consent of the holders of the Stock. The Certificate of Designation was authorized to be amended as set forth in Item 5 – "Recent Sales of Securities

The Company has reviewed the terms of the preferred stock and concluded that they do not contemplate embedded derivatives under the Derivatives and Hedging Topic of the Codification (ASC Topic 815-10) or liability classification and thus are appropriately classified within stockholders' equity (deficit).

On April 29th, 2011 the Company:

(a) received the required consent to:

Amend the Certificate of Designation the Corporation for the Series K Preferred Stock (the "Certificate of Designation")

- to eliminate the full ratchet anti-dilution provision contained in Section 6(a)(ii), "Subsequent Equity Sales,"
- to add the following clause to paragraph (f) of Section 9, "Protective Provisions," to expand the definition of "Permitted Indebtedness" to include an asset-based credit line or factoring agreement pursuant to which the Company may obtain loans in an amount of up to $1.5 million,"; and

Amend the Registration Rights Agreement, dated as of January 21, 2011, between the Corporation and each of the several purchasers signatory thereto be, and hereby is, amended to eliminate Section 2(b) thereof in its entirety in order to remove the liquidated damages provisions from the agreement; and

(b) The Company closed a private placement of common stock with certain accredited investors. The Company agreed to issue and sell to the investors, and the investors agreed to purchase, an aggregate of 6,866,667 shares of our common stock. Gross proceeds from the private placement were approximately $425,000 and $90,000 from short term notes from February 2011, converted into common stock.

(c) The Company closed an offer to existing Preferred K shareholders to convert their preferred shares into common stock at a negotiated price based upon a formula of 112% of original investment/ $0.10. Of the original 217.77 Preferred K Shares, the investors converted 187.61 Preferred Shares into 52,531,893 shares of common stock. The intrinsic value of the change in the conversion price of the preferred series K shares to common is $1,701,000. The intrinsic value of this exercise price in relationship to market value was $156,000.

(d) The Company closed an offer to existing X, Y and Z warrant holders to exercise their warrants into common stock at $0.075 per share. 6,666,665 X, Y and Z warrants were converted in the process and a warrant holder also surrendered 6,400,000 on the same day.

The Company closed a private placement of common stock with certain accredited investors. The Company agreed to issue and sell to the investors, and the investors agreed to purchase, an aggregate of 1,988,889 shares of our common stock. Gross proceeds from the private placement were approximately $895,000, of which $345,000 was received in January and February 2011.

On December 23rd, 2011 the Company received the required consent to:

- Amend the Certificate of Designation of the Corporation for the Series K Preferred Stock (the "Certificate of Designation")
  - to eliminate paragraph (f) of Section 9 of the Certificate of Designation, "Protective Provisions," which limits the Company's ability to enter into, create, incur, assume, guarantee or suffer to exist any indebtedness for borrowed money of any kind, other than "Permitted Indebtedness"

- Amend the Security Purchase Agreement for the Series K Preferred Stock (the "Security Purchase Agreement")

i. To eliminate paragraph 8.2 "Subsequent Equity Sales," in its entirety;
ii. To eliminate paragraph 8.3 "Participation in Future Financings," in its entirety;

In consideration of same, the Company agreed:

- To reduce the conversion price of its Series K Preferred to 3 cents per share.
- To exchange every 5 Warrants (of the X, Y and Z Series) into 1 share of common stock.

NOTE 9 - WARRANTS

Set forth below is a description of the Company's warrants as of December 31, 2011:

Designation / Reason Granted	Original issue date	Shares of Common Stock Upon Exercise	Exercise Price / Share	Expiration Date
Marketing Program Development	October-07	250,000	$ 1.00	October-12
Investor Warrants / 2007 Private Placement (1)	March-07	58,749	$ 0.40	March-12
Placement Agent Warrants	March-07	155,000	$ 0.80	March-12
12% Bridge Note Warrants (1)	March-07	35,000	$ 1.00	March-12
Ancillary Warrants	June-07	5,000	$ 0.40	June-12
April 2008 Bridge Notes Warrants (1)	April-08	15,625	$ 0.80	April-13
September 2008 Bridge Note Warrants (1)	September-08	25,884	$ 0.85	September-13
Series J Warrants (1)	December-08	14,368	$ 0.87	December-13
October 2009 Note Warrants (1)	October-09	310,000	$ 0.25	October-14
Investor Warrants 2009 Private Placement (1)	December-09	649,999	$ 0.55	December-14
Investor Warrants 2009 Private Placement (1)	February-10	407,727	$ 0.55	February-15
Marketing Program Development	March-10	150,000	$ 0.49	March-15
Investor warrants 2009 Private Placement (1)(2)	May-10	1,499,410	$ 0.25	May-15
Investor Warrants 2010 Private Placement (1)	June-10	1,821,414	$ 0.45	June-15
Investor Warrants 2010 Original Issue Discount Private Placement (1)	September/October 2010	2,412,273	$ 0.25	September, October 2015
Placement agent Warrants (1)	October-10	266,760	$ 0.25	October-15
Investor X Warrants 2011 Series K Preferred stock	January 2011	8,647,238	$ 0.15	January-16
Investor Y Warrants 2011 Series K Preferred stock	January 2011	9,313,905	$ 0.15	45 days after registration statement
Investor Z Warrants 2011 Series K Preferred stock	January 2011	17,294,492	$ 0.15	January-16
Placement agent X Warrants	January 2011	361,000	$ 0.15	January-16
Debt conversion Y Warrants	January 2011	2,766,666	$ 0.15	45 days after registration statement
Accounts payable conversion X Warrants	January 2011	333,333	$ 0.15	January-16
Accounts payable conversion Y Warrants	January 2011	333,333	$ 0.15	45 days after registration statement
Accounts payable conversion Z Warrants	January 2011	666,667	$ 0.15	January-16
Marketing Program Development	2/1/2011	100,000	$ 0.15	February-16

(1) The exercise price of the warrants and the number of warrant shares subject thereto shall be subject to adjustment in the event of stock splits, stock dividends, reverse stock splits, and similar events. Further, in the event that the Company should issue shares of its Common Stock at an effective price per share less than the then effective exercise price of the warrants, the exercise price and the number of warrant shares subject to such warrants shall be adjusted on a weighted average basis to reflect the dilution represented by the issuance of such shares of Common Stock and such lower effective price on a non-fully-diluted basis, subject to similar exceptions to those described for such adjustments above with respect to the Convertible Preferred Stock. The impact of this provision would be to reduce the exercise price. The warrants contain standard reorganization provisions. Therefore , these warrants are qualified as liability instruments upon issuance.

(2) In February 2010, the Company issued a side letter to investors in the private placements which closed in December 2009 and February 2010 which effectively amended the terms of the private placements to contain a price protection clause through April 30, 2010. The price protection clause required the Company to issue additional warrants to these investors, based upon a formula contained in the side letter, in the event that common stock was issued during the price protection period at an effective price less than the purchase price paid by such investors, subject to certain exceptions.

During the year ended December 31, 2011, the Company issued 100,000 warrants for marketing services at an exercise price of $0.15 per share with a fair value of $10,388, 43,922,280 warrants were issued in conjunction with the issuance of Series K Preferred shares, 361,000 warrants were issued to the placement agent of the Series K Preferred shares, 6,833,333 warrants were issued for the conversion of certain notes payable into Series K Preferred shares, and 1,000,000 warrants were issued in conjunction with the conversion of vendor payables. In April 2011, the Company made an offer to the series X, Y and Z warrant holders to exercise their warrants at an exercise price of $0.075 per warrant share; certain warrant holders accepted the Company's offer and exercised 6,666,665 warrants for $500,000. In addition a series K Preferred shareholder forfeited 666,667 series X warrants and 1,333,313 series Y warrants and a warrant holder who, as previously described, received warrants as part of the conversion certain notes payable agreed to forfeit 4,066,667 series X warrants. The fair value was determined using the Black-Scholes-Merton option valuation model using the following assumptions:

Stock price	$	0.08 to $0.15
Term		.29 to 5 Years
Volatility		56.4 % to 99.9%
Risk-free interest rate		0.16% to 2.40%
Exercise price		0.15
Dividend yield		0.00%

During the year ended December 31, 2010, the Company issued warrants to purchase 150,000 shares of common stock at an exercise price of $0.49 per share for the payment of certain marketing services. Such warrants are fully vested with a five year term. The Company recognized the fair value of these warrants of $54,830 in operating expenses. The fair value was determined using the Black-Scholes-Merton option valuation model using the following assumptions:

Stock price	$	0.49
Term		5 Years
Volatility		98.94%
Risk-free interest rate		2.40%
Exercise price	$	0.49
Dividend yield		0.00%

The remainder of the warrants issued by the Company during the year ended December 31, 2011 were issued in connection with the Company's financing activities and classified as derivative liabilities.

The following table reflects a summary of common stock warrants outstanding and warrant activity during 2011 and 2010:

	2011			2010	
	# Warrants	Weighted Average Exercise Price	Weighted Average Term (Years)	# Warrants	Weighted Average Exercise Price
Warrants outstanding at January 1,	8,098,638	$ 0.42	2.79	1,831,054	$ 0.65
Granted during the year	57,549,946	0..15	4.57	6,557,584	$ 0.38
Exercised during the year	(6,666,665)	0.15	4.57	(40,000)	$ 0.25
Expired during the year	(6,088,076)	0.15	4.57	(250,000)	$ 1.00
Warrants outstanding at December 31,	52,893,843	0.20	3.46	8,098,638	$ 0.42

The Common Stock warrants expire in years ended December 31 as follows:

2012	503,749
2013	55,877 -
2014	959,999 -
2015	6,557,584
2016	32,592,124
45 days after registration statement	12,224,510
Total	52,893,843

The following table summarizes the fair value of warrants classified as liability instruments, recorded on the consolidated balance sheet as of December 31, 2010 (all of which are calculated using level 3 fair value measurements):

Offering	Total Fair Value Derivative as of December 31, 2011
2006 and 2008 Bridge Financing	$ 59
Warrants issued to Series I and J Preferred Stock holders	25
October 2009 notes	1,527
February 2010 stock and warrant issuance	15,714
April 2010 stock and warrant issuance	10,708
September 2010 notes	15,830
Warrants issued to vendors	1,750
	$ 45,613

The following table summarizes the changes in fair value of warrant liabilities (a level 3 fair value measurement) during 2011:

Balance December 31, 2010	$	594,271
Change in fair value of derivative instruments included in net loss in 2010		(548,658)
	$	45,613

NOTE 10 – STOCK OPTIONS

Under the Company's Employee Incentive Stock Option Plan (the "1996 Plan") approved by the stockholders in 1996, the total number of shares of Common Stock that may be granted is 500,000, amended to 325,000 in 1999. The 1996 Plan provides that shares granted come from the Company's authorized but unissued Common Stock. The price of the options granted pursuant to these plans will not be less than 100% of the fair market value of the shares on the date of grant. The options expire ten years from date of grant. At the Company's Annual Meeting held on December 10, 2004, the Company's stockholders approved the 2004 Stock Option Plan (the "2004 Plan"). At the Company's Board of Directors meeting held on July 28, 2007, the Board approved an increase in the number of shares of Common Stock that may be granted to 2,000,000 under all plans. At the Company's Board of Directors meeting on June 27, 2008, the Board approved a new Stock Option Plan (the "2008 Plan") for a total of 2,000,000 additional shares. At the Company's Board of Directors meeting held on February 2, 2010, the Board approved an a new Stock Option Plan (the "2010 Plan") for a total of 3,000,000 additional shares. The price of the options granted pursuant to these plans will not be less than 100% of the fair market value of the shares on the date of grant. The option vesting period is determined by the Board of Directors at the time of grant and ranges from immediately to five years. A total of 3,765,875 shares are available for stock grants under all plans, or 3% of the Company's issued and outstanding Common Stock as of December 31 2011, assuming all options under all plans were granted and exercised.

The Company granted 0 and 1,390,000 stock options during the years ended December 31, 2011 and 2010, respectively.

The summary of activity for the Company's stock options is presented below:

	2011		Weighted Average Exercise Price	2010		Weighted Average Exercise Price
Options outstanding at beginning of year	3,538,750	$	0.65	2,958,250	$	0.75
Granted	-	$	-	1,390,000	$	0.39
Exercised	-		-	-		
Terminated/Expired	(1,297,500)	$	0.29	(809,500)	$	0.67
Options outstanding at end of year	2,241,250	$	0. 67	3,538,750	$	0.65
Options exercisable at end of year	1,483,166	$	0.69	1,606,814	$	0.72
Options available for grant at end of year	3,765,875			2,468,375		
Price per share of options outstanding		$	0.40 to 1.60	$		0.40 to 3.00
Weighted average remaining contractual lives of all options	6.9 years			8.1 years		
Weighted Average fair value of options granted during the year		$	-		$	0.38

The Common Stock options expire as follows:

2012	10,000
2013	-
2014	-
2015	-
2016	-
After 2016	2,231,250
	2,241,250

The aggregate intrinsic value of the options outstanding at December 31, 2011 was approximately $0 and the aggregate intrinsic value of the exercisable options outstanding at December 31, 2011 was $0 both with a weighted average remaining contract term of 6.0 years.

Share-based compensation cost has been recognized for the stock options and restricted stock granted to employees and vendors for the years ended December 31, 2011 and 2010 of $64,749 and $248,868, respectively.

Unrecognized compensation costs related to non-vested share-based compensation for the above options amounted to $278,000 and $1,008,000 as of December 31, 2011 and 2010, respectively, with an average forfeiture life of 5.7 years at December 31, 2011.

NOTE 11 – DISCONTINUED OPERATIONS

On July 23, 2009 and subject to shareholder approval, the Company's Board of Directors unanimously approved entry into an asset purchase agreement with Nutra, Inc., a subsidiary of Nutraceutical International Corporation, a Delaware corporation (the "Asset Sale") to sell substantially all the rights and assets our subsidiary, Nutritional Specialties, Inc. including the Lifetime ® and Baywood brands of products. On July 24, 2009, the Company entered into an asset purchase agreement, and submitted to a vote for approval by the Company's stockholders. On August 6, 2009, a majority of the Company's stockholders approved the Asset Sale. The Asset Sale closed on October 9, 2009.

Pursuant to the Asset Sale, the Company sold substantially all of the rights and assets of the subsidiary Nutritional Specialties, Inc., including but not limited to accounts, notes and other receivables, inventory, tangible assets, rights existing under assigned purchase orders, proprietary rights, government licenses, customer lists, records, goodwill and assumed contracts. Certain rights and assets were excluded from the purchased assets, including the right to market, sell and distribute beverages. In addition, pursuant to the close of the Asset Sale, certain assets of Nutritional Specialties, Inc. were evaluated at closing to see if they had a minimum net asset value as of the closing date, after giving effect to normal generally accepted accounting principles adjustments for reserves and except for routine reductions related to normal amortization and depreciation, equal to $1,848,604. If the net asset value was greater or less than $1,848,604 at the closing, the purchase price payable at closing would be increased or decreased by the amount of such difference on a dollar-for-dollar basis. At closing, the net asset value was $2,176,411 and therefore the initial purchase price of $8,250,000 was increased by $327,807. Included in this purchase price is a $250,000 hold-back that is being held by Nutra, Inc. No later than six months after the closing date, or April 9, 2010, if Nutra, Inc. determines that there is a material difference between the actual net asset value and the net asset value at closing, it may prepare a written statement setting forth the calculation of the actual net asset value and that amount may be deducted from the hold-back.

In June 2010, the Company, without agreeing to Nutra's position, agreed to reduce the amount of the hold-back due to the Company by $50,000 to settle a dispute with Nutra regarding the net asset value acquired by Nutra under the Agreement in exchange for an immediate payment of $200,000. The $50,000 reduction in the hold back was reflected as a loss on discontinued operations in the year ended December 31, 2010.

Results of operations from the discontinued business for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
Sales	$ -	$ -
Operating expenses	-	55,113
Loss from discontinued operations	$ -	$ (55,113)

NOTE 12 - INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Net deferred tax assets totaling $13,499,000 at December 31, 2011 were offset by a valuation allowance of $13,499,000. The Company recorded the valuation allowance due to the uncertainty of future realization of federal and state net operating loss carry forwards that give rise to approximately $12,576,000 of the net deferred income tax assets. The deferred income tax assets are comprised of the following at December 31:

	2011	2010
Deferred income tax assets:		
Deferred compensation	$ 67,000	$ 71,000
Stock based compensation	102,000	91,000
Intangible assetes	739,000	
Operating assets	15,000	14,000
Net operating loss carryforward	12,576,000	13,105,000
Total deferred income tax assets	13,499,000	13,281,000
Deferred income tax liabilities:		
		-
Intangible assets		(178,000)
Valuation allowance	(13,499,000)	(13,103,000)
Net total	$ 0	$ 0

At December 31, 2011, the Company had federal and state net operating loss carry forwards of approximately $33,012,000 and $18,108,000, respectively. The federal net operating loss carry forwards expire through 2031 and state loss carry forwards expire through 2018.

The valuation allowance was increased by $395,000 during the year ended December 31, 2011. The valuation allowance was increased due to uncertainties as to the Company’s ability to generate sufficient taxable income to utilize the net operating loss carry forwards and other deferred income tax items.

The Company's ability to utilize the net operating loss carry forwards in future years will be significantly limited in accordance with the provisions of Section 382 of the Internal Revenue Code, because of the changes in ownership that have occurred in the prior years. The Company's NOL may be further limited should there be any further changes in ownership. As defined in Section 382 of the Internal Revenue Code, the Company who has undergone, or may undergo in the future, a greater than fifty percent ownership change as a result of financing initiatives. Consequently, there may be limitations on the amount of the Company's NOLs which may be utilized to offset future taxable income in any one year.

The Company recognizes interest and penalties related to uncertain tax positions in general and administrative expense. As of December 31, 2011, the Company has no unrecognized uncertain tax positions, including interest and penalties.

The tax years 2007-2011 are still open to examination by the major tax jurisdictions in which the Company operates. The Company has not filed U.S Federal and State returns for tax years 2010 – 2011.

A reconciliation of the differences between the effective and statutory income tax rates is as follows:

	2011		2010	
Federal statutory rates	$ (2,272,000)	(34%)	$ (3,291,000)	(34)%
State income taxes	(401,000)	(6%)	(677,000)	(7)%
Change in valuation allowance for operating loss carry forwards	395,000	6%	3,799,000	40%
Reduction in valuation allowance for reduced operating loss carry forwards				%
Expiration of federal and state NOLs	2,491,000	37%	125,000	1%
Other	(22,000)	0%	393,000	4%
Permanent differences changes in derivative	(191,000)	(3%)	(349,000)	(4%)
Effective rate	-	0%	-	0%

NOTE 13 - RELATED PARTY TRANSACTIONS

From time to time, certain officers and directors loan the Company money as well as defer payment of salaries in order to assist the Company in its cash flow needs.

The table below sets forth the amounts of notes payable and accrued salaries of the Company’s officers and directors as of December 31, 2011, the title reflects the position held by the individual as of April 30, 2011:

Officer/Director	Notes Payable		Earn-out	Accrued Salaries &
	Amount	Accrued Interest	Amount	Bonus Amount
Eric Skae, C.E.O. & President	$ 30,100	$ 821	$ 260,000	$ 162,500
O. Lee Tawes, III Director	$ 261,017	$ 75,131		

The table below sets forth the amounts of notes payable and accrued salaries of the Company's officers and directors as of December 31, 2010:

Officer/Director	Notes Payable Amount	Notes Payable Accrued Interest	Earn-out Amount	Accrued Salaries & Bonus Amount
Eric Skae, C.E.O. & President	$ 50,000		$ 585,000	$ 112,506
O. Lee Tawes, III Director	$ 727,273	$ 52,597		

In April 2010 David Tsiang, the Company's then Chief Financial Officer of the Company exercised a warrant to acquire 40,000 Common Shares in the Company for $10,000.

In April 2010 Eric Skae, the Company's then Chief Executive Officer and Chairmen of the Board of Directors of the Company, entered into a $50,000 0% Subordinated Demand Note. This Note was subsequently converted to Series K Preferred Stock, and then to common stock. See Item 5 under "Recent Sales of Unregistered Securities"

In April 2010 O. Lee Tawes, a then Director of the Company, entered into a $50,000 10% Subordinated Demand Note. This Note was subsequently converted to Series K Preferred Stock, and then to common stock. See Item 5 under "Recent Sales of Unregistered Securities"

In May 2010 O. Lee Tawes, a then Director of the Company, entered into a $300,000 15% Subordinated Demand Note. This Note was subsequently converted to Series K Preferred Stock, and then to common stock. See Item 5 under "Recent Sales of Unregistered Securities"

In September 2010 O. Lee Tawes, a then director of the Company participated in the above mentioned private placement and is the holder of a promissory note with an original issuance price of $200,000 and a face value of $227,273. Such holder also received warrants to purchase 272,727 shares of common stock. Accordingly, the note issued to the director and related warrants were initially recorded at $157,887 and $42,113, respectively. During the year ended December 31, 2010, the Company recognized $69,386 in amortization of debt discount on this note. This note has been classified in notes payable to related parties (see Note 5).

On January 12, 2011, O. Lee Tawes, a then director of the Company, lent the Company an aggregate of $75,000 for which he received a demand promissory note bearing interest at the rate of 12% per annum. Mr. Tawes lent the Company an additional $30,000 on February 24, 2011 for which he received a promissory note bearing interest at the rate of 0% per annum. This note was converted into 400,000 shares of common stock on April 29, 2011 at $0.075 per share. On June 30, 2011, O. Lee Tawes lent the Company an additional $10,000 for which he received a promissory note bearing interest at the rate of 10% per annum.

On January 12, 2011, Eric Skae, the Company's then CEO and a director, lent the Company an aggregate of $20,000 for which he received a demand promissory note bearing interest a the rate of 0% per annum. On January 28, 2011, the Company repaid $7,500 of this loan.

On February 24, 2011, David Tsiang the Company's then CFO, lent the Company an aggregate of $20,000 for which he received a demand promissory note bearing interest at a rate of 6% per annum.

On June 15, 2011, we entered into a Secured Factoring Loan with a principal amount of $426,680 with four lenders, The total amount received on the Secured Factoring Loan was $400,000 of which $125,000 was purchased by O. Lee Tawes (a then director) and $200,000 was purchased by Lorraine DiPaolo (a principal shareholder). These loans matured on August 20, 2011 and are secured by all of the Company assets, subject to subordinations of certain assets to present and future factoring facilities. On August 24, 2011 these notes were converted into the recasted notes described in below.

On July 14, 2011, July 28, 2011 and July 29, 2011 we issued Original Issue Discount Notes with three lenders receiving amounts of $75,000 from Lorraine DiPaolo (a principal shareholder), $50,000 and $25,000 respectively from other investors. These notes mature on January 14, 2012 at $170,458 and are secured by all of the Company assets, subject to subordinations of certain assets to present and future factoring facilities, of which $85,227 was due to Lorraine DiPaolo (a principal shareholder). On August 24, 2011 these notes were converted into the recast notes described below

On August 24, 2011, the Company recast $570,281(principal plus accrued interest) in existing secured loans with six parties (entered into between June and July 2011), one of whom is a director of the Company for $120,517, and another who is a principal shareholder for $298,227, in exchange for 10% Secured Convertible Subordinated Notes ("Secured Notes") which Notes were coupled with common stock. Each Secured Note is collateralized by all of the Company's assets and is convertible into common stock at a conversion price of $0.05 per share. Additionally, such lenders were granted an additional 5 shares of our common stock for each $1.00 of interest and principal due them totaling 2,881,405 common shares. The Company determined that the conversion of the secured notes into the secured recast notes was more than the carrying value of the obligation on the date of the conversion and recorded a loss on extinguishment of debt of $144,392 for the year ended December 31, 2011.

