U.S. Nutraceuticals, LLC (d/b/a Valensa International)

Financial Statements
Years Ended March 31, 2018 and 2017

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Financial Statements
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Contents

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Independent Auditor's Report

U.S. Nutraceuticals, LLC (d/b/a Valensa International)
Eustis, Florida

We have audited the accompanying financial statements of U.S. Nutraceuticals, LLC (d/b/a Valensa International), which comprise the balance sheets as of March 31, 2018 and 2017, and the related statements of income and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of U.S. Nutraceuticals, LLC (d/b/a Valensa International) as of March 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

BDO, USA, LLP
Certified Public Accountants
April 17, 2018

Financial Statements

U.S. Nutraceuticals, LLC (d/b/a Valensa International)

Balance Sheets

March 31,	**2018**	2017
Assets		
Current:		
Cash and cash equivalents	**$ 524,302**	$ 486,208
Accounts receivable trade, net	**2,379,328**	2,687,016
Related party receivables (Note 8)	**532,148**	114,031
Inventories, net (Note 4)	**4,898,842**	6,170,671
Prepaid expenses and other current assets	**442,247**	497,408
Total current assets	**8,776,867**	9,955,334
Property and equipment, net (Note 5)	**1,765,572**	2,005,102
Other assets:		
Intangible assets, net (Note 6)	**2,975,588**	3,474,005
Investment in LaBelle Botanics, LLC (Note 7)	**1,500,405**	1,414,803
Deposits	**31,573**	31,573
Total other assets	**4,507,566**	4,920,381
	$15,050,005	$ 16,880,817
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable	**$ 1,409,602**	$ 2,684,565
Accrued expenses	**1,252,179**	884,880
Related party payables (Note 8)	**889,894**	1,300,398
Total current liabilities	**3,551,675**	4,869,843
Related party notes payable (Note 8)	**—**	555,255
Line of credit (Note 9)	**—**	600,000
Total liabilities	**3,551,675**	6,025,098
Commitments and contingencies (Notes 11 and 13)		
Members' equity	**11,498,330**	10,855,719
	$15,050,005	$ 16,880,817

See accompanying notes to financial statements.

U.S. Nutraceuticals, LLC (d/b/a Valensa International)

Statements of Income and Members' Equity

Year Ended March 31,	**2018**	2017
Revenues:		
Sales	**$22,747,008**	$ 23,757,720
Other revenues	**784,220**	583,008
Total revenues	**23,531,228**	24,340,728
Cost of sales	**16,841,666**	18,076,202
Gross profit	**6,689,562**	6,264,526
Selling, general and administrative expenses:		
Salaries and wages	**2,840,425**	2,944,876
Insurance	**620,533**	597,306
Royalties and external commissions	**20,663**	76,869
Depreciation	**378,388**	376,899
Professional fees	**764,136**	390,021
Gas	**357,510**	343,751
Travel expenses	**378,263**	235,536
Repairs and maintenance	**277,637**	652,279
Amortization	**231,988**	207,525
Payroll taxes	**203,351**	200,493
Utilities	**191,781**	159,907
Supplies	**216,456**	209,783
Promotional events	**61,738**	119,710
Employee benefits	**94,345**	104,247
Employee commissions	**12,240**	29,153
Taxes and licenses	**79,270**	139,605
Miscellaneous	**281,232**	342,318
Outside labor	**197,041**	48,724
Telephone	**40,654**	46,780
Advertising	**90,090**	102,529
Meals and entertainment	**54,312**	38,538
Internet and computer services	**33,274**	40,804
Samples	**21,159**	31,195
Rent	**10,745**	26,108
Uniforms	**27,694**	27,284
Dues and subscriptions	**39,012**	27,342
Postage and freight	**18,429**	13,629
Bank charges	**28,860**	17,371
Data processing	**15,396**	13,268
Provision for bad debts	**—**	(26,696)
Bad debt	**—**	26,707
Safety	**36,897**	1,224
Impairment of intangible assets	**536,759**	104,000
Less applied production costs	**(2,248,652)**	(1,772,445)
Total selling, general and administrative expenses	**5,911,626**	5,896,640

