AL International, Inc.
And Subsidiaries

Consolidated Financial Statements
For the Years ended December 31, 2011 and 2010

MHM
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An Independent CPA Firm

AL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
AL International, Inc.
Chula Vista, California

We have audited the accompanying consolidated balance sheets of **AL International, Inc.** (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the years then ended. These 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 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 its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, 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 financial position of **AL International, Inc.** as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

San Diego, CA
August 2, 2012

AL International Inc. and Subsidiaries
Consolidated Balance Sheets

(In thousands, except share amounts)

	As of December 31, 2011	As of December 31, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,390	$ 599
Accounts receivable	-	119
Accounts receivable, due from factoring company	937	-
Inventory	4,981	1,871
Prepaid expenses and other current assets	591	245
Total current assets	7,899	2,834
Property and equipment, net	916	199
Intangible assets, net	10,398	3,748
Goodwill	5,154	-
	$ 24,367	**$ 6,781**
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)		
Current Liabilites:		
Accounts payable	$ 2,948	$ 979
Accrued expenses	2,848	1,918
Other current liabilities	424	335
Due to factoring company	743	-
Notes payable, current portion	712	206
Contingent acquisition debt, current portion	325	147
Total current liabilites	8,000	3,585
Other liabilities	138	-
Deferred tax liability	716	359
Related party notes payable	-	2,221
Notes payable, less current portion	2,090	2,266
Contingent acquisition debt, less current portion	4,345	720
Total liabilities	15,289	9,151
Commitments and contigencies (Note 10)		
Equity		
AL International, Inc. stockholders' equity:		
Convertible Preferred Stock, $0.001 par value: 1,000,000 shares authorized, 271,135 and 0 shares issued and outstanding at 2011 and 2010, respectively	-	-
Common Stock, $0.001 par value: 600,000,000 share authorized; 385,237,309 and 280,000,000 shares issued and outstanding at 2011 and 2010, respectively	385	280
Additional paid in capital	163,584	42
Accumulated deficit	(154,841)	(2,586)
Accumulated other comprehensive loss	(113)	(106)
Total AL International, Inc. stockholders' equity (deficit)	9,015	(2,370)
Noncontrolling interest	63	-
Total equity (deficit)	9,078	(2,370)
	$ 24,367	**$ 6,781**

See accompanying notes to consolidated financial statements

AL International Inc. and Subsidiaries
Consolidated Statements of Operations
(In thousands, except share and per share amounts)

	Years ended December 31, 2011	Years ended December 31, 2010
Revenues	$ 40,670	$ 25,058
Cost of revenues	15,962	10,292
Gross profit	24,708	14,766
Operating expenses		
Distributor compensation	16,986	10,819
Sales and marketing	1,861	1,059
General and adminstrative	5,585	3,633
Impairment of goodwill	151,798	-
Total operating expenses	176,230	15,511
Operating loss	(151,522)	(745)
Interest expense, net	(427)	(284)
Loss before income taxes	(151,949)	(1,029)
Income tax provision (benefit)	246	37
Net loss	(152,195)	(1,066)
Net income attributable to noncontrolling interest	60	-
Net loss attibutable to AL International, Inc.	(152,255)	(1,066)
Preferred stock dividends	17	-
Net loss available to common stockholders	$ (152,272)	$ (1,066)
Net loss per share, basic and diluted	$ (0.46)	$ (0.00)
Weighted average shares outstanding, basic and diluted	329,229,717	$ 275,188,045

See accompanying notes to consolidated financial statements

AL International Inc. and Subsidiaries
Consolidated Statements of Stockholders Equity (Deficit)
(In thousands, except share amounts)

	Preferred Stock		Common Stock		Noncontrolling	Additional Paid-in	Other Comprehensive	Acumulated	
	Shares	Amount	Shares	Amount	Interest	Capital	Income	Deficit	Total
Balance at December 31, 2009	**-**	**$ -**	**254,545,455**	**$ 255**	**0**	**$ (245)**	**$ (119)**	**$ (1,520)**	**$ (1,629)**
Issuance of stock in lieu of cash compensation	-	-	25,454,545	25	-	287	-	-	312
Other comprehensive gain, foreign currency translation adjustment	-	-	-	-	-	-	13	-	13
Net loss	-	-	-	-	-	-	-	(1,066)	(1,066)
Balance at December 31, 2010	**-**	**-**	**280,000,000**	**280**	**-**	**42**	**(106)**	**(2,586)**	**(2,370)**
Issuance of preferred and common stock in connection with reverse merger	401,135	-	102,640,775	103	-	160,017	-	-	160,120
Debt forgiveness - related party	-	-	-	-	-	2,792	-	-	2,792
Fair value of warrants issued	-	-	-	-	-	620	-	-	620
Issuance of common stock pursuant to the exercise of stock warrants	-	-	2,065,000	2	-	95	-	-	97
Issuance of common stock pursuant to the conversion of convertible preferred stock and accrued dividends	(130,000)	-	531,534	-	-	35	-	-	35
Other comprehensive loss, foreign currency translation adjustment	-	-	-	-	-	-	(7)	-	(7)
Dividends on preferred stock	-	-	-	-	-	(17)	-	-	(17)
Equity of noncontrolling interest	-	-	-	-	3	-	-	-	3
Net loss	-	-	-	-	60	-	-	(152,255)	(152,195)
Balance at December 31, 2011	**271,135**	**-**	**385,237,309**	**385**	**63**	**163,584**	**(113)**	**(154,841)**	**9,078**

See accompanying notes to consolidated financial statements

AL International Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands, except share amounts)

	Years ended December 31,	
	2011	**2010**
Cash Flows from Operating Activities:		
Net loss	$ (152,195)	$ (1,066)
Adjustments to reconcile net loss to net cash provided by operating activities:		-
Depreciation and amortization	1,064	617
Impairment of goodwill	151,798	-
Noncash compensation expense	-	24
Fair value of warrants issued	620	-
Amortization of debt discount	100	120
Changes in operating assets and liabilities net of effect from business combinations:		
Accounts receivable	(375)	(15)
Inventories	(2,439)	(418)
Prepaid expense and other current assets	(120)	111
Accounts payable	1,101	452
Accrued expenses and other liabilities	922	508
Deferred tax liability	44	18
Net Cash Provided by Operating Activities	**520**	**351**
Cash Flows from Investing Activities:		
Purchases of property and equipment	(248)	(61)
Cash acquired in business combinations, net of cash paid	661	-
Net Cash Provided by (Used in) Investing Activities	**413**	**(61)**
Cash Flows from Financing Activities:		
Payments from factoring company, net	411	-
Payments of notes payable	(458)	(231)
Payments of contingent acquisition debt	(188)	(62)
Payment to establish noncontolling interest	3	-
Proceeds from exercise of common stock warrants	97	-
Net Cash Used in Financing Activities	**(135)**	**(293)**
Foreign Currency Effect on cash	(7)	13
Net increase in cash and cash equivalents	**791**	**10**
Cash and Cash Equivalents, beginning of period	599	589
Cash and Cash Equivalents, end of period	**$ 1,390**	**$ 599**
Cash paid during the year for:		
Interest	$ 84	$ 23
Income taxes	$ 113	$ 29

Non cash financing activities:

During 2010, the Company issued 25,454,545 shares of common stock in payment of accrued wages of $312, of which $24 and $288 was earned in 2010 and prior years, respectively.

During 2011, related party debt of approximately $2,221 plus accrued unpaid interest of approximately $571 was forgiven and recognized as a capital contribution.

During 2011, the Company issued 102,640,775 shares of common stock at $1.56 per share in connection with the Reverse Merger.

During 2011, the Company issued 260,000 shares of common stock for conversion of 130,000 shares of preferred stock and issued 271,534 shares of common stock in payment of approximately $35 of accrued dividends on preferred stock, of which approximately $7 was accrued in 2011.

See accompanying notes to consolidated financial statements

1. ORGANIZATION

Nature of Operations

AL International, Inc. (the "Company") develops and distributes health and nutrition related products through its global independent direct sales network, also known as multi-level marketing, and manufactures coffee products which are sold to commercial customers. The Company operates in two business segments, its direct sales segment and its commercial coffee segment.

Recent Developments

On July 11, 2011, AL Global Corporation ("AL Global"), a privately held California corporation, merged with and into a wholly-owned subsidiary of Javalution Coffee Company, a publicly traded Florida corporation ("Javalution"). For accounting purposes, this business combination has been treated as a reverse acquisition ("Reverse Acquisition") with AL Global as the accounting acquirer. Subsequent to the Reverse Acquisition, effective August 6, 2011, Javalution merged with and into AL International, Inc., a Delaware corporation. Each issued and outstanding share of common stock, no par value, of Javalution was converted into and became one-half (0.5) validly issued, fully paid and non-assessable share of common stock, $.001 par value, of the Company, and (ii) each issued and outstanding share of Series A preferred stock, no par value, of Javalution was converted into and became one (1) validly issued, fully paid and non-assessable share of Series A preferred stock, par value $.001 per share, of the Company. The historical financial information included in the consolidated financial statements prior to July 11, 2011, are those of AL Global. (See Note 3)

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The accompanying financial statements include the operating results and financial position of the Company and its wholly-owned subsidiaries: AL Global Corporation, CLR Roasters LLC, Financial Destination, Inc., FDI Management, Inc., MoneyTrax, LLC., Youngevity Australia Pty. Ltd., and Youngevity NZ Ltd. The Company also consolidates its non-controlling interest in AL Corporation Holding Pte. Ltd. and DrinkAct Southeast Asia, Inc. (collectively "DrinkACT SEA") in accordance with the authoritative guidance for the consolidation of variable interest entities. All significant intercompany accounts and transactions have been eliminated in consolidation.