Between September 13 and 16, 2011, the Company borrowed $250,000 from two investors, one of whom is a principal shareholder of the Company for $125,000 and refinanced an existing unsecured loan with one then officer in the amount of $30,100. The Company issued to these investors and officers the same 10% Secured Convertible Subordinated Notes we had issued to the lenders reported in the above paragraph. Additionally, such investors received an additional 5 shares of our common stock for each $1.00 invested totaling 1,400,500 common shares (625,000 included in shares issuable). The common shares were fair valued at $62,500 as debt discount and will be amortized over the term of the notes.

On October 18, 2011 and November 14, 2011, the Company borrowed $25,000 and $30,000 from one investor. The Company issued to these investors the same 10% Secured Convertible Subordinated Notes as we had issued to the lenders reported in the paragraph above. Additionally, such investors received an additional 5 shares of our common stock for each $1.00 invested, totaling 275,000 common shares (275,000 included in shares issuable). The common shares were fair valued at $12,313 as debt discount and will be amortized over the term of the notes.

On October 18, 2011, November 1, 2011 and November 14, 2011, the Company borrowed $25,000, $50,000, and $30,000 from two investors, both of whom are principal shareholders of the Company. The Company issued to these investors the same 10% Secured Convertible Subordinated Notes as we had issued to the lenders reported in the above. Additionally, such investors received an additional 5 shares of our common stock for each $1.00 invested, totaling 525,000 common shares. The common shares were fair valued at $18,313 as debt discount and will be amortized over the term of the notes.

On December 1 and December 21, 2011 the Company borrowed $330,000 from one investor. We issued to this investor the same 10% Secured Convertible Subordinated Notes we had issued to the lenders reported in the above paragraph. Additionally, such investors received an additional 5 shares of our common stock for each $1.00 invested totaling 1,650,000 common shares (1,650,000 included in shares issuable). The shares were valued at $565,890 as debt discount and will be amortized over the term of notes. In addition we agreed in a side letter to grant a revenue participation based on 2% of the first $2,000,000 of revenue and 3% of revenue above $2,000,000 in 2012. This agreement many be terminated by the Company with a penalty of 3 times the annual revenue participation.

On May 16, 2012, the Company borrowed $20,000 from CS Healthcare, a related party, in exchange for an 8% 18 month Unsecured Promissory Notes ("Unsecured Note").

On June 26, 2012, the Company reached an agreement with related party Fuselier Bridge Capital, LLC to provide a secured working capital loan facility up to $300,000. The loan facility is secured by all Company assets including general intangibles (including trademarks, formulations, customer lists) and accounts receivables, fixed assets, inventory (all raw, work in progress and finished goods including labels) present and hereafter acquired. Each advance under the loan facility bears an interest rate of 1.5% per month and is due in full ten months after the issuance date. The investors also received up to 10,000,000 5 year warrants at a strike price of $0.03 per share and up to 10,000,000 shares of common stock at a price of $0.03 per share. On June 26, 2012, the Company borrowed $50,000 under this loan facility. On June 26, 2012, the Company borrowed $50,000 under this loan facility.

NOTE 14 - LEASE OBLIGATIONS

On March 8, 2010, the Company entered into a lease for 2,690 square feet of office space in a building located at One DeWolf Road, Old Tappan, New Jersey. The lease is for the period March 15, 2010 to April 15, 2013 with two options to renew for additional three year periods. Rent expense under this lease was $49,090 and $43,143 for the years ended December 31, 2011 and 2010, respectively.

The Company leases certain equipment under various capital leases that expire in 2012 through 2014. Rent expense under these equipment leases was $23,882 and $22,153 for the years ended December 31, 2011 and 2010, respectively.

Baywood New Leaf Acquisition principal office was located at Dutch Hill Road, Orangeburg, NY 10962 and leased approximately 1,050 square feet of office space under a non-operating month-to-month lease. Rent expense under this lease for the year ended December 31, 2010 was $7,481.

The future minimum lease obligations for the remaining terms of the leases are as follows:

	New Jersey	Equipment
2012	$ 49,429	$ 18,215
2013	$ 12,441	$ 4,346
2014	$ -	$ 2,349

NOTE 15 - GEOGRAPHIC AREA DATA BY PRODUCT LINE

From continuing operations the Company generates its revenues from numerous customers, primarily in the United States. The Company's product lines include primarily ready-to-drink beverages. The Company operates in one reportable segment and holds all of its assets in the United States. The following table outlines the breakdown of sales to unaffiliated customers domestically and internationally:

Ready-to-Drink Beverages	2011	2010
United States	$ 2,237,824	$ 4,161,181
Canada	-	27,790
Other international	28,497	68,390
Total Ready-to-Drink Beverages	$ 2,266,321	$ 4,257,361

NOTE 16 - CREDIT RISK AND OTHER CONCENTRATIONS

As of December 31, 2011, two customers each accounted for 36% and 21% of trade accounts receivable, respectively. As of December 31, 2010, two customers each accounted for 24% and 24% of trade accounts receivable, respectively. For the year ended December 31, 2011, there was one customer with 27% of total sales and for the year ended December 31, 2010, there was one customer with 22% of total sales The loss of this customer would have a material impact on the operations of the Company.

From time to time, the Company's bank balances exceed federally insured limits. At December 31, 2011 and 2010, the Company had no bank balance in excess of federally insured limits.

The Company is dependent on certain third-party manufacturers, although we believe that other contract manufacturers could be quickly secured if any of our current manufacturers cease to perform adequately. As of December 31 2011 and 2010, we utilized one contract manufacturer and two manufacturer supplier. For the periods ended December 31, 2011 and 2010, we purchased 48% and 11% respectively, of our raw material goods from two manufacturers in during 2010 and we purchased 48%, 15% and 9% respectively, of our raw material from three manufacturers during 2010.

NOTE 17 – CONTINGENCIES

In connection with the acquisition of Skae Beverage International LLC ("Skae") in 2008, the Company agreed to provide the former member of Skae, who is also the Company's current Chief Executive Officer through February 14, 2012, with a three year earn-out arrangement. Under the terms of the earn-out arrangement, the Company can be required to pay an additional $4,776,100 to the owner of Skae if the acquired operations meet certain performance targets related to sales and gross profit. As of September 30, 2011 and December 31, 2010, the Company has accrued $260,000 and $535,000 respectively related to the achievement of the performance targets. Currently, the Company is unable to determine the likelihood that future performance targets will be met or estimate the future liability that will be incurred. In January 2011, the Company amended the earn-out agreement with the CEO; where by Mr. Skae forgave his 2010 earn-out of $325,000 which also reduced the intangible by a same amount.

On January 29, 2009, the Company was notified that it was named as a defendant, along with 54 other defendants, in a class action lawsuit under California Proposition 65 for allegedly failing to disclose the amount of lead in one of its products. The Company has responded to discovery requests from the Attorney General of California. To date, no trial date has been set. The Company is currently investigating the merits of the allegation and is unable to determine the likelihood of an unfavorable outcome or a range of possible loss. This matter remains pending.

On December 7, 2009, the Company received a demand notice for payment for $822,920 from the estate of a former owner of Nutritional Specialties, Inc. Without acknowledging liability, the Company offered to settle any claims against us in this matter for cash and restricted common stock. The Company's offer lapsed before it was accepted. The Company intends to continue to attempt to negotiate a settlement for this debt. The Company has accrued for this payment of $822,920 as of December 31, 2010 as a current portion of note payable. On July 7, 2010, the Company was served with a Complaint demanding payment of the remaining balance of a $1,200,000 note payable with a current balance of $822,920 from the estate of a former owner of Nutritional Specialties, Inc. The parties have attended mediation and the Company is hopeful that this may be amicably resolved. This matter remains pending.

On March 12, 2010, the Company was notified that it was named as a defendant in lawsuit in the United States District Court, Eastern District of Texas, brought by Vitro Packaging de Mexico, SA de CV, the assignee of a former supplier. Vitro Packaging alleges the Company owed unpaid accounts payable and is seeking payment of approximately $345,000. The Company has entered into a Side Compromise Settlement Agreement, Indemnity and Release with Vitro Packaging De Mexico, S.A. DE C.V. with Vitro agreeing not to execute on an Agreed Final Judgment for $245,275 until after May 16, 2011, which the Company has not paid and is recorded as a current liability. On August 17, 2011, the judgment was recorded in the State of New Jersey.

In December 2010, the Company's Chief Operating Officer, William Sipper, resigned following an alleged incident involving a prospective employee of the Company. The Company turned the matter over to its insurance carrier and it was resolved satisfactorily.

On July 11, 2011, the Company was served with a complaint from Bett-A-Way Traffic Systems, Inc. demanding payment of $90,928 in a debt collection matter. The Company has accrued for this payment of $90,928 as of December 31, 2011 as part of accounts payable. The parties have been involved in settlement negotiations and the Company is hopeful that this may be amicably resolved. This matter is pending.

The Company filed a Certificate of Designation to its Certificate of Incorporation which created a class of 1,000 shares of Series K 10% Convertible Preferred Stock with a par value of $.001 per share. As of December 31, 2011, Series K 10% Preferred stock dividends of $ 196,978 are accrued.

On February 4, 2012, we were served with a complaint by Hartford Meir, Inc demanding payment of $160,009 in a collection matter regarding a trade receivable conveyed to them by Mode Transportation (with whom the Company originally incurred the debt). We have accrued for this payment of $136,920 as of December 31, 2011 as part of accounts payable. The Company reached a settlement agreement with this creditor which was completed upon a final payment of $20,000 on 7/18/12.

Purchase Order Financing
On September 20, 2011 the Company entered into secured Purchase Order Financing agreements with certain suppliers for additional trade credit to produce and ship approximately $750,000 in orders to Company customers. The agreements are secured by certain future sales and inventory provided by the suppliers. The agreement provided for the repayment of $307,563 of outstanding accounts payable at September 30, 2011 and $443,000 in additional trade credit.

The Company further agreed to segregate all cash proceeds from specific sales to certain customers (the "Customers") to enable the Company to pay the suppliers. The Company entered into an Escrow Agreement with the Suppliers and an escrow agent for the purpose of establishing a segregated account controlled by the Escrow Agent to disburse the cash proceeds from such Customer accounts directly to each Supplier based upon a predetermined percentage.

In connection with this facility, the Company also received consent from Secured Note holders to consent to (a) the Company entering into the Escrow Agreement with the Escrow Agent and the Suppliers for the benefit of each Supplier, and (b) consent to the Company's segregation of proceeds from Customer accounts receivable to the Escrow Account and waive each such Secured Note holder's security interest in and lien on all cash proceeds in the Escrow Account so long as the Escrow Agreement and the Escrow Account remains in place.

As of December 31, 2011 the Company's accounts payable to those Suppliers was $ 460,490 of which $ 306,037 represented Purchase Order Financing. Subsequent to the year ended December 31, 2011 the Company made additions payments of $136,063 on January 13, 2012 and $6,354 on February 2, 2012.

NOTE 18 - SUBSEQUENT EVENTS

On January 5, 2012 the Company issued an additional 3 million shares of common stock investor relations maintenance agreement we entered on November 22, 2011.

On February 3 2012 one investor in our Series Preferred K converted 4 preferred shares and a warrant to purchase 1,333,333 shares of common stock into 3,600,000 shares of common stock.

On February 4, 2012, we were served with a complaint by Hartford Meir, Inc demanding payment of $160,009 in a collection matter regarding a trade receivable conveyed to them by Mode Transportation (with whom the Company originally incurred the debt). We have accrued for this payment of $136,920 as of December 31, 2011 as part of accounts payable. The Company reached a settlement agreement with this creditor which was completed upon a final payment of $20,000 on 7/18/12.

On February 24, 2012 and June 5, 2012 three investors in our Series Preferred K converted 7.25 preferred shares into 6,039,216 shares of common stock.

On March 22, 2012 the Company and the assignee of the lender agreed to terminate the Revenue Participation Agreement and the Company granted 25,000,000 restricted shares of common stock

As reported by the Company in the February 23, 2012 Form 8k:

On February 14, 2012 Eric Skae, our then Chairman, Chief Executive Officer and President, resigned as our Chairman, CEO, CFO and COO. Mr. Skae also resigned as a member of our Board of Directors. Mr. Skae will remain with the Company in a non-executive consulting capacity to assist will all matters necessary. His resignation letter is annexed hereto as Exhibit 10.5.

On February 14, 2012, O. Lee Tawes resigned as a member of our Board of Directors. Mr. Tawes was not a member of any committee of the Board at the time of his resignation.

Effective February 15, 2012, we entered into an employment agreement with Mr. Fuselier pursuant to which Mr. Fuselier agreed to serve as our Chairman and Chief Executive Officer of New Leaf Brands, Inc.,, for a five-year term, with annual compensation of $150,000 subject to an annual increase of 5% upon meeting performance standards reasonably established by the board, or otherwise based on performance as reasonably determined by the board together with (i) a car allowance of $750 per month, (iii) a stock option grant from a plan to be determined, vesting in equal annual installments over five years and exercisable for a five-year period after each vesting date, as to the installment then vesting, subject to reduction of such period upon death, disability or termination of employment, and (iv) access to our benefit plans which we make generally available to other similarly situated senior level employees performing similar functions. The employment agreement contains restrictions on competition for one year after termination of employment.

On February 14, 2012 the Company entered into a Consulting Agreement with Fuselier and Co., Inc. to advise the Company on a corporate turnaround strategy. The compensation arrangement gives Fuselier the right to earn up to 34,000,000 shares of New Leaf Brands, Inc. common stock in 2012 and 12,000,000 shares thereafter annually. As of July 25, 2012, the Company has issued 28,000,000 shares under this agreement.

On February 14, 2012 the Company entered into a Mutual Termination and Release agreement between New Leaf Brands, Inc. and Eric Skae. On February 15, the Company issued Mr. Skae an 8% 18 month Unsecured Note in the Amount of $200,000 which is convertible if asked by Mr. Skae, 13 months after the date of issuance at $0.01 (subject to a beneficial ownership blocker) and an 8% Demand Note in the amount of $100,000.

On February 14, 2012 the Company entered into a two year Consulting Agreement with Eric Skae. Effective February 16, 2012, Mr. Skae will receive a monthly consulting fee of $14,000 plus reimbursement of $4,000 in authorized expenses.

Between February 15, 2012 and March 2, 2012, the Company received proceeds of $250,000 from four investors two of whom were principal shareholders Lorraine DiPaolo for $87,500 and Lee Tawes (a principal shareholder and former director) for $50,000 in exchange for 8% 18 month Unsecured Convertible Notes (“Unsecured Note”), which Notes were coupled with warrant. Each Unsecured Note is convertible thirteen months after their respective issuance dates into common stock at a conversion price equal to the greater of (i) the Variable Conversion Price of 50% of the Market Price and (ii) the Fixed Conversion Price of $0.01 (subject to a beneficial ownership blocker). The investors also received 25,000,000 5 year warrants at a strike price of $0.03 per share.

On March 2, 2012 the Company entered into a public relations agreement with a consultant. In addition to the cash compensation of $7,000 paid, the party was also granted 1,000,000 restricted shares of common stock.

On March 2, 2012 the Company granted 12,500,000 restricted shares of common stock to six strategic advisors to the Company.

On May 31, 2012 the Company granted a financial advisor 700,000 restricted shares of common stock, per the agreement dated May 31, 2012.

On March 7,2012 the Company commenced a warrant reset and exercise offer to eligible holders of its outstanding warrants, pursuant to which all issued and outstanding warrants to purchase common stock of the Corporation issued, irrespective of current exercise price or expiration date, may, in each holder’s sole discretion, be exercised at $0.03 per share during the offer period. Approximately 15 investors elected to exercise their warrants for which the Company received $400,147 and issued 13,338,225 shares of common stock.

On or about March 30, 2012 the Company settled approximately $1.7 million in 105 vendor claims against the Company for approximately $333,454 in cash and $467,567 in common stock to be issued at a later date.

On March 30, 2012 the Company granted approximately 7,000,000 shares of common stock to six key distribution partners as inducement for their continued support and 17,606,556 shares of common stock to 35 vendors to in connection settlement certain outstanding claims.

On March 30, 2012 the Company granted certain contract employees and consultants 9,000,000 shares common stock, Inc and warrants to purchase 3,750,000 shares of common stock at $0.03 per share.

On April 9, 2012 the Company completed the sale its non-operating subsidiary Nutritional Specialties, Inc. (NSI) to Deep South Capital, LLC (DSCL). The terms of the divestiture was for a consideration of $1.00 plus the assumption of certain liabilities by DSCL. In addition, the Company gave DSCL 6,000,000 shares of the Company's stock to as a reserve against possible offsets. The transaction will reduce liabilities by approximately $1,000,000.

On May 4,2012 the Company commenced a warrant reset and exercise offer to eligible holders of its outstanding warrants, pursuant to which all issued and outstanding warrants to purchase common stock of the Corporation issued, irrespective of current exercise price or expiration date, may, in each holder's sole discretion, be exercised at $0.03 per share during the offer period. Approximately 7 investors elected to exercise their warrants for which the Company received $117,459 and issued 3,915,295 shares of common stock.

On May 16, 2012, the Company borrowed $20,000 from CS Healthcare, a related party, in exchange for an 8% 18 month Unsecured Promissory Notes ("Unsecured Note").

Between August 24, 2011 and December 22, 2011 we borrowed an aggregate of $ 1,346,381 from eight investors, in exchange for 10% Secured Convertible Subordinated Notes ("Secured Notes") which Notes were coupled with common stock. Each Secured Note is collateralized by all of the Company's assets and an assignment of the Company's trademark with the US Patent and Trademark Office and is convertible into common stock at a conversion price of $0.05 per share. Additionally, such lender was granted an additional 5 shares of our common stock for each $1.00 of interest and principal due them. Subsequent to the year ended 2011, between May 10 and May 17, 2012 six of the eight lenders agreed to:

1. Waive and release its first priority and perfected security interest in and lien on the Company's assets, and consents to the filing of a form UCC3 for the above UCC1 financing statements;

2. In consideration for this waiver, we issued each lender 200,000 shares of common stock in New Leaf Brands, Inc.

The Company issued 1,200,000 shares of common stock to these six parties.

On June 26, 2012, the Company reached an agreement with related party Fuselier Bridg Capital, LLC to provide a secured working capital loan facility up to $300,000. The loan facility is secured by all Company assets including general intangibles (including trademarks, formulations, customer lists) and accounts receivables, fixed assets, inventory (all raw, work in progress and finished goods including labels) present and hereafter acquired. Each advance under the loan facility bears an interest rate of 1.5% per month and is due in full ten months after the issuance date. The investors also received up to 10,000,000 5 year warrants at a strike price of $0.03 per share and up to 10,000,000 shares of common stock at a price of $0.03 per share. On June 26, 2012, the Company borrowed $50,000 under this loan facility. On June 26, 2012, the Company borrowed $50,000 under this loan facility.

On July 10, 2012 the Company announced today that Mr. Terry L. Kinder had been appointed to its Board of Directors

Subsequent events were evaluated by the Company through the date the financial statements were issued. There were no other events that occurred subsequent to December 31, 2011 that would require recognition in the Company's consolidated financial statements.

EXHIBIT 4.40

NEW LEAF BRANDS, INC.
One DeWolf Road, Suite 208
Old Tappan, New Jersey 07675

Preferred Stock Exchange Offer

March 29, 2011

Dear Series K Preferred Stockholder:

Our company has determined, based on discussions with some of our stockholders and potential financing sources, that we should reduce the company's "liquidation overhang" by exchanging shares of our series K 10% convertible preferred stock ("Series K Preferred Stock") for shares of our common stock at a special negotiated rate. We currently have 217.77 outstanding shares of Series K Preferred Stock, which are currently convertible into 36,294,474 shares of our common stock, at a conversion price of $0.15 per share. On March 28, 2011, the closing price for our common stock was $0.13 per share, as quoted by the OTC Bulletin Board.

We are therefore contacting you, and all of our other current Series K Preferred Stockholders, with an offer that will remain open only until **Friday, April 15, 2011** (which may be extended at our sole discretion for a period of up to an additional 14 days), to exchange your shares of Series K Preferred Stock on the following terms:

- You would agree to exchange all of your current shares of Series K Preferred Stock into such number of shares of our common stock equal to 112% of the aggregate liquidation value of your shares of Series K Preferred Stock divided by $0.10. Therefore, you would receive a greater number of shares of our common stock upon exchange of your current shares of Series K Preferred Stock (an aggregate of 60,974,716.66 shares of common stock calculated at this rate) than if you were to convert those preferred shares in accordance with their existing terms. The shares of common stock you would receive upon exchange of your Series K Preferred Stock have not been previously registered with the U.S. Securities and Exchange Commission and will be issued with a restrictive legend. However, inasmuch as the exchange is being made in reliance upon the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, the commencement date of your six-month holding period for purposes of Rule 144 would remain the date you originally purchased the shares of Series K Preferred Stock.

- You are not obligated to exchange your current shares of Series K Preferred Stock at this time. Should you decide not to participate in this transaction, your current preferred shares will remain unchanged (except for certain amendments described in Annex A - Risk Factors attached hereto).

There will be no fees or commissions payable to any third party resulting from the exchange of the Series K Preferred Stock.

Our board of directors has approved the preferred stock exchange offer described in this letter and recommends that Series K Preferred Stockholders exchange their current shares on these terms. Certain of our largest holders of Series K Preferred Stock have indicate to us that they will participate in this preferred stock exchange offer.

Before you make a decision with respect to exchanging your Series K Preferred Stock for shares of our common stock on the terms described in this letter, you should review and consider the risk factors described in Annex A to this letter, along with the information in our Annual Report on Form 10-K for the year ended December 31, 2009, filed with the U.S. Securities and Exchange Commission ("SEC") on March 31, 2010, and our latest Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, filed with the SEC on November 22, 2010, each of which is incorporated herein in its entirety by reference. Finally, as the offer described in this letter is intended to be a private placement exempt from the registration requirements imposed by the SEC, you should review the notices regarding such matters in Annex B to this letter.

If you wish to exchange your shares of Series K Preferred Stock on the terms set forth in this letter, please complete and execute the **Preferred Stock Exchange Agreement** and **Registration Rights Letter** attached as Annex C and Annex D to this letter, respectively, and return them to New Leaf Brands no later than **Friday, April 15, 2011**. We have separately included the respective signature pages for these agreements for your convenience. The two signature pages should be sent by facsimile to the attention of David Tsiang, our Chief Financial Officer, at facsimile number (201) 543-0297, or by e-mail (via .pdf) to him at dtsiang@newleafbrands.com, and all original executed materials should be sent by mail to New Leaf Brands, Inc., One DeWolf Road, Suite 208, Old Tappan, New Jersey 07675, Attn: Mr. David Tsiang, Chief Financial Officer.

Please call me at (201) 784-2400, ext. 14, or Spencer G. Feldman, our legal counsel at Greenberg Traurig, LLP, at (212) 801-9221, with any questions you may have about the offer described in this letter.