U.S. Nutraceuticals, LLC (d/b/a Valensa International)

Statements of Income and Members' Equity

Year Ended March 31,	**2018**	2017
Research and development	**17,688**	31,679
Operating income	**760,248**	336,207
Other income (expense):		
Earnings on equity method investment (Note 7)	**85,602**	143,763
Interest expense	**(56,935)**	(50,324)
Other income (expense)	**20,966**	(910)
Total other income (expense), net	**49,633**	92,529
Net income	**809,881**	428,736
Members' equity, beginning of year	**10,855,719**	10,914,395
Member distributions	**(167,270)**	(487,412)
Members' equity, end of year	**$11,498,330**	$ 10,855,719

See accompanying notes to financial statements.

U.S. Nutraceuticals, LLC (d/b/a Valensa International)

Statements of Cash Flows

Year Ended March 31,	**2018**	2017
Cash flows from operating activities:		
Net income	**$ 809,881**	$ 428,736
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**610,376**	584,424
Provision for bad debt	**—**	26,696
Impairment of intangible assets	**536,759**	104,000
Loss on write off of obsolete inventory	**805,742**	232,178
Earnings on equity method investment	**(85,602)**	(143,763)
Changes in operating assets and liabilities:		
Accounts receivable	**307,688**	2,350,945
Inventories	**466,087**	(1,326,063)
Prepaid expenses and other current assets	**55,161**	(41,306)
Accounts payable	**(1,274,963)**	(1,863,158)
Accrued expenses	**367,299**	(207,228)
Related party receivables/payables, net	**(828,621)**	592,827
Net cash provided by operating activities	**1,769,807**	738,288
Cash flows from investing activities:		
Purchase of property and equipment	**(138,858)**	(32,225)
Purchase of intangible assets	**(270,330)**	(581,994)
Proceeds from sale of property and equipment	**—**	28,244
Net cash used for investing activities	**(409,188)**	(585,975)
Cash flows from financing activities:		
Distributions to Members	**(167,270)**	(487,412)
Repayments on related party notes payable	**(555,255)**	(257,893)
Borrowings on line of credit	**3,975,000**	2,750,000
Repayment on line of credit	**(4,575,000)**	(2,150,000)
Net cash used for financing activities	**(1,322,525)**	(145,305)
Net increase in cash and cash equivalents	**38,094**	7,008
Cash and cash equivalents, beginning of year	**486,208**	479,200
Cash and cash equivalents, end of year	**$ 524,302**	$ 486,208
Supplemental disclosures of cash flow information:		
Interest paid	**$ 56,935**	$ 54,361

See accompanying notes to financial statements.

1. Nature of Operations

U.S. Nutraceuticals, LLC (the "Company") was formed on July 27, 1998, as a limited liability company organized under the laws of the State of Florida, and is doing business as Valensa International. The Company is governed by an operating agreement with its members and has a perpetual life. The Company is a science-based developer and producer of high-quality botanical sourced products, including nutraceutical supplements, functional foods, general nutrition, and functional cosmetic ingredients.

2. Summary of Significant Accounting Policies

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, shipment has occurred, customers take ownership and assume the risk of loss, price is fixed or determinable, and collectability is reasonably assured. Sales are recognized upon shipment to customers. Other revenues include commissions on consignment sales with the Company's majority Member (see Note 8), and royalties on products licensed to customers. Commission revenue is recognized under the Consignment Agent Agreement upon collection of cash from customers. Royalty revenue is recognized upon sale of the product.

Cash and Cash Equivalents

The Company considers all short term investments with an original maturity of three months or less, from date of purchase, to be cash equivalents.

Accounts Receivable

The Company sells its products on credit terms that the Company establishes for each customer. Trade receivables are recorded upon recognition of sales based upon shipment to customers. The Company's determination of the allowance for doubtful accounts is based on an evaluation of the accounts receivable, past experience, current economic conditions and other risks inherent in the accounts receivable portfolio. Accounts are written off when they are determined to be uncollectible. As of March 31, 2018 and 2017, the Company has recorded an allowance for doubtful accounts of approximately $4,000.

