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

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2014

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

For the transition period from _____ to _____

Commission File Number: **333-149158**

LIVEWIRE ERGOGENICS INC.

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

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

24845 Corbit Place

Yorba Linda, CA 92887

(Current Address of Principal Executive Offices)

714-940-0155

(Issuer Telephone Number)

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes o No x

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Rule 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large Accelerated Filer o   Accelerated Filer o   Smaller Reporting Company x   Non-Accelerated Filer o
(Do not check of a smaller reporting company)

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

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

As of June 30, 2014, the aggregate market value of shares of the issuer's common stock held by non-affiliates was approximately $5,544,000 based upon the closing bid price of $0.0489 per share. Shares of the issuer's common stock held by each executive officer and director have been excluded in that such persons may be deemed to be affiliates of the issuer. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

At April 29, 2015, there were 204,727,594 shares of $0.0001 par value common stock issued and outstanding.

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Item 1 – BUSINESS

History

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

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

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

Item 1A - RISK FACTORS

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

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

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

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

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

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

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

COMPETITORS WITH MORE RESOURCES MAY FORCE US OUT OF BUSINESS.

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

LIMITED OPERATING HISTORY, INITIAL OPERATING LOSSES.

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

THE COMPANY MAY USE MORE CASH THAN GENERATED.

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

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NO ASSURANCE OF PROFITABILITY.

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

DEPENDENCE ON MANAGEMENT.

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

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

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

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

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

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

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

FUTURE GOVERNMENT REGULATION MAY ADD TO OPERATING COSTS.

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

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

In their report, our independent registered public accounting firm stated that our consolidated financial statements for the year ended December 31, 2014 were prepared assuming that we would continue as a going concern, and that they have substantial doubt about our ability to continue as a going concern. Our auditors' doubts are based on our recurring net losses, deficits in cash flows from operations and stockholders' deficiency. We continue to experience net operating losses. Our ability to continue as a going concern is subject to our ability to generate a profit and/or obtain necessary funding from outside sources, including by the sale of our securities, or obtaining loans from financial institutions, where possible. Our continued net operating losses and our auditors' doubts increase the difficulty of our meeting such goals and our efforts to continue as a going concern may not prove successful.

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

Item 1B – UNRESOLVED STAFF COMMENTS

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

Item 2 – PROPERTIES

The Company leases space at the following location:

LiveWire Energy

24845 Corbit Place

Yorba Linda, CA 92887

Chief Executive Officer, Bill Hodson, works full-time at this location. This 60,000 square foot space serves as our manufacturing base, order processing and fulfillment facility. It has extensive office space and large warehouse areas. This location also acts as the base of operations for event and promotion efforts. The Company's LiveWire vehicle is stored at this location and the space is shared with another organization. Part-time employees are used from time-to-time to satisfy order processing requirements and promotion events.

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

Item 3 – Legal Proceedings

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

Item 4 – Mine Safety Disclosures

Not applicable

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PART II

Item 5 – Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock has the trading symbol LVVV.

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

Holders

We had more than 300 stockholders of record of our common stock as of April 29, 2015, including shares held in street name.

Dividends

We have not paid any cash dividends to stockholders. The declaration of any future cash dividend will be at the discretion of our Board of Directors and will depend upon our earnings, if any, our capital requirements and financial position, general economic conditions and other pertinent factors. It is our present intention not to pay any cash dividends in the foreseeable future, but rather to reinvest earnings, if any, into our business.

Securities Authorized For Issuance under Equity Compensation Plans

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

Item 6 – Selected Financial Data

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

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

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

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

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

CRITICAL ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

Derivative Liabilities

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

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

Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

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Convertible Instruments

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

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

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

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

Results of Operations

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

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

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

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

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

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

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Costs and Expenses

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

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

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

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

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

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

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

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

Going Concern

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

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

Liquidity and Capital Resources

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

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

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

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

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

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

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

Off-Balance Sheet Arrangements

We do not have off-balance sheet arrangements.

Inflation

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

Contractual Obligations

None.

Recently Issued Accounting Pronouncements

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

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

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

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

Item 7A – Quantitative and Qualitative Disclosures About Market Risk

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

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Item 8 – Financial Statements and Supplementary Data

See pages F-1 through F-20 following:

LIVEWIRE ERGOGENICS, INC.