Segment Information

Beginning with the Reverse Acquisition in July 2011, the Company has two reporting segments: direct sales and commercial coffee. The direct sales segment develops and distributes health and nutrition products through its global independent direct sales network also known as multi-level marketing. The commercial coffee segment is a coffee roasting and distribution company specializing in the gourmet coffee category and the owner of the direct marketing brand Javafit, as well as the brands Café La Rica, Josie's Java House and the Javalution family of brands which are marketed in the commercial coffee segment. The determination that the Company has two reportable segments is based upon the guidance set forth in Accounting Standards Codification ("ASC") 280, "Segment Reporting",as explained in more detail in Note 12.

Use of Estimates

The Company prepared its consolidated financial statements and related disclosures in conformity with GAAP. Preparation of these statements requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. The Company bases estimates and assumptions on historical experience and on various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that may not be readily apparent from other sources. Estimates are used in assessing impairment of intangibles and goodwill, value of contingent acquisition debt, value of deferred tax assets and liabilities, allowance for bad debt, inventory obsolescence, and sales returns. Actual results could differ materially from those estimates and assumptions.

Cash and Cash Equivalents

The Company considers only its monetary liquid assets with original maturities of three months or less as cash and cash equivalents.

Accounts Receivable

Accounts receivable are recorded net of an allowance for doubtful accounts. Accounts receivable are considered delinquent when the due date on the invoice has passed. The Company records its allowance for doubtful accounts based upon its assessment of various factors including past experience, the age of the accounts receivable balances, the credit quality of its customers, current economic conditions and other factors that may affect customers' ability to pay. Accounts receivable are written off against the allowance for doubtful accounts when all collection efforts by the Company have been unsuccessful. Certain accounts receivable are financed as part of a factoring agreement. (See Note 7) There was no allowance for doubtful accounts recorded as of December 31, 2011 or 2010.

Inventory and Cost of Sales

Inventory is stated at the lower of cost or market value. Cost is determined using the first-in, first-out method. The Company records an inventory reserve for estimated excess and obsolete inventory based upon historical turnover, market conditions and assumptions about future demand for its products. When applicable, expiration dates of certain inventory items with a definite life are taken into consideration. Inventory reserves and the related assumptions are reviewed and updated on a quarterly basis.

Cost of revenues includes the cost of inventory, shipping and handling costs incurred by the Company in connection with shipments to customers, royalties associated with certain products, transaction banking costs and depreciation on certain assets.

The Company analyzes its firm purchase commitments, which currently consist primarily of commitments to purchase green coffee, at each period end. When necessary, provisions are made in each reporting period if the amounts to be realized from the disposition of the inventory items are not adequately protected by firm sales contracts of such inventory items. In that situation, a loss would be recorded for the inventory cost in excess of the saleable market value.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over the estimated useful lives of the related assets. The straight-line method of depreciation and amortization is followed for financial statement purposes. Leasehold improvements are amortized over the shorter of the life of the respective lease or the useful life of the improvements. Estimated service lives range from three to ten years. When such assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in operations in the period of disposal. The cost of normal maintenance and repairs is charged to expense as incurred. Significant expenditures that increase the useful life of an asset are capitalized and depreciated over the estimated useful life of the asset.

Business Combinations

The Company accounts for business combinations under the acquisition method and allocates the total purchase price for acquired businesses to the tangible and identified intangible assets acquired and liabilities assumed, based on their estimated fair values. When a business combination includes the exchange of the Company's common stock, the value of the common stock is determined using the closing market price as of the date such shares were tendered to the selling parties. The fair values assigned to tangible and identified intangible assets acquired and liabilities assumed are based on management or third party estimates and assumptions that utilize established valuation techniques appropriate for the Company's industry and each acquired business. Goodwill is recorded as the excess, if any, of the aggregate fair value of consideration exchanged for an acquired business over the fair value (measured as of the acquisition date) of total net tangible and identified intangible assets acquired. A liability for contingent consideration, if applicable, is recorded at fair value as of the acquisition date. In determining the fair value of such contingent consideration, management estimates the amount to be paid based on probable outcomes and expectations on financial performance of the related acquired business. The fair value of contingent consideration is reassessed quarterly, with any change in the estimated value charged to operations in the period of the change. Increases or decreases in the fair value of the contingent consideration obligations can result from changes in actual or estimated revenue streams, discount periods, discount rates and probabilities that contingencies will be met.

Goodwill

Goodwill is recorded as the excess, if any, of the aggregate fair value of consideration exchanged for an acquired business over the fair value (measured as of the acquisition date) of total net tangible and identified intangible assets acquired. In accordance with ASC 350, " Intangibles — Goodwill and Other", goodwill and other intangible assets with indefinite lives are not amortized but are tested for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The Company conducts annual reviews for goodwill and indefinite-lived intangible assets in the fourth quarter of each year or whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable.

The goodwill impairment test is a two-step process. The first step compares the Company's fair value to its net book value. If the fair value is less than the net book value, the second step of the test compares the implied fair value of the Company's goodwill to its carrying amount. If the carrying amount of goodwill exceeds its implied fair value, the Company would recognize an impairment loss equal to that excess amount. The testing is generally performed at the "reporting unit" level. A reporting unit is the operating segment, or a business one level below that operating segment (referred to as a component) if discrete financial information is prepared and regularly reviewed by management at the component level. The Company has determined that its reporting units for goodwill impairment testing are the Company's reportable segments. As such, the Company analyzed its goodwill balances separately for the commercial coffee reporting unit and the direct sales reporting unit.

In the third quarter of 2011, immediately following the Reverse Acquisition with Javalution, the Company determined that the goodwill recorded in that transaction was impaired. As a result, the Company recorded an estimated non-cash impairment charge of approximately $151,432,000 to reduce the carrying amount of goodwill to $3,933,000. (See Note 3)

During the fourth quarter of 2011, the Company also determined that its goodwill related to the Adaptogenix acquisition (See Note 3) was impaired and recorded a non-cash impairment charge of approximately $366,000, ultimately reducing the related goodwill balance to $0.

Goodwill activity for the years ended December 31, 2011 and 2010 by reportable segment consists of the following (in thousands):

	Direct marketing	Commercial coffee	Total
Balance at December 31, 2009	$ -	$ -	$ -
Goodwill recognized	-	-	-
Goodwill impaired	-	-	-
Balance at December 31, 2010	$ -	$ -	$ -
Goodwill recognized	1,587	155,365	156,952
Goodwill impaired	(366)	(151,432)	(151,798)
Balance at December 31, 2011	$ 1,221	$ 3,933	$ 5,154

Long-Lived Assets

Long-lived assets, including property and equipment and definite lived intangible assets are carried at cost less accumulated amortization. Costs incurred to renew or extend the life of a long lived asset are reviewed for capitalization. All finite-lived intangible assets are amortized on a straight-line basis, which approximates the pattern in which the estimated economic benefits of the assets are realized, over their estimated useful lives.

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate their net book value may not be recoverable. Impairment, if any, is based on the excess of the carrying amount over the fair value, based on market value when available, or discounted expected cash flows, of those assets and is recorded in the period in which the determination is made. Management has determined that no impairment of its long-lived assets occurred at December 31, 2011 or 2010. There can be no assurance, however, that market conditions will not change or demand for the Company’s products will continue. Either of these could result in future impairment of long-lived assets.

Revenue Recognition

The Company recognizes revenue from product sales when the following four criteria are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the selling price is fixed or determinable and collectability is reasonably assured. The Company ships the majority of its product directly to the distributors via UPS or USPS and receives substantially all payments for these sales in the form of credit card transactions. The Company regularly monitors its use of credit card or merchant services to ensure that its financial risk related to credit quality and credit concentrations are actively managed. Revenue is recognized upon passage of title and risk of loss to customers when product is shipped from the fulfillment facility.

The Company also charges fees to become a distributor, and earn a position in the network genealogy, which are recognized as revenue in the period received. The standard fee to become a distributor is $10.00, which includes a welcome kit and a genealogy position with no down line distributors. The Company recognized related revenue of $105,000 and $55,000 for the years ended December 31, 2011 and 2010, respectively. During 2011, the Company also sold three (3) specific genealogy positions with existing down line distributors and issued 2,785,516 warrants to purchase the Company's common stock. The Company accounted for the transactions by recording net revenue of $1,130,000. (See Note 9)

Sales revenue and a reserve for estimated returns are recorded when product is shipped. Revenue from product sales is recorded net of sales taxes.

Product Return Policy

All products, except food products and commercial coffee products, are subject to a full refund within the first 30 days of receipt by the customer, subject to an advance return authorization procedure. Returned product must be in unopened resalable condition. Commercial coffee products are returnable only if defective. The Company establishes product return reserves based on historical experience. As of December 31, 2011 and 2010, the Company's reserve balance for returns was approximately $47,000 and $32,000, respectively, which is recorded in other liabilities in the consolidated balance sheet.

Shipping and Handling

Shipping and handling costs associated with inbound freight and freight to customers, including independent distributors, are included in cost of sales. Shipping and handling fees charged to all customers are included in sales. Shipping expense was approximately $3,367,000 and $2,194,000 for the years ended December 31, 2011 and 2010, respectively.

Distributor Compensation

The Company utilizes a network of independent distributors, each of whom has signed an agreement with the Company, enabling them to purchase products at wholesale prices, enroll new distributors for their down-line and earn compensation on product purchases made by those down-line distributors.