Sincerely,

Eric Skae

Eric Skae
President and Chief Executive Officer

This letter shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

<u>Annex A</u>

Risk Factors

An investment in the shares of common stock offered hereby involves a high degree of risk. In addition to the other information contained and incorporated by reference in this letter (including the risk factors stated therein), you should carefully consider the following risks before acquiring the shares offered hereby. If any of these risks occurs, our business, financial condition and operating results could be materially adversely affected. The following are not the only risks and uncertainties we face. Additional risks and uncertainties of which we are unaware or which we currently believe are immaterial could also adversely affect our business, financial condition or results of operations. In any case, the trading price of our common stock could decline and you could lose all or part of your investment.

Risks Relating to Our Company

You should consider the following summary risk factors, in addition to those risk factors set forth under the caption “Item 1A – Risk Factors; Risks Related to Our Business” contained in our Annual Report on Form 10-K for the year ended December 31, 2009, and under the caption “Item 1A – Risk Factors” contained in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, for risks related to our business:

- We have limited cash resources and our limited cash could hinder our ability to run our ongoing operations, including producing our beverage products.
- We have a material amount of outstanding debt that may hinder our ability to sustain or grow our business.
- We have outstanding indebtedness that may have to be renegotiated or refinanced.
- Our existing and future debt obligations could impair our liquidity and financial condition.
- Approximately 14% of our sales are from one customer and if that customer cannot pay amounts due to us in a timely manner, our liquidity and business may be negatively impacted.
- We may be liable for an earn-out contingency payment of up to $4,776,100 related to our acquisition of Skae Beverage International, LLC and if this amount comes due and we are unable to renegotiate this payment, we may have to cease operations.

Risks Related to this Offer

In addition to the risk factors below, you should also read “Risk Factors – Risks Related To Our Securities” in our Annual Report on Form 10-K referenced above for risks related to this offer and our common stock.

There is no minimum number of shares of Series K Preferred Stock that must be exchanged in this offer.

There is no minimum number of shares of Series K Preferred Stock that must be exchanged before we can accept such exchanges. There can be no assurance that all current Series K Preferred Stockholders will accept the offer set forth in this letter and exchange their shares. Therefore, those holders which exchange their shares of Series K Preferred Stock for our common stock will be structurally subordinated upon liquidation or other such event to those holders which retain their shares of preferred stock.

There are certain restrictions on transferability of the shares of common stock issuable upon exchange of the Series K Preferred Stock.

The shares of common stock issuable upon exchange of the Series K Preferred Stock have not been registered under the Securities Act or any state or foreign securities laws in reliance upon an exemption from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. Unless such shares are so registered, they may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or foreign securities laws. Holders will be required to make representations agreeing to restrictions on transfer necessary to satisfy the requirements of the exemption from registration being relied upon by us for the issuance of shares of common stock into which the preferred stock are exercisable, and certificates evidencing such shares will bear a legend indicating that they are so restricted. Moreover, there can be no assurance that we will ever file a registration statement to register the shares of our common stock into which our preferred stock are exercisable, or that if filed, such registration statement will become effective, or that once effective, such effectiveness will be maintained. Accordingly, an investor may be unable to liquidate an investment for an indefinite period of time.

Our common stock is quoted in the over-the-counter market and considered a "penny stock," making it difficult to sell when desired.

The SEC has adopted regulations which generally define "penny stock" to be an equity security that has a market price of less than $5.00 per share or an exchange price of less than $5.00 per share, subject to specific exemptions. The market price of our common stock is less than $5.00 per share and therefore may be designated as a "penny stock" according to rules of the SEC. This designation requires any broker or dealer selling these securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities. These rules may restrict the ability of brokers or dealers to sell our common stock and may affect the ability of our stockholders to sell their shares. In addition, since our common stock is currently quoted on the OTC Bulletin Board, stockholders may find it difficult to obtain accurate quotations of our common stock, and may experience a lack of buyers to purchase such stock or a lack of market makers to support the stock price.

Our management and principal stockholders own a substantial amount of our common stock and are capable of influencing our affairs, which may not always be in the best interests of all stockholders.

Our officers, directors and principal stockholders control approximately 28.0% of our outstanding shares of common stock prior to this transaction. If these stockholders act together, they may be able to exert significant control over our management and affairs requiring stockholder approval, including approval of significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing a change in control and might adversely affect the market price of our common stock. This concentration of ownership may not be in the best interests of all our stockholders.

Investors should not anticipate receiving cash dividends on our common stock.

We have never declared or paid any cash dividends or distributions on our common stock. We intend to retain our future earnings to support operations and to finance expansion, and therefore, we do not anticipate paying any dividends on our common stock in the foreseeable future.

We do not expect to be able to timely file our 2010 Annual Report on Form 10-K with the SEC.

We do not expect to be able to timely file our Annual Report on Form 10-K for the year ended December 31, 2010 with the SEC, which is required to be filed by March 31, 2011. We also do not believe that we will be able to make this filing within the 15-day permitted extension period under the Securities Exchange Act. If we are not able to file our Annual Report, or any future periodic report, in the time specified by the Exchange Act, our shares of common stock could be removed from quotation on the OTC Bulletin Board and we could lose our ability to file registration statements with the SEC for future capital raises, and that could impair the trading market for our shares and our ability to conduct operations. Additionally, you will not have current business and financial information about us available to you while we are delinquent. Our inability to timely file periodic reports in the future could materially and adversely affect our financial condition and results of operations.

Holders which do not exchange their Series K Preferred Stock will be subject to certain amended terms which may be viewed as less favorable to them.

Prior to the completion of this offer, certain of the largest holders of our Series K Preferred Stock have agreed to amend two provisions in the governing terms of our Series K Preferred Stock. The amendments would (i) eliminate the full ratchet anti-dilution provisions in the event of any future issuance of equity or equity-linked security by us below the existing conversion price and (ii) add a provision allowing us to enter into an asset-based credit line or factoring agreement in an amount of up to $1.5 million, which would be secured by our accounts receivable and/or inventory. Additionally, such holders have agreed to amend the registration rights agreement previously entered into in connection with the Series K Preferred Stock round of financing to eliminate any and all liquidated damages for our failure to comply with the registration terms of that agreement. As a result, those holders which do not accept the preferred stock exchange offer will be nonetheless subject to these amended terms, which may be viewed as less favorable to them compared with their existing rights.

Annex B

Private Placement Notices

The shares of common stock issuable upon exchange of the Series K Preferred Stock have not been registered under the Securities Act of 1933, as amended. This offer is being made pursuant to the exemption provided by Sections 3(a)(9) and 4(2) of the Securities Act and certain rules and regulations promulgated under Section 4(2). Accordingly, you may not transfer the common stock issuable upon exchange of the Series K Preferred Stock in the absence of an effective registration statement under the Securities Act or evidence acceptable to us and our counsel, which may include an opinion of counsel, that registration is not required.

We request that you maintain the confidentiality of the offer described in this letter. Further, the existence and nature of all conversations regarding this offer and our company must be kept strictly confidential. You should be aware that the federal securities laws impose restrictions on the purchase or sale of our securities based on information regarding this offer and the communication of information regarding this offer. We request that you promptly destroy or return to us this letter and any other documents or information furnished by or on our behalf if you elect not to acquire the shares of common stock offered hereby.

We intend that this offer be made only to accredited investors (as defined under Rule 501(a) under the Securities Act) purchasing in the ordinary course of their business for their own account for investment and not with a view to, or in connection with any arrangements or understandings regarding, any subsequent distributions. An investment in the shares of common stock described in this letter is speculative and involves a high degree of risk. Only investors who can bear the risk of loss of their entire investment in the shares offered hereby should invest and investors should understand that they will be required to bear the financial risk of any investment in these shares for an indefinite period of time. In addition, the common stock issuable upon exchange of the Series K Preferred Stock are subject to restrictions on their transferability and resale and may not be transferred or resold except as permitted under the registration rights letter entered into by us and the holders, the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom.

Neither the SEC nor any state regulatory authority has passed upon the adequacy or accuracy of this letter or endorsed the merits of this offer. Any representation to the contrary is a criminal offense. In addition, this letter does not constitute an offer to sell or a solicitation of an offer to buy any of our shares of common stock in any state or other jurisdiction or to any person if such an offer or solicitation is unlawful or unauthorized. You must comply with all applicable laws and regulations in force and any jurisdiction in which you purchase, offer or sell the shares offered hereby and must obtain any consent, approval or permission required for your purchase, offer or sale of the shares of common stock under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales.

The shares of common stock issuable upon exchange of the Series K Preferred Stock have not been registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and any state or foreign securities laws. Accordingly, the shares are only being offered to accredited investors.

We urge you to read all of the documents contained and incorporated by reference in this letter. In addition, you should conduct and rely on your own due diligence investigation of our company and the terms of this offer, including the merits and risks involved, before making an investment decision with respect to the shares of common stock offered hereby. In addition, you should not construe the contents of this letter as investment, tax or legal advice. You, your investment, tax or other advisors and your accountants and legal counsel should review this letter, as well as the nature of the investment in the shares offered hereby.

Annex C

Preferred Stock Exchange Agreement

THIS PREFERRED STOCK EXCHANGE AGREEMENT (the "Agreement") is dated as of __________, 2011, by and between New Leaf Brands, Inc., a Nevada corporation (the "Company"), and the undersigned holder of the Company's Series K Preferred Stock, as defined below ("Holder").

W I T N E S S E T H

WHEREAS, the Holder is the legal and beneficial owner of certain shares of series K 10% convertible preferred stock (the "Series K Preferred Stock"), which is convertible into shares of the Company's common stock (the "Common Stock");

WHEREAS, the Company has offered to eligible holders of its Series K Preferred Stock, including the Holder, the opportunity, for a limited period, to exchange such preferred stock for shares of Common Stock at a special negotiated rate, as set forth in a notice to such holders dated March __, 2011 (the "Notice");

WHEREAS, the Holder has determined to exchange all of the Series K Preferred Stock currently held by Holder in accordance with the terms set forth in the Notice; and

WHEREAS, in connection with such exchange, the Company and Holder will enter into a Registration Rights Letter, pursuant to which the Company will agree to file on behalf of the Holder a registration statement under the Securities Act of 1933, as amended, covering the shares of Common Stock exchanged therefor.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Holder hereby exchanges Series K Preferred Stock certificate no(s). ________ currently held by the Holder entitling Holder to acquire ________ shares of Common Stock.

2. The Company agrees to immediately issue in the name of the Holder ________ shares of its Common Stock, with all appropriate transfer taxes paid, if any, at the expense of the Company, and with a restrictive legend, if applicable.

3. Holder represents and warrants to the Company that it is an "accredited investor," as defined in Rule 501 promulgated under the Securities Act of 1933, as amended. Holder understands and acknowledges that (i) the shares of Common Stock exchanged for the Series K Preferred Stock have not been registered with or approved by the U.S. Securities and Exchange Commission ("SEC") or any state securities commission or authority; (ii) any subsequent transfer of the shares of Common Stock by the Holder is restricted in accordance with the requirements of the SEC and applicable state securities laws; (iii) a legend referencing such restrictions on transfer shall be affixed to the certificates evidencing the shares of Common Stock; (iv) Holder is a sophisticated investor capable of evaluating the merits and risks of accepting the shares of Common Stock in exchange for the Series K Preferred Stock; (v) the Company has made available to the Holder all relevant, information and the ability to ask questions of the Company regarding its shares of Common Stock, financial condition and business prospects; and (vi) Holder has had the ability to obtain independent advise and counsel from his, her or its legal or tax advisors prior to executing this Agreement consummating the transactions contemplated hereby.

4. Upon exchange of the shares of Series K Preferred Stock held by the Holder, such shares shall be cancelled and of no further force or effect, and any defaults relating to the terms thereof shall be waived.

5. All of the terms and provisions of this Agreement, whether so expressed or not, shall be binding upon, inure to the benefit of, and be enforceable by the parties and their respective administrators, executors, legal representatives, heirs, successors and permitted assigns.

6. This Agreement and all transactions contemplated by this Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to its principles of conflict of laws. The parties hereby consent to the exclusive jurisdiction of the United States District Court for the Southern District of New York, or, if jurisdiction in such court is found to be lacking, the courts of the State of New York having proper jurisdiction (as well as the appropriate appellate courts), in any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement.

7. This Agreement represents the entire understanding and agreement among the parties with respect to the subject matter hereof, and supersedes all other negotiations, understandings and representations, if any, made by and among such parties.

8. As between the Holder and the other current holders of Series K Preferred Stock, Holder's obligations under this Agreement are several and not joint.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above.

NEW LEAF BRANDS, INC.

By: ______________________________

Eric Skae
President and Chief Executive Officer

HOLDER:

____
Signature

____
Name

____
Address

Telephone: ______________________________

Facsimile: ______________________________

E-mail: ______________________________

SSN/EIN#: ______________________________

Annex D

NEW LEAF BRANDS, INC.
One DeWolf Road, Suite 208
Old Tappan, New Jersey 07675

Registration Rights Letter

__________, 2011

Dear Series K Preferred Stockholder:

Reference is made to the Preferred Stock Exchange Agreement, dated as of ________, 2011, by and between New Leaf Brands, Inc., a Nevada corporation (the "Company"), and the undersigned holder ("Holder") of the Company's Series K Preferred Stock (the "Preferred Stock Exchange Agreement"), pursuant to which the Company has agreed to provide registration rights to the Holder in respect of the shares of Common Stock issuable upon exchange of such Series K Preferred Stock. All capitalized terms not defined herein shall have the meaning ascribed to them in the Preferred Stock Exchange Agreement.

1. Required Registration Under the Securities Act.

(a) The Company shall, for the benefit of the holders of Registrable Securities (as defined below), at the Company's cost, file with the SEC on or prior to six months after the expiration date of the preferred stock exchange offer described in the Notice, a Shelf Registration Statement (as defined below) providing for the sale by the holders of all the Registrable Securities, and shall use its best efforts to have such Shelf Registration Statement declared effective by the Commission as soon as practicable thereafter. The Company agrees to use its best efforts to keep the Shelf Registration Statement continuously effective for a period of one year after the date of effectiveness (the "Effectiveness Period"). The Company further agrees, if necessary or appropriate, to supplement or amend the Shelf Registration Statement, if required by the rules, regulations or instructions applicable to the registration form used by the Company for such Shelf Registration Statement or by the Securities Act of 1933, amended (the "Securities Act"), or by any other rules and regulations thereunder for such registrations, and the Company agrees to furnish to the holders of Registrable Securities copies of any such supplement or amendment promptly after its being used or filed with the SEC. As used in this Registration Rights Letter, (i) "Registrable Securities" shall mean (A) the shares of Common Stock issuable upon exchange of the Series K Preferred Stock, and (B) any securities issued in exchange for or substitution of any thereof or as a result of a stock split or combination or as a dividend or other distribution in respect thereof, and (ii) "Shelf Registration Statement" shall mean a "shelf" registration statement which covers all of the Registrable Securities on an appropriate form under Rule 415 under the Securities Act, or any similar rule that may be adopted by the SEC, and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

(b) Effective Registration Statement. A Shelf Registration Statement pursuant to Section 1 above will not be deemed to have become effective unless it has been declared effective by the SEC; provided that if, after it has been declared effective, the offering of Registrable Securities pursuant to a Shelf Registration Statement is interfered with by any stop order, injunction or other order or requirement of the SEC or any other governmental agency or court, such Registration Statement will be deemed not to have been effective during the period of such interference, until the offering of Registrable Securities pursuant to such Registration Statement may legally resume. The Company will be deemed not to have used its reasonable efforts to cause the Shelf Registration Statement to become, or to remain, effective during the requisite period if it voluntarily takes any action that would result in any such Registration Statement not being effective or in the holders of Registrable Securities covered thereby not being able to offer and sell such Registrable Securities during that period.

2. "Piggyback Registration Rights. If, at any time after the date hereof, the Company shall determine to proceed with the preparation and filing of a registration statement under the Securities Act in connection with the proposed offer and sale of any of its securities by it or any of its security holders (other than a registration statement on Form S-4, S-8 or other limited purpose form), the Company will give written notice of its determination to all record holders of the Registrable Securities. Upon the written request from any requesting holders of Registrable Securities, within 15 days after receipt of any such notice from the Company, the Company will, except as herein provided, cause all such Registrable Securities to be included in such registration statement, all to the extent requisite to permit the sale or other disposition by the prospective seller or sellers of the Registrable Securities to be so registered; provided, however, that nothing herein shall prevent the Company from, at any time, abandoning or delaying any registration. If any registration pursuant to this Section 2 shall be underwritten in whole or in part, the Company may require that the Registrable Securities requested for inclusion pursuant to this Section 2 be included in the underwriting on the same terms and conditions as the securities otherwise being sold through the underwriters. If in the good faith judgment of the managing underwriter of such public offering the inclusion of all of the Registrable Securities originally covered by a request for registration (the "Requested Stock") would reduce the number of shares to be offered by the Company or interfere with the successful marketing of the shares of stock offered by the Company, the number of shares of Requested Stock otherwise to be included in the underwritten public offering may be reduced pro rata (by number of shares) among the holders thereof requesting such registration or excluded in their entirety if so required by the underwriter. To the extent only a portion of the Requested Stock is included in the underwritten public offering, those shares of Requested Stock which are thus excluded from the underwritten public offering shall be withheld from the market by the holders thereof for a period, not to exceed 180 days, which the managing underwriter reasonably determines is necessary in order to effect the underwritten public offering.

The obligation of the Company under Section 1 and this Section 2 shall not apply to Registrable Securities that at such time are eligible for immediate resale pursuant to Rule 144 under the Securities Act.

3. Expenses.

(a) With respect to the registration required pursuant to Section 1 hereof, all fees, costs and expenses of and incidental to such registration, inclusion and public offering (as specified in paragraph (b) below) in connection therewith shall be borne by the Company; provided, however, that the Holders shall bear their pro rata share of the underwriting discount and commissions and transfer taxes and the cost of their own counsel.

(b) The fees, costs and expenses of registration to be borne by the Company as provided in paragraph (a) above shall include, without limitation, all registration, filing and FINRA fees, printing expenses, fees and disbursements of counsel and accountants for the Company, and all legal fees and disbursements and other expenses of complying with state securities or blue sky laws of any jurisdictions in which the securities to be offered are to be registered and qualified (except as provided in Section 3(a) above). Fees and disbursements of counsel and accountants for the Holders and any other expenses incurred by the Holders not expressly included above shall be borne by the Holders.

4. Indemnification.

(a) The Company will indemnify and hold harmless each Holder of Registrable Securities which are included in a registration statement pursuant to the provisions of Section 1 hereof, its directors and officers, and any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or such underwriter within the meaning of the Securities Act, from and against, and will reimburse such Holder and each such underwriter and controlling person with respect to, any and all loss, damage, liability, cost and expense to which such Holder or any such underwriter or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, damages, liabilities, costs or expenses are caused by any untrue statement or alleged untrue statement of any material fact contained in such registration statement, any prospectus contained therein or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; provided, however, that the Company will not be liable in any such case to the extent that any such loss, damage, liability, cost or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished by or on behalf of such Holder, such underwriter or such controlling person in writing specifically for use in the preparation thereof.

(b) Each Holder of Registrable Securities included in a registration statement pursuant to the provisions of Section 1 or 2 hereof will indemnify and hold harmless the Company, its directors and officers, any controlling person and any underwriter from and against, and will reimburse the Company, its directors and officers, any controlling person and any underwriter with respect to, any and all loss, damage, liability, cost or expense to which the Company or any controlling person and/or any underwriter may become subject under the Act or otherwise, insofar as such losses, damages, liabilities, costs or expenses are caused by any untrue statement or alleged untrue statement of any material fact contained in such registration statement, any prospectus contained therein or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was so made in reliance upon and in strict conformity with written information furnished by or on behalf of such Holder specifically for use in the preparation thereof, or if the Holder sells after receiving a notice as contemplated by Section 2 hereof.

(c) Promptly after receipt by an indemnified party pursuant to the provisions of paragraph (a) or (b) of this Section 4 of notice of the commencement of any action involving the subject matter of the foregoing indemnity provisions such indemnified party will, if a claim thereof is to be made against the indemnifying party pursuant to the provisions of said paragraph (a) or (b), promptly notify the indemnifying party of the commencement thereof; but the omission to so notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than hereunder. In case such action is brought against any indemnified party and it notifies the indemnifying party of the commencement thereof, the indemnifying party shall have the right to participate in, and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party; provided, however, if counsel for the indemnifying party concludes that a single counsel cannot under applicable legal and ethical considerations, represent both the indemnifying party and the indemnified party, the indemnified party or parties have the right to select separate counsel to participate in the defense of such action on behalf of such indemnified party or parties. After notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party pursuant to the provisions of said paragraph (a) or (b) for any legal or other expense subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation, unless (i) the indemnified party shall have employed counsel in accordance with the provisions of the preceding sentence, (ii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after the notice of the commencement of the action or (iii) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying party.

If the foregoing is acceptable to you, please sign below where indicated and return a copy of this letter to the Company, whereupon this letter shall become a binding agreement between us.

NEW LEAF BRANDS, INC.

By: ______________________________
Eric Skae
President and Chief Executive Officer

Agreed to and Accepted as of the date first written above:

HOLDER:

____
Signature

____
Name

____
Address

____

Telephone: ______________________________

Facsimile: ______________________________

E-mail: ______________________________

SSN/EIN#: ______________________________

NEW LEAF BRANDS, INC.
One DeWolf Road, Suite 208
Old Tappan, New Jersey 07675

Warrant Reset and Exercise Offer

March 29, 2011

Dear Warrant Holder:

Our company has determined, based on discussions with some of our stockholders and potential financing sources, that we should reduce the exercise price of our outstanding warrants from an exercise price that is above the current market price of our common stock. We currently have outstanding warrants to purchase approximately 54,501,220 shares of our common stock, with an exercise price of $0.15 per share. On March 28, 2011, the closing price for our common stock was $0.13 per share, as quoted by the OTC Bulletin Board.

We are therefore contacting you, and all of our other current warrant holders, with an offer that will remain open only until **Friday, April 15, 2011** (which may be extended at our sole discretion for a period of up to an additional 14 days), to exercise your warrants on the following revised terms:

- You would agree to exercise all of your current warrants based on a new exercise price of $0.075 per share in cash, which is less than the exercise price of your warrants. Therefore, while you would receive the same number of shares of common stock upon exercise of your current warrants, you may do so at a substantially reduced aggregate purchase price. The shares you would receive upon exercise of your current warrants have not been previously registered with the U.S. Securities and Exchange Commission and will be issued with a restrictive legend.

- You are not obligated to exercise your current warrants at this time. Should you decide not to participate in this transaction, your current warrants will remain unchanged (except for certain amendments described in Annex A - Risk Factors attached hereto).

We intend to use the proceeds of the exercise of the current warrants for working capital and other general corporate purposes. If all outstanding warrants are exercised, we expect to receive proceeds of approximately $4,087,590. There will be no fees or commissions payable to any third party resulting from the exercise of the current warrants.

Our board of directors has approved the warrant reset and exercise offer described in this letter and recommends that warrant holders exercise their current warrants on these terms. Certain of our largest warrant holders have indicated to us that they will participate in this warrant reset and exercise offer.

Before you make a new investment in our company by exercising your warrant on the revised terms described in this letter, you should review and consider the risk factors described in Annex A to this letter, along with the information in our Annual Report on Form 10-K for the year ended December 31, 2009, filed with the U.S. Securities and Exchange Commission ("SEC") on March 31, 2010, and our latest Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, filed with the SEC on November 22, 2010, each of which is incorporated herein in its entirety by reference. In addition, you should review the tax consequences of the warrant reset and exercise summarized in Annex B to this letter. Finally, as the offer described in this letter is intended to be a private placement exempt from the registration requirements imposed by the SEC, you should review the notices regarding such matters in Annex C to this letter.

