True Drinks Holdings, Inc.
Form 10-K
March 31, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

[X]	ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

or

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

Commission file No. 001-32420

TRUE DRINKS HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Nevada	84-1575085
(State of incorporation)	(I.R.S. Employer Identification Number)

18552 MacArthur Blvd, Suite 325
Irvine, CA 92612
(Address of principal executive offices)

(949) 203-3500
(Issuer's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock ($0.001 par value)	Over the Counter

Securities registered under Section 12(g) of the Exchange Act: None

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

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

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

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

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

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

Large accelerated filer [ ]	Accelerated filer [ ]	Non-accelerated filer [ ]	Smaller reporting company [X]

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

The aggregate market value of common stock held by non-affiliates as of the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2013, was approximately $21,421,000 based on a closing market price of $0.89 per share.

There were 34,451,822 shares of the registrant's common stock outstanding as of March 28, 2014.

TRUE DRINKS HOLDINGS, INC.
ANNUAL REPORT ON FORM 10-K
YEAR ENDED DECEMBER 31, 2013

TABLE OF CONTENTS

		Page
PART I		1
Item 1.	Business	1
Item 1A.	Risk Factors	10
Item 1B.	Unresolved Staff Comments	16
Item 2.	Properties	17
Item 3.	Legal Proceedings	17
Item 4.	Mine Safety Disclosures	17
PART II		18
Item 5.	Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	18
Item 6.	Selected Financial Data	18
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	22
Item 8.	Financial Statements and Supplementary Data	22
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	22
Item 9A.	Controls and Procedures	22
Item 9B.	Other Information	23
PART III		24
Item 10.	Directors, Executive Officers and Corporate Governance	24
Item 11.	Executive Compensation	27
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	30
Item 13.	Certain Relationships and Related Transactions, and Director Independence	35
Item 14.	Principal Accountant Fees and Services	35
PART IV		36
Item 15.	Exhibits, Financial Statement Schedules	36
Signatures		37

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and is subject to the safe harbor created by those sections. We intend to identify forward-looking statements in this report by using words such as “believes,” “intends,” “expects,” “may,” “will,” “should,” “plan,” “projected,” “contemplates,” “anticipates,” “estimates,” “predicts,” “potential,” “continue terminology. These statements are based on our beliefs as well as assumptions we made using information currently available to us. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Because these statements reflect our current views concerning future events, these statements involve risks, uncertainties, and assumptions. Actual future results may differ significantly from the results discussed in the forward-looking statements. These risks include changes in demand for our products, changes in the level of operating expenses, our ability to expand our network of customers, changes in general economic conditions that impact consumer behavior and spending, product supply, the availability, amount, and cost of capital to us and our use of such capital, and other risks discussed in this report. Additional risks that may affect our performance are discussed below under “Risk Factors Associated with Our Business.”

PART I

ITEM 1. DESCRIPTION OF BUSINESS

As used in this Annual Report, “we”, “us”, “our”, “True Drinks”, “Company” or “our Company” refers to True Drinks Hold Inc. and all of its subsidiaries, unless the context requires otherwise. We are a holding company and conduct no operating business, except through our subsidiaries.

Overview

True Drinks, Inc. was formed on January 19, 2012 in Delaware to create and commercialize all-natural, vitamin-enhanced drinks. Our primary business is the development, marketing, sale and distribution of our flagship product, AquaBall™ Naturally Flavored Water, a vitamin-enhanced, naturally flavored water drink packaged in our patented stacking spherical bottles. We distribute AquaBall™ nationally through select retail channels, such as grocery stores, mass merchandisers, drug stores and online. We also market and distribute Bazi® All Natural Energy, a liquid nutritional supplement drink, which is currently distributed online and through our existing database of customers.

On June 7, 2012, True Drinks, Inc., Bazi Acquisition Sub Inc. ("Merger Sub"), a Delaware corporation and a wholly-owned subsidiary of Bazi International, Inc. (“Bazi Intl.”), and Bazi Intl. entered into an agreement and tax-free plan of merger (the “Merger Agreement”), wherein Merger Sub merged with and into the Company and True Drinks continued as the surviving corporation (the “Merger”). As a result of the Merger, True Drinks became a wholly-owned subsidiary of the Company. The Merger closed on October 15, 2012 (the “Closing Date”). As a result of Merger, True Drinks, Inc.’s former shareholders owned approximately 95.5% of the combined post-Merger entity via shares of Series A Convertible Preferred Stock (“Series A Preferred”) issued as part of the Merger. The Company subsequently changed its name from “Bazi International, Inc.” to “True Drinks Holdings, Inc.” The Merger was accounted for as a public company “reverse merger,” and, as such, the consolidated financial statements reported herein reflect the operations of True Drinks, Inc. within the capital structure of Bazi Intl. Bazi Intl. was originally incorporated in the state of Nevada in January 2001.

True Drinks, Inc., formerly named GT Beverage Company, Inc., was originally incorporated in the state of Delaware in January 2012. True Drinks acquired GT Beverage Company, LLC on March 31, 2012 in a business combination, primarily to acquire the use of a spherical bottle patent held by GT Beverage Company, LLC.

Our principal place of business is 18552 MacArthur Boulevard, Suite 325, Irvine, California, 92612. Our telephone number is (949) 203-2500. Our corporate website address is http://www.truedrinks.com. Our common stock, par value $0.001 ("Common Stock"), is currently listed for quotation on the OTCQB marketplace ("OTCQB") under the symbol TRUU.

Table of Contents

Recent Developments

Note Offering

On June 20, 2013 the Company commenced a private offering of: (i) convertible promissory notes (the "Notes") in the aggregate principal amount of up to $3.3 million; and (ii) and five-year warrants to purchase shares of the Company's Common Stock at an exercise price of $1.10 per share (the "Warrants") to certain accredited investors. During the year ended December 31, 2013, the Company issued Notes in the aggregate principal amount of $3,126,000, which amount included $600,000 issued as consideration for the exchange of the outstanding principal and accrued interest of certain promissory notes previously issued by the Company. All outstanding principal and interest were either repaid or converted into equity- see below discussion under Term Loan and Note Conversion.

License Agreement

In August 2013, the Company signed an extension of its licensing agreement with Marvel Characters B.V. to extend the expiration date from December 31, 2013 to December 31, 2015 (the "Marvel Agreement"). The Marvel Agreement allows True Drinks to use a range of different Marvel characters on AquaBall™ packaging in exchange for a royalty payment, paid quarterly, equal to 5% of the proceeds from the sale of AquaBalls™ adorned with Marvel characters in the United States and Canada. The Marvel Agreement has a total royalty guarantee of $150,000 over the term of the agreement.

Creation of Series B Convertible Preferred Stock

On November 22, 2013, the Company filed the Certificate of Designation, Preferences, Rights and Limitations of the Series B Convertible Preferred Stock (the "Certificate of Designation") with the Nevada Secretary of State, designating 2.75 million shares of the Company's Preferred Stock as Series B Convertible Preferred Stock ("Series B Preferred"). Each share of Series B Preferred has a stated value of $4.00 per share ("Stated Value"), and accrues annual dividends equal to 5% of the Stated Value, payable by the Company in quarterly installments, in either cash or shares of Common Stock. Pursuant to certain terms and conditions in the Certificate of Designation, each share of Series B Preferred is convertible, at the option of the holder, into that number of shares of Common Stock equal to the Stated Value, divided by $0.25 per share (the "Conversion Shares"). The Company also has the option to require conversion of the Series B Preferred into Conversion Shares in the event: (i) there are sufficient authorized shares of Common Stock reserved as Conversion Shares; (ii) the Conversion Shares are registered under the Securities Act of 1933, as amended, or the Conversion Shares are freely tradable, without restriction, under Rule 144 of the Securities Act; (iii) the daily trading volume of the Company's Common Stock, multiplied with the closing price, equals at least $250,000 for 20 consecutive trading days; and (iv) the average closing price of the Company's Common Stock is at least $0.62 per share for 10 consecutive trading days.

Series B Offering

On November 25, 2013, the Company commenced a private offering of up to 2.0 million shares of Series B Preferred for $4.00 per share ("Purchase Price"), and five-year warrants (the "Warrants"), exercisable for $0.30 per share (the "Exercise Price"), to purchase that number of shares of the Company's Common Stock equal to 35% of the Purchase Price, divided by the Exercise Price (the "Series B Offering"). As of the date hereof, the Company and certain accredited investors entered into Securities Purchase Agreements to purchase 2.0 million shares of Series B Preferred, and Warrants to purchase approximately 9.3 million shares of Common Stock.

Term Loan and Note Conversion

On November 29, 2013, the Company executed a Loan and Security Agreement and other ancillary documents for a $2.0 million term loan from Avid Bank (the "Bank") (the "Term Loan"), which Term Loan accrues interest at a rate of prime plus 2.75% and matures on November 29, 2015. The Company's repayment of the Term Loan is secured by a continuing security interest in substantially all of the Company's assets. Proceeds from the Term Loan, together with a portion of the proceeds from the Series B Offering were used to repay certain Notes issued, totaling approximately $2.5 million in principal and accrued interest (the "Note Repayment").

Table of Contents

In addition to the Note Repayment, holders of the remaining Notes issued during the Note Offering agreed to cancel Notes totaling $739,706 in principal and accrued interest in exchange for 205,476 shares of Series B Preferred and Warrants to purchase 862,995 shares of Common Stock for $0.30 per share, on substantially the same terms offered in the Series B Offering (the "Note Conversion").

On November 29, 2013, the Company repaid approximately $400,000 in principal and accrued interest and fees from previous notes. In addition to the repayment, holders of previous notes agreed to cancel Notes totaling $235,729 in principal and accrued interest in exchange for 58,947 shares of Series B Preferred and Warrants to purchase 275,075 shares of Common Stock for $0.30 per share, on substantially the same terms offered in the Series B Offering.

Our History

Bazi Intl. Prior to Merger with True Drinks, Inc.

Bazi Intl. was formed in 2001, under the name “Instanet, Inc.” In August 2010, we changed our name to Bazi International, Inc. Until January 18, 2010, our principal channel of distribution was through a multilevel distributor network, which we terminated in January 2010 in favor of a retail and direct-to-consumer, online sales model. Bazi Intl. continued to distribute Bazi® online and through our existing database of customers, but as a result of the termination of our multilevel distributor model, most of our top distributors ended their relationship with the Company during the first quarter of 2010, causing sales of Bazi® to decrease throughout 2011 and into 2012. As a result, Bazi Intl. began suffering from a lack of sufficient capital necessary to adequately market Bazi® and support the Company’s existing retail and distribution partners.

True Drinks, Inc. Prior to Merger with the Bazi Intl.

True Drinks, Inc. (formerly GT Beverage Company, Inc.) was formed on January 19, 2012 to develop, market and sell AquaBall™ Naturally Flavored Water. In February and March of 2012, True Drinks, Inc. acquired GT Beverage Company, LLC. GT Beverage Company, LLC was formed in May 2008 to create and commercialize its Sportastic® brand sports drink, sold in round plastic bottles with registered trade dresses such as baseball and soccer designs. However, in January 2012, GT Beverage Company, LLC ceased its sports drink operations. In April 2012, True Drinks began packaging and selling AquaBall™ Naturally Flavored Water in its patented interlocking round plastic bottles, with depictions of characters from major entertainment companies, as permitted by licensing agreements with these companies.

Market Overview

Our products are characterized as functional beverages, or drink products with specific health benefits in its formulation of ingredients. Our flagship product, AquaBallTM Naturally Flavored Water is a healthy hydration alternative to current beverages positioned towards children, and competes in the kids’ food market segment. Functional beverages are growing at an aggressive rate, largely due to consumer demand for healthier alternatives to typical carbonated soft drinks. The shift away from carbonated soft drinks to healthier, functional drinks is reflected in the fact that sales of carbonated soft drinks have been flat since 2004, yet functional beverage sales have grown almost $20.0 billion over the same period to $30.6 billion in annual sales. Market research firm Zenith International estimates that global per capita consumption of functional beverages increased 25% from 2010 to 2013.

The kids foods market segment is projected to grow 40% from $10 billion in 2010 to $14 billion by 2015 according to Packaged Facts, a leading publisher of market research in the food, beverage and consumer packaged good sectors. Beverages are the second highest performing product within the kids foods market segment. In 2010, 40% of the kids food market contained some “better-for-you” element. Packaged Foods forecasts that the next several years

will bring tremendous growth in the sales and development of food and beverage products marketed and designed for children. As a result, we are currently positioning AquaBallTM as a healthy, safe, naturally flavored water drink for kids.

Table of Contents

Our Products

We market and distribute products that move away from high sugar, high calorie and nutritionally deficient beverages to healthful, natural alternatives. Our mission is to bring integrity back to the beverage industry and that honesty applies to every drop in every bottle. Our goal is to create and deliver beverages for families that encourage improved health, while being clear about what our products contain (and what they don't).

AquaBallTM Naturally Flavored Water

Our flagship product, AquaBallTM Naturally Flavored Water, is a naturally flavored water beverage, enhanced with vitamins B3, B5, B6, B12 and C. AquaBallTM does not contain high fructose corn syrup, artificial flavors, or artificial colors. Unlike high sugar and high calorie beverages marketed toward children, AquaBallTM is sweetened with stevia, an all-natural sweetener, allowing the AquaBallTM to provide a zero-sugar, zero-calorie alternative to juice and soda for kids. The main component of the marketing vision behind the AquaBallTM brand is our licensing agreements with Disney Consumer Products, Inc. ("Disney") and Marvel Entertainment ("Marvel"), allowing each AquaBallTM to prominently feature various Disney and Marvel characters. Both Disney and Marvel characters have an established reputation of high retail sales of licensed products, giving each AquaBallTM the presence associated with these brands.

Each AquaBallTM is packaged in our patented 12 ounce stackable, spherical PET bottle, and wrapped with colorful, eye-catching labels featuring popular Disney characters and various Marvel Superheroes. AquaBallTM currently comes in fruit punch, grape, orange and berry flavors and is sold in mass-market retailers throughout the United States. AquaBallTM is also available for purchase online at http://www.theaquaball.com. During the year ended December 31, 2013, AquaBallTM sales accounted for approximately 90% of the Company's total revenues.

Bazi®

Bazi® All Natural Energy, is a liquid nutritional drink packed with eight different super fruits, including the Chinese jujube and seven other superfruits, plus 12 vitamins. The proprietary formula contains the following fruits: jujube fruit, blueberry, pomegranate, goji berry, chokeberry, raspberry, acai and sea buckthorn. Additionally, Bazi® contains 12 vitamins including vitamins A, C, E and B-complex. In August, 2011, BioEnergy Ribose was added to Bazi® enhancing the products energy delivery system. During the year ended December 31, 2013, Bazi® sales accounted for approximately 10% of the Company's total revenues.

Manufacturing and Distribution

Manufacturing

We use a limited number of third parties to supply and manufacture our products. We have co-packing agreements with 7-Up Bottling in Modesto, California, Precision Formulations in Dallas, Texas, and Adirondack Beverages in Scotia, New York to package up to 4.0 million™ cases per year. Bazi® has been manufactured by Arizona Packaging and Production since 2007.

Retail Distribution

We utilize a direct-to-retailer distribution strategy to key national accounts for sales of AquaBall™ Naturally Flavored Water, including distribution to Rite-Aid, Toys R Us, Inc., Harris Teeter Supermarkets, Polar Beverages, Value Merchandisers, and stores under the Safeway, Inc. and The Kroger Company brands nationwide. We also distribute AquaBall™ through regional distributors throughout the United States. We are actively seeking additional

retail and convenience accounts, and we plan to explore alternative markets for AquaBall™ in the upcoming year such as schools, sports venues, fast food restaurants, dollar store and club store channels. Additionally, our licensing agreement with Disney Consumer Products, Inc. and Marvel Entertainment allows us to work with Disney and Marvel's dedicated sales teams who, in turn, work with top retailers to assist us with securing shelf-space for AquaBall™ and accomplishing our long-term sales objectives.