The payments made under the compensation plans are the only form of compensation paid to the distributors. Each product has a point value, which may or may not be correlated to the wholesale selling price of a product. A distributor must qualify to participate in the compensation plan by making a specified amount of product purchases, achieving specified point levels each month. Once qualified, the distributor will receive payments based on a percentage of the point value of products sold by the distributor's down-line. The payment percentage varies depending on qualification level of the distributor and the number of levels of down-line distributors. There are also additional incentives paid upon achieving predefined activity and/or down-line point value levels. There can be multiple levels of independent distributors earning incentives from the sales efforts of a single agent. Due to that multi-layer independent sales approach, distributor incentives are a significant component of the Company's cost structure. The Company accrues all distributor compensation expense in the month earned and pays the compensation the following month.

Advertising Expense

Advertising costs are expensed in the period incurred and are not material to the results of operations in any of the periods presented.

Earnings per share

Basic earnings per common share ("EPS") are based on the weighted-average number of common shares that were outstanding during each period. Diluted earnings per common share include the effect of potentially dilutive common shares, which include conversion of preferred shares and outstanding warrants for preferred and common shares that have not been exercised.

For the period of time prior to the Reverse Acquisition, the weighted-average number of common shares outstanding are based on the shares outstanding for AL Global, retroactively adjusted for the Reverse Acquisition and the reverse stock split. The weighted-average number of shares outstanding after the Reverse Acquisition is based on the shares outstanding for the Company during that period of time.

The Company has excluded the following securities from the calculation of diluted loss per share, as their effect would have been antidilutive:

	Common share equivalents at	
	December 31, 2011	December 31, 2010
Potential dilutive securities:		
Convertible preferred stock	542,270	-
Warrants - Common stock	16,745,634	-
Warrants - Preferred stock	261,830	-
	17,549,734	-

Foreign Currency Translation

The financial position and results of operations of the Company's foreign subsidiaries are measured using the foreign subsidiary's local currency as the functional currency. Revenues and expenses of such subsidiaries have been translated into U.S. dollars at average exchange rates prevailing during the period. Assets and liabilities have been translated at the rates of exchange on the balance sheet date. The resulting translation gain and loss adjustments are recorded directly as a separate component of shareholders' equity, unless there is a sale or complete liquidation of the underlying foreign investments. The Company translates foreign currencies of its Australian and New Zealand subsidiaries as well as the operations of its Philippine and Singapore variable interest entities. The cumulative translation adjustment, which is recorded in accumulated other comprehensive income, decreased approximately $7,000 for the year ended December 31, 2011 and increased approximately $13,000 for the year ended December 31, 2010. Translation gains or losses resulting from transactions in currencies other than the respective entities functional currency are included in the determination of income and are not considered significant to the Company for 2011 and 2010.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net gains and losses affecting stockholders' deficit that, under generally accepted accounting principles, are excluded from net loss. For the Company, the only items are the cumulative foreign currency translation and net loss.

Income Taxes

The Company accounts for income taxes under the asset and liability method which includes the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this approach, deferred taxes are recorded for the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial statement and tax bases of our assets and liabilities, and are adjusted for changes in tax rates and tax laws when changes are enacted. The effects of future changes in income tax laws or rates are not anticipated.

The Company is subject to income taxes in the United States and certain foreign jurisdictions. The calculation of the Company's tax provision involves the application of complex tax laws and requires significant judgment and estimates. The Company evaluates the realizability of its deferred tax assets for each jurisdiction in which it operates at each reporting date, and establishes a valuation allowance when it is more likely than not that all or a portion of its deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income of the same character and in the same jurisdiction. The Company considers all available positive and negative evidence in making this assessment, including, but not limited to, the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. In circumstances where there is sufficient negative evidence indicating that deferred tax assets are not more likely than not realizable, the Company will establish a valuation allowance.

The Company applies ASC 740, "Income Taxes," in the accounting for uncertainty in income taxes recognized in its financial statements. ASC 740 requires that all tax positions be evaluated using a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Differences between tax positions taken in a tax return and amounts recognized in the financial statements are recorded as adjustments to income taxes payable or receivable, or adjustments to deferred taxes, or both. The Company believes that its accruals for uncertain tax positions are adequate for all open audit years based on its assessment of many factors including past experience and interpretation of tax law. To the extent that new information becomes available which causes the Company to change its judgment about the adequacy of its accruals for uncertain tax positions, such changes will impact income tax expense in the period such determination is made. The Company's policy is to include interest and penalties related to unrecognized income tax benefits as a component of income tax expense. (See Note 11)

Recently Issued Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB"), or other standard setting bodies, which are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company's management believes that the impact of recently issued standards that are not yet effective will not have a material impact on the Company's consolidated financial statements upon adoption.

Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. In January 2010, the FASB issued ASU 2010-06, "*Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements,*" which amends the disclosure requirements relating to recurring and nonrecurring fair value measurements. New disclosures are required about transfers into and out of the Levels 1 and 2 fair value hierarchy and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. This ASU also requires an entity to present information about purchases, sales, issuances and settlements for significant unobservable inputs on a gross basis rather than as a net number. This ASU was effective for us with the reporting period beginning January 1, 2010, except for the disclosures on the roll forward activities for Level 3 fair value measurements, which became effective for the Company beginning January 1, 2011. The adoption of this ASU had no impact on the Company's financial position and results of operations, as it only requires additional disclosures.

Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations. In December 2010, the FASB issued ASU 2010-29, "*Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations,"* which requires an entity to disclose revenue and earnings of a combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual period only. It also requires pro forma disclosures to include a description of the nature and amount of the material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The Company has adopted ASU 2010-29 to be effective for all business combinations disclosed herein. Therefore, all required disclosures have been included in the related footnote to the consolidated financial statements.

Comprehensive Income (Topic 220): Presentation of Comprehensive Income. In June 2011 the FASB issued ASU 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income," which (1) eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity; (2) requires the consecutive presentation of the statement of net income and other comprehensive income; and (3) requires an entity to present reclassification adjustments on the face of the financial statements from other comprehensive income to net income. This new standard does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income, nor does it affect how earnings per share is calculated or presented. ASU 2011-05 is required to be applied retrospectively and is effective for fiscal years and interim periods within those years beginning after December 15, 2011, with early adoption permitted. As this new standard only requires enhanced disclosure, the adoption of ASU 2011-05 will not impact the Company's financial position or results of operations.

Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment. In September 2011 the FASB issued ASU 2011-08, "Goodwill and Other (Topic 350): Testing Goodwill for Impairment," which simplifies goodwill impairment tests and states that a qualitative assessment may be performed to determine whether further impairment testing is necessary. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company is evaluating the impact this may have on the Company's consolidated financial statements.

Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. The FASB has issued ASU 2011-11, "Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities," which require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. Coinciding with the release of this update, the International Accounting Standards Board ("IASB") has issued Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to International Financial Reporting Standards 7). This amendment requires disclosures about the offsetting of financial assets and financial liabilities common to those in ASU 2011-11. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The Company does not expect the adoption of this pronouncement to have a material impact on its consolidated financial statements.

Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. The FASB has issued ASU 2011-12, "Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05," which is effective at the same time as the amendments in ASU 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income," so that entities will not be required to comply with the presentation requirements in ASU 2011-05 that ASU 2011-12 is deferring. In order to defer only those changes in ASU 2011-05 that relate to the presentation of reclassification adjustments, the paragraphs in ASU 2011-12 supersede certain pending paragraphs in ASU 2011-05. The amendments are being made to allow the FASB time to re-deliberate whether to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. While the FASB is considering the operational concerns about the presentation requirements for reclassification adjustments and the needs of financial statement users for additional information about reclassification adjustments, entities should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before ASU 2011-05. All other requirements in ASU 2011-05 are not affected by ASU 2011-12, including the requirement to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. Public entities should apply these requirements for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company does not expect the adoption of this pronouncement to have a material impact on its consolidated financial statements.

3. BUSINESS COMBINATIONS

Javalution

On July 11, 2011, AL Global Corporation ("AL Global"), a privately held California corporation, merged with and into a wholly-owned subsidiary of Javalution Coffee Company, a publicly traded Florida corporation ("Javalution"). For accounting purposes, this business combination has been treated as a reverse acquisition ("Reverse Acquisition") with AL Global as the accounting acquirer. Under the terms of the Reverse Acquisition, Javalution issued approximately 560,000,000 shares of its common stock (280,000,000 shares after giving effect of the Second Merger) in exchange for all the issued and outstanding common stock of AL Global which totaled 220 shares. The exchange ratio was 2,545,454 shares of Javalution common stock for each share of AL Global stock. As a result, AL Global became a wholly-owned subsidiary of Javalution. To effect the transaction, Javalution amended its articles of incorporation to increase its authorized shares of common stock to 1,000,000,000 and preferred stock to 100,000,000.

Subsequent to the Reverse Acquisition, effective August 6, 2011, Javalution merged with and into AL International, Inc., a Delaware corporation. ("Second Merger") Each issued and outstanding share of common stock, no par value, of Javalution was converted into and became one-half (0.5) validly issued, fully paid and non-assessable share of common stock, $.001 par value, of the Company, and (ii) each issued and outstanding share of Series A preferred stock, no par value, of Javalution was converted into and became one (1) validly issued, fully paid and non-assessable share of Series A preferred stock, par value $.001 per share, of the Company. The historical financial information included in the consolidated financial statements prior to July 11, 2011, are those of AL Global.

The transaction is being treated as a reverse merger and accounted for as a Reverse Acquisition in which AL Global is deemed to be the accounting "acquirer" and Javalution is deemed to be the accounting "acquiree". Consequently, the assets and liabilities and the historical operations reflected in the accompanying consolidated financial statements prior to the Reverse Acquisition are those of AL Global and are recorded at their historical cost basis. The consolidated financial statements after completion of the Reverse Acquisition include the assets and liabilities of AL Global and the acquiree and the historical operations of AL Global and the acquiree after the closing date of the Reverse Acquisition.