If you wish to exercise your warrants on the terms set forth in this letter, please complete and execute the **Warrant Exercise Agreement** and **Registration Rights Letter** attached as Annex D and Annex E to this letter, respectively, and return them to New Leaf Brands, together with your payment of the exercise price, no later than **Friday, April 15, 2011**. We have separately included the respective signature pages for these agreements for your convenience. The two signature pages should be sent by facsimile to the attention of David Tsiang, our Chief Financial Officer, at facsimile number (201) 543-0297, or by e-mail (via .pdf) to him at dtsiang@newleafbrands.com, and all original executed materials should be sent by mail to New Leaf Brands, Inc., One DeWolf Road, Suite 208, Old Tappan, New Jersey 07675, Attn: Mr. David Tsiang, Chief Financial Officer. Checks for the exercise price should be made payable to "New Leaf Brands, Inc. - Warrant Exercise." If you wish to pay the exercise price by wire transfer, please do so in accordance with the following instructions:

Account Name:	New Leaf Brands, Inc.
Account #	855246237
ABA #	122100024
Bank:	JP Morgan Chase Bank
Address:	60 Dutch Hill Road Orangeburg, New York 10962
Contact:	Elaine Lin
Telephone:	845-359-5350
Fax:	845-359-4850

Please call me at (201) 784-2400, ext. 14, or Spencer G. Feldman, our legal counsel at Greenberg Traurig, LLP, at (212) 801-9221, with any questions you may have about the offer described in this letter.

Sincerely,

Eric Skae

Eric Skae
President and Chief Executive Officer

This letter shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

Annex A

Risk Factors

An investment in the shares of common stock offered hereby involves a high degree of risk. In addition to the other information contained and incorporated by reference in this letter (including the risk factors stated therein), you should carefully consider the following risks before purchasing the shares offered hereby. If any of these risks occurs, our business, financial condition and operating results could be materially adversely affected. The following are not the only risks and uncertainties we face. Additional risks and uncertainties of which we are unaware or which we currently believe are immaterial could also adversely affect our business, financial condition or results of operations. In any case, the trading price of our common stock could decline and you could lose all or part of your investment.

Risks Relating to Our Company

You should consider the following summary risk factors, in addition to those risk factors set forth under the caption "Item 1A – Risk Factors; Risks Related to Our Business" contained in our Annual Report on Form 10-K for the year ended December 31, 2009, and under the caption "Item 1A – Risk Factors" contained in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, for risks related to our business:

- We have limited cash resources and our limited cash could hinder our ability to run our ongoing operations, including producing our beverage products.

- We have a material amount of outstanding debt that may hinder our ability to sustain or grow our business.

- We have outstanding indebtedness that may have to be renegotiated or refinanced.

- Our existing and future debt obligations could impair our liquidity and financial condition.

- Approximately 14% of our sales are from one customer and if that customer cannot pay amounts due to us in a timely manner, our liquidity and business may be negatively impacted.

- We may be liable for an earn-out contingency payment of up to $4,776,100 related to our acquisition of Skae Beverage International, LLC and if this amount comes due and we are unable to renegotiate this payment, we may have to cease operations.

Risks Related to this Offer

In addition to the risk factors below, you should also read "Risk Factors – Risks Related To Our Securities" in our Annual Report on Form 10-K referenced above for risks related to this offer and our common stock.

We are dependent on the net proceeds of this warrant reset and exercise offer; there is no minimum number of warrants that must be exercised in this offer.

We have limited available cash and are dependent on the proceeds of this warrant reset and exercise offer, to fund our current and proposed operations. However, there is no minimum number of warrants that must be exercised before we can accept such exercises and apply the proceeds from such exercises. Moreover, there can be no assurance that all current warrant holders will accept the offer set forth in this letter and exercise their warrants. Further, there can be no assurance that the amount of net proceeds received by us from the exercise of less than all of the warrants will be adequate to enable us to pursue our intended operations in the manner or to the extent that we contemplate. As a result, investors will have a greater risk of loss if an insufficient number of our warrant holders choose to exercise their warrants such that we cannot fund our current and proposed operations adequately.

There are certain restrictions on transferability of the shares of common stock issuable upon exercise of the warrants.

The shares of common stock issuable upon exercise of the warrants have not been registered under the Securities Act or any state or foreign securities laws in reliance upon an exemption from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. Unless such shares are so registered, they may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or foreign securities laws. Holders will be required to make representations agreeing to restrictions on transfer necessary to satisfy the requirements of the exemption from registration being relied upon by us for the issuance of shares of common stock into which the warrants are exercisable, and certificates evidencing such shares will bear a legend indicating that they are so restricted. Moreover, there can be no assurance that we will ever file a registration statement to register the shares of our common stock into which our warrants are exercisable, or that if filed, such registration statement will become effective, or that once effective, such effectiveness will be maintained. Accordingly, an investor may be unable to liquidate an investment for an indefinite period of time.

Our common stock is quoted in the over-the-counter market and considered a "penny stock," making it difficult to sell when desired.

The SEC has adopted regulations which generally define "penny stock" to be an equity security that has a market price of less than $5.00 per share or an exercise price of less than $5.00 per share, subject to specific exemptions. The market price of our common stock is less than $5.00 per share and therefore may be designated as a "penny stock" according to rules of the SEC. This designation requires any broker or dealer selling these securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities. These rules may restrict the ability of brokers or dealers to sell our common stock and may affect the ability of our stockholders to sell their shares. In addition, since our common stock is currently quoted on the OTC Bulletin Board, stockholders may find it difficult to obtain accurate quotations of our common stock, and may experience a lack of buyers to purchase such stock or a lack of market makers to support the stock price.

Our management and principal stockholders own a substantial amount of our common stock and are capable of influencing our affairs, which may not always be in the best interests of all stockholders.

Our officers, directors and principal stockholders control approximately 28.0% of our outstanding shares of common stock prior to this transaction. If these stockholders act together, they may be able to exert significant control over our management and affairs requiring stockholder approval, including approval of significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing a change in control and might adversely affect the market price of our common stock. This concentration of ownership may not be in the best interests of all our stockholders.

Investors should not anticipate receiving cash dividends on our common stock.

We have never declared or paid any cash dividends or distributions on our common stock. We intend to retain our future earnings to support operations and to finance expansion, and therefore, we do not anticipate paying any dividends on our common stock in the foreseeable future.

We do not expect to be able to timely file our 2010 Annual Report on Form 10-K with the SEC.

We do not expect to be able to timely file our Annual Report on Form 10-K for the year ended December 31, 2010 with the SEC, which is required to be filed by March 31, 2011. We also do not believe that we will be able to make this filing within the 15-day permitted extension period under the Securities Exchange Act. If we are not able to file our Annual Report, or any future periodic report, in the time specified by the Exchange Act, our shares of common stock could be removed from quotation on the OTC Bulletin Board and we could lose our ability to file registration statements with the SEC for future capital raises, and that could impair the trading market for our shares and our ability to conduct operations. Additionally, you will not have current business and financial information about us available to you while we are delinquent. Our inability to timely file periodic reports in the future could materially and adversely affect our financial condition and results of operations.

Holders which do not exchange their warrants will be subject to certain amended terms which may be reviewed as less favorable to them.

Prior to the completion of this offer, certain of our largest warrant holders have agreed to amend the registration rights agreement previously entered into in connection with our last round of financing to eliminate any and all liquidated damages for our failure to comply with the registration terms of that agreement. As a result, those holders which do not accept the warrant reset and exercise offer will be nonetheless subject to these amended terms, which may be viewed as less favorable to them compound with their existing rights.

Annex B

Tax Consequences

If you agree to exercise your warrant based on the reduced exercise price of $0.75 per share, the difference between the fair market value of the warrant with the new exercise price (the “New Warrant”) and the fair market value of the warrant with the original exercise price (the “Old Warrant”) should be treated as a distribution (“Distribution”) under Section 305 of the Internal Revenue Code of 1986, as amended.

Such a Distribution should be treated as a dividend, taxable to you as ordinary income, to the extent it is paid from our current or accumulated earnings and profits. Because our company does not have current or accumulated earnings and profits, the Distribution will be treated first as a tax-free return of your investment, up to your adjusted tax basis in the Old Warrant. Once your adjusted tax basis in the Old Warrant is reduced to zero, the excess Distribution, if any, will be treated as capital gain.

Your basis in the New Warrant should be equal to the (a) the amount of the Distribution plus (b) your adjusted basis in the Old Warrant. Upon exercise of the New Warrant, the basis of the New Warrant and the exercise price of such New Warrant should be allocated to the common stock received upon such exercise.

IRS Circular 230 Notice

To ensure compliance with Internal Revenue Service Circular 230, warrant holders are hereby notified that (i) any discussion of U.S. federal tax issues in this letter is not intended or written by us to be relied upon, and cannot be relied upon, by any such holders for the purpose of avoiding penalties that may be imposed on such holders under the Internal Revenue Code; (ii) such discussion is written to support the promotion or marketing of the transactions or matters addressed in this letter and (iii) warrant holders should seek advice based on their particular circumstances from an independent tax advisor.

Annex C

Private Placement Notices

The shares of common stock issuable upon exercise of the warrants have not been registered under the Securities Act of 1933, as amended. This offer is being made pursuant to the exemption provided by Section 4(2) of the Securities Act and certain rules and regulations promulgated under that section. Accordingly, you may not transfer the common stock issuable upon exercise of the warrants in the absence of an effective registration statement under the Securities Act or evidence acceptable to us and our counsel, which may include an opinion of counsel, that registration is not required.

We request that you maintain the confidentiality of the offer described in this letter. Further, the existence and nature of all conversations regarding this offer and our company must be kept strictly confidential. You should be aware that the federal securities laws impose restrictions on the purchase or sale of our securities based on information regarding this offer and the communication of information regarding this offer. We request that you promptly destroy or return to us this letter and any other documents or information furnished by or on our behalf if you elect not to purchase the shares of common stock offered hereby.

We intend that this offer be made only to accredited investors (as defined under Rule 501(a) under the Securities Act) purchasing in the ordinary course of their business for their own account for investment and not with a view to, or in connection with any arrangements or understandings regarding, any subsequent distributions. An investment in the shares of common stock described in this letter is speculative and involves a high degree of risk. Only investors who can bear the risk of loss of their entire investment in the shares offered hereby should invest and investors should understand that they will be required to bear the financial risk of any investment in these shares for an indefinite period of time. In addition, the common stock issuable upon exercise of the warrants are subject to restrictions on their transferability and resale and may not be transferred or resold except as permitted under the registration rights letter entered into by us and the holders, the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom.

Neither the SEC nor any state regulatory authority has passed upon the adequacy or accuracy of this letter or endorsed the merits of this offer. Any representation to the contrary is a criminal offense. In addition, this letter does not constitute an offer to sell or a solicitation of an offer to buy any of our shares of common stock in any state or other jurisdiction or to any person if such an offer or solicitation is unlawful or unauthorized. You must comply with all applicable laws and regulations in force and any jurisdiction in which you purchase, offer or sell the shares offered hereby and must obtain any consent, approval or permission required for your purchase, offer or sale of the shares of common stock under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales.

The shares of common stock into which the warrants are exercisable have not been registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and any state or foreign securities laws. Accordingly, the shares are only being offered to accredited investors.

We urge you to read all of the documents contained and incorporated by reference in this letter. In addition, you should conduct and rely on your own due diligence investigation of our company and the terms of this offer, including the merits and risks involved, before making an investment decision with respect to the shares of common stock offered hereby. In addition, you should not construe the contents of this letter as investment, tax or legal advice. You, your investment, tax or other advisors and your accountants and legal counsel should review this letter, as well as the nature of the investment in the shares offered hereby.

Annex D

Warrant Exercise Agreement

THIS WARRANT EXERCISE AGREEMENT (the “Agreement”) is dated as of __________, 2011, by and between New Leaf Brands, Inc., a Nevada corporation (the “Company”), and the undersigned holder of the Company’s Warrants, as defined below (“Warrantholder”).

W I T N E S S E T H

WHEREAS, Warrantholder is the legal and beneficial owner of certain presently-exercisable warrants (the “Warrants”) to purchase shares of the Company’s common stock (the “Common Stock”);

WHEREAS, the Company has offered to eligible holders of its warrants to purchase Common Stock, including Warrantholder, the opportunity, for a limited period, to exercise such warrants at a revised exercise price of $0.075 per share, as set forth in a notice to such holders dated March __, 2011 (the “Notice”);

WHEREAS, Warrantholder has determined to exercise all of the Warrants currently held by Warrantholder in accordance with the terms set forth in the Notice; and

WHEREAS, in connection with such exercise, the Company and Warrantholder will enter into a Registration Rights Letter, pursuant to which the Company will agree to file on behalf of Warrantholder a registration statement under the Securities Act of 1933, as amended, covering the shares of Common Stock underlying the Warrants.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Warrantholder hereby exercises the Warrant No(s). ______________ currently held by Warrantholder entitling Warrantholder to acquire _______________ shares of Common Stock. Concurrently with the execution and delivery of this Agreement, Warrantholder shall deliver to the Company the exercise price of $0.075 per share in accordance with the instructions set forth in the Notice.

2. The Company agrees to immediately issue in the name of Warrantholder _________ shares of its Common Stock, with all appropriate transfer taxes paid, if any, at the expense of the Company, and with a restrictive legend, if applicable.

3. Warrantholder represents and warrants to the Company that it is an “accredited investor,” as defined in Rule 501 promulgated under the Securities Act of 1933, as amended. Warrantholder understands and acknowledges that (i) the shares of Common Stock underlying the Warrants have not been registered with or approved by the U.S. Securities and Exchange Commission (“SEC”) or any state securities commission or authority; (ii) any subsequent transfer of the shares of Common Stock by Warrantholder is restricted in accordance with the requirements of the SEC and applicable state securities laws; (iii) a legend referencing such restrictions on transfer shall be affixed to the certificates evidencing the shares of Common Stock; (iv) Warrantholder is a sophisticated investor capable of evaluating the merits and risks of accepting the shares of Common Stock in exchange for exercising the Warrants; (v) the Company has made available to Warrantholder all relevant, information and the ability to ask questions of the Company regarding its shares of Common Stock, financial condition and business prospects; and (vi) Warrantholder has had the ability to obtain independent advise and counsel from his, her or its legal or tax advisors prior to executing this Agreement consummating the transactions contemplated hereby.

4. Upon exercise of the Warrant(s) held by Warrantholder, such Warrants shall be terminated and of no further force or effect, and any defaults thereunder shall be waived.

5. All of the terms and provisions of this Agreement, whether so expressed or not, shall be binding upon, inure to the benefit of, and be enforceable by the parties and their respective administrators, executors, legal representatives, heirs, successors and permitted assigns.

6. This Agreement and all transactions contemplated by this Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to its principles of conflict of laws. The parties hereby consent to the exclusive jurisdiction of the United States District Court for the Southern District of New York, or, if jurisdiction in such court is found to be lacking, the courts of the State of New York having proper jurisdiction (as well as the appropriate appellate courts), in any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement.

7. This Agreement represents the entire understanding and agreement among the parties with respect to the subject matter hereof, and supersedes all other negotiations, understandings and representations, if any, made by and among such parties.

8. As between Warrantholder and the other current holders of Warrants, Warrantholder’s obligations under this Agreement are several and not joint.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above.

NEW LEAF BRANDS, INC.

By: Eric Skae
Eric Skae
President and Chief Executive Officer

WARRANTHOLDER:

____
Signature

____
Name

____
Address

Telephone: ______________________________

Facsimile: ______________________________

E-mail: ______________________________

SSN/EIN#: ______________________________

<u>Annex E</u>

NEW LEAF BRANDS, INC.
One DeWolf Road, Suite 208
Old Tappan, New Jersey 07675

Registration Rights Letter

_________, 2011

Dear Warrant Holder:

Reference is made to the Warrant Exercise Agreement, dated as of ________, 2011, by and between New Leaf Brands, Inc., a Nevada corporation (the “Company”), and the undersigned holder (“Holder”) of the Company’s Warrants (the “Warrant Exercise Agreement”), pursuant to which the Company has agreed to provide registration rights to the Holder in respect of the shares of Common Stock issuable upon exercise of such Warrants. All capitalized terms not defined herein shall have the meaning ascribed to them in the Warrant Exercise Agreement.

1. <u>Required Registration Under the Securities Act</u>.

(a) The Company shall, for the benefit of the holders of Registrable Securities (as defined below), at the Company's cost, file with the SEC on or prior to six months after the expiration date of the warrant reset and exercise offer described in the Notice, a Shelf Registration Statement (as defined below) providing for the sale by the holders of all the Registrable Securities, and shall use its best efforts to have such Shelf Registration Statement declared effective by the Commission as soon as practicable thereafter. The Company agrees to use its best efforts to keep the Shelf Registration Statement continuously effective for a period of one year after the date of effectiveness (the "Effectiveness Period"). The Company further agrees, if necessary or appropriate, to supplement or amend the Shelf Registration Statement, if required by the rules, regulations or instructions applicable to the registration form used by the Company for such Shelf Registration Statement or by the Securities Act of 1933, amended (the “Securities Act”), or by any other rules and regulations thereunder for such registrations, and the Company agrees to furnish to the holders of Registrable Securities copies of any such supplement or amendment promptly after its being used or filed with the SEC. As used in this Registration Rights Letter, (i) “Registrable Securities” shall mean (A) the shares of Common Stock issuable upon exercise of the Warrants, and (B) any securities issued in exchange for or substitution of any thereof or as a result of a stock split or combination or as a dividend or other distribution in respect thereof, and (ii) “Shelf Registration Statement” shall mean a “shelf” registration statement which covers all of the Registrable Securities on an appropriate form under Rule 415 under the Securities Act, or any similar rule that may be adopted by the SEC, and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

(b) <u>Effective Registration Statement</u>. A Shelf Registration Statement pursuant to Section 1 above will not be deemed to have become effective unless it has been declared effective by the SEC; <u>provided</u> that if, after it has been declared effective, the offering of Registrable Securities pursuant to a Shelf Registration Statement is interfered with by any stop order, injunction or other order or requirement of the SEC or any other governmental agency or court, such Registration Statement will be deemed not to have been effective during the period of such interference, until the offering of Registrable Securities pursuant to such Registration Statement may legally resume. The Company will be deemed not to have used its reasonable efforts to cause the Shelf Registration Statement to become, or to remain, effective during the requisite period if it voluntarily takes any action that would result in any such Registration Statement not being effective or in the holders of Registrable Securities covered thereby not being able to offer and sell such Registrable Securities during that period.

2. "Piggyback Registration Rights. If, at any time after the date hereof, the Company shall determine to proceed with the preparation and filing of a registration statement under the Securities Act in connection with the proposed offer and sale of any of its securities by it or any of its security holders (other than a registration statement on Form S-4, S-8 or other limited purpose form), the Company will give written notice of its determination to all record holders of the Registrable Securities. Upon the written request from any requesting holders of Registrable Securities, within 15 days after receipt of any such notice from the Company, the Company will, except as herein provided, cause all such Registrable Securities to be included in such registration statement, all to the extent requisite to permit the sale or other disposition by the prospective seller or sellers of the Registrable Securities to be so registered; provided, however, that nothing herein shall prevent the Company from, at any time, abandoning or delaying any registration. If any registration pursuant to this Section 2 shall be underwritten in whole or in part, the Company may require that the Registrable Securities requested for inclusion pursuant to this Section 2 be included in the underwriting on the same terms and conditions as the securities otherwise being sold through the underwriters. If in the good faith judgment of the managing underwriter of such public offering the inclusion of all of the Registrable Securities originally covered by a request for registration (the "Requested Stock") would reduce the number of shares to be offered by the Company or interfere with the successful marketing of the shares of stock offered by the Company, the number of shares of Requested Stock otherwise to be included in the underwritten public offering may be reduced pro rata (by number of shares) among the holders thereof requesting such registration or excluded in their entirety if so required by the underwriter. To the extent only a portion of the Requested Stock is included in the underwritten public offering, those shares of Requested Stock which are thus excluded from the underwritten public offering shall be withheld from the market by the holders thereof for a period, not to exceed 180 days, which the managing underwriter reasonably determines is necessary in order to effect the underwritten public offering.

The obligation of the Company under Section 1 and this Section 2 shall not apply to Registrable Securities that at such time are eligible for immediate resale pursuant to Rule 144 under the Securities Act.

3. Expenses.

(a) With respect to the registration required pursuant to Section 1 hereof, all fees, costs and expenses of and incidental to such registration, inclusion and public offering (as specified in paragraph (b) below) in connection therewith shall be borne by the Company; provided, however, that the Holders shall bear their pro rata share of the underwriting discount and commissions and transfer taxes and the cost of their own counsel.

(b) The fees, costs and expenses of registration to be borne by the Company as provided in paragraph (a) above shall include, without limitation, all registration, filing and FINRA fees, printing expenses, fees and disbursements of counsel and accountants for the Company, and all legal fees and disbursements and other expenses of complying with state securities or blue sky laws of any jurisdictions in which the securities to be offered are to be registered and qualified (except as provided in Section 3(a) above). Fees and disbursements of counsel and accountants for the Holders and any other expenses incurred by the Holders not expressly included above shall be borne by the Holders.

4. Indemnification.

(a) The Company will indemnify and hold harmless each Holder of Registrable Securities which are included in a registration statement pursuant to the provisions of Section 1 hereof, its directors and officers, and any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or such underwriter within the meaning of the Securities Act, from and against, and will reimburse such Holder and each such underwriter and controlling person with respect to, any and all loss, damage, liability, cost and expense to which such Holder or any such underwriter or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, damages, liabilities, costs or expenses are caused by any untrue statement or alleged untrue statement of any material fact contained in such registration statement, any prospectus contained therein or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; provided, however, that the Company will not be liable in any such case to the extent that any such loss, damage, liability, cost or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished by or on behalf of such Holder, such underwriter or such controlling person in writing specifically for use in the preparation thereof.

(b) Each Holder of Registrable Securities included in a registration statement pursuant to the provisions of Section 1 or 2 hereof will indemnify and hold harmless the Company, its directors and officers, any controlling person and any underwriter from and against, and will reimburse the Company, its directors and officers, any controlling person and any underwriter with respect to, any and all loss, damage, liability, cost or expense to which the Company or any controlling person and/or any underwriter may become subject under the Act or otherwise, insofar as such losses, damages, liabilities, costs or expenses are caused by any untrue statement or alleged untrue statement of any material fact contained in such registration statement, any prospectus contained therein or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was so made in reliance upon and in strict conformity with written information furnished by or on behalf of such Holder specifically for use in the preparation thereof, or if the Holder sells after receiving a notice as contemplated by Section 2 hereof.

(c) Promptly after receipt by an indemnified party pursuant to the provisions of paragraph (a) or (b) of this Section 4 of notice of the commencement of any action involving the subject matter of the foregoing indemnity provisions such indemnified party will, if a claim thereof is to be made against the indemnifying party pursuant to the provisions of said paragraph (a) or (b), promptly notify the indemnifying party of the commencement thereof; but the omission to so notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than hereunder. In case such action is brought against any indemnified party and it notifies the indemnifying party of the commencement thereof, the indemnifying party shall have the right to participate in, and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party; provided, however, if counsel for the indemnifying party concludes that a single counsel cannot under applicable legal and ethical considerations, represent both the indemnifying party and the indemnified party, the indemnified party or parties have the right to select separate counsel to participate in the defense of such action on behalf of such indemnified party or parties. After notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party pursuant to the provisions of said paragraph (a) or (b) for any legal or other expense subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation, unless (i) the indemnified party shall have employed counsel in accordance with the provisions of the preceding sentence, (ii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after the notice of the commencement of the action or (iii) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying party.