Table of Contents

Online Sales

The Company's ecommerce platform allows current and future consumers to purchase AquaBallTM Naturally Flavored Water and Bazi® Energy Shot by visiting our webpages, http://www.theaquaball.com and http://www.drinkbazi.com. We drive traffic to relevant landing pages and micro sites through digital marketing campaigns and promotions, as well as a variety of social media marketing efforts.

Sales and Marketing

The Company's sales and marketing efforts are directed from our corporate offices in Irvine, California, utilizing our own staff, as well as outside resources retained to build market awareness and shelf placement of our products. The Company manages key national accounts through our in-house national sales team. Most notably, the Company will begin distributing AquaBall™ Naturally Flavored Water to all RiteAid locations in June 2014.

Our sales teams work to secure national distribution with these customers through multiple avenues including joint sales meetings with Disney and Marvel sales personnel dedicated to these national accounts. The Company sales team also manages our national broker networks. The networks focus on areas such as regional grocery chains and the convenience store channel.

As of December 31, 2013, the Company was not dependent upon any major customers.

Source and Availability of Raw Materials

We utilize a variety of suppliers to purchase raw materials for the AquaBallTM Naturally Flavored Water during the year ended December 31, 2013.

During 2013, we relied significantly on one supplier for 100% of our purchases of certain raw materials for Bazi®. Bazi, Inc. has sourced these raw materials from this supplier since 2007 and does not anticipate any issues with the supply of these raw materials.

We own the formulas for both AquaBallTM Naturally Flavored Water and Bazi® Energy Shot, and we believe that our purchasing requirements can be readily met from alternative sources, if necessary.

Competition

The industries in which we operate are highly competitive. AquaBallTM Naturally Flavored Water competes most directly with other beverages marketed directly to children. We also compete with other manufacturers of functional beverages, and with manufacturers of more traditional beverages, such as juice and soda.

Our primary competition for AquaBallTM is in the $1.2 billion market for products marketed directly to children, including CapriSun®, Tum-E Yummies, Belly Washers, Tummy Ticklers, Kool-aid and others. General competition in the beverage industry includes products owned by multinational corporations with significant financial resources, including Vitamin Water, owned by Coca-Cola, and Sobe and Propel, both owned by Pepsi Co. Bazi® competitors include Steaz®, Guayaki Yerba Mate, POM Wonderful®, as well as sports and energy drinks including Gatorade®, Red Bull®, 5-Hour Energy®, RockStar®, Monster®, Powerade®, Accelerade® and All Sport®. Indirect competition for the AquaBallTM and Bazi® includes soft drinks and juice products, such as Sunny Delight® and other fruit drinks. These competitors can use their resources and scale to rapidly respond to competitive pressures and changes in consumer preferences by introducing new products, reducing prices or increasing promotional activities. Many of our competitors have longer operating histories and have substantially greater financial and other resources than we

do. They therefore have the advantage of established reputations, brand names, track records, back office and managerial support systems and other advantages that we cannot duplicate in the near future. Moreover, many competitors, by virtue of their longevity and capital resources, have established lines of distribution to which we do not have access, and are not likely to duplicate in the near term, if ever.

Table of Contents

Intellectual Property

We rely on the AquaBallTM patent, AquaBallTM and Bazi® trademarks and licensing agreements to market our products and make them standout among out competitors.

Patents and Trademarks

We were granted the patent for AquaBallTM's stackable, spherical drink container in 2009, via GT Beverage Company, LLC, who we purchased on March 31, 2012. We maintain trademark protection for AquaBallTM and have federal trademark registration for Bazi®. This trademark registration is protected for a period of ten years and then is renewable thereafter if still in use.

Licensing Agreements

We entered into a three-year licensing agreement with Disney Consumer Products, Inc. ("Disney") and an 18-month licensing agreement with Marvel Characters, B.V. ("Marvel") (the "Licensing Agreements") in 2012. Each Licensing Agreement allows us to feature popular Disney and Marvel characters on AquaBall™ Naturally Flavored Water, allowing AquaBall™ to stand out among other beverages marketed towards children. Under the terms and conditions of the Licensing Agreements, we work with the Disney and Marvel teams to create colorful, eye-catching labels that surround the entire spherical shape of each AquaBall™. Once the label designs are approved, we work with Disney and Marvel to set retail calendars, rotating the placement of different AquaBall™ designs over the course of the year. The terms of the Disney Licensing Agreement stipulates a royalty rate of 4% on the sales of AquaBall™ Naturally Flavored Water adorned with Disney characters, paid quarterly, with a total royalty guarantee of $231,600 over the term of the agreement which has a term ending date of March 31, 2015. In addition, the Company is required to spend 1% of sales on advertising and promotional opportunities. The Company is required to make common marketing fund contributions totaling $96,188 over the life of the agreement.

The terms of the Marvel Licensing Agreement stipulates a royalty rate of 5% on the sales of AquaBall™ Naturally Flavored Water adorned with Marvel characters, paid quarterly. The Company recently extended its agreement with Marvel through the end of 2015. The total royalty guarantee for the period from January 1, 2014 through December 31, 2015 is $150,000.

Government Regulations

General

Our operations are affected by extensive laws, governmental regulations, administrative determinations, court decisions and enforcement policies. These requirements exist at the federal, state and local levels in the United States, including laws and regulations pertaining to:

- the formulation, manufacturing, packaging, labeling, holding, storage, distribution, advertising and sale of our products; and

- product claims and advertising, including direct claims and advertising by us, as well as claims and advertising by independent distributors, for which we may be held responsible.

Table of Contents

The formulation, manufacturing, packaging, labeling, holding, storage, distribution, advertising, and sale of our products is subject to regulation by one or more federal agencies, including the Food and Drug Administration ("FDA"), the Federal Trade Commission ("FTC"), the Consumer Product Safety Commission ("CPSC"), the Occupational Safety and Health Administration ("OSHA"), the Department of Agriculture ("USDA") and the Environmental Protection Agency ("EPA"). These activities are also regulated by various agencies of the states and localities in which our products are sold. Pursuant to the Federal Food, Drug, and Cosmetic Act ("FDCA"), the FDA regulates the processing, formulation, safety, manufacture, packaging, labeling, holding, sale, and distribution of foods and nutritional supplements (including vitamins, minerals, amino acids, herbs, and botanicals). The FTC has jurisdiction to regulate the advertising of these products. The CPSC is charged with protecting the public from risks of serious injury or death associated with the use of consumer products. Nutritional supplements are among the over 15,000 types of consumer products under CPSC's jurisdiction. When consumers complain to the CPSC about alleged harm stemming from ingestion of vitamins and other nutritional supplement, CPSC may contact the entity concerned, inform it of the nature of the complaint, and invite a response. CPSC has conducted several recalls of iron-containing dietary supplements that do not comply with the child-resistant packaging requirement. The OSHA is charged with protecting workplace safety. Nutritional supplement companies must maintain a safe workplace and may from time to time be subject to queries from OSHA if manufacturing methods or procedures raise a question of worker safety. The USDA has jurisdiction over animal food and animal feed, including regulatory control over the harvesting of animal-based source materials, including animal-derived proteins, and animal-derived gelatin capsules, used in the making of dietary supplements. The EPA regulates dietary supplement compliance with standards established under the Clean Air Act, the Clean Water Act, the Occupational Safety and Health Act, and the Pollution Prevention Act as they affect the use, maintenance, and disposal of substances used in and facilities used for the manufacture of nutritional supplements.

Bazi® All Natural Energy falls under some additional regulations as a nutritional supplement. The FDCA has been amended several times with respect to nutritional supplements, in particular by the Dietary Supplement Health and Education Act of 1994 ("DSHEA"), which established a new framework governing the composition, safety, labeling and marketing of nutritional supplements. Nutritional supplements are defined as vitamins, minerals, herbs, other botanicals, amino acids and other dietary substances for human use to supplement the diet, as well as concentrates, metabolites, constituents, extracts or combinations of such dietary ingredients. Generally, under DSHEA, dietary ingredients that were on the market prior to October 15, 1994, may be used in nutritional supplements without notifying the FDA. New dietary ingredients, consisting of dietary ingredients that were not marketed in the United States before October 15, 1994, are subject to a FDA pre-market new dietary ingredient notification requirement unless the ingredient has been present in the food supply as an article used for food without being chemically altered. A new dietary ingredient notification must provide the FDA with evidence of a history of use or other evidence of safety establishing that use of the dietary ingredient will reasonably be expected to be safe. A new dietary ingredient notification must be submitted to the FDA at least 75 days before the initial marketing of the new dietary ingredient. There is no certainty that the FDA will accept any particular evidence of safety for any new dietary ingredient. The FDA's refusal to accept such evidence could prevent the marketing of such dietary ingredients.

The FDA issued a consumer warning in 1996, followed by proposed regulations in 1997, covering nutritional supplements that contain ephedra or its active substance, ephedrine alkaloids. We have never produced or sold products containing ephedra. In February 2004, the FDA issued a final regulation declaring nutritional supplements containing ephedra under the FDCA because they present an unreasonable risk of illness or injury under the conditions of use recommended or suggested in labeling, or if no conditions of use are suggested or recommended in labeling, under ordinary conditions of use. The rule took effect on April 12, 2004, and bans the sale of nutritional supplement products containing ephedra. Similarly, the FDA issued a consumer advisory in 2002 with respect to nutritional supplements that contain the ingredient Kava, and the FDA is currently investigating adverse effects associated with ingestion of this ingredient. We have never produced or sold any products containing Kava.

-7-

DSHEA permits statements of nutritional support to be included in labeling for nutritional supplements without FDA premarket approval. These statements must be submitted to the FDA within 30 days of marketing and must bear a label disclosure that "This statement has not been evaluated by the Food and Drug Administration. This product is not intended to diagnose, treat, cure, or prevent any disease." These statements may describe a benefit related to a nutrient deficiency disease, the role of a nutrient or nutritional ingredient intended to affect the structure or function in humans, the documented mechanism by which a nutrient or dietary ingredient acts to maintain such structure or function, the general well-being from consumption of a nutrient or dietary ingredient, but may not expressly or implicitly represent that a nutritional supplement will diagnose, cure, mitigate, treat or prevent a disease. An entity that uses a statement of nutritional support in labeling must possess scientific evidence substantiating that the statement is truthful and not misleading. If the FDA determines that a particular statement of nutritional support is an unacceptable drug claim or an unauthorized version of a disease claim for a food product, or if the FDA determines that a particular claim is not adequately supported by existing scientific data or is false or misleading, we would be prevented from using the claim.

In addition, DSHEA provides that so-called "third-party literature," e.g., a reprint of a peer-reviewed scientific publication linking a particular nutritional ingredient with health benefits, may be used in connection with the sale of a nutritional supplement to consumers without the literature being subject to regulation as labeling. Such literature must not be false or misleading; the literature may not promote a particular manufacturer or brand of nutritional supplement; the literature must present a balanced view of the available scientific information on the nutritional supplement; if displayed in an establishment, the literature must be physically separate from the nutritional supplement; and the literature may not have appended to it any information by sticker or any other method. If the literature fails to satisfy each of these requirements, we may be prevented from disseminating it with our products, and any dissemination could subject our products to regulatory action as an illegal drug. Moreover, any written or verbal representation by us that would associate a nutrient in a product that we sell with an effect on a disease will be deemed evidence of an intent to sell the product as an unapproved new drug, a violation of the FDCA.

On August 25, 2007 the FDA adopted the final regulations for large manufactures of a standard originally proposed in March 2003 of the current Good Manufacturing Practices guidelines ("cGMPs") for the manufacturing, packing, holding and distributing dietary ingredients and nutritional supplements. The new regulations require nutritional supplements to be prepared, packaged, and held in compliance with strict rules, and require quality control provisions that may mandate redundant testing of product ingredients at each separate stage of manufacture and are intended to ensure that products are accurately labeled and don't contain adulterants and contaminants. While the rule allowed for medium and small manufacturers to have until 2009 and 2010, respectively, to comply with the cGMPs, most of our contract manufacturers did not qualify as small or medium. As a result, many of our contract manufacturers began following the proposed cGMPs or even pharmaceutical cGMPs well before the final rule was published.

The FDA has broad authority to enforce the provisions of the FDCA applicable to nutritional supplements, including powers to issue a public warning letter to an entity, to publicize information about illegal products, to request a recall of illegal products from the market, and to request the Department of Justice to initiate a seizure action, an injunction action, or a criminal prosecution in the United States courts. The regulation of nutritional supplements may increase or become more restrictive in the future.

In 2004, legislation was introduced in both houses of Congress that imposed substantial new regulatory requirements for dietary supplements. These bills did not pass and are no longer pending, but we believe the 2004 proposed legislation evidences a continuing effort to further regulate dietary supplements.

On April 12, 2004, the FDA adopted a new test for determining when a nutritional supplement is adulterated. Under this test, the FDA may declare a nutritional supplement adulterated (i.e., to present an unreasonable risk of illness or injury) if it finds any benefit provided by the supplement outweighed by a risk of illness of injury. The new

risk/benefit test is ill-defined and can be interpreted to permit FDA to hold a wide range of nutritional supplements adulterated. It is possible that FDA might hold more nutritional supplements adulterated in the future, reducing the nutritional ingredients available for use in our products.

Table of Contents

The FTC exercises jurisdiction over the advertising of nutritional supplements. In recent years, the FTC has instituted numerous enforcement actions against nutritional supplement companies for deceptive advertising based on those companies' alleged failure to possess competent and reliable scientific evidence in support of claims made in advertising.

The FTC may monitor our advertising and could request all evidence in support of our advertising claims, which evidence is required to be kept by us in advance of advertising. Discerning what constitutes "competent and reliable scientific evidence" involves, to a degree, a subjective assessment of the relative level, degree, quality, and quantity of scientific evidence and its acceptance in the scientific community as proof of the advertising statement. It is therefore possible that we may think evidence we have as sufficient but the FTC may deem the evidence inadequate. We believe we are in material compliance with applicable federal, state and local rules.

On December 9, 2006, President Bush signed the Dietary Supplement & Nonprescription Drug Consumer Protection Act into law. The legislation requires manufacturers of dietary supplement and over-the-counter products to notify the FDA when they receive reports of serious adverse events. We already have an internal adverse event reporting system that has been in place for several years. In December 2008 the FDA submitted Guidance for implementing the regulations for comment, this guidance, when finalized, will represent the current thinking of the Food and Drug Administration on this topic, which we would intend to fully comply with.

We believe that current and reasonably foreseeable governmental regulation will have minimal impact on our business.

Research and Development

No expenses were recorded on research and development for the year ended December 31, 2013. We are working with certain third parties on the development of possible future products, but these projects are funded by the respective third parties. During 2012, we developed our AquaBall™ proprietary formula along with Wild Flavors, Inc., an independent third party contracted by the Company. We launched distribution and sales of the AquaBall™ in June 2012. The AquaBall™ did not require FDA or other regulatory approval. Following the initial launch of the AquaBall™, we continued research and development efforts to add more flavors to the AquaBall™ line, and modify the AquaBall™ into a zero sugar, zero calorie product. We launched the zero sugar, zero calorie line in early 2013, as well as new flavors, such as strawberry lemonade and berry.

