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

Financial Statements
Years Ended March 31, 2017 and 2016

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

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

Financial Statements
Years Ended March 31, 2017 and 2016

Contents

Tel: 407-841-6930
Fax: 407-841-6347
www.bdo.com

201 South Orange Ave., Suite 800
Orlando, FL 32801

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, 2017 and 2016, 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, 2017 and 2016, 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, 2017

Financial Statements

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

Balance Sheets

March 31,	**2017**	2016
Assets		
Current:		
Cash and cash equivalents	**$ 486,208**	$ 479,200
Accounts receivable trade, net	**2,687,016**	5,064,657
Related party receivables (Note 8)	**114,031**	300,091
Inventories (Note 4)	**6,170,671**	5,076,786
Prepaid expenses and other current assets	**497,408**	456,102
Total current assets	**9,955,334**	11,376,836
Property and equipment, net (Note 5)	**2,005,102**	2,375,307
Other assets:		
Intangible assets, net (Note 6)	**3,474,005**	3,206,249
Investment in LaBelle Botanics, LLC (Notes 2 and 7)	**1,414,803**	1,271,040
Deposits	**31,573**	31,573
Total other assets	**4,920,381**	4,508,862
	$16,880,817	$ 18,261,005
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable	**$ 2,684,565**	$ 4,547,723
Accrued expenses	**884,880**	1,092,108
Related party payables (Note 8)	**1,300,398**	893,631
Related party notes payable (Note 8)	**–**	813,148
Total current liabilities	**4,869,843**	7,346,610
Related party notes payable (Note 8)	**555,255**	–
Line of credit (Note 9)	**600,000**	–
Total liabilities	**6,025,098**	7,346,610
Members' equity	**10,855,719**	10,914,395
	$16,880,817	$ 18,261,005

See accompanying notes to financial statements and independent auditor's report.

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

Statements of Income and Members' Equity

Year Ended March 31,	**2017**	2016
Revenues:		
Sales	**$23,757,720**	$ 25,849,518
Other revenues	**583,008**	350,350
Total revenues	**24,340,728**	26,199,868
Cost of sales	**18,076,202**	19,422,841
Gross profit	**6,264,526**	6,777,027
Selling, general and administrative expenses:		
Salaries and wages	**2,944,876**	2,576,017
Insurance	**597,306**	667,211
Royalties and external commissions	**76,869**	419,102
Depreciation	**376,899**	346,855
Professional fees	**390,021**	304,686
Gas	**343,751**	299,943
Travel expenses	**235,536**	220,511
Repairs and maintenance	**652,279**	203,053
Amortization	**207,525**	175,324
Payroll taxes	**200,493**	172,455
Utilities	**159,907**	166,361
Supplies	**209,783**	157,298
Provision for discontinued patents pending	**104,000**	121,544
Promotional events	**119,710**	114,604
Employee benefits	**104,247**	101,729
Employee commissions	**29,153**	100,993
Taxes and licenses	**139,605**	92,037
Miscellaneous	**342,318**	77,954
Outside labor	**48,724**	62,983
Telephone	**46,780**	51,898
Advertising	**102,529**	51,800
Meals and entertainment	**38,538**	51,279
Internet and computer services	**40,804**	39,934
Samples	**31,195**	37,177
Rent	**26,108**	30,814
Uniforms	**27,284**	25,203
Dues and subscriptions	**27,342**	24,100
Postage and freight	**13,629**	19,069
Bank charges	**17,371**	17,043
Data processing	**13,268**	12,296
Provision for bad debts	**(26,696)**	7,189
Bad debt	**26,707**	–
Safety	**1,224**	987
Less applied production costs	**(1,772,445)**	(1,468,322)
Total selling, general and administrative expenses	**5,896,640**	5,281,127

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

Statements of Income and Members' Equity

Year Ended March 31,	**2017**	2016
Research and development	**31,679**	12,624
Operating income	**336,207**	1,483,276
Other income (expense):		
Earnings on equity method investment (Notes 2 and 7)	**143,763**	88,040
Gain on sale and remeasurement of equity investment, net (Notes 2 and 7)	**–**	161,693
Interest expense	**(50,324)**	(65,150)
Other income (expense)	**(910)**	(121)
Total other income (expense), net	**92,529**	184,462
Net income	**428,736**	1,667,738
Members' equity, beginning of year	**10,914,395**	9,644,492
Member distributions	**(487,412)**	(397,835)
Members' equity, end of year	**$10,855,719**	$ 10,914,395

See accompanying notes to financial statements and independent auditor's report.