DECEMBER 31, 2014

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Three Months Ended June 30, 2012 and 2011

Financial Review

	Three Months Ended June 30, 2012	2011
Royalty income	$ 919,695	$ 1,503,570
Interest income	59	24
General and administrative expense	(38,703)	(43,525)
Distributable income	$ 881,051	$ 1,460,069
Distributable income per unit	$ .4728	$ .6493
Units outstanding	1,863,590	1,863,590

The Trust's Royalty income was $919,695 in the second quarter of 2012, a decrease of approximately 39% as compared to $1,503,570 in the second quarter of 2011, primarily as a result of lower natural gas prices and increased capital expenditures and operating costs, in the second quarter of 2012 as compared to the second quarter of 2011.

The distributable income of the Trust for each period includes the Royalty income received from the working interest owners during such period, plus interest income earned to the date of distribution (if any). Trust administration expenses are deducted in the computation of distributable income. Distributable income for the quarter ended June 30, 2012 was $881,051, representing $.4728 per unit, compared to $1,460,069, representing $.6493 per unit, for the quarter ended June 30, 2011. Based on 1,863,590 units outstanding for the quarters ended June 30, 2012 and 2011, respectively, the per unit distributions were as follows:

	2012	2011
April	$ .1721	$ .2112
May	.1129	.2181
June	.1878	.2200
	$ .4728	$ .6493

Effective January 1, 2011, the Trustee began withholding $83,333 of cash per month for future unknown contingent liabilities and expenses in accordance with the Trust Indenture. The cash withholding was established through the withholding of cash received during 2011 of approximately $83,333 per monthly distribution amount, or up to $250,000 per quarter, until the cash withholding reached $1.0 million. At June 30, 2011 and December 31, 2011, the Trust had withheld a total of

$500,000 and $1.0 million, respectively, which is included in cash and short-term investments. The effect on distributable income per unit is as follows:

	Three Months Ended June 30,	
	2012	2011
Distributable Income Before Reserve for Contingent Liabilities and Expenses	$ 881,051	$ 1,460,069
Reserve for Contingent Liabilities and Expenses (See Note 1)		(250,000)
Distributable Income Available for Distribution	881,051	1,210,069
Distributable Income Per Unit	$ .4728	$ .6493
Units Outstanding	1,863,590	1,863,590

Operational Review

Hugoton Field

Natural gas and natural gas liquids production attributable to the Royalty from the Hugoton field accounted for approximately 46% of the Royalty income of the Trust during the second quarter of 2012.

PNR has advised the Trust that since June 1, 1995 natural gas produced from the Hugoton field has generally been sold under short-term and multi-month contracts at market clearing prices to multiple purchasers. During 2012 to date and 2011 the primary purchaser was Oneok Gas Marketing, Inc. PNR has advised the Trust that it expects to continue to market gas production from the Hugoton field under short-term and multi-month contracts. As discussed below, overall market prices received for natural gas from the Hugoton Royalty Properties were lower in the second quarter of 2012 compared to the second quarter of 2011.

In June 1994, PNR entered into a Gas Transportation Agreement ("Gas Transportation Agreement") with Western Resources, Inc. ("WRI") for a primary term of five years commencing June 1, 1995. This contract has renewed on a year-to-year basis beginning effective June 1, 2001. The contract is renewed a year in advance, so PNR extended the contract to June 1, 2013. Pursuant to the Gas Transportation Agreement, WRI agreed to compress and transport up to 160 MMcf per day of gas and redeliver such gas to PNR at the inlet of PNR's Satanta Plant. PNR agreed to pay WRI a fee of $0.06 per Mcf escalating 4% annually as of June 1, 1996. This Gas Transportation Agreement was assigned to Kansas Gas Service.

Royalty income attributable to the Hugoton Royalty decreased to $420,863 in the second quarter of 2012 from $536,300 in the second quarter of 2011 primarily due to decreases in natural gas prices from the Hugoton Royalty Properties and increased operating costs, offset in part by reduced capital expenditures. The average price received in the second quarter of 2012 for natural gas and natural gas liquids sold from the Hugoton Royalty Properties was $2.93 per Mcf and $45.34 per barrel, respectively, as compared to $4.34 per Mcf and $49.30 per barrel, respectively, in the second quarter of 2011. Net production of natural gas attributable to the Hugoton Royalty decreased to 78,326 Mcf in the second quarter of 2012 from 80,359 Mcf in the second quarter of 2011. Net production of natural gas liquids attributable to the Hugoton Royalty increased from 3,804 barrels in the second quarter of 2011 to 4,221 barrels in the second quarter of 2012. Actual production volumes from the Hugoton properties decreased to 133,579 Mcf of natural gas and increased to 7,221 barrels of natural gas liquids in the second quarter of 2012 as compared to 137,221 Mcf of natural gas and 6,384 barrels of natural gas liquids for the same period in 2011. The decrease in production is a result of natural production decline.