During 2006, Bazi® was developed and was launched in January 2007. This product did not require FDA or other regulatory approval. During 2009, new ingredients and productions methods were researched to integrate into existing products or new products. As of 2012, Bazi® is now sold solely online and is sold in 12, 24, 36, 48 and 144 packs.

Employees

We had eight full-time employees and one part-time employee as of December 31, 2013.

Compliance with Environmental Laws

In California, we are required to collect redemption values from our retail customers and to remit such redemption values to the State of California Department of Resources Recycling and Recovery based upon the number of cans and bottles of certain carbonated and non-carbonated products sold. In certain other states where our products are sold, we are also required to collect deposits from our customers and to remit such deposits to the respective jurisdictions based upon the number of cans and bottles of certain carbonated and non-carbonated products sold in such states.

Table of Contents

Available Information

As a public company, we are required to file our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements on Schedule 14A and other information (including any amendments) with the Securities and Exchange Commission (the "SEC"). You may read and copy such material at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549, on official business days during the hours of 10:00 a.m. to 3:00 p.m. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You can also find the Company's SEC filings at the SEC's website at http://www.sec.gov.

Our Internet address is www.truedrinks.com. Information contained on our website is not part of this annual report on Form 10-K. Our SEC filings (including any amendments) will be made available free of charge on www.truedrinks.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

ITEM 1A. RISK FACTORS

We are subject to various risks that could have a negative effect on the Company and its financial condition. These risks could cause actual operating results to differ from those expressed in certain "forward looking statements' contained in this Annual Report on Form 10-K as well as in other communications.

Risks Related to the Company

We have a history of operating losses and, despite consummation of recent financings, may continue to experience liquidity problems.

We have not been profitable since inception. We had a net loss of $7,122,135 for the year ending December 31, 2013. Although we have recently consummated equity and debt financings resulting in gross proceeds of $12,032,000, we may require additional capital to execute our business and marketing plan, and continue as a going concern. Our history of losses may impair our ability to obtain necessary financing on favorable terms or at all. It may also impair our ability to attract investors if we attempt to raise additional capital by selling additional debt or equity securities in a private or public offering.

We may need to raise additional funds to our fund operations, which cannot be assured and may result in substantial dilution to our existing shareholders.

To date, our operating funds have been provided primarily from sales of our Common Stock, preferred stock, promissory notes and, to a lesser degree, cash flow provided by sales of our products. We used $5,391,888 of cash for operations in the year ended December 31, 2013. If our business operations do not result in increased product sales, and we are otherwise unable to secure short-term working capital, our business viability, financial position, results of operations and cash flows will be adversely affected. We cannot predict the terms upon which we could raise such capital or if any capital would be available at all, and what dilution will be caused to the existing shareholders.

We may not be able to satisfy recently incurred debt obligations when due.

We recently received a $2.0 million term loan (the "Term Loan") from Avid Bank that matures on November 29, 2015. Additionally, we are required to maintain, with Avid Bank, a balance of unrestricted cash and cash equivalents of at least $1.0 million, measured on a monthly basis, as well as an Asset Coverage Ratio of 1.5 which consists of cash, cash equivalents, and net eligible accounts receivable.

If we are unable to successfully execute our business and marketing plan, we may not achieve profitability, and may not be able to satisfy our obligations under the Term Loan when due, or otherwise satisfy the debt covenants. We may seek additional financing to satisfy our obligations, which financing may not be available on a timely basis, on terms that are acceptable or at all. Failure to meet our obligations under the Term Loan, including paying off the Term Loan when it becomes due and payable or satisfying the debt covenants, would result in a default in the Term Loan, which default would have a material adverse affect our business, results of operations and financial condition, and therefore threaten our financial viability.

Our operations are now dependent on the business of True Drinks, and our ability to achieve positive cash flow under our new business plan is uncertain.

As a result of the merger between True Drinks, Inc. and a subsidiary of Bazi Intl. in October 2012 (the "Merger"), our continued operations are now dependent on the business of True Drinks. True Drinks' ability to achieve positive cash flow resulting from its new business plan is uncertain, as True Drinks' only product line, the AquaBall™, was launched in June 2012. Although True Drinks generated revenues of approximately $2.4 million from the sale of the AquaBall™ in 2013, there can be no guarantee that the Company will continue to grow revenue or achieve positive cash flow in the future.

Our licensing agreements with Disney Consumer Products, Inc. and Marvel Characters, B.V. are critical components of the marketing of the AquaBall™ line, and there is no guarantee the licensing agreements will be renewed at the end of each agreement's term.

We currently have licensing agreements with Disney Consumer Products, Inc. (the "Disney Agreement") and Marvel Characters, B.V. (the "Marvel Agreement") that allow us to place popular Disney and Marvel characters on labels of AquaBall™ Naturally Flavored Water. As AquaBall™ was recently launched in June 2012, the use of these characters, including Disney Princesses and Spider-Man, is critical to making the AquaBall™ stand out among our competitors. Although these licensing agreements have varying terms, both the Disney Agreement and Marvel Agreement expire in 2015. There is no guarantee we will be able to renew these agreements upon expiration, nor are we able to guarantee that we will have licensing agreements with other companies when the Disney Agreement and Marvel Agreement expire.

Our limited operating history makes it difficult to evaluate our prospects.

We have a limited operating history on which to evaluate our business and prospects. Our current flagship product, the AquaBall™, was formulated and introduced to the public for sale in 2012. Our other product, Bazi®, has had limited market success. There can be no assurance that we will achieve significant sales as a result of us focusing our sales efforts on the AquaBall™ product, or that our new sales model with be successful.

We also may not be successful in addressing our other operating challenges, such as developing brand awareness and expanding our market presence through retail sales and our direct-to-consumer and online sales strategy. Our prospects for profitability must be considered in light of our evolving business model. These factors make it difficult to assess our prospects.

We are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints, which can make compliance costly and subject us to enforcement actions by governmental agencies.

The formulation, manufacturing, packaging, labeling, holding, storage, distribution, advertising and sale of our products are affected by extensive laws, governmental regulations and policies, administrative determinations, court decisions and similar constraints at the federal, state and local levels, both within the United States and in any country where we conduct business. There can be no assurance that we or our independent distributors will be in compliance with all of these regulations. A failure by us or our distributors to comply with these laws and regulations could lead to governmental investigations, civil and criminal prosecutions, administrative hearings and court proceedings, civil and criminal penalties, injunctions against product sales or advertising, civil and criminal liability for the Company and/or its principals, bad publicity, and tort claims arising out of governmental or judicial findings of fact or conclusions of law adverse to the Company or its principals. In addition, the adoption of new regulations and policies or changes in the interpretations of existing regulations and policies may result in significant new compliance costs or

discontinuation of product sales, and may adversely affect the marketing of our products, resulting in decreases in revenues.

Table of Contents

Our ability to increase sales is dependent on growing in our existing markets as well as expanding into new markets in other countries. As we expand into foreign markets, we will become subject to different political, cultural, exchange rate, economic, legal and operational risks. We may invest significant amounts in these expansions with little success.

We currently are focusing our marketing efforts in the United States and, to a lesser extent, Canada. We believe that our future growth will come from both the markets that we are currently operating in and other international markets. We do not have any history of international expansion, and therefore have no assurance that any efforts will result in increased revenue. Additionally, we may need to overcome significant regulatory and legal barriers in order to sell our products, and we cannot give assurance as to whether our distribution method will be accepted. These markets may require that we reformulate our product to comply with local customs and laws. However, there is no guarantee that the reformulated product will be approved for sale by these regulatory agencies or attract local distributors.

We face substantial uncertainties in executing our business plan.

Successfully executing our business plan will require us to attain certain objectives to which no assurance can be given that we will be successful in our efforts. We believe that, in order to execute our business plan and achieve the sales growth, we are anticipating we must, among other things, successfully recruit additional personnel in key positions, develop a larger distribution network and establish a broader customer base and increase awareness of our brand name. In order to implement any of these initiatives, we will be required to materially increase our operating expenses, which may require additional working capital. If we are unable to secure additional working capital, we will be unable to accomplish our objectives, and if we are unable to accomplish one or more of these objectives, our business may fail.

We are currently dependent on a limited number of independent suppliers and manufacturers of our products, which may affect our ability to deliver our products in a timely manner. If we are not able to ensure timely product deliveries, potential distributors and customers may not order our products, and our revenues may decrease.

We rely entirely on a limited number of third parties to supply and manufacture our product. These third party manufacturers may be unable to satisfy our supply requirements, manufacture our products on a timely basis, fill and ship our orders promptly, provide services at competitive costs or offer reliable products and services. The failure to meet any of these critical needs would delay or reduce product shipment and adversely affect our revenues, as well as jeopardize our relationships with our independent distributors and customers. In the event any of our third party manufacturers were to become unable or unwilling to continue to provide us with products in required volumes and at suitable quality levels, we would be required to identify and obtain acceptable replacement manufacturing sources. There is no assurance that we would be able to obtain alternative manufacturing sources on a timely basis. Additionally, all our third party manufacturers source the raw materials for our products, and if we were to use alternative manufacturers we may not be able to duplicate the exact taste and consistency profile of the product from the original manufacturer. An extended interruption in the supply of our products would result in decreased product sales and our revenues would likely decline.

We are dependent on our third party manufacturers to supply our products in the compositions we require, and we do not independently analyze our products. Any errors in our product manufacturing could result in product recalls, significant legal exposure, and reduced revenues and the loss of distributors.

Although we require our manufacturers to verify the accuracy of the contents of our products, we do not have the expertise or personnel to monitor the production of products by these third parties. We rely exclusively, without independent verification, on certificates of analysis regarding product content provided by our third party suppliers and limited safety testing by them. We cannot be assured that these outside manufacturers will continue to supply

products to us reliably in the compositions we require. Errors in the manufacture of our products could result in product recalls, significant legal exposure, adverse publicity, decreased revenues, and loss of distributors and endorsers.

Table of Contents

We face significant competition from existing suppliers of products similar to ours. If we are not able to compete with these companies effectively, we may not be able to achieve profitability.

We face intense competition from numerous resellers, manufacturers and wholesalers of liquid nutrition drinks similar to ours, including retail, online and mail order providers. We consider the significant competing products in the U.S. market for the AquaBall™ to be Tum-E Yummies, Capri-Sun, Bug Juice, and other alternatives marketed towards children, and for Bazi® to be Red Bull®, Monster®, RockStar®, 5 Hour Energy® and Steaz®. Most of our competitors have longer operating histories, established brands in the marketplace, revenues significantly greater than ours and better access to capital than us. We expect that these competitors may use their resources to engage in various business activities that could result in reduced sales of our products. Companies with greater capital and research capabilities could re-formulate existing products or formulate new products that could gain wide marketplace acceptance, which could have a depressive effect on our future sales. In addition, aggressive advertising and promotion by our competitors may require us to compete by lowering prices because we do not have the resources to engage in marketing campaigns against these competitors, and the economic viability of our operations likely would be diminished.

Adverse publicity associated with our products or ingredients, or those of similar companies, could adversely affect our sales and revenues.

Adverse publicity concerning any actual or purported failure of our Company to comply with applicable laws and regulations regarding any aspect of our business could have an adverse effect on the public perception of our Company. This, in turn, could negatively affect our ability to obtain financing, endorsers and attract distributors or retailers for the AquaBall™ and/or Bazi®, which would have a material adverse effect on our ability to generate sales and revenues.

Our distributors' and customers' perception of the safety and quality of our products or even similar products distributed by others can be significantly influenced by national media attention, publicized scientific research or findings, product liability claims and other publicity concerning our products or similar products distributed by others. Adverse publicity, whether or not accurate, that associates consumption of our products or any similar products with illness or other adverse effects, will likely diminish the public's perception of our products. Claims that any products are ineffective, inappropriately labeled or have inaccurate instructions as to their use, could have a material adverse effect on the market demand for our products, including reducing our sales and revenues.

Our products may not meet health and safety standards or could become contaminated.

We have adopted various quality, environmental, health and safety standards. We do not have control over all of the third parties involved in the manufacturing of our products and their compliance with government health and safety standards. Even if our products meet these standards they could otherwise become contaminated. A failure to meet these standards or contamination could occur in our operations or those of our bottlers, distributors or suppliers. This could result in expensive production interruptions, recalls and liability claims. Moreover, negative publicity could be generated from false, unfounded or nominal liability claims or limited recalls. Any of these failures or occurrences could negatively affect our business and financial performance.

The sale of our products involves product liability and related risks that could expose us to significant insurance and loss expenses.

We face an inherent risk of exposure to product liability claims if the use of our products results in, or is believed to have resulted in, illness or injury. Most of our products contain combinations of ingredients, and there is little long-term experience with the effect of these combinations. In addition, interactions of these products with other

products, prescription medicines and over-the-counter drugs have not been fully explored or understood and may have unintended consequences. While our third party manufacturers perform tests in connection with the formulations of our products, these tests are not designed to evaluate the inherent safety of our products.

Table of Contents

Although we maintain product liability insurance, it may not be sufficient to cover all product liability claims and such claims that may arise, could have a material adverse effect on our business. The successful assertion or settlement of an uninsured claim, a significant number of insured claims or a claim exceeding the limits of our insurance coverage would harm us by adding further costs to our business and by diverting the attention of our senior management from the operation of our business. Even if we successfully defend a liability claim, the uninsured litigation costs and adverse publicity may be harmful to our business.

Any product liability claim may increase our costs and adversely affect our revenues and operating income. Moreover, liability claims arising from a serious adverse event may increase our costs through higher insurance premiums and deductibles, and may make it more difficult to secure adequate insurance coverage in the future. In addition, our product liability insurance may fail to cover future product liability claims, which, if adversely determined, could subject us to substantial monetary damages.

The success of our business will depend upon our ability to create brand awareness.

The market for functional beverages and nutraceuticals is already highly competitive, with many well-known brands leading the industry. Our ability to compete effectively and generate revenue will be based upon our ability to create awareness of our products distinct from those of our competitors. It is imperative that we are able to convey to consumers the fact that our products are not just functional beverages but are also nutraceuticals. However, advertising and packaging and labeling of such products will be limited by various regulations. Our success will be dependent upon our ability to convey to consumers that our products are superior to those of our competitors.

We must continue to develop and introduce new products to succeed.

The functional beverage and nutritional supplement industry is subject to rapid change. New products are constantly introduced to the market. Our ability to remain competitive depends on our ability to enhance existing products, continue to develop and manufacture new products in a timely and cost effective manner, to accurately predict market transitions, and to effectively market our products. Our future financial results will depend to a great extent on the successful introduction of several new products. We cannot be certain that we will be successful in selecting, developing, manufacturing and marketing new products or in enhancing existing products.

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

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

We may from time to time write off obsolete inventories resulting in higher expenses and consequently greater net losses.

As we sometimes produce product adorned with characters on a promotional schedule, over production of a certain character set could result in write-downs of our inventories. A change in ingredients or labeling requirements could also result in the obsolescence of certain inventory. Write-downs of this type could make it more difficult for us to achieve profitability. We did not incur a write-down against inventory for the year ended December 31, 2013.

Table of Contents

Product returns could require us to incur significant additional expenses, which would make it difficult for us to achieve profitability.

We have not established a reserve in our financial statements for product returns. However, we may experience product returns as we shift our focus to the AquaBall™ line of products and expand our market presence nationwide. We will continue to analyze our returns to determine if a reserve is necessary. If our reserves prove to be inadequate, we may incur significant expenses for product returns. As we gain more operating experience, we may need to establish a reserve for product returns.

If we are not able to adequately protect our intellectual property, then we may not be able to compete effectively and we may not be profitable.