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

Statements of Cash Flows

Year Ended March 31,	**2017**	2016
Cash flows from operating activities:		
Net income	$ **428,736**	$ 1,667,738
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**584,424**	522,179
Provision for patents	**104,000**	121,544
Provision for bad debt	**26,696**	7,189
Provision for excessive or obsolete inventory	**232,178**	405,462
Gain on sale and remeasurement of equity investment, net	**–**	(161,693)
Earnings on equity method investment	**(143,763)**	(88,040)
Changes in operating assets and liabilities:		
Accounts receivable	**2,350,945**	(1,363,592)
Inventories	**(1,326,063)**	752,830
Prepaid expenses and other current assets	**(41,306)**	(76,285)
Accounts payable	**(1,863,158)**	138,719
Accrued expenses	**(207,228)**	92,661
Related party receivables/payables, net	**592,827**	(656,534)
Net cash provided by operating activities	**738,288**	1,362,178
Cash flows from investing activities:		
Purchase of property and equipment	**(32,225)**	(259,642)
Purchase of intangible assets	**(581,994)**	(682,876)
Distributions from equity investee	**–**	360,381
Proceeds from sale of equity method investment	**–**	18,367
Proceeds from sale of fixed asset	**28,244**	–
Net cash used for investing activities	**(585,975)**	(563,770)
Cash flows from financing activities:		
Distributions to Members	**(487,412)**	(397,835)
Repayments on related party notes payable	**(257,893)**	–
Borrowings on line of credit	**2,750,000**	695,000
Repayment on line of credit	**(2,150,000)**	(1,095,049)
Net cash used for financing activities	**(145,305)**	(797,884)
Net increase in cash and cash equivalents	**7,008**	524
Cash and cash equivalents, beginning of year	**479,200**	478,676
Cash and cash equivalents, end of year	$ **486,208**	$ 479,200
Supplemental disclosures of cash flow information:		
Interest paid	$ **54,361**	$ 72,876

See accompanying notes to financial statements and independent auditor's report.

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 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. 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 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, 2017 and 2016, the Company has recorded an allowance for doubtful accounts of approximately $4,000 and $30,000, respectively.

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.

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, 2017 and 2016.

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 $103,000 and $52,000 in advertising expenses for the years ended March 31, 2017 and 2016, 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.

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.

As a result of the recharacterization of the Company's investment in LaBelle Botanics, LLC ("LaBelle") from a controlling financial interest to the equity method of accounting, the Company remeasured its remaining noncontrolling interest in LaBelle at the date of the recharacterization (see Note 7). The significant unobservable inputs for this Level 3 nonrecurring fair value measurement of an asset include a discounted cash flow analysis using the income approach. This approach is based on a probability weighted forecast of future revenues and cash expenses associated with LaBelle. The net cash flows attributable to the LaBelle's operations were discounted to their present value using a rate determined by the Company based on its evaluation of the risks related to the cash flows.

Additional assumptions used to calculate the fair value of the Company's investment in LaBelle at the date of recharacterization during fiscal 2016 include a weighted average cost of capital discount rate of 12.9%, a discount for lack of marketability of 35.00% and a long-term growth rate of 2.50%.

The following table summarizes the changes in the investment in LaBelle for the year ending March 31, 2017 and 2016, including the nonrecurring fair value remeasurement of the investment at the date of recharacterization:

Year Ended March 31,	**2017**	2016
Balance at beginning of year	**$ 1,271,040**	$ 1,400,054
Distributions from equity investee	–	(360,381)
Sale of partial ownership interest	–	(54,904)
Increase for remeasurement of noncontrolling interest	–	198,231
Earnings on equity method investment	**143,763**	88,040
Balance at end of year	**$ 1,414,803**	$ 1,271,040

There are no other instruments measured using Level 3 inputs.

Accounting Pronouncement Issued but Not Yet Adopted

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.

Reclassifications

Certain items have been reclassified in the 2016 financial statements to conform to the 2017 presentation.

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 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 $487,000 and $398,000 to its Members during the years ended March 31, 2017 and 2016, respectively.

4. Inventories

Inventories consist of the following:

March 31,	**2017**	2016
Raw materials	**$ 2,103,714**	$ 1,688,792
Work in process	**1,692,702**	1,318,776
Finished goods	**2,600,401**	2,363,427
Less: reserve for excessive or obsolete inventory	**(226,146)**	(294,209)
	$ 6,170,671	$ 5,076,786

5. Property and Equipment

Property and equipment consist of the following:

March 31,	*Estimated Useful Life*	**2017**	2016
Land and improvements	0-20 years	**$ 163,143**	$ 163,143
Building and improvements	7-20 years	**4,303,780**	4,303,780
Machinery and equipment	5-12 years	**4,914,633**	4,922,006
Furniture and fixtures	3-10 years	**471,230**	459,876
Vehicles	5 years	**26,111**	26,111
		9,878,897	9,874,916
Less: accumulated depreciation		**(7,873,795)**	(7,499,609)
		$ 2,005,102	$ 2,375,307