The Hugoton capital expenditures were $102 in the second quarter of 2012, a decrease of approximately 99.9% as compared to $68,017 in the second quarter of 2011. The decrease in capital expenditures was primarily due to decreased drilling activity. Operating costs were $298,045 in the second quarter of 2012, a decrease of approximately 2% as compared to $305,496 in the second quarter of 2011.

San Juan Basin

Royalty income from the San Juan Basin Royalty Properties is calculated and paid to the Trust on a state-by-state basis. Substantially all of the royalty income from the San Juan Basin Royalty Properties is attributable to the Royalty Properties located in the State of New Mexico. The Royalty income from the San Juan Basin Royalty Properties located in the State of New Mexico was $440,080 during the second quarter of 2012 as compared with Royalty income of $867,949 during the second quarter of 2011. The decrease in Royalty income was due to lower natural gas prices, lower production volumes, and an increase in capital expenditures offset by a decrease in operating expenses for the second quarter of 2012 compared to the second quarter of 2011. Net production attributable to the San Juan Basin Royalty located in New Mexico was 78,336 Mcf of natural gas and 10,114 barrels of natural gas liquids in the second quarter of 2012, as compared to 129,091 Mcf of natural gas and 12,864 barrels of natural gas liquids in the second quarter of 2011. The average price received in the second quarter of 2012 for natural gas and natural gas liquids sold from the San Juan Basin Royalty Properties located in the State of New Mexico was $1.56 per Mcf and $31.41 per barrel, respectively, compared to $2.90 per Mcf and $35.07 per barrel, respectively, during the same period in 2011. Actual production volumes of natural gas attributable to the San Juan Basin properties located in the State of New Mexico decreased to 180,274 Mcf in the second quarter of 2012 as compared to 196,134 Mcf of natural gas for the same period in 2011. Actual production volumes of natural gas liquids attributable to the San Juan Basin properties located in the State of New Mexico increased to 24,091 barrels in the second quarter of 2012 compared to 21,304 barrels for the same period in 2011.

Capital expenditures on these properties were $288,790 in the second quarter of 2012, an increase of approximately 158% as compared to $112,012 in the second quarter of 2011 primarily due to increased developmental drilling. Operating costs were $297,874 in the second quarter 2012, a decrease of approximately 10% as compared to $329,268 in the second quarter 2011.

The Trust's interest in the San Juan Basin was conveyed from PNR's working interest in 31,328 net producing acres in northwestern New Mexico and southwestern Colorado. Substantially all of the natural gas produced from the San Juan Basin is currently being sold on the spot market.

Royalty income from the San Juan Basin Colorado Royalty Properties was $58,752 during the second quarter of 2012, compared to $96,743 during the second quarter of 2011. The decrease in Royalty income was due to higher production volumes in the second quarter of 2012 offset by lower gas prices. Net production attributable to the San Juan Basin Royalty Properties located in Colorado was

35,809 Mcf of natural gas during the second quarter of 2012 with 33,363 Mcf of natural gas attributable to the Trust during the second quarter of 2011. The average price received in the second quarter of 2012 for natural gas sold from the San Juan Basin Colorado Properties was $1.64, as compared to an average price of $2.90 for the second quarter of 2011. Actual production volumes attributable to the San Juan Basin Colorado Properties increased to 52,461 Mcf of natural gas in the second quarter of 2012 as compared to 43,863 Mcf of natural gas for the same period in 2011. Royalty income reported from BP is net of pre-main line production costs. These costs were charged to the Trust in error and as a result the Royalty income for previous periods was reduced. Because Royalty income recorded for a month is the amount computed and paid by BP, the additional Royalties, if any, will not be recorded until received by the Trust.

Operating costs on these properties were $27,901 in the second quarter of 2012, a decrease of approximately 8% as compared to $30,464 in the second quarter of 2011.