If the foregoing is acceptable to you, please sign below where indicated and return a copy of this letter to the Company, whereupon this letter shall become a binding agreement between us.

NEW LEAF BRANDS, INC.

By: Eric Skae ______________________

Eric Skae
President and Chief Executive Officer

Agreed to and Accepted as of the date first written above:

HOLDER:

____
Signature

____
Name

____
Address

____

Telephone: ______________________

Facsimile: ______________________

E-mail: ______________________

SSN/EIN#: ______________________

090401

ROSS MILLER
Secretary of State
204 North Carson Street, Suite 1
Carson City, Nevada 89701-4520
(775) 684 5708
Website: www.nvsos.gov

Filed in the office of	Document Number 20110049720-86
Ross Miller Secretary of State State of Nevada	Filing Date and Time 01/21/2011 2:31 PM
	Entity Number C4086-1986

Certificate of Correction

(PURSUANT TO NRS CHAPTERS 78, 78A, 80, 81, 82, 84, 86, 87, 87A, 88, 88A, 89 AND 92A)

USE BLACK INK ONLY - DO NOT HIGHLIGHT

ABOVE SPACE IS FOR OFFICE USE ONLY

Certificate of Correction

(Pursuant to NRS Chapters 78, 78A, 80, 81, 82, 84, 86, 87, 87A, 88, 88A, 89 and 92A)

1. The name of the **entity** for which correction is being made:

New Leaf Brands, Inc.

2. Description of the original document for which correction is being made:

Certificate of Designation

3. Filing date of the original document for which correction is being made: January 14, 2011

4. Description of the inaccuracy or defect.

Page 9 thereof omitted the date of the "Purchase Agreement", as defined in Section 9(b)(i) thereof.

5. Correction of the inaccuracy or defect.

Section (9) to read "(i) shares of Series K Preferred Stock issued pursuant to the Securities Purchase Agreement, dated as of January 20, 2011, between the Company and the purchasers listed on the signature pages thereto (the "Purchase Agreement"), and "

6. Signature:

X David Fuselier

Authorized Signature

Chief Financial Officer — **Title** *

1/21/11 — **Date**

* If entity is a corporation, it must be signed by an officer if stock has been issued, OR an incorporator or director if stock has not been issued; a limited-liability company, by a manager or managing members: a limited partnership or limited-liability limited partnership, by a general partner: a limited-liability partnership, by a managing partner; a business trust, by a trustee.

IMPORTANT: Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.

This form must be accompanied by appropriate fees.

150101

ROSS MILLER
Secretary of State
204 North Carson Street, Suite 1
Carson City, Nevada 89701-4520
(775) 684-5708
Website; www.nvsos.gov

Certificate of Designation

(PURSUANT TO NRS 78.1955)

USE BLACK INK ONLY - DO NOT HIGHLIGHT **ABOVE SPACE IS FOR OFFICE USE ONLY**

Certificate of Designation For
Nevada Profit Corporations
(Pursuant to NRS 78.1955)

1. Name of corporation:

New Leaf Brands, Inc.

2. By resolution of the board of directors pursuant to a provision in the articles of incorporation this certificate establishes the following regarding the voting powers, designations, preferences, limitations, restrictions and relative rights of the following class or series of stock.

ARTICLE 1
DESIGNATION AND AMOUNT

The designation of this series, which consists of One Million (1,000,000) shares, shall be designated Series L 6% Redeemable, Partially Convertible, Partially Cumulative Preferred Stock and the stated value thereof shall be Ten Dollars ($10) per share (the "Stated Value").

3. Effective date of filing: (optional) N/A

(must not be later than 90 days after the certificate is filed)

4. Signature: (required)

X

Signature of Officer

Filing Fee: $175.00

IMPORTANT: Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.

ARTICLE 2
RANK

The Series L Preferred Stock shall rank senior to all other Capital Stock of the Company outstanding at the time of the Issue Date other than the Series K 10% Convertible Preferred Stock of the Company (the "Series K Preferred Stock") and shall rank junior to the Series K Preferred Stock, any future series of senior preferred stock issued after the Issue Date, and all outstanding indebtedness of the Company.

ARTICLE 3
DIVIDENDS

3.1 Each holder of the Series L Preferred Stock shall be entitled to receive, out of funds legally available for the payment of dividends, dividends payable in cash at the Dividend Rate on the Stated Value of each share of Series L Preferred Stock on and as of each Dividend Payment Due Date with respect to each Dividend Period; provided, however, subject to the next sentence, if funds are not legally available for the payment of dividends, dividends will be paid in shares of Common Stock which shall be valued (the "Common Stock Dividend Price"), solely for such purpose at 90% of the average of the Current Market Price for the 20 consecutive Trading Days ending on the Trading Day that is immediately prior to the Dividend Payment Due Date; provided, further, however, that in no event shall the Common Stock Dividend Price be less than $0.05 per share. If the Common Stock Dividend Price would be less than $0.05, as calculated in the immediately preceding sentence (without giving effect to the second proviso thereof), the holder may elect to either (i) accept the number of shares of Common Stock calculated as if the Common Stock Dividend Price was then $0.05 as full payment of such dividend; or (ii) elect to postpone any dividend payment until funds are legally available for payment of such dividends ("Elected Dividends"). Holders of shares of Series L Preferred Stock with respect to which Elected Dividends remain outstanding shall be entitled to elect at any time to convert such Elected Dividends into Common Stock at the Common Stock Dividend Price; provided, however, that in no event shall the Common Stock Dividend Price for such purpose be less than $0.05; and provided, further, however, that if Common Stock Dividend Price would be less than $0.05, as calculated in the immediately preceding sentence (without giving effect to the second proviso thereof), the holder may elect to accept the number of shares of Common Stock calculated as if the Common Stock Dividend Price was then $0.05 as full payment of such dividend. Dividends on the Series L Preferred Stock shall be cumulative from the date of issue, whether or not declared for any reason, including if such declaration is prohibited under any outstanding indebtedness or borrowings of the Company or any of its wholly-owned subsidiaries, or any other contractual provision binding on the Company or any of its wholly-owned subsidiaries, and whether or not there shall be funds legally available for the payment thereof. Dividends payable on June 20, 2012 shall be calculated on a pro rata basis based on the number of days between the Issue Date and December 31, 2012. Additionally, the final interest payment will be calculated on a pro rata basis using the date the Series L Preferred Stock is sold, transferred, converted, redeemed or other similar transaction.

3.2 Each dividend shall be payable within ten Business Days of each Dividend Payment Due Date, commencing June 30, 2012, to the holders of record of the Series L Preferred Stock, as they appear on the stock records of the Company at the close of business on the fifth Business Day immediately preceding such Dividend Payment Due Date. Accrued and unpaid dividends for any past Dividend Period shall be paid to holders of record upon the occurrence of a Liquidation Event and upon conversion of shares of Series L Preferred Stock pursuant to Article 6.

ARTICLE 4
LIQUIDATION PREFERENCE

4.1 Upon the occurrence of any Liquidation Event, no distribution shall be made to the holders of any shares of Capital Stock of the Company unless prior thereto, the holders of shares of Series L Preferred Stock, subject to this Article 5, shall have received the Liquidation Preference with respect to each share.

For purposes hereof, the term "Liquidation Event" means (i)(a) an acquisition after the date hereof by an individual or legal entity or "group" (as described in Rule 13d-5(b)(l) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of Capital Stock of the Company, by contract or otherwise) of in excess of seventy percent (70%) of the voting securities of the Company, (b) the merger or consolidation of the Company or any wholly-owned subsidiary in one or a series of related transactions with or into another entity as a result of which the Company ceases to exist or as a result of which the Common Stock ceases to be a class of securities registered under the Exchange Act, other than (i) a merger solely for the purpose of changing the jurisdiction of incorporation of the Company and resulting in a reclassification, conversion or exchange of outstanding shares of Common Stock solely into shares of common stock of the surviving entity, or (ii) a merger or consolidation pursuant to which holders of the Capital Stock of the Company immediately prior to such transaction have the right to exercise, directly or indirectly, fifty one percent (51%) or more of the total voting power of all shares of the Capital Stock entitled to vote generally in elections of directors of the continuing or surviving person immediately after giving effect to such issuance, (c) the sale, lease, license or other disposition of all or substantially all the assets or any substantial asset of the Company in one or a series of related transactions, or (d) the execution by the Company of an agreement to which the Company is a party or by which it is bound, providing for any of the events set forth above in (a), (b) or (c), or (ii) any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary.

4.2 Upon the occurrence of any Liquidation Event, before any distribution or payment shall be made to the holders of any junior stock and after any payments made to holders of Series K Preferred Stock and any future series of preferred stock senior in right of preference to the Series L Preferred Stock with respect to the entitlement to receive liquidation proceeds upon the occurrence of a Liquidation Event (including for avoidance of doubt the right of the Series K Preferred Stock to receive the amount it would have received pursuant to Section 5.3 of the Certificate of Designations governing the rights of the Series K Preferred Stock as if there were no shares of Series L Preferred stock outstanding at the time of such Liquidation Event), the holders of Series L Preferred Stock shall be entitled to be paid out of the assets of the Company legally available therefore the Liquidation Preference ratably with respect to each share of Series L Preferred Stock held by such holder. If, upon any such Liquidation Event, the remaining assets of the Company legally available for payment of the aggregate amount of all Liquidation Preferences payable in respect of outstanding shares of Series L Preferred Stock (after payment of requisite liquidation distributions or payments to holders of shares of Series K Preferred Stock and holders of any future series of preferred stock senior in preference to the Series L Preferred Stock), shall be insufficient to make payment in full of all Liquidation Preferences payable with respect to outstanding shares of Series L Preferred Stock, then all such remaining assets legally available therefor shall be distributed among the holders of shares of Series L Preferred Stock ratably in proportion to the full amounts to which they would otherwise be respectively entitled.

4.3 If, upon any Liquidation Event, the remaining assets and funds of the Company legally available for payments of the aggregate amount of all Liquidation Preferences payable in respect of shares of Series L Preferred Stock outstanding (after payment of requisite liquidation distributions or payments to holders of shares Series K Preferred Stock and any future series of preferred stock) shall be in excess of the amounts necessary to make payment in full of all Liquidation Preferences available with respect to any outstanding shares of Series L Preferred Stock, then all such excess assets and funds remaining and legally available for distribution shall be distributed among the holders of shares of Series L Preferred Stock at the time outstanding, the holders of outstanding shares of other preferred stock entitled to participate in the distribution to the holders of Common Stock upon a Liquidation Event (other than the Series K Preferred Stock to the extent holders thereof have already so participated), and the holders of the Common Stock, pro rata in proportion to the number of shares of Common Stock then owned or into which shares of Series L Preferred Stock or shares of any other such participating convertible preferred stock would then be convertible.

ARTICLE 5
CONVERSION OF PREFERRED STOCK; CONVERSION PRICE

5.1 Voluntary Conversion.

(a) 50% of each share of Series L Preferred Stock may be converted, at the option of the holder thereof, at any time and from time to time, into such number of Common Shares as shall be determined by dividing the Stated Value by the Conversion Price (as hereinafter defined) in effect at the time of conversion.

(b) In order for a holder of Series L Preferred Stock to convert such shares into shares of Common Stock, such holder shall surrender the certificate or certificates representing such shares of Series L Preferred Stock to be converted, to the Company, together with a Conversion Notice in the form attached as Annex A. Each Notice of Conversion shall specify the number of shares of Series L Preferred Stock to be converted, the number of shares of Series L Preferred Stock owned prior to the conversion at issue, the number of shares of Series L Preferred Stock owned subsequent to the conversion at issue and the date on which the conversion is to be effected, which date may not be prior to the date the applicable holder delivers such Notice of Conversion to the Company (such date, the "Conversion Date"). If no such Conversion Date is specified in the Notice of Conversion, the Conversion Date shall be such date that such Notice of Conversion to the Company is deemed delivered hereunder. If required by the Company, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Company, duly executed by the registered holder or its attorney duly authorized in writing. As promptly as practicable after receipt of the Conversion Notice, the Company shall (i) issue the Common Stock issued upon conversion in accordance with the provisions of this Article 5, and (ii) cause to be mailed for delivery to such holder: (w) a certificate representing the holder's remaining unconverted Series L Preferred Shares, (x) a certificate or certificate(s) representing the number of Common Shares to which the Holder is entitled by virtue of such conversion, (y) cash, as provided in Section 5.5, in respect of any fraction of a Common Share issuable upon such conversion and (z) cash in the amount of accrued and unpaid dividends as of the Conversion Date. The Conversion Notice shall constitute a contract between the holder and the Company, whereby the holder shall be deemed to subscribe for the number of Common Shares which it will be entitled to receive upon such conversion and, in payment and satisfaction of such subscription (and for any cash adjustment to which it is entitled pursuant to Section 5.5), to surrender the Series L Preferred Stock and to release the Company from all liability thereon. No cash payment aggregating less than $1.00 shall be required to be given unless specifically requested by the holder.

(c) Fractional Shares. No fractional shares or scrip representing fractional shares shall be issued upon the conversion of the Series L Preferred Stock. As to any fraction of a share which a holder would otherwise be entitled to purchase upon such conversion, the Company shall at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Conversion Price or round up to the next whole share. Additionally, the Company may not issue fractional shares of Series L Preferred Stock.

(d) Transfer Taxes. The issuance of certificates for shares of Common Stock on conversion of this Series L Preferred Stock shall be made without charge to any holder for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificates, provided that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the holder of such shares of Series L Preferred Stock and the Company shall not be required to issue or deliver such certificates unless or until the Person or Persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid. The Company assumed no liability with respect to any taxes based upon income.

5.2 Contingent Conversion Rights of the Company.

(a) At any time after November 30, 2012, in the event that the Current Market Price in effect for any 15 Trading Days in any consecutive 30-Trading Day period shall have exceeded two hundred percent (200%) of the Conversion Price, the Company may (but is not required to) cause the conversion of **50% of the Series L Preferred Stock** into shares of Common Stock as shall be determined by dividing the Stated Value of each share of Series L Preferred Stock by the Conversion Price in effect at the time of conversion. Such right may be exercised by the Company only upon written notice to the holders of the Series L Preferred Stock delivered within sixty (60) days of the end of such consecutive 30-day trading period.

(b) All holders of record of shares of Series L Preferred Stock will be given at least fifteen (15) Business Days prior written notice of the date (the "Contingent Conversion Date") fixed and the place designated for conversion of all shares of Series L Preferred Stock pursuant to this Section 6.2. Such notice shall be delivered to each registered holder of Series L Preferred Stock in accordance with the terms hereof. If required by the Company, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Company, duly executed by the registered holder or its attorney duly authorized in writing. On and after the Contingent Conversion Date, all rights with respect to the Series L Preferred Stock so converted, including the rights, if any, to receive notices and to vote, will terminate, except only the rights of the holders thereof, upon surrender of their certificate or certificates therefor, to receive certificates for the number of shares of Common Stock into which such Series L Preferred Stock has been converted, and payment of any accrued but unpaid dividends thereon. As promptly as practicable, the Company shall (i) issue the Common Stock issued upon conversion in accordance with the provisions of this Article 6, and (ii) cause to be mailed for delivery by overnight courier to such holder: (w) a certificate representing the holder's remaining unconverted Series L Preferred Shares, (x) a certificate or certificate(s) representing the number of Common Shares to which the Holder is entitled by virtue of such conversion, (y) cash, as provided in Section 5.5, in respect of any fraction of a Common Share issuable upon such conversion and (z) cash in the amount of accrued and unpaid dividends as of the Contingent Conversion Date.

5.3 Conversion Price. The initial conversion price shall be $0.05 per share of Common Stock, and shall be subject to adjustment from time to time, and such conversion price as adjusted shall be likewise subject to further adjustment, as hereinafter set forth. The term "Conversion Price" shall mean, as of any time, the conversion price of the Series L Preferred Stock at that time, as specified in this Section 5.3 in case no adjustment shall have been required, or such conversion price as adjusted pursuant to Section 5.4, as the case may be.

5.4 Effect on Conversion Price of Certain Events.

(a) If the Company, at any time while shares of Series L Preferred Stock is outstanding: (i) pays a stock dividend on its Common Stock or otherwise makes a distribution on any class of capital stock that is payable in shares of Common Stock, (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (iv) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or reclassification.

(d) If the Company, at any time while any shares of Series L Preferred Stock are outstanding, shall distribute to all or substantially all holders of Common Stock (and not to the holders of Series L Preferred Stock) evidence of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Stock (which shall be subject to Section 5.4(a)), then in each such case the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which (i) the denominator shall be the Current Market Price per share of Common Stock determined as of the record date mentioned above and (ii) the numerator shall be such Current Market Price per share of Common Stock on such record date less the then per share fair market value at such record date of the portion of such evidence of indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Stock so distributed applicable to one outstanding share of the Common Stock, which fair market value shall be reduced by the fair market value of consideration, if any, paid to the Company by holders of Common Stock in exchange for such evidence of indebtedness or assets or rights or warrants so distributed, in each case as such fair market value is determined by the Board of Directors of the Company in good faith.

(e) All calculations under this Section 5.4 shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be.

(f) Whenever there shall be an adjustment as provided in this Section 5.4, the Company shall within 15 Business Days thereafter cause written notice thereof to be sent to the holder in accordance with the terms hereof, which notice shall be accompanied by a certificate setting forth the number of Conversion Shares issuable and the Conversion Price thereof after such adjustment and setting forth a brief statement of the facts requiring such adjustment and the computation thereof, which certificate shall be conclusive evidence of the correctness of any such adjustment absent manifest error.

5.5 The Company shall not be required to issue fractions of shares of Common Stock or other Capital Stock of the Company upon the conversion of Series L Preferred Stock. If any fraction of a share of Capital Stock would be issuable on the conversion of Series L Preferred Stock (or specified portions thereof), the Company shall purchase such fraction for an amount in cash equal to the same fraction of the Current Market Price of such share of Common Stock on the date of conversion of Series L Preferred Stock.

5.6 Taxes. The Company will pay all stock transfer taxes (other than taxes based upon income) and other governmental charges that may be imposed with respect to the issue or delivery of shares of Common Stock upon conversion of shares of Series L Preferred Stock, excluding any tax or other charge imposed in connection with any transfer involved in the issue and delivery of shares of Common Stock in a name other than that in which the shares of Series L Preferred Stock so converted were registered.

5.7 Return. All shares of the Series L Preferred Stock converted pursuant to this Section 6, or otherwise acquired by the Company in any manner whatsoever, shall be returned to the pool of the Company's authorized but unissued shares of undesignated preferred stock; and the Company may from time to time take such appropriate corporate action as may be necessary to reduce the number of authorized shares of Series L Preferred Stock accordingly.

5.8 Reserve. The Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the Series L Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Series L Preferred Stock. The Company shall, from time to time, subject to and in accordance with applicable law, increase the authorized shares of Common Stock if at any time the number of authorized shares of Common Stock remaining unissued shall not be sufficient to permit the conversion at such time of all then outstanding Series L Preferred Stock.

5.9 Avoidance. The Company shall not amend this Certificate of Designation, its Articles of Incorporation, its By-laws or participate in any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action for the purpose of avoiding or seeking to avoid the observance or performance of any of the terms to be observed or performed by the Company pursuant to this Article 5, but shall at all times in good faith assist in carrying out all such action as may be reasonably necessary or appropriate in order to protect the rights of the holders of Series L Preferred Stock against dilution or other impairment as provided herein.

ARTICLE 6
REDEMPTION

6.1 Redemption Price. At any time after November 30, 2012, the Company may redeem in cash, out of legally available funds therefor, all or any portion of the shares of Series L Preferred Stock outstanding at a per share redemption price equal to 115% of the Stated Value of such share, plus an amount equal to any accrued and unpaid dividends to the Redemption Date (as hereafter defined) with respect to such share.

6.2 Notice of Redemption. The Company shall provide written notice of any redemption of Series L Preferred Stock to each record holder of any shares of Series L Preferred Stock subject to such redemption not more than 60 nor less than 30 calendar days prior to the date on which such redemption is to be made. The date specified in such notice for redemption is herein referred to as the "Redemption Date."

6.3 Termination of Rights. On the Redemption Date, all rights pertaining to the Series L Preferred Stock actually redeemed, including, but not limited to, any right of conversion, will cease, and such Series L Preferred Stock will no longer be deemed to be outstanding. All certificates representing the Series L Preferred Stock subject to redemption will represent only the right to receive payment in accordance with the provisions of this Article 7.

6.4 Redeemed or Otherwise Acquired Shares. Any shares of Series L Preferred Stock which are redeemed or otherwise acquired by the Company shall be canceled, may not be reissued as Series L Preferred Stock, and shall be returned to the status of authorized and unissued shares of Preferred Stock without designation as to series.

ARTICLE 7
VOTING RIGHTS

Except as otherwise provided by the Nevada Revised Statutes, each holder of shares of Series L Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which such shares of Series L Preferred Stock may be converted at the record date for any vote, and shall (except as otherwise expressly provided herein or as required by law) have voting rights and powers equal to the voting rights and powers of the Common Stock, voting together with the Common Stock as a single class and shall be entitled to notice of any shareholder's meeting in accordance with the bylaws of the Company. Fractional votes shall not, however, be permitted and any fractional voting rights resulting from the above formula (after aggregating all shares into which shares of Series L Preferred Stock held by each holder may be converted) shall be rounded upward to the nearest whole number. Holders of shares of Series L Preferred Stock shall not have cumulative voting rights.

ARTICLE 8
MISCELLANEOUS

8.1 Loss, Theft. Destruction of Preferred Stock. Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of a certificate or certificates representing shares of Series L Preferred Stock and, in the case of any such loss, theft or destruction, upon receipt of indemnity or security reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of such certificate(s), the Company shall make, issue and deliver, in lieu of such lost, stolen, destroyed or mutilated certificate(s), new certificate(s) representing shares of Series L Preferred Stock of like tenor. The Series L Preferred Stock shall be held and owned upon the express condition that the provisions of this Section 8.1 are exclusive with respect to the replacement of mutilated, destroyed, lost or stolen certificate(s) and shall preclude any and all other rights and remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement of negotiable instruments or other securities without the surrender thereof.

8.2 Who Deemed Absolute Owner. The Company may deem the Person in whose name the Series L Preferred Stock shall be registered upon the registry books of the Company to be, and may treat it as, the absolute owner of the Series L Preferred Stock for the purpose of receiving payment of dividends on the Series L Preferred Stock, for the conversion of the Series L Preferred Stock and for all other purposes, and the Company shall not be affected by any notice to the contrary. All such payments and such conversion shall be valid and effectual to satisfy and discharge the liability upon the Series L Preferred Stock to the extent of the sum or sums so paid or the conversion so made.

8.3 Permits, Consents and Approvals. The Company will (a) obtain and keep effective any and all permits, consents and approvals of Federal or state governmental agencies and authorities and make all filings under Federal and state securities laws, that are required in connection with the issuance of Series L Preferred Stock, the conversion of Series L Preferred Stock, and the issuance and delivery of the Conversion Shares issued upon conversion of Series L Preferred Stock, and (b) have the Conversion Shares, upon their issuance and eligibility for listing, listed on each securities exchange on which the Common Stock are then listed.