The assets acquired and liabilities assumed were recorded at their estimated fair values as of the date of the Reverse Acquisition. The purchase price allocation for the acquiree is (in thousands):

Cash and cash equivalents	$	684
Accounts receivable		443
Inventory		401
Prepaid expenses and other assets		23
Property and equipment		594
Goodwill		155,365
Intangible assets - Customer relationships		3,500
Intangible assets - Trademarks		900
Accounts payable		(742)
Other current liabilities		(109)
Due to factoring company		(331)
Deferred tax liability		(313)
Other non-current liabilities		(296)
Total purchase price	$	160,119

The consideration of approximately $160,119,000 was determined based on the closing price of Javalution's common stock the day before the closing of the Reverse Acquisition. The closing price on that day was $1.56 which was multiplied by the total common shares outstanding of 102,640,610 shares.

The Company utilized the services of a third party valuation firm to determine the purchase price allocation. As part of that valuation, the total enterprise value of the acquired business was determined to be approximately $9,000,000. As a result, the carrying amount of the goodwill, recorded in the commercial coffee segment, substantially exceeded its implied fair value; therefore, the Company recorded an impairment of approximately $151,432,000 in the third quarter of 2011, resulting in a net goodwill value of approximately $3,933,000. The goodwill is not expected to be deductible for tax purposes.

The fair value of intangible assets acquired in the amount of approximately $4,400,000 was determined using various income and market approach methodologies. The intangibles identified in the acquisition were customer relationships and trademarks. Approximately $800,000 of the intangible assets were determined to have indefinite lives and therefore not subject to amortization. The definite lived intangible assets are being amortized over their estimated useful life of seven (7) and ten (10) years for the customer relationships and trademarks, respectively, using the straight-line method which is believed to approximate the time-line with which the economic benefit of the underlying intangible asset will be realized. (See Note 4)

The revenue and loss for commercial coffee included in the consolidated statement of operations were approximately $2,886,000 and $270, respectively for the year ended December 31, 2011. The revenue for direct marketing included in the consolidated statement of operations was approximately $124,000 for the year ended December 31, 2011. The costs related to the acquisition of Javalution totaled approximately $46,000, which included advisory, legal, valuation and other professional fees. These costs were expensed as incurred in the periods in which services were received and recognized in the consolidated statements of operations in general and administrative expenses.

In addition to the Reverse Acquisition, during 2011 and 2010, the Company entered into a number of business acquisitions, which are detailed below. All of the acquisitions were conducted in an effort to expand the Company's distributor network, enhance and expand its product portfolio and diversify its product mix. As such, the major purpose for all of the business combinations was to increase revenue. In most cases, the acquisitions were structured as asset purchases which resulted in the recognition of certain intangible assets.

Financial Destination, Inc.

In October 2011, the Company agreed to acquire all outstanding stock of Financial Destination, Inc., a Nevada corporation, and its related entities, FDI Management, Inc., a New Hampshire corporation and MoneyTrax, LLC., a New Hampshire limited liability corporation (collectively "FDI") and FDI Realty, LLC a New Hampshire limited liability company ("FDI Realty"). In October, 2011, the Company completed the acquisition of FDI, postponing the acquisition of FDI Realty subject to the seller obtaining consent to assignment of the mortgages. Upon receipt of the consent to assignment, the Company will assume all of the outstanding liabilities of FDI Realty, which were approximately $2,206,000 as of December 31, 2011. FDI is a direct marketer of telecom products and other services. The transaction was accounted for as a business combination. The consideration to be paid by the Company is payable in cash, and is contingent, based on a percentage of revenue generated by the Company. The Company has estimated the fair value of the liability to be approximately $3,260,000, which is included in contingent acquisition debt in the 2011 consolidated balance sheet. Consideration paid for the year ended December 31, 2011, was approximately $77,000 and imputed interest of $99,000 was recorded as interest expense.

The assets acquired and liabilities assumed were recorded at estimated fair values as of the date of the acquisition. The purchase price allocation for FDI is (in thousands):

Cash and cash equivalents	$	377
Prepaid expenses and other current assets		202
Property and equipment		51
Goodwill		1,221
Intangible assets - Distributor organization		2,200
Intangible assets - Trademarks		130
Accounts payable		(119)
Other current liabilities		(802)
Total purchase price	$	3,260

The consideration of approximately $3,260,000 was determined based on the Earn-Out Consideration, which is equal to 1% of the Company's net sales, payable monthly for a period of ten years up to a maximum of approximately $20,000,000. In accordance with the terms of the agreement, the seller is also entitled to: 1) Residual Consideration, which is equal to 1% of the Company's net sales, payable monthly beginning the earlier of the full payment of the Earn-Out Consideration or October 21, 2021, up to approximately $1,000,000 per year for an indefinite period, and 2) Contingent Consideration of approximately $2,300,000 to be payable in equal monthly installments over ten years. The Earn-Out, Residual and Contingent Consideration are terminable in the event of the seller's death or if the seller engages in any employment, business or other activity that is in any way competitive with the Company. The Earn-Out and Residual Consideration may be reduced upon conclusion of seller's employment with the Company, and are being accounted for as compensation for post-acquisition services. The Residual Consideration is subject to certain buy-out provisions, based on a formula, at the request of the Company. The Contingent Consideration will be reduced in the event that the distributor network included in the assets of FDI does not achieve approximately $8,500,000 in gross sales per year.

Goodwill of $1,221,000 was recognized in the direct marketing segment as the excess purchase price over the acquisition-date fair value of net assets acquired. Goodwill is estimated to represent the synergistic values expected to be realized from the combination of the two businesses. The goodwill is not expected to be deductible for tax purposes.

The fair value of intangible assets acquired in the amount of approximately $2,330,000 was determined through the use of a third party valuation firm using various income and market approach methodologies. Specifically, the intangibles identified in the acquisition were trademarks and the distributor organization. The intangible assets are being amortized over their estimated useful life of seven (7) and ten (10) years for the distributor organization and trademarks, respectively, using the straight-line method which is believed to approximate the time-line with which the economic benefit of the underlying intangible asset will be realized. (See Note 4)

The revenue included in the consolidated statement of operations for the year ended December 31, 2011 was approximately $1,218,000. The costs related to the acquisition of FDI totaled approximately $48,000, which included advisory, legal, valuation and other professional fees. These costs were expensed as incurred in the periods in which services were received and recognized in the consolidated statements of operations in general and administrative expenses.

Adaptogenix

In August 2011, the Company acquired substantially all the assets of Adaptogenix, LLC., a Utah limited liability company ("Adaptogenix"). Adaptogenix is a seller of botanical derived products, including a health line, wellness beverages and energy drinks and has developed a distributorship organization of independent authorized agents for the sale of its products. The transaction was accounted for as a business combination. The purchase price was initially determined to be approximately $1,300,000 based on $400,000 in cash payments and a promissory note payable of approximately $900,000. Subsequent to the initial purchase agreement, the note payable was renegotiated and ultimately reduced to approximately $314,000. In accordance with ASC 805, "Business Combinations," the measurement period for determining the value of a business combination may extend up to one year after the acquisition date in an effort to obtain all relevant information available to enable the Company to accurately determine the business combination value. During the measurement period, the Company should retrospectively adjust any amounts recognized at the acquisition date to reflect new information existing at the acquisition date affecting the measurement of those amounts at that date. Increases (decreases) to identifiable assets (liabilities) should be reflected with a corresponding decrease (increase) to goodwill. Accordingly, the purchase price has been decreased to $714,000 resulting from a decrease in the note payable and a corresponding decrease to goodwill. The promissory note bears interest at a rate of less than 1% per annum and is due in monthly payments of $25,000 for the first 3 months and $10,000 commencing on January 1, 2012 and continuing on a monthly basis until the note is paid in full.

The assets acquired were recorded at estimated fair values as of the date of the acquisition. The purchase price allocation for Adaptogenix is (in thousands):

Inventory, net	$	270
Goodwill		366
Intangible assets - Distributor organization		66
Intangible assets - Trademarks		12
Total purchase price	$	714

Goodwill of approximately $366,000 was recognized in the direct marketing segment as the excess purchase price over the acquisition-date fair value of net assets acquired. Goodwill is estimated to represent the synergistic values expected to be realized from the integration of the acquired assets. During 2011 this goodwill was fully impaired. (See Note 2)

The fair value of intangible assets acquired in the amount of approximately $78,000 was determined through the use of a discounted cash flow methodology. Specifically, the intangibles identified in the acquisition were trademarks and the distributor organization. The intangible assets are being amortized over their estimated useful life of seven (7) and ten (10) years for the distributor organization and trademarks, respectively, using the straight-line method which is believed to approximate the time-line with which the economic benefit of the underlying intangible asset will be realized. (See Note 4)

The revenue included in the consolidated statement of operations for the year ended December 31, 2011 was approximately $91,000. The costs related to the acquisition of Adaptogenix were expensed as incurred and were not considered significant.

R Garden

In July 2011, the Company acquired certain assets of R Garden, Inc., a Washington corporation ("R Garden"). R Garden is a developer and distributor of nutritional supplements, including vitamin, mineral and unique plant enzyme supplements and has developed a distributorship organization of independent authorized agents for the sale of its products. The transaction was accounted for as a business combination. The consideration to be paid by the Company is payable in cash, and is based on a percentage of revenue the sales of R Garden products generate over a 5 year period, which the Company has estimated its fair value to be approximately $681,000. There is no contractual limit to the total consideration, thus the total consideration could be significantly higher or significantly lower than the Company's estimate. Consideration paid for the year ended December 31, 2011, was approximately $84,000, of which approximately $23,000 was recorded as interest expense.