Six Months Ended June 30, 2012 and 2011

Financial Review

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Royalty income	$ 2,189,062	$ 2,942,774
Interest income	97	24
General and administrative expense	(106,964)	(89,390)
Distributable income	$ 2,082,195	$ 2,853,408
Distributable income per unit	$ 1.1173	$ 1.2628
Units outstanding	1,863,590	1,863,590

The Trust's Royalty income was $2,189,062 for the six months ended June 30, 2012, a decrease of approximately 26% as compared to $2,942,774 for the six months ended June 30, 2011, primarily as a result of lower natural gas prices and lower natural gas and NGL production volumes in the first six months of 2012 as compared to the first six months of 2011.

The distributable income of the Trust for each period includes the Royalty income received from the working interest owners during such period, plus interest income earned to the date of distribution. Trust administration expenses are deducted in the computation of distributable income. Distributable income for the six months ended June 30, 2012 was $2,082,195, representing $1.1173 per unit, compared to $2,853,408, representing $1.2628 per unit, for the six months ended June 30, 2011 after the withholding of cash for future unknown contingent liabilities and expenses.

Effective January 1, 2011, the Trustee began withholding $83,333 of cash per month for future unknown contingent liabilities and expenses in accordance with the Trust Indenture. The cash withholding was established through the withholding of cash received during 2011 of approximately $83,333 per monthly distribution amount, or up to $250,000 per quarter, until the cash withholding reached $1.0 million. At June 30, 2011 and December 31, 2011, the Trust had withheld a total of

$500,000 and $1.0 million, respectively, which is included in cash and short term investments. The effect on distributable income per unit is as follows:

	Six Months Ended June 30,	
	2012	2011
Distributable Income Before Reserve for Contingent Liabilities and Expenses	$ 2,082,195	$ 2,853,408
Reserve for Contingent Liabilities and Expenses (See Note 1)		(500,000)
Distributable Income Available for Distribution	2,082,195	2,353,408
Distributable Income Per Unit	$ 1.1173	$ 1.2628
Units Outstanding	1,863,590	1,863,590

Operational Review

Hugoton Field

Natural gas and natural gas liquids revenue from the Hugoton field attributable to the Royalty accounted for approximately 41% of the Royalty income of the Trust during the six months ended June 30, 2012.

Royalty income attributable to the Hugoton Royalty Properties decreased to $895,383 for the six months ended June 30, 2012 from $1,144,989 for the same period in 2011 primarily due to lower prices for natural gas, decreased production, and decreased capital expenditures offset by increased operating expenditures from the Hugoton Royalty Properties. The average price received in the first six months of 2012 for natural gas and natural gas liquids sold from the Hugoton field was $3.32 per Mcf and $46.97 per barrel, respectively, compared to $4.11 per Mcf and $48.35 per barrel, respectively, during the same period in 2011. Net production attributable to the Hugoton Royalty Properties decreased to 154,960 Mcf of natural gas and 8,110 barrels of natural gas liquids for the six months ended June 30, 2012 as compared to 173,457 Mcf of natural gas and 8,937 barrels of natural gas liquids for the six months ended June 30, 2011. Actual production volumes attributable to the Hugoton Royalty Properties decreased to 272,819 Mcf of natural gas and increased to 14,316 barrels of natural gas liquids in the six months ended June 30, 2012 as compared to 283,326 Mcf of natural gas and 14,250 barrels of natural gas liquids for the same period in 2011. The decrease in production is a result of natural production decline.

The Hugoton capital expenditures were $1,140 during the six months ended June 30, 2012, a decrease of approximately 99% as compared to $99,794 during the six months ended June 30, 2011. The decrease in the capital expenditures was primarily due to decreased drilling activity. Operating costs were $680,854 during the six months ended June 30, 2012, an increase of approximately 12% as compared to $606,840 during the six months ended June 30, 2011 primarily due to the severance tax refund filed with the state of Kansas and already paid to the Trust. See Note 6 above.

San Juan Basin

The Royalty income from the San Juan Basin Royalty Properties located in the state of New Mexico was $1,108,362 for the first six months of 2012 compared to $1,692,221 in the first six months of 2011. The decrease in Royalty income was due primarily to lower natural gas prices, lower production volumes and increased capital expenditures and operating costs in the first six months of 2012 from the San Juan Basin properties. The average price received in the six months ended June 30, 2012 for natural gas and natural gas liquids sold from the San Juan Basin Royalty Properties located in the state of New Mexico was $2.07 per Mcf and $32.71 per barrel, respectively, compared to $2.94 per Mcf and $43.90 per barrel, respectively, during the same period in 2011. Net production attributable to the San Juan Basin Royalty located in New Mexico was 168,950 Mcf of natural gas and 23,178 barrels of natural gas liquids for the six months ended June 30, 2012 as compared to 257,799 Mcf of natural gas and 26,305 barrels of natural gas liquids for the six months ended June 30, 2011. Actual production volumes attributable to the San Juan Basin Royalty Properties decreased to 338,023 Mcf of natural gas and increased to 46,972 barrels of natural gas liquids in the six months ended June 30, 2012 as compared to 386,533 Mcf of natural gas and 42,988 barrels of natural gas liquids for the same period in 2011.