Our existing proprietary rights may not afford remedies and protections necessary to prevent infringement, reformulation, theft, misappropriation and other improper use of our products by competitors. We own the formulations contained in our products and the patent for the AquaBall™ bottle. We consider this patent and these product formulations our critical proprietary property, which must be protected from competitors. We do not have any patents for our product formulations because we do not believe they are necessary to protect our proprietary rights. Although trade secret, trademark, copyright and patent laws generally provide such protection and we attempt to protect ourselves through contracts with manufacturers of our products, we may not be successful in enforcing our rights. In addition, enforcement of our proprietary rights may require lengthy and expensive litigation. We have attempted to protect some of the trade names and trademarks used for our products by registering them with the U.S. Patent and Trademark Office, but we must rely on common law trademark rights to protect our unregistered trademarks. Common law trademark rights do not provide the same remedies as are granted to federally registered trademarks, and the rights of a common law trademark are limited to the geographic area in which the trademark is actually used. Our inability to protect our intellectual property could have a material adverse impact on our ability to compete and could make it difficult for us to achieve a profit.

Compliance with changing corporate governance regulations and public disclosures may result in additional risks and exposures.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and new regulations from the SEC, have created uncertainty for public companies such as ours. These laws, regulations, and standards are subject to varying interpretations in many cases and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. As a result, our efforts to comply with evolving laws, regulations, and standards have resulted in, and are likely to continue to result in, increased expenses and significant management time and attention.

Loss of key personnel could impair our ability to operate.

Our success depends on hiring, retaining and integrating senior management and skilled employees. We are currently dependent on certain current key employees, specifically Lance Leonard, our Chief Executive Officer, and Kevin Sherman, our Chief Marketing Officer, who are vital to our ability to grow our business and achieve profitability. As with all personal service providers, our officers can terminate their relationship with us at will. Our inability to retain these individuals may result in our reduced ability to operate our business.

A limited trading market currently exists for our securities, and we cannot assure you that an active market will ever develop, or if developed, will be sustained.

There is currently a limited trading market for our securities on the OTCQB marketplace. An active trading market for our Common Stock may not develop. Consequently, we cannot assure you when and if an active-trading market in our shares will be established, or whether any such market will be sustained or sufficiently liquid to enable holders of shares of our Common Stock to liquidate their investment in our company. If an active public market should develop in the future, the sale of unregistered and restricted securities by current shareholders may have a substantial impact on any such market.

Table of Contents

The price of our securities could be subject to wide fluctuations and your investment could decline in value.

The market price of the securities of a company such as ours with little name recognition in the financial community and without significant revenues can be subject to wide price swings. The market price of our securities may be subject to wide changes in response to quarterly variations in operating results, announcements of new products by us or our competitors, reports by securities analysts, volume trading, or other events or factors. In addition, the financial markets have experienced significant price and volume fluctuations for a number of reasons, including the failure of certain companies to meet market expectations. These broad market price swings, or any industry-specific market fluctuations, may adversely affect the market price of our securities.

Companies that have experienced volatility in the market price of their stock have been the subject of securities class action litigation. If we were to become the subject of securities class action litigation, it could result in substantial costs and a significant diversion of our management's attention and resources.

Because our Common Stock may be classified as "penny stock," trading may be limited, and the share price could decline. Moreover, trading of our Common Stock, if any, may be limited because broker-dealers would be required to provide their customers with disclosure documents prior to allowing them to participate in transactions involving our Common Stock. These disclosure requirements are burdensome to broker-dealers and may discourage them from allowing their customers to participate in transactions involving our Common Stock.

We have issued preferred stock with rights senior to our Common Stock, and may issue additional preferred stock in the future, in order to consummate a merger or other transaction necessary to continue as a going concern.

Our Articles of Incorporation authorizes the issuance of up to 5,000,000 shares of preferred stock, par value $0.001 per share (the "Preferred Stock"), without shareholder approval and on terms established by our directors, of which 2,750,000 shares have been designated as Series B Convertible Preferred Stock. We may issue additional shares of Preferred Stock in order to consummate a financing or other transaction, in lieu of the issuance of Common Stock. The rights and preferences of any such class or series of Preferred Stock would be established by our board of directors in its sole discretion and may have dividend, voting, liquidation and other rights and preferences that are senior to the rights of the Common Stock.

You should not rely on an investment in our Common Stock for the payment of cash dividends.

Because of our significant operating losses and because we intend to retain future profits, if any, to expand our business, we have never paid cash dividends on our Common Stock and do not anticipate paying any cash dividends in the foreseeable future. You should not make an investment in our Common Stock if you require dividend income. Any return on investment in our Common Stock would only come from an increase in the market price of our stock, which is uncertain and unpredictable.

Additional risks may exist since we became public through a "reverse merger."

Because we became public by means of a "reverse merger," we may not be able to attract the attention of major brokerage firms. Securities analysts of major brokerage firms may not provide coverage of us since there is little incentive to brokerage firms to recommend the purchase of our Common Stock. We cannot assure you that brokerage firms will want to conduct any secondary offerings on behalf of the Company in the future.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

Table of Contents

ITEM 2. PROPERTIES

Facilities

We are headquartered in Irvine, California and lease our office on a one-year lease. Total rent expense for the year ended December 31, 2013 was approximately $46,000. Total remaining payments on the lease through July 31, 2014 are approximately $14,728.

Insurance

We maintain commercial general liability, including product liability coverage, and property insurance. Our policy provides for a general liability limit of $2.0 million per occurrence, and $10 million annual aggregate umbrella coverage.

ITEM 3. LEGAL PROCEEDINGS

From time to time, claims are made against the Company in the ordinary course of business, which could result in litigation. Claims and associated litigation are subject to inherent uncertainties and unfavorable outcomes could occur. In the opinion of management, the resolution of these matters, if any, will not have a material adverse impact on the Company's financial position or results of operations.

On July 1, 2011, a lawsuit was filed in the United States District Court, the Southern District of Ohio, Cincinnati Division, against GT Beverage Company, LLC ("GT LLC") by Dominion Liquid Technologies, LLC. The lawsuit alleges that GT LLC breached terms of a 2010 co-packing agreement, which governed the relationship between the parties. As of February 2013, Dominion amended its complaint to add the Company as a defendant in the case. Dominion is seeking monetary damages in an amount exceeding $800,000. GT LLC has filed its answer denying all of Dominion's claims and expects to vigorously defend the suit. A trial will likely be set in the second quarter of 2014.

ITEM 4. MINE SAFETY DISCLOSURES

None.

Table of Contents

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our Common Stock is traded on the OTCQB marketplace under the name True Drinks Holdings, Inc., and quoted on the OTCQB marketplace under the symbol TRUU.

The following table sets forth high and low bid prices for our Common Stock for the calendar quarters indicated as reported by the OTCQB. These prices represent quotations between dealers without adjustment for retail markup, markdown, or commission and may not represent actual transactions.

	High	Low
2013		
First Quarter	$ 3.50*	$ 0.02
Second Quarter	$ 2.25*	$ 0.85*
Third Quarter	$ 1.04*	$ 0.55*
Fourth Quarter	$ 0.64*	$ 0.20*
2012		
First Quarter	$ 0.06	$ 0.01
Second Quarter	$ 0.09	$ 0.03
Third Quarter	$ 0.09	$ 0.05
Fourth Quarter	$ 0.07	$ 0.02

* Bid price reflects the 1-for-100 reverse split of our Common Stock, which reverse split took effect on January 22, 2013.

Holders

At March 28, 2014, there were 34,451,822 shares of our Common Stock outstanding, and approximately 221 shareholders of record of our Common Stock. At March 28, 2014, there were no shares of our Series A Convertible Preferred Stock outstanding, and 2,082,870 shares of our Series B Preferred outstanding, held by approximately 38 shareholders of record.

Dividends

We did not declare any dividends for the year ended December 31, 2013. Our Board of Directors does not intend to distribute dividends in the near future. Instead, we plan to retain any earnings to finance the development and expansion of our business. The declaration, payment and amount of any future dividends will be made at the discretion of the Board of Directors, and will depend upon, among other things, the results of our operations, cash flows and financial condition, operating and capital requirements, and other factors as the Board of Directors considers relevant. There is no assurance that future dividends will be paid, and if dividends are paid, there is no assurance with respect to the amount of any such dividend.

Transfer Agent

Our Transfer Agent and Registrar for our Common Stock is Corporate Stock Transfer located in Denver, Colorado.

ITEM 6. SELECTED FINANCIAL DATA

As a “smaller reporting company” as defined by the rules and regulations of the Securities and Exchange Commission, we are not required to provide this information.

Table of Contents

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

You should read the following discussion and analysis in conjunction with our financial statements, including the notes thereto contained in this Annual Report. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a variety of certain factors, including those set forth under "Risk Factors Associated with Our Business" and elsewhere in this Annual Report.

Critical Accounting Polices and Estimates

Discussion and analysis of our financial condition and results of operations are based upon financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates; including those related to collection of receivables, inventory obsolescence, sales returns and non-monetary transactions such as stock and stock options issued for services. We base our estimates on historical experience and on various other assumptions that are believed 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 are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements.

Revenue Recognition

In accordance with ASC Topic 605 (Staff Accounting Bulletin 104 "Revenue Recognition in Financial Statements"), revenue is recognized at the point of shipment, at which time title is passed. Net sales include sales of products, sales of marketing tools to independent distributors and freight and handling charges. With the exception of retail customers, we receive the net sales price from all of our orders in the form of cash or credit card payment prior to shipment. Retail customers with approved credit have been extended payment terms of net 30 days, with a few exceptions.

Allowance for Doubtful Accounts

We estimate losses on receivables based on known troubled accounts and historical experience of losses incurred. Based on our estimations, we recorded an allowance for doubtful accounts of approximately $210,000 as of December 31, 2013.

Inventory Valuation

Inventories are stated at the lower of cost or market on a first-in first-out basis. Inventory is periodically reviewed and obsolete inventories are written off. No inventory was written off as obsolete for the period ended December 31, 2013.

Stock Based Compensation

The Company recognizes the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards in accordance with ASC Topic 718, which requires compensation costs related to share-based transactions, including employee stock options, to be recognized in the financial statements

based on fair value, and the SEC's Staff Accounting Bulletin No. 107 ("SAB 107") interpreting ASC Topic 718 and the valuation of share-based payments for public companies. The Company records compensation expense on a straight-line basis. The fair value of options granted are estimated at the date of grant using a Black-Scholes option pricing model with assumptions for the risk-free interest rate, expected life, volatility, dividend yield and forfeiture rate.

Table of Contents

Intangible Assets

Intangible assets consists of the direct costs incurred for application fees and legal expenses associated with trademarks on the Company's products, customer first, and the estimated value of GT Beverage Company, LLC's interlocking spherical bottle patent acquired on March 31, 2012. The Company's intangible assets, are amortized over their estimated useful remaining lives. The Company evaluates the useful lives of its intangible assets annually and adjusts the lives according to the expected useful life. No impairment was deemed necessary as of December 31, 2013.

Goodwill

Goodwill represents the future economic benefits arising from other assets acquired that are individually identified and separately recognized. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but are tested for impairment at least annually.

Results of Operations Results of Operations – Fiscal Years Ended December 31, 2013 and 2012

Net Sales

Net sales for the year ended December 31, 2013 were $2,649,473 compared to $1,021,908 during the same period in 2012, an increase of 159%. This increase in net sales is attributable to 2013 being the second year of sales of AquaBallTM Naturally Flavored Water. Our 0-calorie, 0-sugar formula was in the market for 10 months as compared to just 7 months of sales of our 30-calorie AquaBall in 2012. A large portion of the increase in sales arose from increased distribution in the grocery channel.

The percentage that each product category represented of our net sales is as follows:

Product Category	Year Ended December 31, 2013 % of Sales	
AquaBall™	90	%
Bazi®	10	%

Gross Profit

Gross profit for the year ended December 31, 2013 was $521,762, as compared to $272,379 for the year ended December 31, 2012. Gross profit as a percentage of revenue (gross margin) during the year ended December 31, 2013 was 20%. This figure was affected by the high costs of our raw materials due to the low volume of product manufactured during the year. The Company's costs related to the production of our product is declining due to lower production expenses, and our freight charges on incoming shipments of raw materials are declining on a per-case basis.

Sales, General and Administrative Expense

Sales, general and administrative expenses were $5,925,895 for the year ended December 31, 2013 as compared to $3,273,227 for the year ended December 31, 2012. This increase is primarily due to the Company's launch of its new zero calorie, sugar free formula of AquaBall™ in the first three months of 2013 and increases in costs for shipping

orders to customers, increased payroll-related expenses, stock-based compensation and loan origination fees related to bridge financing.

Interest Expense

Interest expense for the year ended December 31, 2013 was $1,824,074 as compared to $119,942 for the year ended December 31, 2012. The increase was due to the Company's use of convertible note financing beginning in the fourth quarter of 2012, as well as the recording of shares issued and lender's fees in connection with the issuance of the convertible notes being recorded to interest expense, and the commencement of the Offering in June 2013. In the first nine months of 2012, the Company was funded through equity financing resulting in no interest expenses being recorded. This figure includes $1,332,543 in accretion of the debt discount on notes payable created by the embedded conversion feature of the notes and the warrants issued with the notes to investors.

Table of Contents

Net Loss

Our net loss for the year ended December 31, 2013 was $7,122,135 as compared to a net loss of $3,119,343 for the year ended December 31, 2012. On a per share basis, our loss was $0.26 and $0.14 per share for the years ended December 31, 2013 and December 31, 2012, respectively.

Liquidity and Capital Resources

Our auditors have included a paragraph in their report on our consolidated financial statements, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, indicating that there is substantial doubt as to the ability of the Company to continue as a going concern. The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplates continuation of the Company as a going concern. For the year ended December 31, 2013, the Company incurred a net loss of $7,122,135. At December 31, 2013, the Company has negative working capital of $478,068 and an accumulated deficit of $10,241,478. Although, during the year ended December 31, 2013, the Company has raised approximately $12,032,000 resulting from the sale of convertible promissory notes, shares of Series B Convertible Preferred Stock (“Series B Preferred”), and a term loan from Avid Bank, additional capital may be necessary to advance the marketability of the Company's products to the point at which the Company can sustain operations. Management's plans are to continue to contain expenses, expand distribution and sales of its AquaBall™ Naturally Flavored Water as rapidly as economically possible, and raise capital through equity and debt offerings in the event additional capital is necessary to execute the Company’s business plan and achieve profitability from continuing operations. The accompanying consolidated financial statements do not include any adjustments that might result in the event the Company is unsuccessful in its plans.

The Company has financed its operations through sales of equity and, to a lesser degree, cash flow provided by sales of AquaBall™. Despite recent sales of debt securities and preferred stock as described below, funds generated from sales of our Common Stock and cash flow provided by AquaBall™ sales may be insufficient to fund our operating requirements for the next twelve months. As a result we may require additional capital to continue operating as a going concern. No assurances can be given that we will be successful.

Series B Offering

On November 25, 2013, the Company commenced a private offering of up to 2.0 million shares of Series B Preferred for $4.00 per share (“Purchase Price”), and Warrants, exercisable for $0.30 per share (the "Exercise Price"), to purchase that number of shares of the Company's Common Stock equal to 35% of the Purchase Price, divided by the Exercise Price. As of the date hereof, the Company and certain accredited investors entered into Securities Purchase Agreements to purchase approximately 2.0 million shares of Series B Preferred, and Warrants to purchase approximately 9.3 million shares of Common Stock.