The assets acquired were recorded at estimated fair values as of the date of the acquisition. The purchase price allocation for R Garden is (in thousands):

Intangible assets - Distributor organization	$	475
Intangible assets - Trademarks		206
Total purchase price	$	681

The fair value of intangible assets acquired in the amount of approximately $681,000 was determined through the use of a discounted cash flow methodology. Specifically, the intangibles identified in the acquisition were trademarks and the distributor organization. The intangible assets are being amortized over their estimated useful life of seven (7) and ten (10) years for the distributor organization and trademarks, respectively, using the straight-line method which is believed to approximate the time-line with which the economic benefit of the underlying intangible asset will be realized. (See Note 4)

The revenue included in the consolidated statement of income for the year ended December 31, 2011 was approximately $841,000. The costs related to the acquisition of R Garden were expensed as incurred and were not considered significant.

Bellamora

In June 2011, the Company acquired certain assets of Bellamora, Inc., a Washington corporation ("Bellamora"). Bellamora markets and sells its own brand of skin care products and has developed a distributorship organization of independent authorized agents for the sale of its products. The transaction was accounted for as a business combination. The consideration to be paid in cash by the Company is contingent, based on the quantity of Bellamora products sold plus a percentage of sales made by the Bellamora distributor organization over a 5 year period, which the Company has estimated the combined fair value to be approximately $49,000. There is a contractual limit of $900,000 for the sale of Bellamora products. There is no contractual limit to the total consideration based on sales by the Bellamora distributor organization, thus the total consideration could be significantly higher or significantly lower than the Company's estimate. Consideration paid for the year ended December 31, 2011, was approximately $4,000, of which approximately $1,000 was recorded as interest expense.

The assets acquired were recorded at estimated fair values as of the date of the acquisition. The purchase price allocation for Bellamora is (in thousands):

Intangible assets - Trademarks	$	49
Total purchase price	$	49

The fair value of trademark intangible asset acquired in the amount of $49,000 was determined through the use of a discounted cash flow methodology. The intangible asset is being amortized over its estimated useful life of ten (10) years using the straight-line method which is believed to approximate the time-line with which the economic benefit of the underlying intangible asset will be realized. (See Note 4)

The revenue included in the consolidated statement of operations for the year ended December 31, 2011 was approximately $66,000. The costs related to the acquisition of Bellamora were expensed as incurred and were not considered significant.

Healing America

In September 2010, the Company acquired certain assets of Preferred Price Plus, Inc., a Delaware corporation ("Healing America"). Healing America markets and sells health supplement products and has developed a distributorship organization of independent authorized agents for the sale of its products. The transaction was accounted for as a business combination. The contingent consideration to be paid in cash by the Company is based on a percentage of sales by the seller's distributor organization over a 5 year period, which the Company has estimated its fair value to be approximately $278,000. There is no contractual limit to the total consideration paid during that time, thus the total consideration could be significantly higher or significantly lower than the Company's estimate. Consideration paid was approximately $46,000 and $9,000, of which approximately $18,000 and $5,000 was recorded as interest expense for the years ended December 31, 2011 and 2010, respectively.

The assets acquired were recorded at estimated fair values as of the date of the acquisition. The purchase price allocation for Healing America is (in thousands):

Intangible assets - Distributor organization	$	256
Intangible assets - Trademarks		22
Total purchase price	$	278

The fair value of intangible assets acquired in the amount of $278,000 was determined through use of a discounted cash flow methodology. Specifically, the intangibles identified in the acquisition were trademarks and the distributor organization. The intangible assets are being amortized over their estimated useful life of seven (7) and ten (10) years for the distributor organization and trademarks, respectively, using the straight-line method which is believed to approximate the time-line with which the economic benefit of the underlying intangible asset will be realized. (See Note 4)

The revenue included in the consolidated statements of operations for the years ended December 31, 2011 and 2010 are approximately $465,000 and $90,000, respectively. The costs related to the acquisition of Healing America were expensed as incurred and were not considered significant.

Escape

In June 2010, the Company acquired certain assets of MLM Holdings, Inc, a Michigan corporation ("Escape"). Escape markets and sells its products, which includes the Xymetri brand health supplements and Makaila Morgan facial products, through its distributorship organization of independent authorized agents. The transaction was accounted for as a business combination. The contingent consideration to be paid in cash by the Company is based on a percentage of sales by the seller's distributor organization of which the Company has estimated the fair value to be approximately $651,000. There is no contractual limit to the total consideration to be paid, thus the total consideration could be significantly higher or significantly lower than the Company's estimate. Consideration paid was approximately $156,000 and $77,000, of which approximately $38,000 and $19,000 was recorded as interest expense for the years ended December 31, 2011 and 2010, respectively.

The assets acquired were recorded at estimated fair values as of the date of the acquisition. The purchase price allocation for Healing America is (in thousands):

Intangible assets - Distributor organization	$	554
Intangible assets - Trademarks		97
Total purchase price	$	651

The fair value of intangible assets acquired in the amount of $651,000 was determined through use of a discounted cash flow methodology. Specifically, the intangibles identified in the acquisition were trademarks and the distributor organization. The intangible assets are being amortized over their estimated useful life of seven (7) and ten (10) years for the distributor organization and trademarks, respectively, using the straight-line method which is believed to approximate the time-line with which the economic benefit of the underlying intangible asset will be realized. (See Note 4)

The revenue included in the consolidated statements of operations for the years ended December 31, 2011 and 2010 are approximately $1,564,000 and $766,000, respectively. The costs related to the acquisition of Escape were expensed as incurred and were not considered significant.

Pro-Forma Information

The following table presents the approximate pro-forma effect assuming the Reverse Acquisition with Javalution as well as the numerous business combinations discussed above had occurred at the beginning of the Company's fiscal year for each respective year and includes pro-forma adjustments for revenue, intangible amortization, property and equipment depreciation and interest expense, as applicable (in thousands). The pro-forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisitions had taken place at the beginning of each fiscal period or of results that may occur in the future.

	Years ended December 31,	
	2011	2010
Revenues	$ 50,315	$ 41,929
Loss before income taxes	$ (153,224)	$ (2,162)

4. SUPPLEMENTAL FINANCIAL INFORMATION

Inventories

Inventories consist of the following (in thousands):

	December 31,	
	2011	2010
Finished goods	$ 3,327	$ 1,612
Raw materials	1,970	478
	5,297	2,090
Reserve for excess and obsolete	(316)	(219)
Inventory, net	$ 4,981	$ 1,871

Property and Equipment

Property and equipment consist of the following (in thousands):

	December 31, 2011	December 31, 2010
Computer equipment	$ 200	$ 177
Computer software	427	414
Furniture and other equipment	785	624
Manufacturing equipment	610	-
Leasehold improvements	820	735
	2,842	1,950
Accumulated depreciation	(1,926)	(1,751)
Total property and equipment	$ 916	$ 199

Depreciation expense totaled approximately $175,000 and $145,000 for the years ended December 31, 2011 and 2010, respectively.

Intangible Assets

Intangible assets consist of the following (in thousands):

	December 31, 2011		December 31, 2010	
	Carrying Amount	Accumlated Amortization	Carrying Amount	Accumlated Amortization
Distributor organizations	$ 6,546	$ (2,222)	$ 3,756	$ (1,595)
Trademarks	2,835	(34)	1,586	(5)
Customer relationships	3,500	(229)	-	-
Other	20	(18)	20	(14)
Intangible assets, net	$ 12,901	$ (2,503)	$ 5,362	$ (1,614)

Amortization expense related to intangible assets was approximately $889,000 and $471,000 for the years ended December 31, 2011 and 2010, respectively. Approximately $800,000 of trademarks related to the Reverse Acquisition and another $1,467,000 in trademarks from business combinations entered into prior to the year ended December 31, 2010 are not subject to amortization as they have been identified as having indefinite lives. As of December 31, 2011, future expected amortization expense related to definite lived intangible assets for the next five years is as follows (in thousands):

Years ending December 31,	
2012	$ 1,492
2013	1,490
2014	1,199
2015	1,069
2016	1,069

As of December 31, 2011, the weighted average remaining amortization period for intangibles assets was approximately 6.3 years.

Accrued Expenses

Accrued expenses consist of the following (in thousands):

	December 31, 2011	December 31, 2010
Accrued distributor commission	$ 2,195	$ 1,057
Accrued payroll and related	286	193
Accrued taxes	278	106
Accrued interest	-	500
Accrued other	89	62
Accrued expenses	$ 2,848	$ 1,918

Other Current Liabilities

Other current liabilities consist of the following (in thousands):

	December 31, 2011	December 31, 2010
Customer deposits	$ 200	$ 5
Accrued dividends on preferred stock	79	-
Reserve for returns	47	32
Deferred revenue	96	289
Other	2	9
Other current liabilities	$ 424	$ 335

5. ARRANGEMENTS WITH VARIABLE INTEREST ENTITIES

The Company consolidates all variable interest entities in which it holds a variable interest and is the primary beneficiary of the entity. Generally, a variable interest entity (“VIE”) is a legal entity with one or more of the following characteristics: (a) the total at risk equity investment is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; (b) as a group the holders of the equity investment at risk lack any one of the following characteristics: (i) the power, through voting or similar rights, to direct the activities of the entity that most significantly impact its economic performance, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; or (c) some equity investors have voting rights that are not proportional to their economic interests, and substantially all of the entity's activities either involve, or are conducted on behalf of, an investor that has disproportionately few voting rights. The primary beneficiary of a VIE is required to consolidate the VIE and is the entity that has (a) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (b) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

In determining whether it is the primary beneficiary of a VIE, the Company considers qualitative and quantitative factors, including, but not limited to: which activities most significantly impact the VIE's economic performance and which party controls such activities; the amount and characteristics of Company's interests and other involvements in the VIE; the obligation or likelihood for the Company or other investors to provide financial support to the VIE; and the similarity with and significance to the business activities of Company and the other investors. Significant judgments related to these determinations include estimates about the current and future fair values and performance of real estate held by these VIEs and general market conditions.