San Juan-New Mexico capital expenditures were $493,709 during the six months ended June 30, 2012, an increase of approximately 153% as compared to $195,265 during the six months ended June 30, 2011. This increase is due to increased developmental drilling activity during the six months ended June 30, 2012 when compared to the six months ended June 30, 2011. Operating costs were $663,496 during the six months ended June 30, 2012, an increase of approximately 3% as compared to $645,032 during the six months ended June 30, 2011.

Royalty income from the San Juan Basin Colorado Royalty Properties was $185,317 for the six months ended June 30, 2012, compared to $160,311 during the same period in 2011. The increase in Royalty income was primarily the result of increased natural gas production offset in part by lower natural gas prices and increased operating costs in the six months ended June 30, 2012 compared to the same period in 2011. Net production attributable to the San Juan Basin Royalty Properties located in Colorado was 93,122 Mcf of natural gas during the six months ended June 30, 2012 with 59,452 Mcf of natural gas attributable to the Trust during the same period in 2011. The average price received for the six months ended June 30, 2012 for natural gas sold from the San Juan Basin Colorado Properties was $1.99, compared to $2.69 received during the same period in 2011. Actual production volumes attributable to the San Juan Basin Colorado Properties increased to 107,120 Mcf of natural gas for the six months ended June 30, 2012 as compared to 91,787 Mcf of natural gas for the same period in 2011.

Operating costs on these properties were $29,665 for the six months ended June 30, 2012, a decrease of approximately 66% as compared to $86,948 in the same period in 2011 due to a decrease in drilling charges.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Trust does not engage in any operations, and does not utilize market risk sensitive instruments, either for trading purposes or for other than trading purposes. The Trust's monthly distributions are highly dependent upon the prices realized from the sale of natural gas. Natural gas prices can fluctuate widely on a month-to-month basis in response to a variety of factors that are beyond the control of the Trust and the working interest owners. Factors that contribute to price fluctuation include, among others:

- political conditions worldwide, in particular political disruption, war or other armed conflict in or affecting oil producing regions;

worldwide economic conditions;

weather conditions, including hurricanes and tropical storms in the Gulf of Mexico;

the supply and price of foreign natural gas;

the level of consumer demand;

the price and availability of alternative fuels;

the proximity to, and capacity of, transportation facilities; and

the effect of worldwide energy conservation measures.

Moreover, government regulations, such as regulation of natural gas transportation, regulation of green house gas and other emissions associated with fossil fuel combustion and price controls, can affect product prices in the long term.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures. The Trustee maintains disclosure controls and procedures designed to ensure that information required to be disclosed by the Trust in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by the Trust in the reports that it files or submits under the Exchange Act is accumulated and communicated by the working interest owners to The Bank of New York Mellon Trust Company, N.A., as Trustee of the Trust, and its employees who participate in the preparation of the Trust's periodic reports as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, the trust officer acting on behalf of the Trustee responsible for the administration of the Trust conducted an evaluation of the Trustee's disclosure controls and procedures. The officer acting on behalf of the Trustee concluded that the Trust's disclosure controls and procedures were effective.

Due to the contractual arrangements of (i) the Trust Indenture and (ii) the rights of the Trust under the Conveyance regarding information furnished by the working interest owners, the Trustee relies on information provided by the working interest owners, including (i) the status of litigation, (ii) historical operating data, plans for future operating and capital expenditures and reserve information, (iii) information relating to projected production, and (iv) conclusions regarding reserves by their internal reserve engineers or other experts in good faith. See Part I Item 1A. "Risk Factors Trust unitholders and the Trustee have no control over the operation or development of the Royalty Properties and have little influence over operation or development" and " The Trustee relies upon the Working Interest Owners for information regarding the Royalty Properties" in the Trust's Annual Report on Form 10-K for the year ended December 31, 2011 for a description of certain risks relating to these arrangements and reliance, including filings such as this filing outside the time periods specified notwithstanding effective disclosure controls and procedures of the Trustee regarding information under its control.