6. Intangible Assets

Intangible assets consist of the following:

March 31,	Estimated Useful Lives	**2017**	2016
Patents	10-20 years	**$ 2,386,419**	$ 2,008,650
Pending patents	–	**1,355,718**	1,358,580
Regulatory permitting costs	10-20 years	**142,302**	142,302
Trademarks	Indefinite	**458,598**	418,039
Clinical trial costs	–	**309,328**	142,800
		4,652,365	4,070,371
Less: reserve on patents pending		**(204,000)**	(100,000)
Less: accumulated amortization		**(974,360)**	(764,122)
		$ 3,474,005	$ 3,206,249

The Company will begin amortizing $1,355,718 in pending patent costs upon their approval by the associated regulatory agency and $309,328 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,	
2018	$ 247,000
2019	245,000
2020	236,000
2021	215,000
2022	184,000
Thereafter	428,000
	$ 1,555,000

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 for a loss of $36,537, and became a noncontrolling member, requiring a change from consolidation of LaBelle to application of the equity method under U.S. GAAP. U.S. GAAP requires fair value remeasurement of any remaining noncontrolling interest held by the Company when the underlying investment is recharacterized from a controlled financial interest to an equity investment for financial reporting purposes. The Company performed a remeasurement of the fair value of its remaining noncontrolling interest in LaBelle under the equity method as of April 2, 2015. The remeasurement resulted in a gain of $198,231 based on a fair value of $1,183,000 for the 49% ownership interest for the year ended March 31, 2016.

Condensed financial information of LaBelle as of and for the years ended March 31, 2017 and 2016 is as follows:

	2017	2016 (unaudited)
Assets	**$ 3,353,811**	$ 1,967,685
Liabilities	**2,599,284**	1,296,030
Members' equity	**754,527**	671,654
Net income	**293,393**	179,674

The Company recognized approximately $144,000 and $88,000 in earnings from its equity method investment in LaBelle for the years ended March 31, 2017 and 2016, respectively. The financial statements of LaBelle for the year ended March 31, 2017 were audited by other auditors whose report dated April 13, 2017, 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 $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.

The balance of $300,091 at March 31, 2016 includes approximately $79,000 due from the Company's majority Member, of which approximately $42,000 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 $212,000 of amounts due from LaBelle (Note 7) and approximately $9,000 due from employees of the Company.

No defined payment terms exist on related party receivables as they are considered normal trade receivables of the Company for normal operational purposes 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 $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., 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.

The balance of $893,631 at March 31, 2016 includes advances and other trade accounts payable to the Company's majority Member of approximately $768,000, as well as approximately $121,000 owed to Alimtec S.A., an entity under common ownership with the majority Member, and approximately $4,000 representing accrued interest on Related Party Debt due to officers of the Company.

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 Debt

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 are now due in full on June 30, 2018, at which time all outstanding principal and associated accrued and unpaid interest is due and payable. Interest accrues 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. Total principal of approximately $555,000 and $644,000 is outstanding as of March 31, 2017 and 2016, respectively.

The Company issued three notes to one of its minority members in previous years which had an outstanding balance of $169,000 at March 31, 2016. These related party notes were paid off in full during 2017.

Consignment Agent Agreement

In September 2009, the Company entered into a Consignment Agent Agreement (“Agreement”) with its majority 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 $382,000 and $278,000 in commission revenue under the Agreement for the years ended March 31, 2017 and 2016, 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, 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.

For the year ended March 31, 2016, the Company purchased product from the Company’s majority Member, LaBelle, and Alimtec S.A. of approximately $655,000, $144,000 and $337,000, respectively.

9. Line of Credit

The Company currently maintains a line of credit for a maximum borrowing limit of $1,300,000. The loan bears interest at LIBOR plus 2.50%, per annum, with a floor of 2.00% (3.50% at March 31, 2017), and is revolving in nature. The loan is secured by the assets of the Company. At March 31, 2017, the Company had $600,000 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.

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 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.

The Company had two customers that accounted for approximately 29% and 15% of total revenues, respectively, for the year ended March 31, 2016. These customers accounted for approximately 23% and 24% of accounts receivable – trade, respectively, at March 31, 2016.

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 $20,000 and $46,000 for the years ended March 31, 2017 and 2016, 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, 2017 and 2016, the Company made approximately $82,000 and $62,000, 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. The line of credit and associated guarantee matures on September 15, 2017. The outstanding line of credit at March 31, 2017 was $1,535,000.

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, 2017 as of April 17, 2017, which is the date the financial statements were issued. Subsequent events occurring after April 17, 2017 have not been evaluated by management. No material events have occurred since March 31, 2017 that require recognition or disclosure in the financial statements.