Term Loan and Note Conversion

On November 29, 2013, the Company executed a Loan and Security Agreement and other ancillary documents for a $2.0 million term loan from Avid Bank (the "Bank") (the "Term Loan"), which Term Loan accrues interest at a rate of prime plus 2.75% and matures on November 29, 2015. The Company's repayment of the Term Loan is secured by a continuing security interest in substantially all of the Company's assets. Proceeds from the Term Loan, together with a portion of the proceeds from the Series B Offering were used to repay certain Notes issued during the Note Offering, totaling approximately $2.5 million in principal and accrued interest (the "Note Repayment").

In addition to the Note Repayment, holders of the remaining Notes issued during the Note Offering agreed to cancel Notes totaling $739,706 in principal and accrued interest in exchange for 205,476 shares of Series B Preferred and Warrants to purchase 862,995 shares of Common Stock for $0.30 per share, on substantially the same terms offered in the Series B Offering (the "Note Conversion").

On November 29, 2013, the Company repaid approximately $400 thousand in principal and accrued interest and fees from previous notes. In addition to the repayment, holders of previous notes agreed to cancel Notes totaling $235,729 in principal and accrued interest in exchange for 58,947 shares of Series B Preferred and Warrants to purchase 275,075 shares of Common Stock for $0.30 per share, on substantially the same terms offered in the Series B Offering.

Table of Contents

Note Offering

On June 20, 2013 the Company commenced a private offering of: (i) convertible promissory notes (the "Notes") in the aggregate principal amount of up to $3.3 million; and (ii) and five-year warrants to purchase shares of the Company's Common Stock at an exercise price of $1.10 per share (the "Warrants") to certain accredited investors (the "Note Offering"). During the year ended December 31, 2013, the Company issued Notes in the aggregate principal amount of $3,126,000, which amount included $600,000 issued as consideration for the exchange of the outstanding principal and accrued interest of certain promissory notes previously issued by the Company. As of November 29, 2013, all Notes issued during the Offering were either paid in full as a result of the Note Repayment, or exchanged for shares of Series B Preferred and Warrants in connection with the Note Conversion.

Off-Balance Sheet Items

We had no off-balance sheet items as of December 31, 2013.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A smaller reporting company is not required to provide the information required by this item.

ITEM 8. FINANCIAL STATEMENTS

The audited consolidated financial statements of True Drinks, Inc., including the notes thereto, together with the report thereon of Squar, Milner, Peterson, Miranda & Williamson, LLP, independent registered public accounting firm, are included in this annual report on Form 10-K as a separate section beginning on page F-1.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act) that are designed to ensure that information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that this information is accumulated and communicated to our management, including our principal executive and financial officers, to allow timely decisions regarding required disclosure.

Our management, with the participation and supervision of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective based on our material weakness in the form of lack of segregation of duties, which stems from our early stage status and limited capital resources to hire additional financial and administrative staff.

Table of Contents

(b) Management's Annual Report on Internal Control over Financial Reporting.

Section 404(a) of the Sarbanes-Oxley Act of 2002 requires that management document and test the Company's internal control over financial reporting and include in this Annual Report on Form 10-K a report on management's assessment of the effectiveness of our internal control over financial reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was not effective based on the material weakness indicated below:

We lack segregation of duties, which stems from our early stage status and limited capital resources to hire additional financial and administrative staff.

Our plan to remediate this material weakness, subject to monetary constraints, is to hire additional personnel and/or utilize outside consultants to provide an acceptable level of segregation of duties.

This Annual Report on Form 10-K does not include an attestation report of the Company’s registered public accounting firm regarding internal control over financing reporting. Management’s report was not subject to attestation by the Company’s registered public accounting firm pursuant to a provision in the Dodd-Frank Financial Reform Act that exempts public companies with market capitalization not exceeding $75 million from having to comply with that provision of the Sarbanes-Oxley Act.

(c) Changes in internal controls over financial reporting.

The Company’s Chief Executive Officer and Chief Financial Officer have determined that there have been no changes, in the Company’s internal control over financial reporting during the period covered by this report identified in connection with the evaluation described in the above paragraph that have materially affected, or are reasonably likely to materially affect, Company’s internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

Table of Contents

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS

Directors and Executive Officers

The following sets forth certain information regarding each of our directors and executive officers:

Name	Age	Position
Timothy Lane	65	Chairman
Louis Imbrogno	68	Director
Carl Wistreich	47	Director
Scot Cohen	44	Director
Lance Leonard	48	President, Chief Executive Officer and Director
Daniel Kerker	41	Chief Financial Officer, Treasurer and Secretary
Kevin Sherman	43	Chief Marketing Officer

Directors hold office until the next annual meeting of stockholders following their election unless they resign or are removed as provided in the bylaws. Our officers serve at the discretion of our Board of Directors.

The following is a summary of our executive officers' and directors' business experience.

Executive Officers

Lance Leonard, Chief Executive Officer and Director. Mr. Leonard has 22 years of consumer product experience. He began his career in 1990 with M&M/Mars working in the confection division holding a series of sales and management roles within the United States. In 2000, he joined Nestle where he managed both national account teams and division sales including leading the Costco wholesale National Account team. He was appointed Western Zone Manager for Nestle Waters in 2006 where he had responsibility for all sales and marketing in 17 western states. In 2009, Mr. Leonard was appointed Director of Global Customers at Nestle Waters where he helped develop their go-to-market strategies in emerging markets and was responsible for managing one billion dollars in global sales. Mr. Leonard left Nestle to become the Chief Executive Officer of True Drinks, Inc. on July 16, 2012, and was appointed to the Board in October 2012. He is a native of California and received his Bachelor's degree from California State University, Fresno.

Daniel Kerker, Chief Financial Officer. Mr. Kerker is a professional with over 15 years experience in finance and accounting in both private and public entities. He spent seven years as Director of Finance at Anheuser-Busch Sales of Los Angeles, an Anheuser-Busch-owned distributor with over $200 million in annual sales, leaving in 2010. Prior to joining True Drinks, Inc., Mr. Kerker spent two years working as interim CFO for Environmental Packaging Technologies in Houston, Texas, and Regeneca, Inc. in Irvine, California. Mr. Kerker became Chief Financial Officer of True Drinks on March 1, 2012. Mr. Kerker earned a Bachelors of Science in Finance from California State University, Northridge and an MBA in Finance from UCLA's Anderson School of Management, where he was a Harold M. Williams Fellow for graduating at the top of his class and won the J. Fred Preston Award for Achievement in Finance.

Kevin Sherman, Chief Marketing Officer. Mr. Sherman has served as the Chief Marketing Officer, managing the brand development of AquaBall™ Naturally Flavored Water since he joined the Company in October 2012. Prior to joining True Drinks, Mr. Sherman was the Vice President Strategy and Network Development and President of Retail for Bazi, Inc. He was instrumental in the development of Bazi's All-Natural formula and spearheaded the concept of

all-natural energy. Prior to Bazi, Mr. Sherman served as the Senior Manager of Network Development of Product Partners LLC from May 2008 to May 2009, chief operating officer of Hand & Associates from January 2008 to May 2008, and as the director of development and principal of Holy Innocents School from August 2007 to December 2007. Mr. Sherman also served as the principal of Saints Peter and Paul School from January 2004 to August 2007.

Table of Contents

Board of Directors

Timothy Lane, Chairman. Mr. Lane was appointed to the Board in October 2012 and is well known for his accomplishments as chief executive officer of PepsiCo Restaurants International for Asia and the Middle East (KFC, Pizza Hut and Taco Bell), including directing KFC's introduction into China where it holds the lead market position. At PepsiCo, Mr. Lane guided the company from 250 stores generating losses to a 2,500-store network generating $2.5 billion in revenue and over $200 million in profits within six years. He began his tenure at PepsiCo in 1981 as Director of Business Planning, quickly rising through the ranks to become president of KFC International, Asia by 1989 and chief executive officer of the company's restaurants in Asia and the Middle East by 1994. Mr. Lane is also Co-Founder of The Afghanistan Reconstruction Company, LLC. In this capacity, he established the first privately owned bank in Afghanistan in partnership with Asian Development Bank and ING. In Afghanistan, he was also responsible for: rebuilding a significant portion of the Kabul-Kandahar road for USAID; successfully completing the new US Embassy complex in Kabul; and forming a successful partnership to build, own and operate the first 4-star hotel in the region, Hyatt Regency Kabul. Mr. Lane served as CEO and president of Holiday Inn Worldwide, a hotel group and division of Bass PLC consisting of 2,300 hotels generating $8 billion in revenue. He began his career as a management consultant for Touche, Ross and Company before joining Masonite Corporation, where he served as general manager of its West Coast fabricating division. He also served as assistant to the chairman at Consolidated Packaging Company. Mr. Lane is presently managing director for Everest Advisors, a venture capital advisory firm. Mr. Lane received a Bachelor of Science in accounting from the University of Dayton and an MBA from the University of Chicago.

The Board believes Mr. Lane's accomplishments as Chief Executive Officer of PepsiCo Restaurants International, specifically the growth sustained during his tenure, provide the Company with invaluable leadership as we implement our business plan to expand distribution of our products.

Louis Imbrogno, Director. Mr. Imbrogno was appointed to the Board in October 2012 and was Senior Vice President of Worldwide Technical Operations for PepsiCo North America and PepsiCo Beverages International and was responsible for Pepsi-Cola's worldwide beverage quality, concentrate operations, research and development and contract manufacturing. In this global role, Mr. Imbrogno reported directly to the heads of Pepsi-Cola North America and PepsiCo Beverages International. Mr. Imbrogno oversaw the companies' worldwide concentrate manufacturing operations, which supply PepsiCo's bottlers with concentrate for making beverages. He was also responsible for the research and development organization, which drives innovation within Pepsi's beverage portfolio and ensures product quality from raw materials to finished beverage. In 40 years with PepsiCo, he served in a variety of field operating assignments and staff positions. A native of New York, Mr. Imbrogno graduated from Westchester Community College and received a degree from the Wharton Executive program.

As we continue to expand manufacturing and distribution of the AquaBall™, the Board believes Mr. Imbrogno's experience with beverage quality control during his tenure with PepsiCo Beverages International and Pepsi-Cola North America provide the Company with experience necessary to implement and maintain effective quality control procedures for our product lines.

Carl Wistreich, Director. Mr. Wistreich, an entrepreneur, was appointed to the Board in October 2012 and was previously the owner and chief executive of L&B Truck Services Inc., a truck dealership group providing truck service, sales and parts throughout New England. Prior to purchasing the company, Mr. Wistreich was a Senior Vice President at C&S Wholesale Grocers, Inc., the largest distributor of food and related products to grocery stores in the U.S. with over $20 billion in sales. During his career with C&S, Mr. Wistreich played key roles in the acquisition of several substantial companies and the negotiation of major supply agreements with retailers aggregating over $15 billion in revenue, including the acquisition of Fleming Companies and Grand Union. In his various executive capacities at C&S, Mr. Wistreich oversaw the sales and customer relations functions, held P&L and oversight

responsibility for divisions generating over $3 billion in revenue with over 2,000 employees, acted as general counsel, and oversaw the human resources department. Prior to C&S, Mr. Wistreich was a corporate attorney with Skadden, Arps, Slate, Meagher & Flom, a major international law firm. While at Skadden Arps, he represented various corporate clients in a wide variety of transactions, including merger transactions and tender offers, spin-offs, corporate refinancings/restructurings, equity and debt offerings, and SEC disclosure. Additionally, Mr. Wistreich presently serves on the advisory board of directors of BI-LO Holding, LLC and AFN, Inc. Mr. Wistreich holds a J.D. degree from New York Law School, graduating magna cum laude, and a B.A. from Colgate University.

The Board believes Mr. Wistreich's corporate transactional experience allow him to provide the Company with valuable guidance as we implement our business plan and build a long-term capital structure.

Table of Contents

Scot Cohen, Director. Mr. Cohen was appointed to the Board in March 2013 and is the Founder and Managing Partner of V3 Capital Partners, a private investment firm focused on early-stage companies primarily in the consumer products industry, and Co-Manager of Red Fortune Fund, a private equity fund based in Hong Kong. Mr. Cohen also is the Founder of Petro River Oil LLC and Chairman of Petro River Oil Corp, a publicly traded oil and gas producer with assets in Kansas and Oklahoma, and Petro Spring, a global oil and gas technology solutions provider. Prior to creating V3 Capital Partners, Mr. Cohen was the Founder and Managing Partner at Iroquois Capital Opportunity Fund, a special situations private equity investment fund, and a Co-Founder of Iroquois Capital, a hedge fund with investments in small and micro-cap private and public companies. Mr. Cohen is active in philanthropic activities with numerous charities including the Jewish Enrichment Council and is a Founder and the Chairman of the National Foundation for Veteran Redeployment, a 501(c)3 non-profit organization whose mission is to help unemployed veterans prepare for and enter new careers in the oil and gas industry. Mr. Cohen holds a Bachelor of Science degree from Ohio University in 1991.

The Board believes Mr. Cohen's success with multiple private investment firms, his extensive contacts within the investment community and financial expertise will assist the Company's efforts to raise capital to fund the continued implementation of the Company's business plan.

Lance Leonard, Chief Executive Officer and Director. See above.

The Board believes Mr. Leonard's extensive experience in the food and beverage industry, particularly his experience with organizational design, allow him to uniquely contribute to the Company's short-term and long-term business plan.

There have been no events under any bankruptcy act, no criminal proceedings and no judgments or injunctions material to the evaluation of the ability and integrity of any director or nominee during the past ten years.

BOARD OF DIRECTORS

Attendance at Meetings

The Board held two meetings, and acted three times by unanimous written consent during the year ended December 31, 2013. Each director attended all meetings of the Board in 2013. We have no formal policy with respect to the attendance of Board members at annual meetings of shareholders but encourage all incumbent directors and director nominees to attend each annual meeting of shareholders.

Board Charters

The Board has adopted a charter with respect to its governance, which includes consideration of director nominees.

Section 16(a) Beneficial Ownership Reporting Compliances

Section 16(a) of the Exchange Act requires the Company's directors, executive officers and beneficial owners of more than 10% of the Company's Common Stock to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required, during the fiscal year ended December 31, 2013, all Section 16(a) filing requirements were complied with in a timely manner, except for the inadvertent failure by Carl Wistreich to timely report two transactions on Form 4 and by Louis Imbrogno to timely report one transaction on Form 4.

Code of Ethics

We have adopted a Code of Ethics that applies to all of our directors, officers and employees, which is filed as an exhibit to this Annual Report.

Table of Contents

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth information with respect to compensation earned by the Company's Chief Executive Officer and the Chief Financial Officer. There was not any other executive officer who served in 2013 and whose annual compensation exceeded $100,000 during such year (collectively the "Named Executive Officers"):

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
Lance Leonard, Chief Executive Officer,	2013	$ 250,000	$ 75,000	$ -	$ 112,250	$ -	$ -	$ 437,250
Director	2012	$ 114,583	$ -	$ -	$ 51,448	$ -	$ -	$ 166,031
Daniel Kerker, Chief Financial	2013	$ 180,000	$ 88,750	$ -	$ 39,375	$ -	$ -	$ 308,125
Officer	2012	$ 135,010	$ -	$ -	$ 32,813	$ -	$ -	$ 167,823
Kevin Sherman, Chief Marketing	2013	$ 132,500	$ 37,500	$ -	$ 42,385	$ -	$ -	$ 212,385
Officer	2012	$ 31,500	$ -	$ -	$ 9,350	$ -	$ -	$ 40,850

(1) The Company uses a Black-Scholes option-pricing model (the "Black-Scholes Model") to estimate the fair value of the stock option grant. The use of a valuation model requires the company to make certain assumptions with respect to selected model inputs. Expected volatility was calculated based on the historical volatility of the company's stock price. In the future the average expected life will be based on the contractual term of the option and expected employee exercise and post-vesting employment termination behavior. Currently it is based on the simplified approach provided by SAB 107. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of the grant. The following were the factors used in the Black Sholes Model to calculate the compensation expense:

Table of Contents

	For the year ended December 31, 2013
Stock price volatility	75%
Risk-free rate of return	0.65%
Annual dividend yield	-
Expected life	2.5 Years

Stock Option Grants

In 2013, we issued the options listed below to the executive officers above. There were no stock options exercised in 2013.