Inventories

Inventories consist of raw materials, work in process and finished goods. Inventories are stated at the lower of cost (based on the weighted-average method) or market. Capitalized labor and overhead costs are absorbed into inventory production through an "applied production costs" account on the statements of income and members' equity. A reserve is recorded for any inventories deemed excessive or obsolete.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Useful lives range from 3 to 20 years. Maintenance and repairs are charged to expense as incurred. The carrying amount of accumulated depreciation of assets sold or retired are removed from the accounts in the year of disposal and any resulting gain or loss is included in results of operations.

Intangible Assets

Intangible assets consist of patents, patents pending, regulatory permitting costs, trademarks and clinical trial costs. Amortizable intangibles, which consist of patent and regulatory permitting costs, are amortized using the straight-line method over the life of the intangible, ranging from 10 to 20 years. Intangible assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The Company recorded an impairment on its intangible assets of $536,759 and $104,000 during the years ended March 31, 2018 and 2017, respectively, as a result of a decision to discontinue certain patents and unsuccessful clinical trials.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. There was no impairment of long-lived assets during the years ended March 31, 2018 and 2017.

Equity Method Investments

Investee companies that are not consolidated, but over which the Company exercises significant influence, are accounted for under the equity method of accounting. Whether or not the Company exercises significant influence with respect to an investee depends on an evaluation of several factors including, among others, representation on the investee company’s board of directors and ownership level, which is generally a 20% to 50% interest in the voting securities of the investee company. Under the equity method of accounting, an investee company’s accounts are not reflected within the Company’s balance sheets and statements of income. However, the Company’s share of the earnings or losses of the investee company is reflected in the caption “earnings on equity method investment” in the statements of income and members’ equity.

When the Company’s carrying value in an equity method investee company is reduced to zero, no further losses are recorded in the Company’s financial statements unless the Company has guaranteed the obligations of the investee company or has committed additional funding to finance the investee company. When the investee company subsequently reports income, the Company will not record its share of such income until it equals the amount of its share of losses not previously recognized.

Advertising Costs

Advertising costs, included in selling, general and administrative expenses on the statements of income and members' equity, are expensed as incurred. The Company incurred approximately $90,000 and $103,000 in advertising expenses for the years ended March 31, 2018 and 2017, respectively.

Research and Development

Research and development costs to develop new products are charged to expense as incurred. Nonrefundable advance payments for research and development goods or services are recognized as expense as the related goods are delivered or the related services are provided.

Income Taxes

The Company is taxed as a partnership whereby the Company does not pay federal income taxes on its taxable income. Instead, the Members of the limited liability company are liable for individual federal income taxes on their respective share of the Company's taxable income, in accordance with the Company's operating agreement. Accordingly, no liability for federal income taxes has been included in these financial statements.

The Company identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the balance sheet. The Company has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company's tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

On December 22, 2017, the 2017 Tax Cuts and Jobs Act (the Tax Act) was enacted into law and the new legislation contains several key tax provisions. The Organization is currently evaluating the impact on its financial statements and has not yet determined the effect on the 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. Actual results could differ from those estimates.

Fair Value of Financial Instruments

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 825, *Financial Instruments*, the Company is required to disclose the fair value of financial instruments for which it is practical to estimate fair value. The Company calculates the fair value of financial instruments in accordance with ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"), which provides a framework for measuring fair value and expands required disclosure about fair value measurements of assets and liabilities. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability, an exit price, in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

ASC 820 describes the following three levels of inputs that may be used to measure fair value:

Level 1 – Valuation based on adjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Valuation based on quoted market prices for similar assets and liabilities in active markets.

Level 3 – Valuation based on unobservable inputs that are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management.

The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include accounts receivable, accounts payable, accrued expenses, and related party receivables and payables. The fair value of the Company's line of credit and related party debt is estimated based on current rates that would be available for debt of similar terms which is not significantly different from its stated value.

The Company does not have any financial assets or liabilities that are measured at fair value on a nonrecurring basis.