The officer acting on behalf of the Trustee has not conducted a separate evaluation of the disclosure controls and procedures with respect to information furnished by the working interest owners. The Trustee notes that with respect to the annual reports on Form 10-K for December 31, 2007 and 2008, and with respect to the quarterly reports during 2008 and for the first two quarters of 2009, the Trust did not file its reports in a timely manner due to the Trustee's need to reconcile and verify ownership, calculations of the Trust's interest in proceeds and other information provided by working interest owners. This information was required by the reserve engineer to prepare the reserve report for the Trustee to present the required reserve information in the SEC reports, and for the Trustee to complete the Trust's financial statements, and a review of the basis for this information was needed prior to filing these reports. The source of this information is not within the control of the Trustee, and thus the initial information provided to the Trustee and the timely receipt of accurate information for the preparation of these reports was not within scope of the Trustee's disclosure controls and procedures. The Trustee's review of certain information and calculations by the working interest owners, along with an outside joint venture auditor, remains ongoing. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources" under Item 7 on Form 10-K for the year ended December 31, 2011 for information concerning controls and procedures with respect to the Royalty.

Changes in Internal Control over Financial Reporting. In connection with the evaluation by the Trustee of changes in internal control over financial reporting of the Trust that occurred during the Trust's last fiscal quarter, no change in the Trust's internal control over financial reporting was identified that has materially affected, or is reasonably likely to materially affect, the Trust's internal control over financial reporting. The Trustee notes for purposes of clarification that it has no authority over, has not evaluated and makes no statement concerning the internal control over financial reporting of the working interest owners.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

There are no pending legal proceedings to which the Trust is a named party. The Trustee has been advised by PNR, ConocoPhillips and BP Amoco that it is subject to litigation in the ordinary course of business for certain matters that include the Royalty Properties. While each of the working interest owners has advised the Trustee that it does not currently believe any of the pending litigation will have a material adverse effect net to the Trust, in the event such matters were adjudicated or settled in a material amount and charges were made against Royalty income, such charges could have a material impact on future Royalty income.

Item 1A. Risk Factors.

There have not been any material changes from risk factors previously disclosed in Item 1A to Part 1 of the Trust's Annual Report on Form 10-K for the year ended December 31, 2011.

Item 6. Exhibits.

(Asterisk indicates exhibit previously filed with the Securities and Exchange Commission and incorporated herein by reference. The Bank of New York Mellon Trust Company, N.A. is the successor trustee to JPMorgan Chase Bank, N.A. JPMorgan Chase Bank, N.A. was formerly known as The Chase Manhattan Bank and was successor by mergers to the original name of the Trustee, Texas Commerce Bank National Association).

		SEC File or Registration Number	Exhibit Number
4(a)*	Mesa Royalty Trust Indenture between Mesa Petroleum Co. and Texas Commerce Bank National Association, as Trustee, dated November 1, 1979	2-65217	1(a)
4(b)*	Overriding Royalty Conveyance between Mesa Petroleum Co. and Texas Commerce Bank, as Trustee, dated November 1, 1979	2-65217	1(b)
4(c)*	First Amendment to the Mesa Royalty Trust Indenture dated as of March 14, 1985 (Exhibit 4(c) to Form 10-K for year ended December 31, 1984 of Mesa Royalty Trust)	1-7884	4(c)
4(d)*	Form of Assignment of Overriding Royalty Interest, effective April 1, 1985, from Texas Commerce Bank National Association, as Trustee, to MTR	1-7884	4(d)

	Holding Co. (Exhibit 4(d) to Form 10-K for year ended December 31, 1984 of Mesa Royalty Trust)		
4(e)*	Purchase and Sale Agreement, dated March 25, 1991, by and among Mesa Limited Partnership, Mesa Operating Limited Partnership and Conoco, as amended on April 30, 1991 (Exhibit 4(e) to Form 10-K for year ended December 31, 1991 of Mesa Royalty Trust)	1-7884	4(e)
31	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002		
32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002		

SIGNATURES

Pursuant to the requirements 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.

Mesa Royalty Trust

By: The Bank of New York Mellon Trust Company, N.A., as Trustee

By: /s/ MIKE ULRICH

Mike Ulrich
Vice President

Date: August 9, 2012

The Registrant, Mesa Royalty Trust, has no principal executive officer, principal financial officer, board of directors or persons performing similar functions. Accordingly, no additional signatures are available and none have been provided.

QuickLinks