2400 Boswell, LLC

2400 Boswell, LLC ("2400 Boswell") is the owner and lessor of the building occupied by the Company for its corporate office and warehouse in Chula Vista, CA. The Company is the lessee and currently the sole tenant. An immediate family member of a 5% shareholder of the Company is the single member of 2400 Boswell. The Company is involved as a guarantor of the 2400 Boswell mortgage on the leased building. The mortgage is due June 1, 2013. The Company's maximum exposure to loss as a result of its involvement with the unconsolidated VIE is approximately $3,900,000 and $3,950,000 as of December 31, 2011 and 2010, respectively. The Company may be subject to additional losses to the extent of any financial support that it voluntarily provides in the future. The Company has provided no explicit or implicit financial or other support to 2400 Boswell that it was not previously contractually obligated to provide for the years ended December 31, 2011 and 2010. The Company has no intent to provide such support in the future, except that it intends to provide a similar mortgage guarantee for a mortgage refinance contemplated by 2400 Boswell.

At December 31, 2011 and 2010, the Company holds a variable interest in 2400 Boswell, for which the Company is not deemed to be the primary beneficiary. The Company has concluded, based on its qualitative consideration of the lease agreement, and the role of the single member of 2400 Boswell, that the single member is the primary beneficiary of 2400 Boswell. In making the determinations, the Company considered that the single member conducts and manages the business of 2400 Boswell, is authorized to borrow funds on behalf of 2400 Boswell, is the sole person authorized and responsible for conducting the business of 2400 Boswell, and is obligated to fund obligations of 2400 Boswell. As a result of this determination, the financial position and results of operations of 2400 Boswell have not been included in the consolidated financial statements of the Company.

AL Corporation Holding Pte. Ltd. and DrinkAct Southeast Asia, Inc.

ASC 810, "Consolidation," specifies the two characteristics of a controlling financial interest in a VIE: (1) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance; and (2) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company has concluded that it holds variable interests in AL Corporation Holding Pte. Ltd. ("DrinkACT Singapore") and DrinkAct Southeast Asia, Inc. ("DrinkACT Philippines"). DrinkACT Philippines and DrinkACT Singapore were established during the year ended December 31, 2011, as vehicles to distribute the Company's product in the Southeast Asia region. The VIE's serve to exclusively market and distribute the Company's product. Although the Company does not have any legal ownership of the businesses themselves, it does exert a level of control over the activities undertaken by each business and bears risk of loss and the benefit of profits, to the extent that profits can be repatriated to the United States. Also, the nature of the relationship between the VIE's and the Company have created an obligation for the Company to absorb certain losses if either VIE failed. Considering the nature of the relationship between the VIE's and the Company, and that the Company is obligated to absorb losses, if any, the Company has determined that it is the primary beneficiary in the relationship and, therefore, the results of operations and non-controlling interests are included in the consolidated financial statements. The Company's assets and liabilities used in operation, used to fund initial operations or used to collateralize the relationship for each VIE are not considered significant. The Company's maximum exposure to loss is deemed to be the value of inventory on hand at either VIE at any given time.

The following table summarizes the amounts included in the consolidated financial statements related to the operations of the VIE's (in thousands):

	Year ended December 31,	
	2011	2010
Revenues	$ 487	$ -
Operating expenses	414	-
Operating income	$ 73	$ -

	As of December, 31	
	2011	2010
Total assets	$ 97	$ -

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements are performed in accordance with the guidance provided by ASC 820, "Fair Value Measurements and Disclosures". ASC 820 defines fair value as the price that would be received from selling an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or parameters are not available, valuation models are applied.

ASC 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Assets and liabilities recorded at fair value in the financial statements are categorized based upon the hierarchy of levels of judgment associated with the inputs used to measure their fair value. Hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supportable by little or no market activity and that are significant to the fair value of the asset or liability.

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. The carrying amount of the Company's long term notes payable approximates its fair value based on interest rates available to the Company for similar debt instruments and similar remaining maturities. The estimated fair value of the contingent consideration related to the

Company's business combinations is recorded using significant unobservable measures and other fair value inputs and is therefore classified as a Level 3 financial instrument.

The following table details the fair value measurement within the three levels of the value hierarchy of the Company's financial instruments which includes the Level 3 liabilities related to contingent consideration on acquisitions (in thousands):

	Fair Value at December 31, 2011			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Contingent acquisition debt	$ 4,670	$ -	$ -	$ 4,670
Total liabilities	$ 4,670	$ -	$ -	$ 4,670

	Fair Value at December 31, 2010			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Contingent acquisition debt	$ 867	$ -	$ -	$ 867
Total liabilities	$ 867	$ -	$ -	$ 867

The following table reflects the activity for the Company's contingent acquisition liabilities measured at fair value using Level 3 inputs (in thousands) (See Notes 3 and 10):

	Contingent Consideration
Balance at December 31, 2009	$ -
Level 3 liabilities acquired	929
Level 3 liabilities settled	(62)
Adjustments to liabilities included in earnings	-
Balance at December 31, 2010	$ 867
Level 3 liabilities acquired	3,991
Level 3 liabilities settled	(188)
Adjustments to liabilities included in earnings	-
Balance at December 31, 2011	$ 4,670

The contingent acquisition liabilities are remeasured to fair value each reporting period using projected revenues, discount rates, and projected timing of revenues. Projected contingent payment amounts are discounted back to the current period using a discounted cash flow model. Projected revenues are based on the Company's most recent internal operational budgets and long-range strategic plans. In some cases, there is no maximum amount of contingent consideration that can be earned by the sellers. Increases in projected revenues will result in higher fair value measurements. Increases in discount rates and the time to payment will result in lower fair value measurements. Increases (decreases) in any of those inputs in isolation may result in a significantly lower (higher) fair value measurement.

The weighted average of the discount rates used was 14.0% and 7.0% as of December 31, 2011 and 2010, respectively. The projected year of payment ranges from 2012 to 2021.

7. NOTES PAYABLE AND OTHER DEBT

In November 2006, the Company entered into a $1,944,000 unsecured note payable to 2400 Boswell to fund the Company's working capital needs. The note did not specify repayment terms. The note bears interest at 5.25% per annum. The note and all accrued unpaid interest was forgiven by 2400 Boswell in June 2011 and recognized as a capital contribution. As of December 31, 2011 and 2010, the amounts outstanding on the note were approximately $0 and $1,944,000, respectively.

In March 2007, the Company entered into a $27,000 unsecured note payable to Michelle Wallach, the Company's COO, to fund the Company's working capital needs. The note did not specify repayment terms. The note bears interest at 5.25% per annum. The note and all accrued unpaid interest was repaid during 2009 and 2010. As of December 31, 2011 and 2010, there were no amounts outstanding on the note.

In April 2007, the Company entered into a $130,000 unsecured note payable to Dr. Joel Wallach, a family member of the Company's Chief Executive Officer and Company founder, to fund the Company's working capital needs. The note did not specify repayment terms. The note bears interest at 5.00% per annum. The note and all accrued unpaid interest was forgiven by Dr. Joel Wallach in June 2011 and recognized as a capital contribution. As of December 31, 2011 and 2010, the amounts outstanding on the note were approximately $0 and $130,000, respectively.

In December 2007, the Company entered into a $156,000 unsecured note payable to Stephan Wallach, the Company's CEO, in lieu of compensation. The note did not specify repayment terms. The note bears interest at 5.25% per annum. The note and all accrued unpaid interest was forgiven by Stephan Wallach in June 2011 and recognized as a capital contribution. As of December 31, 2011 and 2010, the amounts outstanding on the note were approximately $0 and $147,000, respectively.

In October 2011, the Company assumed, with its acquisition of FDI, an unsecured line of credit held by Sovereign Bank, a Federal Savings Bank. The line of credit is payable on demand. The line of credit bears interest at the rate of the Sovereign Bank Prime Rate plus 1.00% and has a maximum borrowing limit of $150,000. The average amount outstanding and the average interest rate on the line was $145,000 and 4.25%, respectively, for the year ended December 31, 2011. As of December 31, 2011 and 2010, the amounts outstanding on the line were approximately $145,000 and $0, respectively.

In October 2011, the Company assumed, with its acquisition of FDI, an unsecured note payable to Rose Arraj. The note bears interest at 12.6% per annum. As of December 31, 2011 and 2010, the amounts outstanding on the note were approximately $29,000 and $0, respectively. The note was paid in full in February 2012.

In March 2007, the Company entered in to an agreement to purchase certain assets of M2C Global, Inc. a Nevada Corporation, for $4,500,000. The agreement required payments totaling $500,000 in three (3) installments during 2007 followed by monthly payments in the amount of 10% of the sales related to the acquired assets until the entire note balance is paid. The Company has imputed interest at the rate of 7% per annum. As of December 31, 2011 and 2010, the carrying value of the liability was approximately $2,419,000 and $2,726,000, respectively, net of an unamortized discount of $154,000 and $254,000, respectively. Imputed interest recorded on the note was approximately $100,000 and $120,000 for the years ended December 31, 2011 and 2010, respectively.

In August 2011, the Company entered into a $900,000 unsecured note payable to Adaptagenix, LLC in relation to the purchase of certain business assets. As discussed in Note 3, that note was subsequently renegotiated and reduced to approximately $314,000. The note is payable in monthly payments of $25,000 for the first 3 months and $10,000 per month commencing January 1, 2012 and continuing to maturity in December 2013. The note bears interest at less than 1.0% per annum. As of December 31, 2011 and 2010, the amounts outstanding on the note were approximately $239,000 and $0, respectively.