Accounting Pronouncement Issued but Not Yet Adopted

Revenue

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2018, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The new standard allows for early adoption for annual periods beginning after December 15, 2016. The Company is currently evaluating the impact of its pending adoption of ASU 2014-09 on its financial statements and has not yet determined the method by which it will adopt the standard.

3. Members' Equity

The Members of the Company conduct business under an Operating Agreement which governs the rights and obligations of the Company and its members.

The Company has three classes of Member Units:

Class A Voting Units
Class B Non-Voting Units
Class C Voting Units

The Company has authorized 100 units for all classes combined, and has issued a total of 87.9405 Class A Units, 6.4800 Class B Units and 5.5795 Class C units. The Company's majority member became the sole member during fiscal 2018. The rights and privileges for all classes of Members are set forth below:

Voting Rights – The holders of Class A and Class C Voting Units shall be entitled to one vote per unit held with respect to all matters submitted to an Action of the Members.

Allocation of Profits and Losses – Profits and losses shall be allocated pro rata in accordance with each Member's relative interest in the Company's profits and losses.

Distributions – Distributions are required on or before March 31 of each year to distribute an amount of cash equal to that Member's allocation of taxable income (if any) during the prior fiscal year multiplied by the highest marginal United States federal individual income tax rate effective for the prior year. Other distributions are made at the discretion of the Board of Directors to Members based on their respective interests in the Company's profits and losses. The Company distributed approximately $167,000 and $487,000 to its Members during the years ended March 31, 2018 and 2017, respectively.

4. Inventories

Inventories consist of the following:

March 31,	**2018**	2017
Raw materials	**$ 1,656,830**	$ 2,103,714
Work in process	**1,600,997**	1,692,702
Finished goods	**1,641,015**	2,600,401
Less: reserve for excessive or obsolete inventory	**—**	(226,146)
	$ 4,898,842	$ 6,170,671

5. Property and Equipment

Property and equipment consist of the following:

March 31,	*Estimated Useful Life*	**2018**	2017
Land and improvements	0-20 years	**$ 163,143**	$ 163,143
Building and improvements	7-20 years	**4,344,880**	4,303,780
Machinery and equipment	5-12 years	**4,971,598**	4,914,633
Furniture and fixtures	3-10 years	**483,021**	471,230
Vehicles	5 years	**26,111**	26,111
		9,988,753	9,878,897
Less: accumulated depreciation		**(8,223,181)**	(7,873,795)
		$ 1,765,572	$ 2,005,102

Depreciation expense was $378,388 and $376,899 for the years ended March 31, 2018 and 2017, respectively.

6. Intangible Assets

Intangible assets consist of the following:

March 31,	Estimated Useful Lives	**2018**	2017
Patents	10-20 years	**$ 2,385,430**	$ 2,386,419
Pending patents	—	**1,067,065**	1,355,718
Regulatory permitting costs	10-20 years	**142,302**	142,302
Trademarks	Indefinite	**476,433**	458,598
Clinical trial costs	—	**66,844**	309,328
		4,138,074	4,652,365
Less: reserve on patents pending		**—**	(204,000)
Less: accumulated amortization		**(1,162,486)**	(974,360)
		$ 2,975,588	$ 3,474,005

Amortization expense was $231,988 and $207,525 for the years ended March 31, 2018 and 2017, respectively.

The Company will begin amortizing $1,067,065 in pending patent costs upon their approval by the associated regulatory agency and $66,844 in clinical trial costs upon completion of the trial, if it has favorable results, or will be written off if results are unfavorable. Approximate future amortization expense on patents and regulatory permitting costs are estimated to be as follows:

Year Ending March 31,	
2019	$ 247,000
2020	246,000
2021	218,000
2022	188,000
2023	143,000
Thereafter	323,000
	$ 1,365,000

7. Investment in LaBelle

On October 31, 2006, the Company purchased an interest in LaBelle from a related party. Effective April 2, 2015, the Company sold a portion of its Membership interest in LaBelle equivalent to 2% of LaBelle's total equity and became a 49% noncontrolling member, requiring a change from consolidation of LaBelle to application of the equity method under U.S. GAAP.