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/ Sh)
Lance Leonard	N/A	N/A	N/A
Daniel Kerker	N/A	N/A	N/A
Kevin Sherman	July 1, 2013	245,739	$ 1.10

Employment Agreements

Effective July 15, 2012, the Company appointed Lance Leonard as its Chief Executive Officer and Daniel Kerker as its Chief Financial Officer. Mr. Leonard is employed as the Chief Executive Officer of True Drinks, Inc., our wholly owned subsidiary. The Company assumed the Employment Agreement that True Drinks entered into with Mr. Leonard on July 16, 2012 (the “Leonard Agreement”) effective October 15, 2012. The term of the Leonard Agreement is for a period of three years, which shall extend automatically for successive one-year periods unless either party terminates the Leonard Agreement. Mr. Leonard shall receive a base salary in an annual amount of $250,000 and shall be eligible to receive annual bonuses, which, subject to certain conditions, shall be (a) $75,000 for the first year, (b) $125,000 for the second year and (c) $175,000 for the third year of Mr. Leonard’s employment. Mr. Leonard shall also be entitled to earn stock option compensation equal to a total of 122,869,500 shares of the Company’s Common Stock over the term of the agreement. Mr. Leonard’s employment may be terminated during the nine month period following the effective date of the Leonard Agreement at any time, in the sole discretion of the Company, and may thereafter be terminated for “Performance Cause”, if the Company consistently fails to meet reasonable performance expectations, or for “Cause”, if Mr. Leonard (a) is convicted of any fraud or embezzlement, (b) commits acts of dishonesty, gross negligence or willful misconduct or (c) violates any law or regulation relating to the business operations of the Company that may have a material adverse effect on the Company. If the Company terminates Mr. Leonard’s employment for reasons other than for Cause, the Company shall pay a severance in an amount equal to one year of Mr. Leonard’s base salary, and, if the Leonard Agreement is terminated within nine months of its effective date, Mr. Leonard’s base salary for the remainder of such nine month period.

Table of Contents

Mr. Kerker is employed as the Chief Financial Officer of True Drinks. The Company assumed the Employment Agreement that True Drinks entered into with Mr. Kerker on March 1, 2012 (the "Kerker Agreement") effective October 15, 2012. The term of the Kerker Agreement is for a period of three years, which shall extend automatically for successive one-year periods unless the Kerker Agreement is terminated by either party. Mr. Kerker shall receive a base salary of $12,500 per month until the earlier of September 1, 2012 or the Company achieving $1,000,000 in monthly gross sales, in which case the base salary shall be increased (a) to $15,000 per month, or (b) if the Company achieves $2,000,000 in monthly gross sales, to $16,250 per month. Mr. Kerker shall also receive an annual bonus as approved by the Board and shall be entitled to earn stock option compensation to acquire a total of 43,004,325 shares of the Company's Common Stock over the term of the agreement. Mr. Kerker's employment may be terminated for "Cause", if Mr. Kerker (a) is convicted of any fraud or embezzlement, (b) after written notice, willfully breaches or habitually neglects his duties and responsibilities, (c) commits acts of dishonesty, gross negligence or willful misconduct or (d) violates any law or regulation relating to the business operations of the Company that may have a material adverse effect on the Company. If the Company terminates Mr. Kerker's employment for reasons other than for Cause, the Company shall pay a severance in an amount equal to six months of Mr. Kerker's base salary.

Other than as set forth above, there are no arrangements or understandings between our executive officers and any other person pursuant to which they were appointed as officers. Neither of the Incoming Officers has a family relationship that is required to be disclosed under Item 401(d) of Regulation S-K.

Director Compensation

Pursuant to the Company's Director Compensation Plan, non-employee directors ("Outside Directors") shall receive (a) a $30,000 annual cash retainer, payable in equal quarterly installments, (b) additional committee retainers as determined by the Board and (c) reimbursement for expenses related to Board meeting attendance and committee participation. The Chairman of the Board also receives an additional $20,000 annual retainer. Directors that are also employees of the Company do not receive additional compensation for serving on the Board.

The following table discloses certain information concerning the compensation of the Company's non-employee directors for the year ended December 31, 2013:

Name	Fees earned or Paid in Cash ($)	Option Awards ($)	Stock Awards ($)	Total ($)
Timothy Lane	$ 50,000(1)	$ -	$ -	$ 50,000
Carl Wistreich	$ 30,000(2)	$ -	$ -	$ 30,000
Lou Imbrogno	$ 30,000(3)	$ -	$ -	$ 30,000

(1) Mr. Lane received cash totaling $12,500 in 2013. Additionally, Mr. Lane elected to receive shares of Series B Preferred and Warrants on terms substantially similar to the Series B Offering in lieu of $25,000 of earned fees. The remaining amount was unpaid as of December 31, 2013.

(2) Mr. Wistreich received cash totaling $7,500 in 2013. Additionally, Mr. Wistreich elected to convert $15,000 worth of accrued fees into common shares at a price of $1.10 per share in July 2013. Additionally, Mr. Wistreich elected to receive shares of Series B Preferred and Warrants on terms substantially similar to the Series B Offering in lieu of $20,000 of earned fees. The remaining amount was unpaid as of December 31, 2013.

(3) Mr. Imbrogno received cash totaling $7,500 in 2013. Additionally, Mr. Imbrogno elected to receive shares of Series B Preferred and Warrants on terms substantially similar to the Series B Offering in lieu of $25,000 of earned fees. The remaining amount was unpaid as of December 31, 2013.

Table of Contents

Outstanding Equity Awards as of December 31, 2013

	Option Awards				
Name	Number of Securities Underlying Unexercised Options (#) Exercisable(1)	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date
Lance Leonard	-	307,174	921,522	$ 0.6104	7/14/2015
Daniel Kerker	-	184,305	245,740	$ 0.6104	2/28/2015
Kevin Sherman	-	61,435	368,609	$ 1.0169	8/31/2015
Tim Lane	-	409,565	327,217	$ 0.6104	8/28/2015
Louis Imbrogno	-	204,783	163,826	$ 0.6104	8/28/2015
Carl Wistreich	-	204,783	163,826	$ 0.6104	8/28/2015

Equity Compensation Plan Information

2013 Stock Incentive Plan. The 2013 Stock Incentive Plan (the “2013 Plan”) was adopted by the Company’s Board of Directors on December 31, 2013. The 2013 Plan reserves for issuance 20.0 million shares of Common Stock for issuance to all employees (including, without limitation, officers and directors who are also employees) of the Company or any subsidiary of the Company (each a “Subsidiary”), any non-employee director, consultants and independent contractors of the Company or any Subsidiary, and any joint venture partners (including, without limitation, officers, directors and partners thereof) of the Company or any Subsidiary. Awards under the 2013 Plan may be made in the form of: (i) incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, once the 2013 Plan has been approved by a majority of the Company’s stockholders; (ii) stock options that do not qualify as incentive stock options; and/or (iii) awards of shares that are subject to certain restrictions specified in the 2013 Plan.

No issuances were made under the 2013 Plan during the year ended December 31, 2013.

Stock Option Exercises and Stock Vested

There were no options exercised by the Named Executive Officers or Directors during the year ended December 31, 2013.

Post-Employment Compensation, Pension Benefits, Nonqualified Deferred Compensation

There were no post-employment compensation, pension or nonqualified deferred compensation benefits earned by the Named Executive Officers during the year ended December 31, 2013.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS

As of March 28, 2014, we had two classes of voting stock outstanding: (i) Common Stock; and (ii) Series B Preferred. The following tables sets forth information regarding shares of Series B Preferred and Common Stock beneficially owned as of March 28, 2014 by:

(i) Each of our officers and directors;
(ii) All officer and directors as a group; and
(iii) Each person known by us to beneficially own five percent or more of the outstanding shares of our Series B Preferred and Common Stock. Percent ownership is calculated based on 2,082,870 shares of Series B Preferred and 34,451,822 shares Common Stock outstanding at March 28, 2014.

Table of Contents

Beneficial Ownership of Series B Preferred

Name and Address (1)	Series B Convertible Preferred Stock (2)(3)	% Ownership of Class (4)	
Timothy Lane	6,250	*	
Carl Wistreich	21,004	1.0	%
Lou Imbrogno	7,500	*	
Scot Cohen(5)	166,250	8.0	%
Total Officers and Directors (1)	201,004	9.7	%
Wolverine Flagship Fund Trading Limited	200,000	9.6	%
Falcon Fund, Ltd.	125,000	6.0	%
First Bank & Trust as custodian of Ronald L. Chez IRA	425,000	20.4	%
V3 Capital Partners LLC	153,750	7.4	%
Iroquois Master Fund Ltd.	125,000	6.0	%
Diker Micro Cap LP Fund	125,000	6.0	%
Wolfson Equities LLC	187,500	9.0	%

* Less than 1%.

(1) Each of the Company's officers was excluded from this table, as none of our officers hold shares of Series B Preferred. Unless otherwise indicated, the address for each stockholder is 18552 MacArthur Blvd., Suite 325, Irvine, CA 92612.

(2) Subject to the limitations in the Certificate of Designation, each share of Series B Preferred is convertible into that number of shares of Common Stock equal to the Stated Value, divided by the Conversion Price, as defined in the Certificate of Designation. As of March 28, 2014, the Conversion Price was $0.25.

(3) Pursuant to the Certificate of Designation, shares of Series B Preferred may not be converted or exercised, as applicable, to the extent that the holder and its affiliates would own more than 9.99% of the Company's outstanding Common Stock after such conversion. The Certificate of Designation also entitles each share of Series B Preferred to vote, on an as converted basis, along with the Common Stock; provided, however, that the Series B Preferred may not be voted to the extent that the holder and its affiliates would control more than 9.99% of the Company's voting power.

(4) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities.

(5) Includes 153,750 shares of Series B Preferred directly held by V3 Capital Partners and 12,500 shares directly held by the Scot Jason Cohen Foundation. Mr. Cohen is the Managing Partner of V3 Capital Partners and is an officer of the Scot Jason Cohen Foundation.

-31-

Table of Contents

Beneficial Ownership of Common Stock

Name, Address and Title (if applicable) (1)	Number of Shares (1)	% Ownership of Class (2)	
Lance Leonard (3) President, Chief Executive Officer and Director	504,185	1.4	%
Daniel Kerker (4) Chief Financial Officer, Treasurer and Secretary	359,829	1.0	%
Kevin Sherman (5) Chief Marketing Officer	251,002	*	
Timothy Lane (6) Chairman	707,558	2.0	%
Carl Wistreich (7) Director	475,457	1.4	%
Lou Imbrogno (8) Director	516,639	1.5	%
Scot Cohen (9) Director	3,435,835	9.1	%
Total officers and directors (10)	6,544,539	16.2	%
MKM Opportunity Master Fund, Ltd 28 West 44th Street, 16th Floor New York, NY 10036	3,673,799	10.7	%
Red Square Fund One SPC c/o NWT Fund Adminstrators Limited Rue de la Pelisserie 16, PO Box 3501 1211 Geneva 3, Switzerland	2,251,616	6.5	%
Joseph D. Kowal 4282 Skylark St. Irvine, CA 92604	2,529,998	7.3	%
Wolverine Flagship Fund Trading Limited (11)(12) 175 W. Jackson Blvd., Suite 200 Chicago, Illinois 60604	6,210,555	9.9	%
Falcon Fund, Ltd. (13) 5956 Sherry Lane, Suite 1810 Dallas, Texas 75225	2,583,334	7.0	%
First Bank & Trust as custodian of Ronald L. Chez IRA (12)(14) 820 Church Street Evanston Illinois, 60201	7,750,001	9.9	%
V3 Capital Partners LLC (15) 20 East 20th Street, Apt. 6 New York, NY 10003	3,177,501	8.4	%
Iroquois Master Fund Ltd. (16) c/o Iroquois Capital Management LLC 641 Lexington Ave., 26th Floor New York, NY 10022	2,583,333	7.0	%
Diker Micro Cap LP Fund (17)	2,583,333	7.0	%

730 5th Ave 15th Floor New York, NY 10009			
Wolfson Equities, LLC (12)(18) 1 State Street Plaza, 29th Floor New York, NY 10004	3,875,000	9.9	%

* Less than 1%

-32-

(1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. All entries exclude beneficial ownership of shares issuable pursuant to options that have not vested or that are not otherwise exercisable as of the date hereof or which will not become vested or exercisable within 60 days of March 28, 2014.

(2) Percentages are rounded to nearest one-tenth of one percent. Percentages are based on 34,451,822 shares of Common Stock outstanding. Options that are presently exercisable or exercisable within 60 days are deemed to be beneficially owned by the person holding the options for the purpose of computing the percentage ownership of that person, but are not treated as outstanding for the purpose of computing the percentage of any other person.

(3) Comprised of 33,185 shares held of record and 471,000 shares issuable pursuant to options which are presently exercisable or which become exercisable within 60 days of March 28, 2014.

(4) Comprised of 359,829 shares issuable pursuant to options which are presently exercisable or which become exercisable within 60 days of March 28, 2014.

(5) Comprised of 55,000 shares held of record and 196,002 shares issuable pursuant to options which are presently exercisable or which become exercisable within 60 days of March 28, 2014.

(6) Comprised of 5,000 shares held of record, and 573,391 shares issuable pursuant to options, 100,000 shares issuable upon conversion of 6,250 shares of Series B Preferred and 29,167 shares issuable pursuant to warrants, each of which are presently exercisable or which become exercisable within 60 days of March 28, 2014.

(7) Comprised of 18,637 shares held of record, and 327,653 shares issuable pursuant to options, 336,064 shares issuable upon conversion of 21,004 shares of Series B Preferred and 87,137 shares issuable pursuant to warrants, each of which are presently exercisable or which become exercisable within 60 days of March 28, 2014.

(8) Comprised of 33,986 shares held of record, and 327,652 shares issuable pursuant to options, 120,000 shares issuable upon conversion of 7,500 shares of Series B Preferred and 35,000 shares issuable pursuant to warrants, each of which are presently exercisable or which become exercisable within 60 days of March 28, 2014.

(9) Comprised of 2,460,000 shares issuable upon conversion of 153,750 shares of Series B Preferred directly held by V3 Capital Partners, 717,501 shares issuable pursuant to warrants directly held by V3 Capital Partners, 200,000 shares issuable upon conversion of 12,500 shares of Series B Preferred directly held by the Scot Jason Cohen Foundation and 58,334 shares issuable pursuant to warrants directly held by the Scot Jason Cohen Foundation each of which are presently exercisable or which become exercisable within 60 days of March 28, 2014.

Mr. Cohen is the Managing Partner of V3 Capital Partners and an officer of the Scot Jason Cohen Foundation.

(10) Comprised of 145,808 shares held of record, and 2,255,526 shares issuable pursuant to options, 3,216,064 shares issuable upon conversion of 201,004 shares of Series B Preferred and 927,139 shares issuable pursuant to warrants, each of which are presently exercisable or which become exercisable within 60 days of March 28, 2014.

(11) Comprised of 1,610,555 shares held of record, 3,200,000 shares issuable upon conversion of 200,000 shares of Series B Preferred and 1,400,000 shares issuable pursuant to warrants, each of which are presently exercisable or which become exercisable within 60 days of March 28, 2014.