The following summarizes the maturities of notes payable:

Years ending December 31,		
2012	$	712
2013		552
2014		508
2015		340
2016		690
Total	$	2,802

Factoring Agreement

The Company has an accounts receivable factoring agreement (the "Factoring Agreement") with Crestmark Bank ("Crestmark") related to the Company's accounts receivable resulting from sales of certain products within its commercial coffee reportable segment. Under the terms of the Factoring Agreement, the Company effectively sold all of its accounts receivable to Crestmark, with non-credit related recourse. The Company continues to be responsible for the servicing and administration of the receivables. The terms of the Factoring Agreement require that it stay in effect until February 1, 2014 at which time it will automatically renew for successive one year periods unless proper notice of termination is given.

The Factoring Agreement provides for the Company to receive advances against the purchase price of its receivables at the rate of 85% of the aggregate purchase price of the receivable outstanding at any time less: receivables that are in dispute, receivables that are not credit approved within the terms of the Factoring Agreement and any fees or estimated fees related to the Factoring Agreement. Interest is accrued on all outstanding advances as the greater of 5.25% per annum or the Prime Rate (as identified by the Wall Street Journal) plus an applicable margin. The margin is based on the magnitude of the total outstanding advances and ranges from 2.50% to 5.00%. In addition to the interest accrued on the outstanding balance, Crestmark charges a factoring commission for each invoice factored which is calculated as the greater of $5.00 or 1.50% of the gross invoice amount and is recorded as interest expense. The minimum factoring commission payable to the bank is $30,000 during each consecutive 12-month period.

The outstanding liability related to the Factoring Agreement was approximately $743,000 and $0 as of December 31, 2011 and 2010, respectively. Fees and interest paid pursuant to this agreement were approximately $54,000 and $0 for the years ended December 31, 2011 and 2010, respectively, which were recorded as interest expense. Trade receivables of approximately $2,447,000 and $0 were sold under the terms of the Factoring Agreement for the years ended December 31, 2011 and 2010, respectively.

The Company accounted for the sale of receivables under the Factoring Agreement as a secured borrowing with a pledge of the subject receivables as well as all bank deposits as collateral, in accordance with the authoritative guidance for accounting for transfers and servicing of financial assets and extinguishments of liabilities. The caption "Accounts receivable, due from factoring company" on the accompanying consolidated balance sheet in the amount of approximately $937,000 and $0 as of December 31, 2011 and 2010, respectively, reflects the related collateralized accounts.

8. RELATED PARTIES

A family member of the Company's President and CEO, is the single member of 2400 Boswell. 2400 Boswell is the owner and lessor of the building occupied by the Company for its corporate office and warehouse. The company is the lessee and currently the sole tenant. The Company is a guarantor of the 2400 Boswell's mortgage on the leased building. The Company's maximum exposure to loss is approximately \$3,900,000 and \$3,950,000 as of December 31, 2011 and 2010, respectively. The mortgage is due June 1, 2013. (See Notes 5 and 13)

Additionally, in November, 2006, the Company entered into a \$1,944,000 unsecured note payable to 2400 Boswell to be used for working capital purposes. The note did not specify repayment terms. The note included interest at 5.25% per annum. The note and all accrued unpaid interest of approximately \$530,000 was forgiven by 2400 Boswell in June, 2011 and recognized as a capital contribution. As of December 31, 2011 and 2010, the amounts outstanding on the note were approximately \$0 and \$1,944,000, respectively. Interest expense related to the note payable was approximately \$64,000 and \$123,000 for the years ended December 31, 2011 and 2010, respectively. (See Notes 5 and 7)

In addition to the related party note payable with 2400 Boswell, the Company has also entered into a number of additional debt instruments with the Wallach family, which are explained in detail in Note 7. In summary, the Company had \$0 and \$277,000 of related party unsecured notes payable outstanding as of December 31, 2011 and 2010, respectively. Interest expense related to the notes payable was approximately \$8,000 and \$15,000 for the years ended December 31, 2011 and 2010, respectively.

9. SHAREHOLDERS' EQUITY

The Company's Articles of Incorporation, as amended, authorize the issuance of two classes of stock to be designated "Common Stock" and "Preferred Stock".

Convertible Preferred Stock

The Company had 271,135 shares of Series A Convertible Preferred Stock ("Series A Preferred") outstanding as of December 31, 2011 and none outstanding as of December 31, 2010. The holders of the Series A Preferred stock are entitled to receive a cumulative dividend at a rate of 8.0% per year, payable annually either in cash or shares of the Company's common stock at the Company's election. Shares of common stock paid as accrued dividends are valued at \$.50 per share. At December 31, 2011 the Company had cumulative dividends of approximately \$79,000. Each share of Series A Preferred is convertible into two shares of the Company's common stock. The holders of Series A Preferred are entitled to receive payments upon liquidation, dissolution or winding up of the Company before any amount is paid to the holders of common stock. Effective August 8, 2011, there was a one for two reverse split of the Company's common stock. As a result, the conversion rate for the Series A Preferred was adjusted from four shares to one to two shares to one. The holders of Series A Preferred shall have no voting rights, except as required by law.

During 2011 there were 130,000 shares of Series A Preferred and accrued dividends of approximately \$35,000 converted into 531,534 shares of common stock. There were no such conversions in 2010.

Common Stock

The holders of common are entitled to one vote per share on matters brought before the shareholders.

On July 11, 2011 the Company issued 560,000,000 shares of common (pre-split) stock, or 280,000,000 post-split, in connection with the acquisition of AL Global with shareholders of AL Global becoming the majority shareholders of Javalution.

Effective August 8, 2011, there was a reverse split of the common stock where two shares became one share. The conversion rate of the Series A Preferred was adjusted from four shares to one to two shares to one. The historical results of the Company have been retroactively adjusted to affect the reverse stock split.

The following table summarizes the common stock activity for the following periods:

Shares outstanding at December 31, 2009	254,545,455
Shares issued as compensation in lieu of cash	25,454,545
Shares outstanding at December 31, 2010	280,000,000
Shares issued in connection with Reverse Acquisition	102,640,775
Shares issued pursuant to warrants exercised for cash	265,000
Shares issued pursuant to cashless warrant exercises	1,800,000
Conversion of preferred stock into common	531,534
Shares outstanding at December 31, 2011	385,237,309

During 2011, the Company issued 2,065,000 shares of common stock as the result of the exercise of 2,200,000 warrants in a cashless exercise and another 265,000 warrants with an average exercise price of approximately $0.37 for proceeds of $97,500.

Warrants to Purchase Preferred Stock

The following table summarizes preferred stock warrant activity for the following periods:

Balance at December 31, 2009	-
Granted	-
Expired / cancelled	-
Exercised	-
Balance at December 31, 2010	-
Granted	130,915
Expired / cancelled	-
Exercised	-
Balance at December 31, 2011	130,915

As of December 31, 2011, warrants to purchase 130,915 shares of preferred stock at prices ranging from $0.25 to $1.00 were outstanding. All warrants are exercisable as of December 31, 2011 and expire at various dates through November 2013. The 130,915 warrants were issued to replace similar instruments outstanding from the Javalution business.

Warrants to Purchase Common Stock

The following table summarizes common stock warrant activity for the following periods:

Balance at December 31, 2009	-
Granted	-
Expired / cancelled	-
Exercised	-
Balance at December 31, 2010	-
Granted	19,240,634
Expired / cancelled	(30,000)
Exercised	(2,465,000)
Balance at December 31, 2011	16,745,634

As of December 31, 2011, warrants to purchase 16,745,634 shares of common stock at prices ranging from $0.10 to $1.00 were outstanding. All warrants are exercisable as of December 31, 2011 and expire at various dates through May 2017. Of the 19,240,634 warrants granted during 2011, 16,455,118 were issued to replace similar instruments outstanding from the Javalution Reverse Merger and the remaining 2,785,516 were issued subsequent to the Reverse Merger. The 2,785,516 warrants issued subsequent to the Reverse Acquisition were valued using the Black Scholes valuation model and had a weighted average value of $620,000 based on a number of assumptions including the common stock trading price on the date of grant, an estimated 5 year life, volatility of 75% and a risk-free interest rate of 2.18%. The warrant was issued in connection with an asset purchase agreement whereby the Company sold three (3) specific genealogy positions for $1,750,000. The Company accounted for the transactions by recording net revenue of $1,130,000.

10. COMMITMENTS AND CONTINGENCIES

The Company maintains cash balances at various financial institutions primarily located in San Diego, California. Accounts at the U.S. institutions are secured, up to certain limits, by the Federal Deposit Insurance Corporation. At times, balances may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes that the Company is not exposed to any significant credit risk with respect to its cash and cash equivalent balances.

The Company has entered into a number of operating leases related to office and warehouse space as well as equipment used in operations. Future minimum lease payments under those non-cancelable agreements are approximately:

Years ending December 31,		
2012	$	773
2013		576
2014		478
2015		350
2016		342
Thereafter		1,482
Total	$	4,001

The Company has entered into a number of business combinations in recent years. In many of those transactions, the Company has recorded a liability for contingent consideration as part of the purchase price. All contingent consideration amounts are based on management's best estimates utilizing all known information at the time of the calculation. The fair value of the contingent consideration arrangements were generally estimated by applying a discounted cash flow approach. That measure is based on significant inputs that are unobservable in the market, which is a Level 3 input. (See Note 6) The Company performs a quarterly revaluation of contingent consideration and records the change as a component of operating income. There was no change to the estimated contingent acquisition liabilities recognized for the years ended December 31, 2011 or 2010.