Condensed financial information of LaBelle as of and for the years ended March 31, 2018 and 2017 is as follows:

	2018	2017
Assets	**$ 2,716,851**	$ 3,353,811
Liabilities	**1,787,627**	2,599,284
Members' equity	**929,224**	754,527
Net income	**174,697**	293,393

The Company recognized approximately $86,000 and $144,000 in earnings from its equity method investment in LaBelle for the years ended March 31, 2018 and 2017, respectively. The financial statements of LaBelle for the year ended March 31, 2018 and 2017 were audited by other auditors whose report dated April 13, 2018 and April 13, 2017, respectively, expressed an unmodified opinion on those financial statements.

8. Related Party Transactions

Related Party Receivables

Related party receivables consist of various advances due from Members of the Company or entities related through common ownership. The balance of $532,148 at March 31, 2018 includes approximately $530,000 due from the Company's sole Member, of which approximately $493,000 represents withholding taxes paid by the Company on behalf of the majority Member in accordance with provisions in the relevant tax regulations. The remaining balance of related party receivables includes approximately $2,500 due from employees of the Company.

The balance of $114,031 at March 31, 2017 includes approximately $108,000 due from the Company's majority Member which represents withholding taxes paid by the Company on behalf of the majority Member in accordance with provisions in the relevant tax regulations. The remaining balance of related party receivables includes approximately $6,000 due from employees of the Company.

No defined payment terms exist on related party receivables and are classified as current assets on the accompanying balance sheets.

Related Party Payables

Related party payables consist of various advances owed to Members of the Company or entities related through common ownership, as well as accrued interest on related party debt (see Related Party Debt below).

The balance of $889,894 at March 31, 2018 includes advances and other trade accounts payable to the Company's majority Member of approximately $111,000, approximately $351,000 owed to Alimtec S.A. for inventory purchases, an entity under common ownership with the sole Member, approximately $408,000 owed to LaBelle for inventory purchases and approximately $20,000 owed to employees.

The balance of $1,300,398 at March 31, 2017 includes advances and other trade accounts payable to the Company's majority Member of approximately $408,000, approximately $301,000 owed to Alimtec S.A. for inventory purchases, an entity under common ownership with the majority Member, approximately $578,000 owed to LaBelle for inventory purchases and approximately $13,000 owed to employees.

Except for accrued interest, no defined repayment terms exist on related party payables as they are considered normal trade liabilities of the Company for normal operational purposes and are classified as current liabilities on the accompanying balance sheets.

Related Party Notes Payable

On November 30, 2013, the Company was advanced a total of $650,000 from Parry America, Inc., a related party through common ownership. In exchange, the Company issued two unsecured promissory notes. During fiscal year 2017, these notes were amended to extend the maturity date and were due in full on June 30, 2018. Interest accrued on the notes at a rate of 6.00% per annum, increasing to 12.00% or the maximum rate permitted by applicable law, whichever is less, should the Company default on the notes. The amount due under these notes was $555,255 as of March 31, 2017. These notes were repaid in full during 2018.

Consignment Agent Agreement

The Company entered into a Consignment Agent Agreement ("Agreement") with its sole Member. Under the Agreement, the Company will act as the sales and distribution agent for sales of the Member's Spirulina products within the United States of America and Canada. The effective date of the Agreement is October 1, 2009 and shall continue to be in full effect through September 30, 2018, unless otherwise terminated per terms of the Agreement.

The Company is reimbursed for certain clearing, warehousing and insurance costs associated with services performed under the Agreement. In addition, the Company is paid a 12% commission, on a monthly basis, on all net sales collected under the Agreement. The Company received approximately $338,000 and $382,000 in commission revenue under the Agreement for the years ended March 31, 2018 and 2017, respectively, which is recorded as other revenues in the accompanying statements of income and members' equity.

Other Related Party Transactions

For the year ended March 31, 2018, the Company purchased product from the Company's sole Member, LaBelle, and Alimtec S.A. of approximately $417,000, $6,823,000 and $1,092,000, respectively.