Table of Contents

(12) Pursuant to the Certificate of Designation, shares Series B Preferred may not be converted or exercised, as applicable, to the extent that the holder and its affiliates would own more than 9.99% of the Company's outstanding Common Stock after such conversion. The Certificate of Designation also entitles each share of Series B Preferred to vote, on an as converted basis, along with the Common Stock; provided, however, that the Series B Preferred may not be voted to the extent that the holder and its affiliates would control more than 9.99% of the Company's voting power.

Although the percentage ownership for each stockholder reflects the limitations in the Certificate of Designation, the securities reported in this table show the number of shares of Common Stock that would be issuable upon full conversion of the Series B Preferred and full exercise of warrants held by each stockholder. Therefore, the actual number of shares of Common Stock beneficially owned by each stockholder, after giving effect to the limitations in the Certificate of Designation, is less than the number of securities reported herein.

(13) Comprised of 2,000,000 shares issuable upon conversion of 125,000 shares of Series B Preferred and 583,334 shares issuable pursuant to warrants, each of which are presently exercisable or which become exercisable within 60 days of March 28, 2014.

(14) Comprised of 6,800,000 shares issuable upon conversion of 425,000 shares of Series B Preferred and 1,983,335 shares issuable pursuant to warrants, each of which are presently exercisable or which become exercisable within 60 days of March 28, 2014.

(15) Comprised of 2,460,000 shares issuable upon conversion of 153,750 shares of Series B Preferred and 717,501 shares issuable pursuant to warrants, each of which are presently exercisable or which become exercisable within 60 days of March 28, 2014.

(16) Comprised of 2,000,000 shares issuable upon conversion of 125,000 shares of Series B Preferred and 583,334 shares issuable pursuant to warrants, each of which are presently exercisable or which become exercisable within 60 days of March 28, 2014.

(17) Comprised of 2,000,000 shares issuable upon conversion of 125,000 shares of Series B Preferred and 583,334 shares issuable pursuant to warrants, each of which are presently exercisable or which become exercisable within 60 days of March 28, 2014.

(18) Comprised of 3,000,000 shares issuable upon conversion of 187,500 shares of Series B Preferred and 875,000 shares issuable pursuant to warrants, each of which are presently exercisable or which become exercisable within 60 days of March 28, 2014.

Table of Contents

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

On May 11, 2012, the Company loaned Environmental Packaging Technologies, Inc. ("EPT") the sum of $150,000 in exchange for a 50-day promissory note. The promissory note accrues interest at ten percent (10%) per annum and included a ten percent (10%) of principal fee payable to the Company. The Company sent EPT a notice of default on October 18, 2012 demanding payment of the original principal amount of $150,000, accrued interest of $6,575 and the ten percent fee in the amount of $15,000. The Company's former chairman and current investor is the chairman of EPT. The Company received payment of all outstanding principal, fees and interest in August 2013.

Our Board of Directors approved this arrangement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Set forth below are fees paid to the Company's current independent accountants, Squar, Milner, Peterson, Miranda & Williamson, LLP ("Squar Milner") for the year ended December 31, 2013 for the professional services performed for the Company.

Audit Fees

The following table presents fees for professional services billed by Squar, Milner, Peterson, Miranda & Williamson, LLP for the fiscal year ended December 31, 2013.

	For the years ended December 31,	
	2012	2013
Audit fees	$56,000	$56,000
Audit-related fees	-	-
Tax fees	-	-
All other fees	-	-
Total	$56,000	$56,000

Table of Contents

PART IV.

ITEM 15. EXHIBITS

(a) Exhibits

Exhibit No	Description
2.1	Agreement and Plan of Merger among Bazi International, Inc., Bazi Acquisition Sub, Inc., GT Beverage Company, Inc. and MKM Capital Advisors, LLC dated as of June 7, 2012, incorporated by reference from Exhibit 2.1 to the Current Report on Form 8-K filed on June 21, 2012.
3.1	Articles of Incorporation, incorporated by reference from Exhibit 3.01 to Form SB-2 filed on February 27, 2001.
3.1.1	Certification of Amendment to the Articles of Incorporation incorporated by reference to Exhibit 3.1.1 filed with Form 10-QSB filed November 14, 2003.
3.2	Amended and Restated By-laws filed with Form 10-KSB on March 3, 2005, as Exhibit 3.2, and incorporated herein by reference.
3.3	Amendment to the Amended and Restated Bylaws of Bazi International, Inc., incorporated by reference from Exhibit 3.1 to the Current Report on Form 8-K filed on October 17, 2012.
3.3	Amended and Restated Articles of Incorporation filed with Form 8-K on August 2, 2010 as Exhibit 3.1, and incorporated herein by reference.
3.4	Certification of Amendment to the Article of Incorporation with Form 8-K on May 20, 2011 as Exhibit 3.1, and incorporated herein by reference.
3.5	Certificate of Amendment to the Articles of Incorporation, incorporated herein by reference from Exhibit 3.1 to the Current Report on Form 8-K filed January 22, 2013.
4.1	Certificate of Designation, Preferences, Rights and Limitations of Series A Convertible Preferred Stock of Bazi International, Inc., incorporated by reference from Exhibit 4.2 to the Current Report on Form 8-K filed on October 17, 2012.
4.2	Certificate of Designation, Preferences, Rights, and Limitations of Series B Convertible Preferred Stock of True Drinks Holdings, Inc., incorporated by reference from Exhibit 3.1 to the Current Report on Form 8-K, filed November 26, 2013.
4.3	Form of Warrant, incorporated by reference from Exhibit 10.3 to the Current Report on Form 8-K, filed July 3, 2013.
4.4	Form of Warrant, incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K, filed November 26, 2013.
4.5	Warrant, issued by the Company to Avidbank on November 29, 2013, incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K, filed December 5, 2013.
10.1	VitaCube Systems Holdings, Inc. 2003 Stock Incentive Plan incorporated by reference to Exhibit 10.1 filed with Form 10-QSB filed November 14, 2003.
10.1.1	Form of Incentive Stock Option Agreement under the 2003 Stock Incentive Plan filed with Form 10-KSB on March 3, 2005, as Exhibit 10.1.1, and incorporated herein by reference.
10.1.2	Form of Nonqualified Stock Option Agreement under the 2003 Stock Incentive Plan filed with Form 10-KSB on March 3, 2005, as Exhibit 10.1.2, and incorporated herein by reference.
10.2	Agreement Concerning the Exchange of Securities by and between the Company and VitaCube Systems, Inc. and the Security Holders of VitaCube

	Systems, Inc. incorporated by reference to Exhibit 2 filed with Form 8-K filed July 1, 2003.
10.3	Employment agreement with Lance Leonard, incorporated by reference to Exhibit 10.3 filed with the Annual Report on Form 10-K, filed April 5, 2013.
10.4	Employment agreement with Dan Kerker, incorporated by reference to Exhibit 10.4 filed with the Annual Report on Form 10-K, filed April 5, 2013.
10.5	Financial statements of GT Beverage Company, LLC for the years ended December 31, 2011 and 2010, incorporated by reference to Exhibit 10.6 filed with the Annual Report on Form 10-K, filed April 5, 2013.
10.6	Placement Agent Agreement, by and between the Company and Axiom Capital Management, Inc., dated May 24, 2013, incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K, filed July 3, 2013.
10.7	Form of Secured Convertible Promissory Note, incorporated by reference from Exhibit 10.2 to the Current Report on Form 8-K, filed July 3, 2013.
10.8	Form of Subscription Agreement, incorporated by reference from Exhibit 10.4 to the Current Report on Form 8-K, filed July 3, 2013.
10.9	Form of Amendment to Subscription Agreement, incorporated by reference from Exhibit 10.8 to the Current Report on Form 8-K, filed July 3, 2013.
10.10	Security Agreement, by and between the Company and investors in the Note Offering, dated June 20, 2013, incorporated by reference from Exhibit 10.5 to the Current Report on Form 8-K, filed July 3, 2013.
10.11	Collateral Agent Agreement, by and between the Company and Union Bank, N.A., dated June 20, 2013, incorporated by reference from Exhibit 10.6 to the Current Report on Form 8-K, filed July 3, 2013.
10.12	Escrow Agreement, by and between the Company, Axiom Capital Management, Inc. and Union Bank, N.A., dated June 20, 2013, incorporated by reference from Exhibit 10.7 to the Current Report on Form 8-K, filed July 3, 2013.
10.13	Amendment to Escrow Agreement by and between the Company, Axiom Capital Management, Inc. and Union Bank, N.A., dated June 20, 2013, incorporated by reference from Exhibit 10.9 to the Current Report on Form 8-K, filed July 3, 2013.
10.14	Form of Securities Purchase Agreement, incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K, filed November 26, 2013.
10.15	Form of Registration Rights Agreement, incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K, filed November 26, 2013.
10.16	Loan and Security Agreement, by and between the Company and Avidbank, dated November 29, 2013, incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K, filed December 5, 2013.
10.17	2013 Stock Incentive Plan, filed herewith.
14.1	Code of Ethics filed with Form 10-K on March 31, 2011 and incorporated herein by reference.
14.2	Board Charter filed with Form 10-K on March 31, 2011 and incorporated herein by reference.
21.1	Subsidiaries of True Drinks Holdings, Inc., incorporated by reference from Exhibit 21.1 filed with the Annual Report on Form 10-K, filed April 5, 2013
31.1	Certification of CEO as Required by Rule 13a-14(a)/15d-14 filed herewith.
31.2	Certification of CFO as Required by Rule 13a-14(a)/15d-14 filed herewith.
32.1	Certification of CEO as Required by Rule 13a-14(a) and Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code filed herewith.
32.2	Certification of CFO as Required by Rule 13a-14(a) and Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code

	filed herewith.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

Table of Contents

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, there unto duly authorized.

Registrant	True Drinks Holdings, Inc.
Date: March 31, 2014	/s/ Lance Leonard Lance Leonard Chief Executive Officer (Principal Executive Officer), Director
Date: March 31, 2014	/s/ Daniel Kerker Daniel Kerker Chief Financial Officer (Principal Financial Officer)

In accordance with the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Date: March 31, 2014	/s/ Lance Leonard Lance Leonard Chief Executive Officer, Director
Date: March 31, 2014	/s/ Timothy Lane Timothy Lane Chairman
Date: March 31, 2014	/s/ Louis Imbrogno Louis Imbrogno Director
Date: March 31, 2014	/s/ Carl Wistreich Carl Wistreich Director
Date: March 31, 2014	/s/ Scot Cohen Scot Cohen Director

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
True Drinks, Inc.
Irvine, California

We have audited the accompanying consolidated balance sheets of True Drinks, Inc. as of December 31, 2013 and 2012 and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company was 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of True Drinks, Inc. as of December 31, 2013 and 2012 and the consolidated 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.

As discussed in Note 1, the accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As of and for the year ended December 31, 2013, the Company incurred a net loss of $7,122,135, has negative working capital of $478,068, and an accumulated deficit of $10,241,478. A significant amount of additional capital will be necessary to advance the marketability of the Company's products to the point at which the Company can sustain operations. These conditions, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are also described in Note 1. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Squar, Milner, Peterson, Miranda & Williamson, LLP

March 31, 2014

Newport Beach, California

Table of Contents

TRUE DRINKS, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2013 and 2012

	2013		2012	
ASSETS				
Current Assets:				
Cash	$	3,136,766	$	4,449
Accounts receivable, net		175,068		130,909
Inventory		1,056,756		832,874
Prepaid expenses and other current assets		591,434		268,716
Total Current Assets		4,960,024		1,236,948
Restricted Cash		133,065		81,270
Property and Equipment, net		8,399		25,399
Patents, net		1,352,941		1,494,118
Trademarks, net		48,516		98,516
Goodwill		3,474,502		3,474,502
Other Assets		-		3,948
Total Assets	$	9,977,447	$	6,414,701
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Accounts payable and accrued expenses	$	1,222,404	$	1,292,147
Convertible notes payable, net		680,000		772,000
Term loan		1,916,667		-
Derivative liabilities		1,619,021		-
Total Current Liabilities		5,438,092		2,064,147
Commitments and Contingencies (Note 8)				
Stockholders' Equity:				
Common Stock, $0.001 par value, 40,000,000 shares authorized, 27,885,587 and 1,337,335 shares outstanding at December 31, 2013 and December 31, 2012, respectively		27,886		1,337
Preferred Stock – Series A (liquidation preference of $10 per share), $0.001 par value, 2,250,000 and 5,000,000 shares authorized, 0 and 1,544,565 shares outstanding at December 31, 2013 and December 31, 2012, respectively		-		1,545
Preferred Stock – Series B (liquidation preference of $4 per share), $0.001 par value, 2,750,000 and 0 shares authorized, 1,776,923 and 0 shares outstanding at December 31, 2013 and December 31, 2012, respectively		1,777		-
Additional paid in capital		14,751,170		7,467,015
Accumulated deficit		(10,241,478)		(3,119,343)
Total Stockholders' Equity		4,539,355		4,350,554

Total Liabilities and Stockholders' Equity	$	9,977,447	$	6,414,701

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

Table of Contents

TRUE DRINKS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2013 and 2012

	2013	2012
Net Sales	$ 2,649,473	$ 1,021,908
Cost of Sales	2,127,711	749,529
Gross Profit	521,762	272,379
Operating Expenses		
Selling and marketing	2,224,801	692,242
General and administrative	3,701,094	2,580,985
Total operating expenses	5,925,895	3,273,227
Operating Loss	(5,404,133)	(3,000,848)
Other Expense		
Change in fair value of derivative liabilities	1,361,597	-
Interest expense- accretion of debt discount	(864,921)	-
Interest expense	(1,824,074)	(119,942)
Other (expense) income	(390,604)	1,447
	(1,718,002)	(118,495)
Net Loss	$ (7,122,135)	$ (3,119,343)
Net loss per common share		
Basic and diluted net loss per share	$ (0.26)	$ (0.14)
Weighted average common shares		
outstanding, basic and diluted (1)	27,489,422	22,757,712

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

(1) The weighted average common shares outstanding number was calculated based on as-converted to Common Stock figures for the preferred stock that was granted to shareholders of True Drinks, Inc. upon the merger with Bazi Intl. on October 15, 2012. The 100 for 1 reverse stock split executed on January 18, 2013 was retrospectively reflected in weighted average common shares outstanding.