8.4 Withholding. To the extent required by applicable law, the Company may withhold amounts for or on account of any taxes imposed or levied by or on behalf of any taxing authority in the United States having jurisdiction over the Company from any payments made pursuant to the Series L Preferred Stock.

8.5 Amendments. No amendment or modification of this Certificate of Designation shall be binding or effective without the prior written consent of the holders of 51% in interest of the Series L Preferred Stock outstanding at the time such action is taken; provided, however, that the Company may amend this Certificate of Designation from time to time without the prior consent of any holder of Series L Preferred Stock solely to increase the number of shares of Series L Preferred Stock authorized for issuance.

8.6 Headings. The headings of the Articles and Sections of this Certificate of Designation are inserted for convenience only and do not constitute a part of this Certificate of Designation.

8.7 Severability. If any provision of this Certificate of Designation, or the application thereof to any person or entity or any circumstance, is invalid or unenforceable, (i) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision, and (ii) the remainder of this Certificate of Designation and the application of such provision to other persons, entities or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

8.8 Notices. All notices that are required or permitted hereunder shall be in writing and shall be sufficient if personally delivered, sent by facsimile in the case of notice to the Company only, or sent by registered or certified mail or Federal Express or other nationally recognized overnight delivery service. Any notices shall be deemed given upon the earlier of the date when received at, the day when delivered via facsimile or the third day after the date when sent by registered or certified mail or the day after the date when sent by Federal Express to, the address set forth below, unless such address is changed by notice to the other party hereto:

if to the Company:
New Leaf Brands, Inc
1 DewolfRoad, Suite 208
Old Tappan, NJ 07675
Attention: Chief Executive Officer
Facsimile: (201) 543-0297

if to the holder: As set forth in the register of the Company.

ARTICLE 9
DEFINITIONS

The terms defined in this Article 1 whenever used in this Certificate of Designation have the following respective meanings:

"Affiliate" has the meaning ascribed to such term in Rule 12b-2 under the Exchange Act.

"Board" or "Board of Directors" means the Board of Directors of the Company.

"Business Day" means a day other than Saturday, Sunday or any day on which banks located in the State of New York are authorized or obligated to close.

"Capital Shares" or "Capital Stock" means the Common Shares and any other shares of any other class or series of capital stock, whether now or hereafter authorized and however designated, which have the right to participate in the distribution of earnings and assets (upon dissolution, liquidation or winding-up) of the Company.

"Common Shares" or "Common Stock" means shares of common stock, par value $ 0.001 per share, of the Company.

"Contingent Conversion Date" has the meaning set forth in Section 5.2(b).

"Conversion Notice" means a written notice of conversion substantially in the form annexed hereto as Annex I.

"Conversion Price" has the meaning set forth in Section 5.3.

"Conversion Share" means a share of Common Stock issuable upon the conversion of any Series L Preferred Stock.

"Company" means New Leaf Brands, Inc, a Nevada corporation.

"Current Market Price" means on any date of determination the closing sale price (or if no closing sale price is reported, the average of the closing bid and closing ask prices or, if there is more than one in either case, the average of the average closing bid and closing ask prices) as reported in composite transactions for the principal United States securities exchange on which the Common Stock is traded at such time or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported on the Over-The-Counter Bulletin Board, or, if not so reported, as determined by the Board in its good faith discretion.

"Dividend Period" means the period commencing on and including the Issue Date or, if a dividend has previously been paid, the day after the immediately preceding Dividend Payment Due Date, and ending on and including the immediately subsequent Dividend Payment Due Date.

"Dividend Payment Due Date" means June 30 and December 31 of each year.

"Dividend Rate" means six percent (6%) per annum, computed on the basis of a 360 day year.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Issue Date" means, as to any share of Series L Preferred Stock, the date of issuance of such share.

"Liquidation Event" has the meaning set forth in Section 4.1.

"Liquidation Preference" means, with respect to a share of the Series L Preferred Stock, cash, property or securities valued as to (i) securities, at the Current Market Price, (ii) property, as determined in the good faith discretion of the Board, and (ii) cash at the face value thereof, in an amount equal to the sum of (x) the Stated Value for such outstanding share of Series L Preferred Stock (as adjusted for any stock dividends, stock combinations or stock splits with respect to such share) plus (v) the aggregate of all accrued and unpaid dividends on such share of Series L Preferred Stock through the date of the payment of the Liquidation Preference.

"Outstanding", when used with reference to Common Shares or Capital Shares (collectively, "Shares"), means, on any date of determination, all issued and outstanding Shares, and includes all such Shares issuable in respect of outstanding scrip or any certificates representing fractional interests in such Shares; *provided, however,* that any such Shares directly or indirectly owned or held by or for the account of the Company or any wholly-owned subsidiary of the Company shall not be deemed "Outstanding" for purposes hereof.

"Person" means an individual, a corporation, a partnership, an association, a limited liability company, an unincorporated business organization, a trust or other entity or organization, and any government or political subdivision or any agency or instrumentality thereof.

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Series L Preferred Shares" or "Series L Preferred Stock" means the shares of Series L 6% Redeemable Convertible Preferred Stock of the Company.

"Trading Day" means a day the Common Stock is traded on the principal Trading Market (as defined below).

"Trading Market" means the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the American Stock Exchange, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange or the OTC Bulletin Board.

All references to "cash" or "$" herein mean currency of the United States of America.

ANNEX I

NOTICE OF CONVERSION
(TO BE EXECUTED BY THE REGISTERED HOLDER IN ORDER TO CONVERT SHARES OF PREFERREDSTOCK)

The undersigned hereby elects to convert the number of shares of Series L 6% Partially Redeemable Partially Partially Cumulative Convertible Preferred Stock (the "Series L Preferred Stock") indicated below into shares of common stock, par value $0,001 per share (the "Common Stock"), of New Leaf Brands, Inc, a Nevada corporation (the "Corporation"), according to the conditions hereof, as of the date written below. If shares of Common Stock are to be issued in the name of a Person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as may be required by the Company in accordance with the Subscription Agreement, dated March . No fee will be charged to the holders for any conversion, except for any transfer taxes. Conversion calculations: Date to Effect Conversion:

____
Number of shares of Series L Preferred Stock owned prior to Conversion:

____
Number of shares of Series L Preferred Stock to be Converted:

____
Stated Value of shares of Series L Preferred Stock to be Converted:

____
Number of shares of Common Stock to be Issued:

____
Applicable Conversion Price: ________________

____
Number of shares of Series L Preferred Stock subsequent to Conversion:

____
Address for Delivery:

EXHIBIT 4.45

New Leaf Brands, Inc.
Term Sheet for Offering of Senior Secured Original Issue Discount Notes

The purpose of this term sheet is to set forth the indicative terms pursuant to which, subject to certain conditions set forth herein, certain selected investors (the "Investor") would purchase certain securities of New Leaf Brands, Inc. (the "Company"). The terms and conditions set forth herein are subject to change and this term sheet does not constitute an offer. The issuance and sale of such securities is subject to completion of due diligence to the Investor's satisfaction, the preparation of definitive documentation to effect the transaction that is mutually satisfactory to each party and, in the case of the Investor, that the Investor shall have determined that subsequent to the date hereof and prior to the closing of the transaction, there shall have been no material adverse developments relating to the business, assets, operations, properties, condition (financial or otherwise) or prospects of the Company and its subsidiaries, taken as a whole. Neither this Term Sheet nor any discussion or negotiation of the proposed transaction constitutes an agreement or obligation on the part of any person to purchase securities of the Company or enter into any agreement to purchase securities of the Company.

Securities:	Senior Secured OID of New Leaf Brands, Inc. NLEF (the "Company")
Principal Amount:	Up to $300,000
Term:	Six (6) months after issue date (the "Maturity Date")
Purpose:	Working capital pending (a) Qualified Offering or (b) sale of the Company/ Assets.
Principal Amount:	Up to $340,909. (calculated using original issue discount of 12%)
Par Value:	$1,000.00 U.S.
OID :	The notes are being offered at a Original Issue Discount of 12%($880.00 Purchase price per $1000.00 of notes)
Closing:	Upon execution of definitive documentation
Investor(s)	Selected accredited investors (the "Investor(s)").
Repayment Terms:	Principal and interest payable upon maturity.

Collateral	First priority perfected security position on all Company assets including general intangibles (including trademarks, formulations, customer lists) and all accounts receivables, fixed assets, inventory (all raw, work in progress and finished goods including labels) present and hereafter acquired.
Agreement:	The investor agrees to subordinate all rights to all Accounts Receivable and Inventory to Present and Future Factoring and/or Purchase Order Financing.
Subordination Agreement:	The investor agrees to subordinate all rights to all Accounts Receivable and Inventory to Present and Future Factoring and/or Purchase Order Financing.
Source Of Repayment:	• Available Cash Flow. • Asset Sale. • Future Financing.
Amendments:	The notes may be amended upon the written consent of holders of at least 51% of the outstanding notes.
Fees/Expenses:	The Company shall pay all legal fees associated with the preparation of definitive documents for this Transaction. .

[***SIGNATURE PAGE TO FOLLOW***]

New Leaf Brands, Inc.

Date: _______________ By: ____________________

Name: David Tsiang
Title: Chief Financial Officer

[INVESTOR]

Date: _______________ By: ____________________

Name:
Title:

Amount Of Financing _____
July ____, 2011

THIS NOTE AND THE UNDERLYING SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO SUCH SECURITIES UNDER THE ACT OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

8% CONVERTIBLE NOTE
DUE _______

US $______ ________, 2012

No. _______

FOR VALUE RECEIVED, **NEW LEAF BRANDS, INC.,** a Nevada corporation (the "***Company***"), hereby unconditionally promises to pay to the order of______ (the "***Holder***"), or its assigns, the aggregate principal sum of ______ United States Dollars ($_______), together with interest on the unpaid principal balance of this 8% Unsecured Convertible Subordinated Note (this "***Note***") at a rate equal to eight percent (8%) (computed on the basis of the actual number of days elapsed in a 360-day year) per annum (the "***Interest Rate***") on the Maturity Date. Interest shall accrue from the date hereof and shall continue to accrue on the outstanding principal balance of this Note until paid in full or converted. Except as expressly provided herein, all payments of principal and interest by the Company under this Note shall be made in United States dollars in immediately available funds to an account specified by the Holder.

In no event shall any interest charged, collected or reserved under this Note exceed the maximum rate then permitted by applicable law and if any such payment is paid by the Company, then such excess sum shall be credited by the Holder as a payment of principal.

This Note is one of a series of Notes (the "***Notes***") of like tenor issued by the Company to the Holders (as defined below).

1. **Definitions**. Capitalized terms used herein shall have the respective meanings ascribed thereto in the Purchase Agreements unless otherwise defined herein. Unless the context otherwise requires, when used herein the following terms shall have the meaning indicated:

"***Affiliate***" means with respect to any person or entity, any person or entity, which directly or indirectly, controls, is controlled by, or is under common control with such person or entity, as the case may be.

"***Common Stock***" means the Company's Common Stock, $.001 par value per share.

"***Conversion Shares***" means the shares of the Company's Common Stock issuable upon conversion of this Note.

"**Liquidation Event**" means any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary.

"***Majority of Holders***" means the holders of more than 50% of the outstanding aggregate principal amount of the Notes.

"***Maturity Date***" means September 2, 2013, subject to Section 3(b) hereof.

"***Person***" means an individual, corporation, partnership, limited liability company, trust, business trust, association, joint stock company, joint venture, sole proprietorship, unincorporated organization, governmental authority or any other form of entity not specifically listed herein.

A. "**Transfer**. Subject to compliance with any applicable securities laws, this Note and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, by Holder upon five (5) days written notice to Maker.

2. **Payment of Principal and Interest; Prepayment**.

(a) Interest on this Note shall accrue from the date hereof and shall be payable, in arrears, on the Maturity Date, unless prepaid pursuant to Section 3(b) hereof or earlier converted pursuant to Section 4 hereof.

(b) The Company shall not prepay all or any portion of the principal amount or accrued but unpaid interest on this Note without the prior written consent of the Holder; provided however, that, in connection with and upon a Liquidation Event, all or a portion of the principal amount of this Note, plus accrued but unpaid interest hereon, may be prepaid at the election of the Company or may be required to be prepaid by the Holder. To the extent that the Company or the holders of Notes elect to have the Notes prepaid, any prepayments shall be paid *pro rata* to all Unsecured Holders of Notes and shall be applied first to the payment of accrued but unpaid interest (*pro rata* based on the amount of interest owed) and then to principal. Without limiting the foregoing, if the Company elects to prepay any Note in connection with a Liquidation Event, it must elect to prepay all Notes on a *pro rata* basis.

3. **Conversion**.

(a) <u>Conversion Right</u>. The Holder shall have the right from time to time, and at any time during the period beginning on the date which is thirteenth (13) months following the date of this Note and ending on the later of: (i) the Maturity Date and (ii) the date of payment of the Default Amount (as defined in Article 4), each in respect of the remaining outstanding principal amount of this Note to convert all or any part of the outstanding and unpaid principal amount of this Note into fully paid and non- assessable shares of Common Stock, as such Common Stock exists on the Issue Date, or any shares of capital stock or other securities of the Borrower into which such Common Stock shall hereafter be changed or reclassified at the conversion price (the "Conversion Price") determined as provided herein (a "Conversion"); <u>provided</u>, <u>however</u>, that in no event shall the Holder be entitled to convert any portion of this Note in excess of that portion of this Note upon conversion of which the sum of (1) the number of shares of Common Stock beneficially owned by the Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the Notes or the unexercised or unconverted portion of any other security of the Borrower subject to a limitation on conversion or exercise analogous to the limitations contained herein) and (2) the number of shares of Common Stock issuable upon the conversion of the portion of this Note with respect to which the determination of this proviso is being made, would result in beneficial ownership by the Holder and its affiliates of more than 4.99% of the outstanding shares of Common Stock. For purposes of the proviso to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Regulations 13D-G thereunder, except as otherwise provided in clause (1) of such proviso, <u>provided</u>, <u>further</u>, <u>however</u>, that the limitations on conversion may be waived by the Holder upon, at the election of the Holder, not less than 61 days' prior notice to the Borrower, and the provisions of the conversion limitation shall continue to apply until such 61st day (or such later date, as determined by the Holder, as may be specified in such notice of waiver). The number of shares of Common Stock to be issued upon each conversion of this Note shall be determined by dividing the Conversion Amount (as defined below) by the applicable Conversion Price then in effect on the date specified in the notice of conversion, in the form attached hereto as Exhibit A (the "Notice of Conversion"), delivered to the Borrower by the Holder in accordance with Section 1.4 below; provided that the Notice of Conversion is submitted by facsimile or e-mail (or by other means resulting in, or reasonably expected to result in, notice) to the Borrower before 6:00 p.m., New York, New York time on such conversion date (the "Conversion Date"). The term "Conversion Amount" means, with respect to any conversion of this Note, the sum of (1) the principal amount of this Note to be converted in such conversion <u>plus</u> (2) at the Borrower's option, accrued and unpaid interest, if any, on such principal amount at the interest rates provided in this Note to the Conversion Date<u>plus</u> (3) at the Borrower's option, Default Interest, if any .

(b) Conversion Price.

(i) Calculation of Conversion Price. The conversion price (the “Conversion Price”) shall equal the greater of (i) the Variable Conversion Price (as defined herein) and (ii) the Fixed Conversion Price (as defined herein) (subject to equitable adjustments for stock splits, stock dividends or rights offerings by the Borrower relating to the Borrower’s securities or the securities of any subsidiary of the Borrower, combinations, recapitalization, reclassifications, extraordinary distributions and similar events). The "Variable Conversion Price" shall mean 50% multiplied by the Market Price (as defined herein) (representing a discount rate of 50%). “Market Price” means the average Trading Prices (as defined below) for the Common Stock during the ten (10) Trading Day period ending on the latest complete Trading Day prior to the Conversion Date. “Trading Price” means, for any security as of any date, the closing bid price on the Over-the-Counter Bulletin Board, or applicable trading market (the “OTCBB”) as reported by a reliable reporting service (“Reporting Service”) designated by the Holder (i.e. Bloomberg) or, if the OTCBB is not the principal trading market for such security, the closing bid price of such security on the principal securities exchange or trading market where such security is listed or traded or, if no closing bid price of such security is available in any of the foregoing manners, the average of the closing bid prices of any market makers for such security that are listed in the “pink sheets” by the National Quotation Bureau, Inc. If the Trading Price cannot be calculated for such security on such date in the manner provided above, the Trading Price shall be the fair market value as mutually determined by the Borrower and the holders of a majority in interest of the Notes being converted for which the calculation of the Trading Price is required in order to determine the Conversion Price of such Notes. “Trading Day” shall mean any day on which the Common Stock is tradable for any period on the Pink Sheet or OTCBB, or on the principal securities exchange or other securities market on which the Common Stock is then being traded. The Fixed Conversion Price shall equal $0.01.

(c) No fractional shares shall be issued upon any conversion of this Note into Common Stock, as applicable, pursuant to Section 3(a) hereof. If any fractional share of Common Stock, as applicable, would be delivered upon such conversion, the Company, in lieu of delivering such fractional share, shall pay to the Holder an amount in cash equal to the allocable portion of the price per share of such fractional share of Common Stock. The Company covenants that all shares of Common Stock issued pursuant to Section 3(a) hereof will be duly and validly issued and fully paid and nonassessable, and free from all taxes, liens and charges with respect to the issue thereof.

(d) In order to exercise its election to convert the outstanding principal and accrued but unpaid interest on this Note into Common Stock, the Company shall provide written notice to the Holder of its election (if Company so elects) to convert the outstanding principal and accrued but unpaid interest on this Note pursuant to Section 3(a) hereof at least two (2) business days prior to the proposed date of such conversion.

(e) Upon any taking by the Company of a record of the holders of any class or series of securities for the purpose of determining the holders thereof who are entitled to vote with respect to any Liquidation Event, the Company shall provide notice to the Holder at least ten (10) business days prior to the record date specified therein (or such shorter period approved by a Majority of Holders) specifying (i) the date on which any such record is to be taken for the purpose of determining stockholders entitled to vote with respect to any such Liquidation Event and (ii) the date, if any, that is to be fixed as to when the holders of record of Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for securities or other property deliverable upon such Liquidation Event.

(f) In addition to the notice described in Section 3(e), the Company shall provide notice to the Holder of any Liquidation Event, as applicable, at least ten (10) business days prior to the consummation of such event (the "Corporate Event Notice"). The Corporate Event Notice shall set forth all material facts and terms relating to such Liquidation Event, including without limitation, as applicable: (i) the nature, amount, terms and conditions of payment, if any, to the holders of Common Stock in connection with any such Liquidation Event, (ii) the date on which such Liquidation Event is expected to be consummated, (iii) the procedures that must be followed (and the latest date that such procedures must be completed) in order for the Holder to effect a conversion of this Note into shares of Common Stock, and (iv) a statement as to whether the Company has elected to prepay this Note in connection with the Liquidation Event pursuant to Section 2(b) hereof. The Corporate Event Notice shall also provide the Holder with the option to require the Company to prepay this Note pursuant to Section 2(b) hereof. Upon receipt of the Corporate Event Notice, the Holder shall promptly (but in any event at least two (2) business days prior to the consummation of the Liquidation Event) provide written notice to the Company of its election (if Holder so elects) to have this Note prepaid pursuant to Section 2(b) hereof.

4. **Event of Default**. The occurrence of any of following events shall constitute an "***Event of Default***" hereunder:

(a) the failure of the Company to make any payment of principal on this Note when due, whether at maturity, upon acceleration or otherwise;

(b) the failure of the Company to make any payment of interest on this Note, or any other amounts due under the Notes when due, whether at maturity, upon acceleration or otherwise,

(c) acceleration of any Senior Indebtedness, which acceleration is not rescinded within ten (10) days;

(d) the Company or a subsidiary makes an assignment for the benefit of creditors or admits in writing its inability to pay its debts generally as they become due; or an order, judgment or decree is entered adjudicating the Company or a subsidiary as bankrupt or insolvent; or any order for relief with respect to the Company or a subsidiary is entered under the Federal Bankruptcy Code or any other bankruptcy or insolvency law; or the Company or a subsidiary petitions or applies to any tribunal for the appointment of a custodian, trustee, receiver or liquidator of the Company or a subsidiary or of any substantial part of the assets of the Company or a subsidiary, or commences any proceeding relating to it under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction; or any such petition or application is filed, or any such proceeding is commenced, against the Company or a subsidiary and either (i) the Company or such subsidiary by any act indicates its approval thereof, consents thereto or acquiescence therein or (ii) such petition application or proceeding is not dismissed within twenty (20) days;

(e) if any representation or warranty of the Company made herein or in any of the other Notes or other document executed by the Company in connection with the Notes shall prove to have been false or misleading in a material respect when made or furnished; or

(f) if the Company fails to observe or perform in any material respect any of its covenants contained in the Notes and such failure continues for more than twenty (20) days.

Upon the occurrence of any such Event of Default all unpaid principal and accrued interest under this Note shall become immediately due and payable (i) upon election of a Majority of Holders, with respect to (a) through (c) and (e) and (f), and (ii) automatically, with respect to (d). Upon the occurrence of any Event of Default, the Holder may, in addition to declaring all amounts due hereunder to be immediately due and payable, pursue any available remedy, whether at law or in equity, including, without limitation, exercising its rights under this Note. If an Event of Default occurs, the Company shall pay to the Holder the reasonable attorneys' fees and disbursements and all other reasonable out-of-pocket costs incurred by the Holder in order to collect amounts due and owing under this Note or otherwise to enforce the Holder's rights and remedies hereunder.

5. **Representations And Warranties of the Company**.

(a) *Reservation of Shares*. The Company has reserved a sufficient number of shares of Common Stock necessary for issuance upon the conversion of the Notes.

(b) *Offering Valid*. Assuming the accuracy of the representations and warranties of Holder contained in Section 8 hereof, the offer, sale and issuance of the Notes and the issuance of Conversion Shares upon conversion of the Notes will be exempt from the registration requirements of the Securities Act, and will be registered or qualified (or are exempt from registration and qualification) under the registration, permit or qualification requirements of all applicable state securities laws. Neither the Company nor any agent on its behalf has solicited or will solicit any offers to sell or has offered to sell or will offer to sell all or any part of the Notes to any person or persons so as to bring the sale of such Notes by the Company within the registration provisions of the Securities Act or any state securities laws.

6. **Investment Representations**. By its accpetance of this Note, Holder acknowledges that this Note and the Conversion Shares have not been registered under the Securities Act. Holder also understands that the Holder Note and the Conversion Shares are being offered and sold pursuant to an exemption from registration contained in the Securities Act based in part upon Holder's representations set ofrth below. By its accpetance of this Note, Holder hereby represents and warrants as follows:

(a) *Holder Bears Economic Risk*. Holder has substantial experience in financial and business matters and in evaluating and investing in private placement transactions of securities in companies similar to the Company so that Holder is capable of evaluating the merits and risks of its investment in the Company and has the capacity to protect its own interests. Holder must bear the economic risk of this investment indefinitely unless this Note or the Conversion Shares are registered pursuant to the Securities Act, or an exemption from registration is available. Holder understands that the Company has no present intention of registering the Notes or the Conversion Shares. Holder also understands that there is no assurance that any exemption from registration under the Securities Act will be available and that, even if available, such exemption may not allow Holder to transfer all or any portion of this Not or the Conversion Shares under the circumstances, in the amounts or at the times Holder might propose.