Payments of approximately $188,000 and $62,000 were made in 2011 and 2010, respectively, to reduce the contingent liabilities. Generally, payments are based on the level of achievement of revenue as set forth in each respective purchase agreement. Based on the combination of historical results and estimated future results, the contingent consideration liability was $4,670,000 and $867,000 at December 31, 2011 and 2010, respectively, which was recorded in Contingent Acquisition Debt. Imputed interest expense recorded was approximately $179,000 and $24,000 for the years ended December 31, 2011 and 2010, respectively.

2400 Boswell is the owner and lessor of the building occupied by the Company for its corporate office and warehouse in Chula Vista, CA. (See Note 5) The Company is the lessee and currently the sole tenant. A family member of a 5% shareholder of the Company is the single member of 2400 Boswell. The Company is a guarantor of the 2400 Boswell mortgage on the leased building. (See Note 5)

As part of the agreement to acquire FDI and FDI Realty, in October 2011, the Company completed the acquisition of FDI, but postponed the acquisition of FDI Realty subject to the seller obtaining consent regarding assignment of certain mortgages. The agreement requires the Company to assume all of the outstanding liabilities of FDI Realty, which were approximately $2,206,000 as of December 31, 2011. No other consideration is due to the seller with respect to FDI Realty.

The Company purchases its inventory from multiple third-party suppliers at competitive prices. For the year ended December 31, 2011, the Company made purchases from two vendors that individually comprised more than 10% of total purchases and in aggregate approximated 21% of total purchases. For the year ended December 31, 2010, the Company made purchases from two vendors that individually comprised more than 10% of total purchases and in aggregate approximated 53% of total purchases. The Company does not believe it is substantially dependent upon nor exposed to any significant concentration risk related to purchases from any single vendor, given the availability of alternative sources from which the Company may purchase inventory.

The Company has entered into a number of purchase commitments for the purchase of green or unroasted coffee to be used in the Company's commercial coffee segment. Each individual contract requires the Company to purchase and take delivery of certain quantities at an agreed upon price and delivery date. The contracts as of December 31, 2011, have minimum future purchase commitments of approximately $5,208,000, all with delivery dates in 2012. The contracts contain provisions whereby any delays in taking delivery of the purchased product will result in additional charges related to the extended warehousing of the coffee product. The fees average approximately $0.01 per pound for every month of delay. As of December 31, 2011, the Company was adequately protected by firm sales contracts and has not recognized a provision for losses.

In the ordinary course of business, the Company is at times subject to various legal proceedings. Management is not aware of any legal proceedings or claims that it believes may have, individually, or in the aggregate, a material adverse effect on the Company's business, financial condition, operating results, cash flows or liquidity.

11. INCOME TAXES

The income tax provision contains the following components (in thousands):

	December 31, 2011	December 31, 2010
Current		
Federal	$ 22	$ -
State	179	19
Foreign	-	-
Total current	201	19
Deferred		
Federal	$ 33	$ -
State	12	18
Foreign	-	-
Total deferred	45	18
Total	$ 246	$ 37

Significant components of the Company's deferred tax assets and liabilities are as follows (in thousands):

	December 31, 2011	December 31, 2010
Deferred tax assets:		
Depreciable assets	$ -	$ 189
Amortizable assets	285	279
Inventory	362	183
Accruals and reserves	58	45
Net operating loss carry-forward	6,197	609
	6,902	1,305
Less valuation allowance	(6,902)	(1,305)
Deferred tax liabilities:		
Indefinite lived intangibles	(716)	(359)
Net deferred tax liabilities	$ (716)	$ (359)

A valuation allowance has been recognized to offset the net deferred tax assets as the realization of such assets is uncertain as of December 31, 2011 and 2010. The change in valuation allowance was an increase of approximately $5,597,000 and $122,000 for the years ended December 31, 2011 and 2010, respectively.

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income (loss) as a result of the following differences:

	December 31, 2011	December 31, 2010
Federal statutory rate	35.00%	35.00%
Adjustments for tax effects of:		
Foreign rate differential	0.02%	-3.08%
State taxes, net	-0.05%	-1.88%
Goodwill impairment	-34.98%	0.00%
Nondeductible interest expense	-0.04%	-20.17%
Other nondeductible items	-0.29%	-0.23%
Change in valuation allowance	0.08%	-13.47%
	-0.26%	-3.83%

At December 31, 2011, the Company had approximately $14,900,000 in federal net operating loss carryforwards, which begin to expire in 2023, and approximately $17,800,000 in net operating loss carryforwards from various states.

Pursuant to Internal Revenue Code ("IRC") Section 382, use of net operating loss and credit carryforwards may be limited if the Company experiences a cumulative change in ownership of greater than 50% in a moving three-year period. Ownership changes could impact the Company's ability to utilize the net operating loss and credit carryforwards remaining at an ownership change date. The Company has not completed its Section 382 study.

The Company has analyzed the impact of repatriating earnings from its foreign subsidiaries and has determined that the impact is immaterial.

The Company has no unrecognized tax benefits as of December 31, 2011 or 2010. The Company expects there will be no change to the amount of the unrecognized tax benefits in the next twelve months.

In the normal course of business, the Company is subject to examination by various taxing authorities. The tax years open to examination by the Internal Revenue Service are from 2008 to 2011 and the tax years open to examination for various states are from 2007 to 2011.

12. SEGMENT AND GEOGRAPHICAL INFORMATION

The Company offers a wide variety of products including; nutritional and health, sports and energy drinks, gourmet coffee, skincare and cosmetics, lifestyle, pharmaceutical discount card and pet related. In addition, the Company offers health and wellness services. Beginning in July 2011 with the Reverse Acquisition, the Company's business is classified by management into two reportable segments: direct sales and commercial coffee. Prior to the Reverse Acquisition, the Company had one operating and one reportable segment.

The Company's segments reflect the manner in which the business is managed and how the Company allocates resources and assesses performance. The Company's chief operating decision maker is the Chief Executive Officer. The Company's chief operating decision maker evaluates segment performance primarily based on revenue and segment operating income. The principal measures and factors the Company considered in determining the number of reportable segments were revenue, gross margin percentage, sales channel, customer type and competitive risks. In addition, each reporting segment has similar products and customers, similar methods of marketing and distribution and a similar regulatory environment.

The accounting policies of the segments are consistent with those described in the summary of significant accounting policies. Segment revenue excludes intercompany revenue eliminated in the consolidation. The following tables present certain financial information for each segment:

	Years ended December 31,	
	2011	2010
Revenues		
Direct sales	$ 37,784	$ 25,058
Commercial coffee	2,886	-
Total revenues	$ 40,670	$ 25,058
Gross margin		
Direct sales	$ 24,222	$ 14,766
Commercial coffee	486	-
Total gross margin	$ 24,708	$ 14,766
Net loss		
Direct sales	$ (151,925)	$ (1,066)
Commercial coffee	(270)	-
Total net loss	$ (152,195)	$ (1,066)
Capital expenditures		
Direct sales	$ 125	$ 61
Commercial coffee	123	-
Total capital expenditures	$ 248	$ 61

	December 31,	
	2011	2010
Total assets		
Direct sales	$ 14,002	$ 6,781
Commercial coffee	10,365	-
Total assets	$ 24,367	$ 6,781

The Company conducts its operations in the U.S., Canada, New Zealand, Philippines and Singapore. The following table displays revenues attributable to the geographic location of the customer (in thousands):

	Years ended December 31,	
	2011	2010
United States	$ 36,315	$ 22,774
International	4,355	2,284
Total revenues	$ 40,670	$ 25,058

Total tangible assets located outside the United States are not significant.

13. SUBSEQUENT EVENTS

During the quarter ended March 31, 2012, 60,000 shares of Series A Convertible Preferred stock together with $18,000 of unpaid dividends were converted into 155,770 shares of common stock. Additionally, 250,000 warrants to purchase common shares were exercised in a non-cash transaction resulting in the issuance of 180,769 shares of common stock.

Effective April 2012, the Company purchased certain assets of GLIE, LLC d/b/a True2Life, a California limited liability corporation ("True2Life"). True2Life is a developer of dietary supplements and has developed a distributorship organization of independent authorized agents for the sale of its products. The transaction will be accounted for as a business combination. The consideration to be paid by the Company is based on a percentage of revenue the sales of True2Life products generate over a 7 year period, the fair value of which has not yet been determined.

On May 16, 2012, the Company established the 2012 Stock Option Plan ("Plan") authorizing the granting of options for up to 40,000,000 shares. The purpose of the Plan is to promote the long-term growth and profitability of the Company by (i) providing key people and consultants with incentives to improve stockholder value and to contribute to the growth and financial success of the Corporation and (ii) enabling the Corporation to attract, retain and reward the best available persons for positions of substantial responsibility. The Plan permits the granting of stock options, including non-qualified stock options and incentive stock options qualifying under Section 422 of the Code, in any combination (collectively, "Options"). Subsequently, the Company has issued 13,064,750 Options with exercise prices ranging from $0.22 to $0.29, vesting schedules ranging from immediate to three (3) years, and lives ranging from three (3) to ten (10) years.

On May 21, 2012, the Company entered into a lease for coffee roasting equipment. The lease term expires in 2015 and the future minimum lease payments are $289,000.

During June and July 2011, the Company loaned a total of approximately $323,000 to 2400 Boswell. The note bears interest at the rate of 5% and is due on June 1, 2013.

During July 2012, the Company sold an aggregate of 3,750,000 shares of restricted common stock at a purchase price of $0.20 per share, for aggregate proceeds of $630,000, and a note for $120,000 bearing interest at a rate of 4.0%, due March 31, 2013, and secured by 600,000 shares of common stock. All such shares were sold to key distributors, officers and directors of the Company and/or members of their family. As part of this transaction, the Company also issued warrants to purchase an aggregate of 3,750,000 shares of common stock at exercise prices ranging from $0.25 to $0.40 per share. These warrants expire three years after the closing date, which occurred on various dates throughout July 2012.