For the year ended March 31, 2017, the Company purchased product from the Company's majority Member, LaBelle, and Alimtec S.A. of approximately $393,000, $1,974,000 and $1,491,000, respectively.

9. Line of Credit

The Company currently maintains a line of credit with a bank for a maximum borrowing limit of $2,000,000, as amended. The loan bears interest at LIBOR plus 2.50%, per annum, with a floor of 2.00% (3.50% at March 31, 2018), and is revolving in nature. The loan is secured by the assets of the Company. At March 31, 2018 and 2017, the Company had $0 and $600,000, respectively, outstanding balance on this loan. Monthly interest only payments are due on the outstanding balance with all outstanding principal and accrued unpaid interest due on July 1, 2018.

In September 2017, the Company obtained a revolving line of credit with the same bank for maximum borrowings of $4,000,000. The line bears interest at the bank's prime rate less 1.00% (3.75% at March 31, 2018). The loan is secured by the assets of the Company and a $2,000,000 stand by letter of credit issued by State Bank of India, and matures on October 1, 2018. At March 31, 2018, there were no amounts outstanding.

10. Concentrations and Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents placed with federally insured financial institutions. Such accounts may at times exceed federally insured limits. Management believes the associated risk is minimized by placing such assets with quality financial institutions. The Company has not experienced any losses on such accounts.

The Company had four customers that accounted for approximately 22%, 11%, 11% and 10% of total revenues, respectively, for the year ended March 31, 2018. These customers accounted for approximately 32%, 4%, 19% and 2% of accounts receivable – trade, respectively, at March 31, 2018.

The Company had three customers that accounted for approximately 22%, 17%, and 14% of total revenues, respectively, for the year ended March 31, 2017. These customers accounted for approximately 8%, 18% and 14% of accounts receivable – trade, respectively, at March 31, 2017.

11. License Agreements

The Company has certain royalty commitments associated with the licensing of certain products. Royalty expense is generally based on a percentage of the underlying revenue. Royalty expense was approximately $22,000 and $20,000 for the years ended March 31, 2018 and 2017, respectively, and is included in royalties and external commissions' expense on the statements of income and members' equity.

12. Retirement Plans

Effective March 1, 2004, the Company adopted the U.S. Nutraceuticals Savings Plan ("Plan"). This Plan is a defined contribution plan, which includes a salary reduction feature. Employees are eligible to participate in the Plan based upon specific eligibility conditions set forth in the Plan document. The Company contributed matching funds equal to 100% of salary reduction contributions up to 3% of compensation, and 50% of salary reduction contributions for amounts greater than 3% of compensation for the employees electing to participate in the salary reduction program, up to a maximum of 5% of an employee's compensation. Matching contributions vest 100% immediately. For the years ended March 31, 2018 and 2017, the Company made approximately $61,000 and $82,000, respectively, in employer matching contributions.

13. Commitments and Contingencies

Guarantee Agreement

On September 13, 2016, the Company had guaranteed the line of credit extended by Wells Fargo Bank to Labelle which has a maximum borrowing limit of $3,000,000. The majority member of Labelle has also provided a similar guarantee to Wells Fargo for the full value of the line of credit. Effective September 16, 2016, the Company and the majority member of Labelle entered into an agreement whereby it was agreed that in the event of a default by Labelle, each member is only liable for their portion of the defaulted amount, based upon their respective membership unit percentage holding in Labelle. During fiscal year 2018, the line of credit was renewed to extend the maturity date to September 15, 2018, and increase the maximum borrowing amount to $3,250,000. The outstanding line of credit at March 31, 2018 was $1,081,000.

Litigation

The Company from time to time is involved in various legal actions arising in the normal course of business. Management, after reviewing with legal counsel all of these actions and proceedings, believes that the aggregate losses, if any, will not have a material adverse effect on the Company's financial position or results of operations.

14. Subsequent Events

The Company has evaluated events and transactions occurring subsequent to March 31, 2018 as of April 17, 2018, which is the date the financial statements were issued. Subsequent events occurring after April 17, 2018 have not been evaluated by management. No material events have occurred since March 31, 2018 that require recognition or disclosure in the financial statements.