Table of Contents

TRUE DRINKS, INC.
CONSOLIDATED STATEMENT OF
SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2013 and 2012

	Common Stock		Preferred Stock			Retained	
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Earnings (Accumulated Deficit)	Total Stockholders' Equity
Balance at inception - January 19, 2012	-	$ -	-	$ -	$ -	$ -	$ -
Issuance of Common Stock to founders	854,500	855	-	-	-	-	855
Issuance of Common Stock for services	30,000	30	-	-	167,520	-	167,550
Issuance of Common Stock for cash	367,375	367	-	-	3,374,615	-	3,374,982
Issuance of Common Stock for GT Beverage Company, LLC	292,690	293	-	-	2,926,607	-	2,926,900
Balance at October 15, 2012	1,544,565	1,545	-	-	6,468,742	-	6,470,287
Effect of Reverse Merger and reverse stock split	1,192,335	1,192	-	-	726,613	-	727,805
Conversion of Common Stock to preferred stock related to reverse merger	(1,544,565)	(1,545)	1,544,565	1,545	-	-	-
Issuance of Common Stock related to debt financing	145,000	145	-	-	108,605	-	108,750
Stock-based compensation	-	-	-	-	163,055	-	163,055
Net Loss	-	-	-	-	-	(3,119,343)	(3,119,343)
Balance – December 31, 2012	1,337,335	$ 1,337	1,544,565	$ 1,545	$ 7,467,015	$ (3,119,343)	$ 4,350,554
Conversion of Preferred Stock	25,304,017	25,304	(1,544,565)	(1,545)	(23,759)	-	-

to Common Stock							
Issuance of Common Stock related to debt financing	268,800	269	-	-	208,821	-	209,090
Issuance of Common Stock for debt conversions	860,821	861	-	-	859,957	-	860,818
Issuance of Preferred Stock for debt conversions, net of warrants issued	-	-	264,423	264	823,396	-	823,660
Elimination of derivative liability from conversion of debt to preferred stock	-	-	-	-	64,970	-	64,970
Issuance of Common Stock for services	114,614	115	-	-	122,135	-	122,250
Issuance of Preferred Stock for services	-	-	17,500	18	69,982	-	70,000
Issuance of Preferred Stock for cash, net of warrants issued	-	-	1,495,000	1,495	4,364,488	-	4,365,983
Stock-based compensation	-	-	-	-	794,165	-	794,165
Net Loss	-	-	-	-	-	(7,122,135)	(7,122,135)
Balance – December 31, 2013	27,885,587	$ 27,886	1,776,923	$ 1,777	$ 14,751,170	$ (10,241,478)	$ 4,539,355

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

Table of Contents

TRUE DRINKS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (7,122,135)	$ (3,119,343)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	18,298	8,668
Amortization	191,177	114,215
Accretion of deferred financing costs	864,921	-
Provision for bad debt expense	150,000	54,396
Change in estimated fair value of derivative	(1,361,597)	-
Amortization of debt discount	1,332,543	-
Stock issued to founders	-	855
Fair value of stock issued for services	401,341	276,300
Stock based compensation	794,165	163,055
Changes in operating assets and liabilities:		
Accounts receivable	(194,159)	(185,305)
Inventory	(223,882)	(785,874)
Prepaid expenses and other current assets	(322,718)	(268,716)
Other assets	3,948	(3,948)
Accounts payable and accrued expenses	76,210	(306,692)
Net cash used in operating activities	(5,391,888)	(4,052,389)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in restricted cash	(51,795)	(81,270)
Purchase of property and equipment	(1,298)	(7,671)
Purchase of trademarks	-	(6,849)
Net cash used in investing activities	(53,093)	(95,790)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of Common Stock	-	3,374,982
Proceeds from issuance of Series B Preferred Stock, net	5,483,144	-
Proceeds from convertible notes payable	4,549,000	772,000
Proceeds from term loan	2,000,000	-
Deferred financing costs paid	(420,813)	-
Repayments on convertible notes payable	(2,950,700)	-
Repayments on term loan	(83,333)	-
Net cash provided by financing activities	8,577,298	4,146,982
CASH OF ACQUIRED COMPANY	-	5,646
NET INCREASE IN CASH	3,132,317	4,449
CASH – beginning of year	4,449	-
CASH – end of year	$ 3,136,766	$ 4,449
SUPPLEMENTAL DISCLOSURES		
Interest paid in cash	$ 211,247	$ -

Non-cash financing and investing activities:		
Conversion of preferred stock to common stock	$ 25,304	$ -
Conversion of notes payable and accrued interest to common stock	$ 1,836,253	$ -
Warrants issued as deferred financing costs	$ 444,108	$ -
Warrants issued as debt discount	$ 1,332,543	$ -
Elimination of derivative liability from conversion of debt to preferred stock	$ 64,970	$ -
Warrants issued in connection with Series B Offering	$ 1,268,937	$ -

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

TRUE DRINKS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overview

True Drinks, Inc. (the "Company", "us", "True Drinks" or "we") was formed on January 19, 2012 in Delaware to create and commercialize all-natural, vitamin-enhanced drinks. Our primary business is the development, marketing, sale and distribution of our flagship product, AquaBall™ Naturally Flavored Water, a vitamin-enhanced, naturally flavored water drink packaged in our patented stacking spherical bottles. We distribute AquaBall™ nationally through select retail channels, such as grocery stores, mass merchandisers, drug stores and online. We also market and distribute Bazi® All Natural Energy, a liquid nutritional supplement drink, which is currently distributed online and through our existing database of customers.

On June 7, 2012, True Drinks, Inc., Bazi Acquisition Sub Inc. ("Merger Sub"), a Delaware corporation and a wholly-owned subsidiary of Bazi International, Inc. ("Bazi Intl."), and Bazi Intl. entered into an agreement and tax-free plan of merger (the "Merger Agreement"), wherein Merger Sub merged with and into the Company and True Drinks continued as the surviving corporation (the "Merger"). As a result of the Merger, True Drinks became a wholly-owned subsidiary of the Company. The Merger closed on October 15, 2012 (the "Closing Date"). As a result of Merger, True Drinks, Inc.'s former shareholders owned approximately 95.5% of the combined post-Merger entity via shares of Series A Convertible Preferred Stock ("Series A Preferred") issued as part of the Merger. The Company subsequently changed its name from "Bazi International, Inc." to "True Drinks Holdings, Inc." The Merger was accounted for as a public company "reverse merger," and, as such, the consolidated financial statements reported herein reflect the operations of True Drinks, Inc. within the capital structure of Bazi Intl.

Bazi Intl. was originally incorporated in the state of Nevada in January 2001. True Drinks, formerly named GT Beverage Company, Inc., was originally incorporated in the state of Delaware in January 2012. True Drinks acquired GT Beverage Company, LLC on March 31, 2012 in a business combination, primarily to acquire the use of a spherical bottle patent held by GT Beverage Company, LLC.

Our principal place of business is 18552 MacArthur Boulevard, Suite 325, Irvine, California, 92612. Our telephone number is (949) 203-2500. Our corporate website address is http://www.truedrinks.com. Our common stock, par value $0.001 ("Common Stock"), is currently listed for quotation on the OTCQB marketplace ("OTCQB") under the symbol TRUU.

Reverse Stock Split

On January 18, 2013, we amended our Articles of Incorporation to create a 100 to 1 reverse split of our Common Stock. Accordingly, our authorized Common Stock decreased from 4,000,000,000 to 40,000,000 shares and our issued and outstanding Common Stock decreased from 133,733,469 to 1,337,335 shares. As a result of the reverse stock split, all previously reported share amounts, including options in the accompanying consolidated financial statements and related notes have been retrospectively restated back to October 15, 2012 (date of the Merger) to reflect the reverse split.

Recent Developments

Note Offering. On June 20, 2013 the Company commenced a private offering of: (i) convertible promissory notes (the "Notes") in the aggregate principal amount of up to $3.3 million; and (ii) and five-year warrants to purchase shares

of the Company's Common Stock at an exercise price of $1.10 per share (the "Warrants") to certain accredited investors (the "Note Offering"). During the year ended December 31, 2013, the Company issued Notes in the aggregate principal amount of $3,126,000, which amount included $600,000 issued as consideration for the exchange of the outstanding principal and accrued interest of certain promissory notes previously issued by the Company. All outstanding principal and interest were either repaid or converted into equity- see below discussion under Term Loan and Note Conversion.

Table of Contents

License Agreement. In August 2013, the Company signed an extension of its licensing agreement with Marvel Characters B.V. to extend the expiration date to December 31, 2015 (the “Marvel Agreement”). The Marvel Agreement allows True Drinks to use a range of different Marvel characters on AquaBall™ packaging in exchange for a royalty payment, paid quarterly, equal to 5% of the proceeds from the sale of AquaBalls™ adorned with Marvel characters in the United States and Canada. The Marvel Agreement has a total royalty guarantee of $150,000 over the term of the agreement.

Creation of Series B Convertible Preferred Stock. On November 22, 2013, the Company filed the Certificate of Designation, Preferences, Rights and Limitations of the Series B Convertible Preferred Stock (the “Certificate of Designation”) with the Nevada Secretary of State, designating 2.75 million shares of the Company's Preferred Stock as Series B Convertible Preferred Stock (“Series B Preferred”). Each share of Series B Preferred has a stated value of $4.00 per share (“Stated Value”), and accrues annual dividends equal to 5% of the Stated Value, payable by the Company in quarterly installments, in either cash or shares of Common Stock. Pursuant to certain terms and conditions in the Certificate of Designation, each share of Series B Preferred is convertible, at the option of the holder, into that number of shares of Common Stock equal to the Stated Value, divided by $0.25 per share (the “Conversion Shares”). The Company also has the option to require conversion of the Series B Preferred into Conversion Shares in the event: (i) there are sufficient authorized shares of Common Stock reserved as Conversion Shares; (ii) the Conversion Shares are registered under the Securities Act of 1933, as amended, or the Conversion Shares are freely tradable, without restriction, under Rule 144 of the Securities Act; (iii) the daily trading volume of the Company's Common Stock, multiplied with the closing price, equals at least $250,000 for 20 consecutive trading days; and (iv) the average closing price of the Company's Common Stock is at least $0.62 per share for 10 consecutive trading days.

Series B Offering. On November 25, 2013, the Company commenced a private offering of up to 2.0 million shares of Series B Preferred for $4.00 per share (“Purchase Price”), and five-year warrants (the “Warrants”), exercisable for $0.30 per share (the "Exercise Price"), to purchase that number of shares of the Company's Common Stock equal to 35% of the Purchase Price, divided by the Exercise Price (the “Series B Offering”). As of the date hereof, the Company and certain accredited investors entered into Securities Purchase Agreements to purchase 2.0 million shares of Series B Preferred, and Warrants to purchase approximately 9.3 million shares of Common Stock.

Term Loan and Note Conversion. On November 29, 2013, the Company executed a Loan and Security Agreement and other ancillary documents for a $2.0 million term loan from Avid Bank (the "Bank") (the "Term Loan"), which Term Loan accrues interest at a rate of prime plus 2.75% and matures on November 29, 2015. The Company's repayment of the Term Loan is secured by a continuing security interest in substantially all of the Company's assets. Proceeds from the Term Loan, together with a portion of the proceeds from the Series B Offering were used to repay certain Notes issued, totaling approximately $2.5 million in principal and accrued interest (the "Note Repayment").

In addition to the Note Repayment, holders of the remaining Notes issued during the Note Offering agreed to cancel Notes totaling $739,706 in principal and accrued interest in exchange for 205,476 shares of Series B Preferred and Warrants to purchase 862,995 shares of Common Stock for $0.30 per share, on substantially the same terms offered in the Series B Offering (the "Note Conversion").

On November 29, 2013, the Company repaid approximately $400,000 in principal and accrued interest and fees from previous notes. In addition to the repayment, holders of previous notes agreed to cancel Notes totaling $235,729 in principal and accrued interest in exchange for 58,947 shares of Series B Preferred and Warrants to purchase 275,075 shares of Common Stock for $0.30 per share, on substantially the same terms offered in the Series B Offering.

Table of Contents

Basis of Presentation and Going Concern

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplates continuation of the Company as a going concern. For the year ended December 31, 2013, the Company incurred a net loss of $7,122,135. At December 31, 2013, the Company has negative working capital of $478,068 and an accumulated deficit of $10,241,478. A significant amount of additional capital will be necessary to advance the marketability of the Company's products to the point at which the Company can sustain operations. These conditions, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans are to continue to raise capital through equity and debt offerings, and to expand sales as rapidly as economically viable. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Principles of Consolidation

The accompanying financial statements include the accounts of the Company and its wholly owned subsidiaries True Drinks, Inc., Bazi, Inc. and GT Beverage Company, LLC. All inter-company accounts and transactions have been eliminated in the preparation of these consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by management include, among others, provision for losses on accounts receivable, allowances for obsolete and slow moving inventory, stock compensation, deferred tax asset valuation allowances, and the realization of long-lived and intangible assets, including goodwill. Actual results could differ from those estimates.

Revenue Recognition

In accordance with Staff Accounting Bulletin ("SAB") No. 104 “Revenue Recognition in Financial Statements”, revenue is recognized at the point of shipment, at which time title is passed. Net sales include sales of products, slotting fees, discounts and freight and handling charges. With approved credit, we provide wholesale customers payment terms of up to net 30 days. Amounts received for unshipped merchandise are recorded as customer deposits and are included in accrued expenses.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less, to be cash equivalents. The Company maintains cash with high credit quality financial institutions. At certain times, such amounts may exceed Federal Deposit Insurance Corporation (“FDIC”) insurance limits. The Company has not experienced any losses on these amounts. At December 31, 2013 and 2012, the Company had no cash equivalents.

Restricted Cash

The Company had $133,065 and $81,270 in restricted cash with a financial institution securing a letter of credit at December 31, 2013 and 2012, respectively. The letter of credit matures in August 2015 and was issued as part of contractual obligations related to one of our licensing agreements with Disney Consumer Products, Inc.

Accounts Receivable

We maintain an allowance for doubtful accounts, which is analyzed on a periodic basis to ensure that it is adequate to the best of management's knowledge. Management develops an estimate of the allowance for doubtful accounts receivable based on its own judgment as to the likelihood of ultimate payment. Although the Company expects to collect amounts due, actual collections may differ from these estimated amounts. The allowance was approximately $210,000 and $54,000 at December 31, 2013 and December 31, 2012, respectively.

Table of Contents

Concentrations

The Company has no significant off-balance sheet concentrations of credit risk such as foreign exchange contracts, options contracts or other foreign hedging arrangements. The Company maintains the majority of its cash balances with two financial institutions. There are funds in excess of the federally insured amount, or that are subject to credit risk, and the Company believes that the financial institutions are financially sound and the risk of loss is minimal.

We utilize a variety of suppliers to purchase raw materials for the AquaBallTM Naturally Flavored Water during the year ended December 31, 2013.

During 2013, we relied significantly on one supplier for 100% of our purchases of certain raw materials for Bazi®. Bazi, Inc. has sourced these raw materials from this supplier since 2007 and does not anticipate any issues with the supply of these raw materials.

During 2012, the Company relied significantly on one supplier for 100% of its purchases of AquaBall™ Naturally Flavored Water held for sale. During the year ended December 31, 2013, the Company began production of AquaBall™ with two additional suppliers. The Company owns the formula for both the AquaBall™ and Bazi®, and management believes that its purchasing requirements can be readily met from alternative sources.

A significant portion of our revenue comes from sales of the AquaBall™ Naturally Flavored Water. Following the consummation of the Merger in October 2012, sales of Bazi® accounted for 1% of our total revenue. Before the Merger, the Company's revenues consisted of sales of AquaBall™. For the year ended December 31, 2013 and 2012, sales of AquaBall™ accounted for 90% and 99% of the Company's total revenue, respectively.

Fair Value Matters

The Company does not have any assets or liabilities carried at fair value on a recurring or non-recurring basis.

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued expenses, and notes payable. Management believes that the carrying amount of these financial instruments approximates their fair values, due to their relatively short-term nature.

Inventory

Inventory is stated at the lower of cost or market on a FIFO (first-in first-out) basis. Provision is made to reduce excess or obsolete inventory to the estimated net realizable value. The Company purchases for resale a vitamin-enhanced flavored water beverage and a liquid dietary supplement.

Management reviews the carrying value of inventory in relation to its sales history and industry trends to determine an estimated net realizable value. Changes in economic conditions or customer demand could result in obsolete or slow moving inventory that cannot be sold or must be sold at reduced prices and could result in an inventory reserve. No inventory reserves were considered necessary as of December 31, 2013 or 2012.

Inventory is comprised of the following:

	December 31, 2013	December 31, 2012
Purchased materials	$ 659,835	$ 473,383
Finished goods	396,921	