(b) *Acquisition for Own Account*. Holder is acquiring this Note and the Conversion Shares for Holder's own account for investment only, and not with a view towards their distribution.

(c) *Holder Can Protect Its Interest*. Holder represents that by reason of its, or of its management, business or financial experience, Holder has the capacity to protect its own interests in connection with the transactions contemplated in this Note.

(d) *Accredited Investor*. Holder represents that he, she or it is an "accredited investor" within the meaning of Regulation D promulgated under the Securities Act.

(e) *Rule 144*. Holder acknowledges and agrees that this Note and the Conversion Shares are "***restricted securities***" as defined in Rule 144 promulgated under the Securities Act as in effect from time to time and must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Holder has been advised or is aware of the provisions of Rule 144, which permits limited resale of shares purchased in a private placement subject to the satisfaction of certain conditions, including, among other things: the availability of certain current public information about the Company, the resale occurring following the required holding period under Rule 144 and the number of shares being sold during any three-month period not exceeding specified limitations.

(f) *Residence*. Holder resides in the state identified in the address of Holder set forth beneath Holder's signature on the signature page hereto.

(g) *Legend*. All certificates representing the Conversion Shares, if any, will have endorsed thereon a legend prohibiting transfer except in compliance with the Securities Act and applicable state securities laws. Such certificates also will contain any additional legend required to be placed thereon by any applicable Blue Sky or other regulations.

7. **No Waiver.** No delay or omission on the part of the Holder in exercising any right under this Note shall operate as a waiver of such right or of any other right of the Holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar to or waiver of the same or any other right on any future occasion.

8. **Amendments in Writing**. Any term of this Note may be amended, modified (including, without limitation, any extension of the Maturity Date, to change the conversion price or to cause the Notes to be prepayable) or waived upon the written consent of the Company and a Majority of Holders; provided ho***wever, that***, any such amendment or waiver must apply to all outstanding Notes; provided further, that, the Interest Rate, Section 3(b) hereof and Section 6 hereof may not be amended or waived without the written consent of Holder. No such waiver or consent in any one instance shall be construed to be a continuing waiver or a waiver in any other ins***tanc***e unless it expressly so provides. The Company shall promptly notify all Note holders of any such change or amendment.

9. **Waivers**. The Company hereby forever waives presentment, demand, presentment for payment, protest, notice of protest, notice of dishonor of this Note and all other demands a***d notices*** in connection with the delivery, acceptance, performance and enforceme*nt of this* Note.

10. **Governing Law; Jurisdiction; Venue**. This Note, and all matters arising directly and indirectly herefrom (the "***Covered Matters***"), shall be governed in all respects by the laws of the State of New Jersey as such laws are applied to agreements between parties in New Jersey. The Company irr**evocably** submits to the personal jurisdiction of the courts of the State of New Jersey and the United States District Court for the District of New Jersey for the purpose of any suit, action, proceeding or judgment relating to or arising out of the Covered Matters. Service of process on the Company in connection with any such suit, action or proceeding may be served on the Company anywhere in the world by the same methods as are specified for the giving of notices under this Note. The Company irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. The Company irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

11. **Costs**. If action is instituted to collect on this Note, the Company promises to pay all costs and expenses, including reasonable attorney's fees, incurred in connection with such action.

12. **Notices**. All notices and other communications given or made pursuant to this Note shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day, (c) five days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the Holder at the address set forth on the books and records of the Company or at such other place as may be designated by the Holder in writing to the Company, and to the Company at 1 Dewolf Road, Suite 208, Old Tappan, New Jersey 07675, Attention: Chief Executive Officer, david@newelafbrands.com, facsimile no. 201-543-0297, or to such e-mail address, facsimile number or address as subsequently modified by written notice given in accordance with this Section 13

13. **Successors and Assigns**. This Note shall be binding upon the successors or assigns of the Company and shall inure to the benefit of the successors and assigns of the Holder.

14. **Specific Performance**. The Company acnkowledges that any violation or breach of its obligations under this Note shall result in immediate and irreparable injury to the Holder for which a remedy at law would be inadequate. Accordingly, in the event of any breach or threatened breach by the Company of its obligations under this Note, the Holder shall be entitled to have such court compel the Company to specifically perform its obligations under this Note.

15. Waiver of Jury Trial. THE BORROWER AND THE BANK WAIVE THERIGHT **TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF OR IN ANY WAY CONNECTED TO THIS NOTE OR THE TRANSACTIONS CONTEMPLATED HEREBY.**

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Company has caused this Note to be signed in its name effective as of the date first above written.

NEW LEAF BRANDS, INC.

By: ______________________________

Name: David Fuselier
Title: Chief Executive Officer

ACKNOWLEDGED AND AGREED

____
By:

Address:

EXHIBIT A
NOTICE OF CONVERSION

The undersigned hereby elects to convert $_________________principal amount of the Note (defined below) into thatnumber of shares of Common Stock to be issued pursuant to the conversion of the Note ("Common Stock") as set forth below, of NEW LEAF BRANDS, INC., a Nevada corporation (the "Borrower") according to the conditions of the convertible note of the Borrower dated as of __________ (the "Note"), as of the date written below. No fee will be charged to the Holder for any conversion, except for transfer taxes, if any.

Box Checked as to applicable instructions:

❑ The undersigned hereby requests that the Borrower issue a certificate or certificates for the number of shares of Common Stock set forth below (which numbers are based on the Holder's calculation attached hereto) in the name(s) specified immediately below or, if additional space is necessary, on an attachment hereto:

Date of Conversion:	_____________________
Applicable Conversion Price:	$_____________________
Number of Shares of Common Stock to be Issued Pursuant to Conversion of the Notes:	_____________________
Amount of Principal Balance Due remaining Under the Note after this conversion:	_____________________

By: ____
Name:
Title:
Date:

THIS SECURITY HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR REASONABLY ACCEPTABLE TO THE COMPANY, THE FORM AND SUBSTANCE OF WHICH SHALL BE REASONABLY SATISFACTORY TO THE COMPANY. THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER BONA FIDE LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(A) UNDER THE SECURITIES ACT.

COMMON STOCK PURCHASE WARRANT

NEW LEAF BRANDS, INC.

Warrant No.: ____________

Warrant Shares: ___________ Issuance Date:_____, 2012

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, ________ (the "Holder") , is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after _________ (the "Initial Exercise Date") and on or prior to the close of business on the five (5) year anniversary of the Initial Exercise Date but not thereafter (the "Termination Date"), to subscribe for and purchase from New Leaf Brands, Inc., a Nevada corporation (the "Company"), up to ________ shares of Common Stock, subject to adjustment hereunder (the "Warrant Shares"). The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b).

Section 1. Exercise.

(a) Exercise of Warrant. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of a duly executed facsimile copy of the Notice of Exercise form annexed hereto; and, within three (3) trading days of the date said Notice of Exercise is delivered to the Company, the Company shall have received payment of the aggregate Exercise Price of the shares thereby purchased by wire transfer or, if available, pursuant to the cashless exercise procedure specified in Section 2(c) below. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) trading days of the date the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise Form within one (1) Business Day of receipt of such notice. In the event of any dispute or discrepancy, the records of the Holder shall be controlling and determinative in the absence of manifest error. The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.

(b) Exercise Price. The exercise price per share of the Common Stock under this Warrant shall be $0.03, subject to adjustment hereunder (the "Exercise Price").

(c) Cashless Exercise. This Warrant may also be exercised, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date, by means of a "cashless exercise" in which the Holder shall be entitled to receive a certificate for the number of Warrant Shares equal to [(A) – (B)] * (X) / (A), where:

(A) = the VWAP (as defined below) on the trading day immediately preceding the date on which Holder elects to exercise this Warrant by means of a "cashless exercise," as set forth in the applicable Notice of Exercise;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

"VWAP" means, for any date, (i) the daily volume weighted average price of the Common Stock for such date on the OTC Bulletin Board or a registered national securities exchange, as reported by Bloomberg Financial L.P. (based on a trading day from 9:30 a.m. Eastern Time to 4:02 p.m. Eastern Time); (ii) if the Common Stock is not then listed or quoted on the OTC Bulletin Board and if prices for the Common Stock are then reported in the "Pink Sheets" published by the Pink Sheets, LLC (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported; or (iii) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holder and reasonably acceptable to the Company.

(d) Mechanics of Exercise.

(i) Delivery of Certificates Upon Exercise. Certificates for shares purchased hereunder shall be transmitted by the Company's transfer agent and registrar (the "Transfer Agent") to the Holder by crediting the account of the Holder's prime broker with the Depository Trust Company through its Deposit Withdrawal Agent Commission ("DWAC") system if the Company is then a participant in such system and either (A) there is an effective Registration Statement permitting the resale of the Warrant Shares by the Holder or (B) the shares are eligible for resale by the Holder without volume or manner-of-sale limitations pursuant to Rule 144, and otherwise by physical delivery to the address specified by the Holder in the Notice of Exercise by the date that is three (3) trading days after the latest of (A) the delivery to the Company of the Notice of Exercise Form, (B) surrender of this Warrant (if required), and (C) payment of the aggregate Exercise Price as set forth above (including by cashless exercise, if permitted) (such date, the "Warrant Share Delivery Date"). This Warrant shall be deemed to have been exercised on the first date on which all of the foregoing have been delivered to the Company. The Warrant Shares shall be deemed to have been issued, and Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised, with payment to the Company of the Exercise Price (or by cashless exercise, if permitted) and all taxes required to be paid by the Holder, if any, pursuant to Section 2(d)(vi) prior to the issuance of such shares, having been paid. If the Company fails for any reason to deliver to the Holder certificates evidencing the Warrant Shares subject to a Notice of Exercise by the third trading day following the Warrant Share Delivery Date, the Holder or a representative thereof (including a broker) may deliver written notice of the Company instructing the Company to deliver such certificates to Holder within three additional trading days. If the Company fails to deliver such certificates within such three additional trading days, the Company shall pay to the Holder, in cash, as liquidated damages and not as a penalty, for each $1,000 of Warrant Shares subject to such exercise (based on the VWAP of the Common Stock on the date of the applicable Notice of Exercise), $10 per trading day (increasing to $20 per trading day on the fifth trading day after such liquidated damages begin to accrue) for each trading day after such Warrant Share Delivery Date until such certificates are delivered or Holder rescinds such exercise. Notwithstanding anything herein to the contrary, the Company shall not be obligated to pay liquidated damages following the date of a Buy-In (as hereinafter defined) or rescission of the exercise pursuant to Section 2(d)(iii) by the holder.

(ii) Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the certificate or certificates representing Warrant Shares, deliver to Holder a new Warrant evidencing the rights of Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

(iii) Rescission Rights. If the Company fails to cause the Transfer Agent to transmit to the Holder a certificate or the certificates representing the Warrant Shares pursuant to Section 2(d)(i) by the Warrant Share Delivery Date, then, the Holder will have the right to rescind such exercise.

(iv) No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

(v) Charges, Taxes and Expenses. Issuance of certificates for Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; *provided*, however, that in the event certificates for Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto.

(vi) Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

(vii) Restricted Shares. The Warrant Shares may not be reoffered or resold except pursuant to an effective registration statement under the Securities Act or pursuant to an available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable state securities laws.

(e) Intentionally Omitted.

Section 2. Certain Adjustments.

(a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock, (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares or (iv) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

(b) Intentionally Omitted.

(c) Intentionally Omitted.

(d) Fundamental Transaction. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions, effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, (not including a migratory merger) or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person (not including a migratory merger) whereby such other Person acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination), (each a "Fundamental Transaction"), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder (without regard to any limitation in Section 2(e) on the exercise of this Warrant), the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(e) on the exercise of this Warrant). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. The provisions of this Warrant (including, without limitation, the provisions for adjustment of the Exercise Price and the number of shares issuable upon exercise of this Warrant) shall continue to be applicable, as nearly as may be practicable, in relation to the securities and/or other property thereafter deliverable upon the conversion hereof. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Company or surviving entity in such Fundamental Transaction shall issue to the Holder a new warrant consistent with the foregoing provisions and evidencing the Holder's right to exercise such warrant into Alternate Consideration. The terms of any agreement pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this Section 3(d) and insuring that this Warrant (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction. Notwithstanding anything to the contrary, in the event of a Fundamental Transaction that is (1) an all cash transaction, (2) a "Rule 13e-3 transaction" as defined in Rule 13e-3 under the Exchange Act or (3) a Fundamental Transaction involving a Person not traded on a national securities exchange, the Company or any successor entity shall pay at the Holder's option, exercisable at any time concurrently with or within 30 days after the consummation of the Fundamental Transaction, without payment of the Exercise Price, an amount of cash equal to the value of this Warrant as determined in accordance with the Black Scholes Option Pricing Model obtained from the "OV" function on Bloomberg L.P. using (i) a price per share of Common Stock equal to the VWAP of the Common Stock for the trading day immediately preceding the date of consummation of the applicable Fundamental Transaction, (ii) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the remaining term of this Warrant as of the date of consummation of the applicable Fundamental Transaction and (iii) an expected volatility equal to the 100 day volatility obtained from the "HVT" function on Bloomberg L.P. determined as of the trading day immediately following the public announcement of the applicable Fundamental Transaction.

(e) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) issued and outstanding.

(f) Notice to Holder.

(i) Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly mail to the Holder a notice setting forth the Exercise Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

(ii) Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be mailed to the Holder at its last address as it shall appear upon the Warrant Register of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall timely file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 3. Transfer of Warrant.

(a) Transferability. Subject to Section 4(d), this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon five (5) days written notice to the Company and the surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

(b) New Warrants. This Warrant may be divided or combined with other Common Stock Purchase Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the Issuance Date and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

(c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the Warrant Register "), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

(d) Transfer Restrictions. This Warrant may not be offered or sold except pursuant to an effective registration statement under the Securities Act or pursuant to an available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable state securities laws, as evidenced by a legal opinion of counsel to the transferor reasonably acceptable to the company, the form and substance of which shall be reasonably satisfactory to the company. Notwithstanding the foregoing, this Warrant may be pledged in connection with a bona fide margin account with a registered broker-dealer or other bona fide loan with a financial institution that is an "accredited investor" as defined in rule 501(a) under the securities act.

(e) Representation by the Holder. The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant or Warrant Shares; provided that this representation shall not be breached by any act of the Holder that complies with the Securities Act and any applicable state securities law.

Section 4. Miscellaneous.

(a) No Rights as Stockholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 2(d)(i).

(b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

(c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

(d) Authorized Shares. The Company covenants that it will at all times when this Warrant shall be outstanding reserve from its authorized and unissued Common Stock one hundred twenty percent (120%) of the maximum number of Warrant Shares issuable upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use reasonable best efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

(e) Jurisdiction. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the provisions of the Purchase Agreement.

(f) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered, will have restrictions upon resale imposed by state and federal securities laws.

(g) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice Holder's rights, powers or remedies, notwithstanding the fact that all rights hereunder terminate on the Termination Date. If the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

(h) Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Purchase Agreement.

(i) Limitation of Liability. No provision hereof, in the absence of any affirmative action by Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of Holder, shall give rise to any liability of Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

(j) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

(k) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

(l) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

(m) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

(n) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

****

(Signature Pages Follow)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

NEW LEAF BRANDS, INC

By: /s/

Name: David Fuselier

Title: Chief Executive Officer

NOTICE OF EXERCISE

TO: NEW LEAF BRANDS, INC.

(1) The undersigned hereby elects to purchase______Warrant Shares of the Company pursuant to the terms of this Common Stock Purchase Warrant No.____ (this "Warrant") (which is attached if being exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of (check applicable box):

☑ in lawful money of the United States; or

❑ if permitted pursuant to Section 2(c), the cancellation of such number of the Warrant Shares as is necessary, in accordance with the formula set forth in subsection 2(c), to entitle the undersigned to receive the maximum number of Warrant Shares pursuant to the cashless exercise procedure set forth in subsection 2(c), for the election described in Paragraph 1.

(3) Please issue a certificate or certificates representing said Warrant Shares in the name of the undersigned or in such other name as is specified below:

____

The Warrant Shares shall be delivered to the following by physical delivery of a certificate to:

____

____

(4) Accredited Investor. Unless the undersigned exercises this Warrant by cashless exercise pursuant to Section 2(c) of the Warrant, the undersigned hereby represents and warrants that it is an "accredited investor" as defined in Regulation D promulgated under the Securities Act of 1933, as amended, and satisfies the criteria set forth in Rule 501(a) therein.

(5) Legend. Unless otherwise permitted under the Purchase Agreement, the certificates representing these securities will bear a legend restricting transfer under the Securities Act and applicable state securities laws.

[SIGNATURE OF HOLDER]

Name of Entity (if applicable):

Signature of Authorized Signatory:
____

Name of Authorized Signatory:
____

Title of Authorized Signatory (if an entity):
____

Holder's Address:

Dated:_____________ , ___________

ASSIGNMENT FORM

(To assign the foregoing warrant, execute this form and supply required information.

Do not use this form to exercise the warrant.)

FOR VALUE RECEIVED,

X all, or

❑ ____________________ shares

of the foregoing Warrant and all rights evidenced thereby are hereby assigned to Anthony D. Pullicino__________ whose address is

7728 Carlton Arms Rd, Suite F Indianapolis, IN 46256

[SIGNATURE OF HOLDER]

Name of Entity (if applicable): Yogesh Pandey

Signature of Authorized Signatory:

Name of Authorized Signatory: Yogesh Pandey

Title of Authorized Signatory (if an entity):

Holder's Address: 33 Wood Avenue South, Suite 600 Iselin, NJ 08830

Dated:___________ ,_________

PROMISORY NOTE

U.S. $20,000.00 May 16, 2012

FOR VALUE RECEIVED, the undersigned party, (hereafter called "**Maker**") promises to pay to the order of CS Healthcare, LLC, an Alaska Limited Liability Corporation with its principal place of business at One DeWolf Road Suite 208 Old Tappan, NJ 07675 (referred to, together with any subsequent holder of this Note, as "**Holder**"), in lawful money of the United States of America, the principal sum of **TWENTY THOUSAND DOLLARS** ($200,000.00) with interest on the unpaid principal balance from the date of this Note, until paid, at eight percent (8%) per annum.

The Note shall be due and payable on or by November 16, 2013 ("Maturity Date").

This Note may be prepaid at any time, and from time to time, without penalty or premium.

All payments to be made to Holder under the Note or this Agreement shall be made to Holder without set-off, deduction or counterclaim when due in immediately available funds. All payments on this Note shall be applied first to the payment of fees, costs and expenses, if any, reimbursable to Holder hereunder, next to accrued interest and after all such accrued interest has been paid, any remainder shall be applied to reduction of the principal balance.

Upon the occurrence of an "Event of default" as (hereinbelow defined) the entire principal and accrued interest hereunder shall become immediately due and payable and shall thereafter accrue interest at the rate of one hundred twenty percent (120%) per annum, or the maximum rate permitted by law, whichever is less, computed on the basis of actual days elapsed over a 365 day year. An "**Event of Default**" wherever used herein means any one of the following events (whatever the reasons and whether it shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

a) The failure of Maker to make any payment when due (whether on a the Maturity Date or by acceleration or otherwise) under this Note, any other Note issued by Maker pursuant to the Loan Agreement, or under the Loan Agreement free and clear of any and all claims, liens or encumbrances;

b) The failure of Maker to observe or to perform any other covenant, agreement, or warranty contained in, or otherwise commit any breach or default of any provision of this Note, the Loan Agreement and/or any other agreement related to or arising from the indebtedness evidenced by this Note;

c) A material breach or default by Maker of any obligation under this Note and or the Loan Agreement executed concurrently herewith; and

d) If Maker shall commence, or there shall be commenced against Maker, a proceeding under any applicable bankruptcy or insolvency laws as now or hereinafter in effect or if Maker commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief from debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction.

Any notice to Maker or Holder required or permitted under the terms of this Note shall be in writing and shall be delivered by hand, mailed by certified mail, return receipt requested, postage prepaid, delivered by receipted overnight courier, or transmitted by confirmed fax transmission, as follows:

Maker shall not have the right to assign this note without Holder's prior written consent, which consent may be granted or withheld in Holder's sole discretion.

This Note and the rights and obligations of the parties hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of New Jersey, without giving effect to the principles of conflict of laws thereof. The federal and state courts located in the State of New Jersey shall have exclusive jurisdiction over any and all disputes related to or arising under this Note and the parties hereby consent to the exclusive jurisdiction of such courts.

Maker:

NEW LEAF BRANDS, INC.

By: ______________________________

Name: ______________________________

Title: ______________________________

Date: ______________________________

Allan B. Rosenthal, Ph.D.

LOAN AGREEMENT

This Agreement between Fuselier Bridge Capital, a Louisiana limited liability corporation, (hereinafter "Lender") and New Leaf Brands, Inc., a Nevada corporation (hereinafter "Borrower") is entered into as of this 26th day of June, 2012 (the "Effective Date"). All references to "Borrower" and/or "Lender" in this Agreement shall also refer to all employees, consultants, agents or representatives of "Borrower" and/or "Lender."

WHEREAS, Lender agrees to loan Borrower Three Hundred Thousand Dollars ($300,000) (the "Loan").

WHEREAS, the Loan will bear interest at the rate of one point five percent (1.5%) per month.

WHEREAS, the Loan principal and interest shall be repaid within ten (10) months of the Execution Date ("Maturity Date").

NOW, THEREFORE, in consideration of the mutual promises, terms, covenants and conditions set forth in this Agreement and the performance of each, and for good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

A. Commencement, Interest, and Terms of Repayment of Loan

1. This Agreement shall be effective as of the Effective Date.
2. Lender agrees to loan Borrower Three Hundred Thousand Dollars ($300,000) in tranches not less than $ 25,000 per tranche.
3. The Loan shall be evidenced by a promissory note in the form attached to this Agreement as Exhibit A (the "The Note"). The Note shall be payable to the order of Lender and executed and delivered by Borrower simultaneously with this Agreement. Other terms and conditions apply as attached Exhibit B.
4. Interest. The Loan will bear interest at the rate of one point five percent (1.5%) per month.
5. The balance due under the Loan including all principal, interest, and costs is due Lender on or before ten months from closing of this Term Loan.
6. Security/Collateral. A perfected general UCC lien on all the Company's assets.
7. Payments shall be deemed paid when received by Lender. All payments are to be made payable monthly to Fuselier Bridge Capital and shall be mailed to Lender's address located at One DeWolf Rd, Old Tappan, NJ 07675.
8. Default. An "Event of Default" wherever used herein means any one or more of the following events (whatever the reasons and whether it shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental **body):**

- The failure of Borrower to make any payment when due (whether on a the Maturity Date or by acceleration or otherwise) under this Agreement or the Note free and clear of any and all claims, liens or encumbrances;

- The failure of Borrower to observe or to perform any other covenant, agreement, or warranty contained in, or otherwise commit any material breach or default of any provision of this Agreement;

- A material breach or default by Borrower of any obligation under this agreement; and

- If Borrower shall commence, or there shall be commenced against Borrower, a proceeding under any applicable bankruptcy or insolvency laws as now or hereinafter in effect or if Borrower any other proceeding under any reorganization, arrangement, adjustment of debt, relief from debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction.

- Immediately upon any Event of Default, an interest rate of ten percent per month (10%/month) shall begin accruing on all unpaid portions of the Loan.

- Upon any Event of Default Borrower has the right to call the remaining balance on the Loan along with any accrued interest immediately due.

B. Purpose of Loan

1. Commercial Loan. This Loan is intended as a commercial loan. Borrower does not intend to use the proceeds from this loan for personal, family, or household purposes.

C. Representations and Warranties

In order to induce Lender to enter into this Agreement and to make the Loan, Borrower represents and warrants to Lender as follows:

a. Borrower is duly organized, validly existing and in good standing as a limited liability company under the laws of the State of Nevada and has the power and authority to own and operate its assets and to transact the business in which it is now engaged or proposes to engage;

b. The execution, delivery and performance by Borrower of this Agreement and the Note have been duly authorized by all necessary action on its part and does not and will not: (i) contravene or conflict with its constituent or governing documents or instruments; (ii) violate any provision of any law, rule, regulation, order, writ, judgment, injunction decree, determination or award applicable to Borrower; (iii) result in a breach of, or constitute a default or require any consent under, any agreement or instrument to which Borrower is party or by which it or its assets may be bound or affected; (iv) result in or require the creation or imposition of any lien, security interest or encumbrance upon or with respect to any of Borrower's properties or assets; or (v) cause Borrower to be in default under any such law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any such agreement or instrument;

c. No order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any foreign or domestic governmental authority or any other party is required to authorize, or is required in connection with the execution, delivery and performance, or the legality, validity, binding effect or enforceability of this Agreement or the Note;

d. This Agreement and the Note, when executed and delivered in accordance with this Agreement, are and/or will be legal, valid and binding obligations of Borrower enforceable in accordance with their respective terms.

D. Miscellaneous Terms, Conditions and Obligations

1. Attorneys Fee. If this Note is given to an attorney for collection or enforcement, or if suit is brought for collection or enforcement, or if it is collected or enforced through probate, bankruptcy, or other judicial proceeding, the prevailing party shall pay all costs of collection and enforcement, including reasonable attorney's fees and court costs in addition to other amounts due.

2. Costs. Borrower shall bear all costs of preparing the instant loan documents, including, but not limited to the preparation of the Loan Agreement, Promissory Note, Personal Guaranties and Security Agreement.

3. Right to Attorney Review. Before signing this Agreement, Borrower has had the opportunity to discuss this Agreement and all of its terms with an attorney and has knowingly and voluntarily agreed to the provisions in the Agreement.

4. Waiver. The Undersigned hereby waives diligence, presentment, protest, and notice of every kind. In the event a default occurs and this note is placed in the hands of an attorney for collection, the Undersigned promises to pay reasonable attorney's fees and costs in the collection of this note whether or not suit is commenced or judgment is entered.

5. Waiver of Breach. The failure of any party hereto to enforce at any time any of the provisions of this Agreement shall in no way be construed to constitute a waiver of any such provision nor in any way to affect the validity of this Agreement or any part hereof, including the right of any party thereafter to enforce each and every provision. The waiver by any party to this Agreement of any breach or violation of any provision of this Agreement by the other party hereto shall not operate or be construed to be a waiver of any subsequent breach or violation thereof.

6. Notices and Payment Address. Any notice contemplated by or required or permitted to be given under this Agreement shall be in writing and (a) sent by email or facsimile, with a copy promptly sent by first class mail, (b) delivered personally, (c) sent by next day or overnight courier or delivery or (d) mailed by registered or certified mail, return receipt requested, postage prepaid, as set forth in the preamble to this contract, or, in each case, at such other address or facsimile number as may be specified in writing to the other parties hereto. Such notices, requests and other communications besides payments sent as provided hereinabove shall be effective: if sent by facsimile on a business day between the hours of 9:00 a.m. and 6:00 p.m. Eastern Standard Time, upon sending, but if sent by facsimile at any other time, upon the next business day; upon receipt, when personally delivered; the next business day, if sent by overnight courier or delivery; and if sent by registered or certified mail, return receipt requested, upon the expiration of the fifth business day after being deposited in the United States mail. Payments shall be made to the address listed in this paragraph and will be considered effective upon receipt.

7. Modification. This Agreement may not be modified orally but may only be modified in writing. Any modification shall be limited only to the express language of the modification instrument all other provisions shall remain binding and enforceable.

8. Conflicting Agreements. In the event of any inconsistencies between the terms of this Agreement and the terms of any other document related to the loan evidenced by this Note, the terms of this Note shall prevail.

9. Governing Law/Jurisdiction. This Agreement shall be construed in accordance with the laws of the State of Louisiana, and the parties stipulate to the personal jurisdiction of the state and federal courts for the parish of Rapides, Louisiana.

10. Severability. If any provision of this Agreement or the application thereof shall, for any reason and to any extent, be invalid or unenforceable, neither the remainder of this Agreement nor the application of the provision to other persons, entities or circumstances shall be affected thereby, but instead shall be enforced to the maximum extent permitted by law.

11. Binding Effect. The covenants, obligations and conditions herein contained shall be binding on and inure to the benefit of the heirs, legal representatives, and assigns of the parties hereto.

12. Descriptive Headings. The descriptive headings used herein are for convenience of reference only and they are not intended to have any affect whatsoever in determining the rights or obligations under this Agreement.

13. Construction. The pronouns used herein shall include, where appropriate, either gender or both, singular and plural.

14. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same Agreement. Delivery of an executed counterpart of this Agreement by telefacsimile shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by telefacsimile also shall deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, or binding effect hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement under seal as of the date written above.

LENDER: *Date:* ________________

By: ___________________________________

BORROWER:

By: ___________________________________ *Date:* ________________

Name: _________________________________

Title: _________________________________

EXHIBIT A

PROMISORY NOTE

U.S. $300,000.00 | *June 26, 2012*

FOR VALUE RECEIVED, the undersigned party, (hereafter called "Maker") promises to pay to the order of Fuselier Bridge Capital, a Louisiana limited liability corporation (referred to, together with any subsequent holder of this Note, as "Holder"), in lawful money of the United States of America, the principal sum of THREE HUNDRED THOUSAND DOLLARS ($300,000.00) with interest on the unpaid principal balance from the date of this Note, until paid, at one point five percent (1.5%) per month.

The Note shall be due and payable on or by April 25th, 2013 ("Maturity Date").

This Note may be prepaid at any time, and from time to time, without penalty or premium.

All payments to be made to Holder under the Note or this Agreement shall be made to Holder without set-off, deduction or counterclaim when due in immediately available funds. All payments on this Note shall be applied first to the payment of fees, costs and expenses, if any, reimbursable to Holder hereunder, next to accrued interest and after all such accrued interest has been paid, any remainder shall be applied to reduction of the principal balance.

Upon the occurrence of an "Event of default" as (hereinbelow defined) the entire principal and accrued interest hereunder shall become immediately due and payable and shall thereafter accrue interest at the rate of one hundred twenty percent (120%) per annum, or the maximum rate permitted by law, whichever is less, computed on the basis of actual days elapsed over a 365 day year. An "Event of Default" wherever used herein means any one of the following events (whatever the reasons and whether it shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

a) The failure of Maker to make any payment when due (whether on a the Maturity Date or by acceleration or otherwise) under this Note, any other Note issued by Maker pursuant to the Loan Agreement, or under the Loan Agreement free and clear of any and all claims, liens or encumbrances;

b) The failure of Maker to observe or to perform any other covenant, agreement, or warranty contained in, or otherwise commit any breach or default of any provision of this Note, the Loan Agreement and/or any other agreement related to or arising from the indebtedness evidenced by this Note;

c) A material breach or default by Maker of any obligation under this Note and or the Loan Agreement executed concurrently herewith; and

d) If Maker shall commence, or there shall be commenced against Maker, a proceeding under any applicable bankruptcy or insolvency laws as now or hereinafter in effect or if Maker commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief from debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction.

Any notice to Maker or Holder required or permitted under the terms of this Note shall be in writing and shall be delivered by hand, mailed by certified mail, return receipt requested, postage prepaid, delivered by receipted overnight courier, or transmitted by confirmed fax transmission, as follows:

Maker shall not have the right to assign this note without Holder's prior written consent, which consent may be granted or withheld in Holder's sole discretion.

This Note and the rights and obligations of the parties hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of Louisiana, without giving effect to the principles of conflict of laws thereof. The federal and state courts located in the State of Louisiana shall have exclusive jurisdiction over any and all disputes related to or arising under this Note and the parties hereby consent to the exclusive jurisdiction of such courts.

Borrower: NEW LEAF BRANDS, INC.

By: ______________________________

Name: ______________________________

Title: ______________________________

Date: ______________________________

New Leaf Brands, Inc.
Secured Loan Agreement
Summary of Terms

Principal Amount: Up to $300,000.00

Minimum Advances: $25,000.00

Term: Ten (10) months after issue date (the "Maturity Date")

Purpose: Working capital and Production Financing.

Closing: June 26, 2012

Lender Fuselier Bridge Capital, LLC.

Interest Rate: 1.5% per month

Repayment
Terms: Principal upon maturity and interest payable monthly in arrears.

Collateral A perfected security position on all Company assets including general intangibles (including trademarks, formulations, customer lists) and accounts receivables, fixed assets, inventory (all raw, work in progress and finished goods including labels) present and hereafter acquired.

100% Warrants: 5-year warrant (the "Warrant Shares") at,

Share Calculation: 100% of shares that Investor would own if Investor fully converted its note at closing at $0.03 exercisable (the Conversion Price). For example, if an investor acquires $100,000 in Notes, based on 100% Warrant coverage and if the Conversion Price was $0.03, the investor would receive a Warrant to acquire up to 3,333,333 shares of Common Stock ($100,000 divided by $0.03) at a strike price equal to the "Exercise Price".

Exercise Price: $0.03 per share (the Exercise Price).

Source Of Repayment:
- *Available Cash Flow.*
- *Future Financing.*

.
Restricted
Common
Stock: Up to 9,999,999 shares at a price of $0.03 per share.

Shareholdings: 408,255,458 fully diluted shares outstanding as of 6/25/12

Amendments: The notes may be amended upon the written consent of holders of 100% of the outstanding notes.

Fees/Expenses: The Company shall pay all legal fees associated with the preparation of definitive documents for this Transaction.

New Leaf

New Leaf Brands, Inc.'s Purchase Order Agreement Dated 9/___/11

Dear Vendor,

Please accept the proposed agreement to provide goods and services and to accept payment upon the agreed upon terms for the pending production slated for 9/__/11 and the resulting domestic net accounts receivable proceeds ("Receivables") of New Leaf Brands, Inc.

Estimated Receivables Per 9/__/11:

Vendor Creditor Name: ________________________________

Vendor Payment on new purchases/services:___________________

Negotiated Vendor Payment on existing outstanding account payable:___________________

Total payment due vendor under this purchase order financing arrangement ("Payment Due")____________________

Type: **Purchase Order Financing.**

Purpose: **The proposed will finance the purchase orders and services of the pending production slated for 9/__/11.**

Assignment Of Proceeds From Schedule 'A' Purchase Order/ Receivables:

The Vendor creditor will have a purchase money perfected security interest in any and all inventory, accounts receivable and proceeds thereof arising from, resulting from or relating to the production run due to begin on or about 9/__/11.

New Leaf will remit an aggregate of **X%** of the Receivable funds (i.e., $______) from the 9/__/11 PO financed production. Such amounts will be sent to Vendor on an "as available" basis, weekly on consecutive Fridays commencing __11/11__ , 2011 and ending no later than __11/25____, 2011_If the Negotiated Vendor Payment is not paid in full by __11/25____, 2011, then (a) Escrow Agent shall be held fully harmless and indemnified from any claim regarding any shortfall between amounts received by Vendor and the Payment Due; and (b) the balance of such Payment Due shall remain due and payable by New Leaf to vendor according to its terms .

Purchase Money Secured Interest (PMSI) Note (See Attachment 1)

Escrow Agreement. (See Attachment 2)

An escrow account will be established with a third party to obtain the receivable wire transfers (no checks – wires only – all checks will be returned and not deposited) from New Leaf customers. New Leaf will instruct our customers to send the wires directly to the escrow agent. The escrow agent will distribute the receivable proceeds according to the terms set forth in the attached Escrow Agreement.

The Aforementioned terms and conditions have been agreed by;

New Leaf Brands, Inc.

____

Accepted By:

____
By:
As:
Vendor Name:

Schedule A

xxx

STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT ("Agreement"), signed on June ___, 2012 but effective as of March 30, 2012, by and among New Leaf Brands Inc., a Nevada corporation with its principal place of business at One DeWolf Rd., Old Tappan NJ 07675 ("Seller") and Deep South Capital LLC, a Louisiana limited liability company with its principal place of business at 3770 Monroe Hwy, 165 North, Pineville LA 71360 ("Deep South").

W I T N E S S E T H:

WHEREAS, the original of this Agreement was signed by the parties hereto in or about March 2012 but cannot be located, and the parties desire to re-execute same with effect as of March 30, 2012; and

WHEREAS, Seller is the owner of 100 shares of common stock, par value $.001 per share, representing all the issued and outstanding shares (the "Shares") of Nutritional Specialties, Inc. ("NSI"); and

WHEREAS, Seller desires to sell, and Deep South desires to purchase, all of the Shares on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual representations, warranties, agreements and indemnities herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties agree as follows:

1. Purchased Shares

Subject to the terms and conditions herein stated, Seller hereby sells, assigns, transfers and delivers to Deep South, and Deep South hereby purchases and acquires from Seller, all right, title and interest of Seller in and to the Shares for a total purchase price of $1.00 and the issuance to Deep South of an aggregate of 6,000,000 shares of the common stock, par value $.001 per share, of Seller.

2. Representations and Warranties

2.1 **By Seller and NSI.** Seller and NSI, jointly and severally, represent and warrant as follows and acknowledge that Deep South is relying upon such representations and warranties in connection with the purchase by Deep South of the Shares:

(a) NSI is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Nevada;

(b) The authorized capital stock of NSI consists of 100 shares of common stock of which all 100 shares of common stock have been duly issued and are outstanding, all of which are fully paid and non-assessable;

(c) No person, corporation or other entity has any agreement, option or warrant, or any right or privilege (whether by law, pre-emptive or contractual, or whether by means of any exercise, conversion or other right or action) which has the effect of or is capable of becoming an agreement, option or warrant, for the purchase from NSI of any securities of NSI;

(d) All of the Shares are owned by Seller as the respective registered and beneficial owner of record, with good and marketable title thereto, free and clear of all mortgages, liens, charges, security interests, adverse claims, pledges, encumbrances, restrictions and demands whatsoever (other than restrictions imposed by federal or state securities laws);

(e) Seller has all requisite power and authority to execute, deliver and perform their obligations under this Agreement; the execution, delivery and performance of this Agreement by Seller has been duly authorized by all necessary action on the part of Seller and this Agreement constitutes the legal, valid and binding obligation of Seller, enforceable against it in accordance with its terms;

(f) Annexed hereto as Exhibit 2.1(f) are the unaudited balance sheet and supporting schedules detail of NSI as of October 30, 2011. Deep South has reviewed same, asked questions of Seller regarding same, and has received answers to all its questions. Since October 30, 2011, there has been no material change in any of the significant accounting policies, practices or procedures of NSI in connection with its business.

(g) Neither the Seller nor NSI has incurred any obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or financial advisory services or other similar payment in connection with this Agreement or the transactions contemplated hereby or thereby.

(h) Deep South is fully aware of the current status of the lawsuit captioned "In re: Krech, Nutritional Specialties adv. Krech et al.", Case Nos. RPR 02964 and 02993, in the Superior Court of the State of California, County of San Bernardino ("Krech Litigation").

2.2 **By Deep South**. Deep South represents and warrants as follows and acknowledges that Seller is relying upon such representations and warranties in connection with the sale by Seller of the Shares:

(a) Deep South is a company validly existing and in good standing under the laws of the Louisiana;

(b) Deep South has all requisite power and authority to execute, deliver and perform its obligations under this Agreement; the execution, delivery and performance of this Agreement by Deep South has been duly authorized by all necessary action on the part of Deep South; and this Agreement constitutes the legal, valid and binding obligation of Deep South, enforceable against Deep South in accordance with its terms, except as enforceability may be limited by applicable bankruptcy or insolvency statutes or by a court acting as a court of equity;

(c) Deep South is not a party to, bound or affected by or subject to any indenture, mortgage, lease, agreement, instrument or charter provision, statute, regulation, order, judgment, decree or law which would be violated, contravened or breached by, or under which any default would occur as a result of, the consummation of the transactions provided for herein; and

(d) Deep South is purchasing the Shares for its own account for investment purposes.

3. Survival of Representations and Warranties

3.1 **Seller**. The representations and warranties of Seller contained in this Agreement, or any agreement, certificate or other document delivered or given pursuant to this Agreement, shall not survive the consummation of the transactions contemplated by this Agreement

3.2 **Deep South**. The representations and warranties of Deep South contained in this Agreement, or any agreement, certificate or other document delivered or given pursuant to this Agreement, shall survive the completion of the transactions contemplated by this Agreement and, notwithstanding such completion or any investigation made by or on behalf of Seller, shall continue in full force and effect for the benefit of Seller and any claim in respect thereof shall be made in writing for a period of 36 months after the Closing Date.

4. Additional Agreements

4.1 Each of Seller and Deep South shall take or cause to be taken all necessary or desirable actions, steps and corporate proceedings to approve or authorize the transactions contemplated by this Agreement and the execution and delivery of this Agreement and other agreements, understandings and documents contemplated hereby, and shall cause all necessary meetings of directors and stockholders to be held for such purpose.

5. Indemnification

5.1 Deep South hereto agrees to indemnify and hold harmless Seller from and in respect of any cost, claim, loss, damage, liability or expense which such other party may suffer or incur, whether at law or in equity, arising out, resulting from or in connection with (a) any existing liability of NSI, whether fixed or contingent, known or unknown, absolute or otherwise or (b) the inaccuracy of any representation or warranty contained herein, for the time periods provided in Section 3 hereof. Seller shall have no obligation of indemnity hereunder of any nature or kind.

5.2 No claim for indemnification will arise until written notice thereof is given to Deep South. Such notice shall be sent within a reasonable time following the determination by Seller that a claim for indemnity may exist. In the event that any legal proceedings shall be instituted or any claim or demand is asserted by any third person in respect of which either party may seek any indemnification from the other party, the Seller shall give or cause to be given to Deep South written notice thereof and Deep South shall have the right, at its option and expense, to be present at the defense of such proceedings, claim or demand, but not to control the defense, negotiation or settlement thereof, which control shall at all times remain with the Seller, unless Deep South irrevocably acknowledges full and complete responsibility for indemnification of the Seller in respect of the subject claim, in which case the Deep South may assume such control through counsel of its choice; provided, however, that no settlement shall be entered into without the Seller's prior written consent (which shall not be unreasonably withheld). The parties agree to cooperate fully with each other in connection with the defense, negotiation or settlement of any such third party legal proceeding, claim or demand.

5.3 Notwithstanding anything in this Agreement to the contrary, the indemnity provided for in this Section 10 shall apply to any loss, claim, cost, damage, expense or liability, whether or not the actual amount thereof shall have been ascertained prior to the final day upon which a claim for indemnity with respect thereto may be made hereunder in accordance with Section 5 hereof, so long as written notice thereof shall have been given to the party from whom indemnification is sought prior to said date, setting forth specifically and in reasonable detail, so far as is known, the matter as to which indemnification is being sought, but nothing herein shall be construed to require payment of any claim for indemnity until the actual amount payable shall have been finally ascertained.

6. Notices

Notices required or permitted to be given under this Agreement shall be in writing and shall be deemed to be sufficiently given when sent by certified or registered mail or by overnight courier or by hand, addressed to the addresses set forth on the first page of this Agreement or to such other address furnished by notice given in accordance with this Section 11.

7. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the State of Louisiana. In the event there is any dispute between the parties as to their rights and obligations under this Agreement, the parties submit to the jurisdiction of any state or federal court sitting in the State of Louisiana (any parish) and waive any defense of inconvenient forum to the maintenance of any action so brought.

8. Entire Agreement

This Agreement constitutes the entire agreement between the parties relating to the subject matter hereof. There are no verbal statements, representations, warranties, undertakings or agreements between the parties. This agreement may be amended only by an instrument in writing signed by both parties.

9. Assignment

Neither this Agreement nor any rights or obligations hereunder may be assigned by either party without the prior written consent of the other party, which consent may be withheld in either party's sole and absolute discretion, except that Deep South may assign its rights hereunder to an entity that is substantially owned by Deep South without Seller' consent.

10. Binding Effect

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. This Agreement may be executed in counterparts.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

DEEP SOUTH CAPITAL, LLC

By: ______________________________

Name: R. Wayne Erwin
Title: Manager

NEW LEAF BRANDS, INC.

By: ______________________________

Name: David Fuselier
Title: CEO

NUTRITIONAL SUPPLEMENTS, INC.

By: ______________________________

Name: David Fuselier
Title: CEO

OLANA CAPITAL
186 EHRHARDT ROAD
PEARL RIVER, NY 10965-1932
215-243-0100
SMARMON@MAC.COM

INVOICE TO: NEW LEAF BRANDS, INC.
DATE: MARCH 1, 2012

For consulting services for the month of March 2012 regarding financial, management and business re-structuring, including plans for improvements to capital raising systems, options for increased support in communications with investors, development of multiple programs to strengthen stock price performance to reflect underlying value, and other services.

$7,000, due and payable immediately.
Please wire funds to:

Please contact Mr. Marmon at 215-243-0100 if there are any problems or questions.

STEPHEN J. MARMON
OLANA CAPITAL
186 EHRHARDT ROAD
PEARL RIVER, NY 10965-1932
215-243-0100
SMARMON@MAC.COM

INVOICE TO: NEW LEAF BRANDS, INC.
DATE: APRIL 21, 2012

For marketing, institutional relations, public relations, and other services to be provided by Stephen J. Marmon to New Leaf Brands, Inc., as agreed upon for February through April 2012:

1,000,000 (one million) shares of New Leaf common stock, subject to applicable regulations, due immediately.

Please send stock certificate to Mr. Marmon at the above address.

New Leaf

From: David Fuselier, Chairman and CEO
To: David Tsiang
Date: May 31, 2012
Sub: Issuance of shares

In consideration of financial advisory services provided by M. Eugene Leventis to New Leaf Brands, please issue 700,000 shares to M. Eugene Leventis.

EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT

As of April 31, 2009, our wholly-owned subsidiary is Baywood New Leaf Acquisition, Inc.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-152003) of New Leaf Brands, Inc. and subsidiaries of our report dated July 26, 2012, with respect to our audits of the consolidated financial statements of New Leaf Brands, Inc. as of December 31, 2011 and 2010 and for each of the years in the two-year period ended December 31, 2011,which reports are included in this Annual Report on Form 10-K. Our report includes an explanatory paragraph about the existence of substantial doubt concerning the Company's ability to continue as a going concern.

New York, New York
July 26, 2012

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

I, David N. Fuselier, certify that:

1. I have reviewed this Annual Report on Form 10-K of New Leaf Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 20, 2012

By: */s/ David N. Fuselier*
David N. Fuselier
Chief Executive Officer, Principal Executive Officer,
Chairman of the Board, and President

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the Annual Report of New Leaf Brands, Inc. (the "Company") on Form 10-K for the year ending December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David N. Fuselier, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 20, 2012	By: /s/ David N. Fuselier David N. Fuselier Chief Executive Officer, Principal Executive Officer, President and Chairman of the Board
Date: July 20, 2011	By: /s/ David N. Fuselier David N. Fuselier Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

This Certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed "filed" by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Report, irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.