FITLIFE BRANDS, INC.
Form 10-K
April 17, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2016

OR

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

Commission File Number: 000-52369

FitLife Brands, Inc.
(Name of small business issuer as specified in its charter)

Nevada 20-3464383
(State of Incorporation) (IRS Employer Identification No.)

4509 S. 143rd Street, Suite 1, Omaha, Nebraska 68137
(Address of principal executive offices)

(402) 884-1894
(Issuer's telephone number)

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

Securities registered under Section 12(g) of the Exchange Act:
Common Stock, $0.01 par value per share

(Title of Class)
Common Stock, $.01 Par Value

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 (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 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 (Sec.232.405 of this chapter) during the preceding 12 months (or for such a shorter period that the registrant was required to submit and post such files). 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 smaller reporting company. See definition of “accelerated filer”, “large accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

(Check one):

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter: $11,704,042.

State the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date: As of April 16, 2017, there were 10,441,469 shares of common stock, $0.01 par value per share, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Items 10, 11, 12, 13 and 14 of Part III incorporate by reference information from the registrant’s definitive proxy statement to be filed with the Securities and Exchange Commission in connection with the solicitation of proxies for the registrant’s 2016 annual meeting of stockholders.

FITLIFE BRANDS, INC.
FORM 10-K ANNUAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016 and 2015
TABLE OF CONTENTS

		PAGE
PART I		
ITEM 1.	Business	1
ITEM 1A.	Risk Factors	6
ITEM 1B.	Unresolved Staff Comments	11
ITEM 2.	Properties	11
ITEM 3.	Legal Proceedings	11
ITEM 4.	Reserved	11
PART II		
ITEM 5.	Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	12
ITEM 6.	Selected Financial Data	12
ITEM 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	13
ITEM 7A.	Quantitative and Qualitative Disclosures About Market Risk	17
ITEM 8.	Consolidated Financial Statements and Supplementary Data	17
ITEM 9.	Changes In and Disagreements with Accountants on Accounting and Financial Disclosure	17
ITEM 9A.	Controls and Procedures	17
ITEM 9B.	Other Information	18
PART III		
ITEM 10.	Directors, Executive Officers, and Corporate Governance	19
ITEM 11.	Executive Compensation	19
ITEM 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	19
ITEM 13.	Certain Relationships and Related Transactions, and Director Independence	19
ITEM 14.	Principal Accountant Fees and Services	19
PART IV		
ITEM 15.	Exhibits and Financial Statement Schedules	20
SIGNATURES		21

CERTIFICATIONS
Exhibit 31 – Certification pursuant to Rule 13a-14(a) and 15d-14(a)
Exhibit 32 – Certification pursuant to 18 U.S.C 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Table of Contents

Forward Looking Statements — Cautionary Language

This Annual Report on Form 10-K contains various “forward looking statements“ within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, regarding future events or the future financial performance of the Company that involve risks and uncertainties. Certain statements included herein, including, without limitation, statements related to anticipated cash flow sources and uses, and words including but not limited to “anticipates“, “believes“, “plans“, “expects“, “future“ and similar statements or expressions, identify forward looking statements. Any forward-looking statements herein are subject to certain risks and uncertainties in the Company’s business, including but not limited to, reliance on key customers and competition in its markets, market demand, product performance, technological developments, maintenance of relationships with key suppliers, difficulties of hiring or retaining key personnel and any changes in current accounting rules, all of which may be beyond the control of the Company. The Company adopted at management’s discretion, the most conservative recognition of revenue based on the most astringent guidelines of the SEC. Management will elect additional changes to revenue recognition to comply with the most conservative SEC recognition on a forward going accrual basis as the model is replicated with other similar markets. The Company’s actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth therein.

This Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other documents filed with the SEC include additional factors, which could impact FitLife Brands, Inc.'s business and financial performance. Moreover, FitLife Brands, Inc. operates in a rapidly changing and competitive environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors. Further, it is not possible to assess the impact of all risk factors on FitLife Brands, Inc.'s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. In addition, FitLife Brands, Inc. disclaims any obligation to update any forward-looking statements to reflect events or circumstances that occur after the date of the report.

PART I

ITEM 1. BUSINESS

As used in this Annual Report, “we“, “us“, “our“, “FitLife“, “FitLife Brands“ “Company“ or “our company“ refers to FitLife B
Inc. and all of its subsidiaries.

Overview

FitLife Brands, Inc. (the “Company”) is a national provider of innovative and proprietary nutritional supplements for health conscious consumers marketed under the brand names NDS Nutrition ProductsTM (“NDS”) (www.ndsnutrition.com), PMDTM (www.pmdsports.com), SirenLabsTM (www.sirenlabs.com), CoreActiveTM (www.coreactivenutrition.com), and Metis NutritionTM (www.metisnutrition.com) (together, “NDS Products”). With the consummation of the merger with iSatori, Inc. (“iSatori”) on September 30, 2015, which became effective on October 1, 2015, described below (the “Merger”), the Company added several brands to its product portfolio, including iSatori (www.isatori.com), BioGenetic Laboratories (www.biogeneticlabs.com), and Energize (www.tryenergize.com) (together, “iSatori Products”). The NDS Products are distributed principally through franchised General Nutrition Centers, Inc. (“GNC”) stores located both domestically and internationally, and, with the addition of Metis Nutrition, through corporate GNC stores in the United States. The iSatori Products are sold through more than 25,000 retail locations, which include specialty, mass, and online.

The Company was incorporated in the State of Nevada on July 26, 2005. In October 2008, the Company acquired the assets of NDS Nutritional Products, Inc., a Nebraska corporation, and moved those assets into its wholly owned subsidiary NDS Nutrition Products, Inc., a Florida corporation (“NDS”). The Company’s NDS Products are sold through NDS and the iSatori Products are sold through iSatori, Inc., a Delaware corporation and a wholly owned subsidiary of the Company.

FitLife Brands is headquartered in Omaha, Nebraska and maintains an office in Golden, Colorado, which it acquired in connection with the Merger. For more information on the Company, please go to http://www.fitlifebrands.com. The Company’s common stock currently trades under the symbol FTLF on the OTC:PINK market.

iSatori Merger

On September 30, 2015, the Company consummated the Merger contemplated by the Agreement and Plan of Merger, dated May 18, 2015 (the “Merger Agreement“), among the Company, ISFL Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company (“Merger Sub“), and iSatori, pursuant to which iSatori merged with and into Merger Sub, with iSatori surviving as a wholly-owned subsidiary of the Company. The Merger was approved by iSatori shareholders at a special meeting held on September 29, 2015 and became effective on October 1, 2015 (the “Closing Date“).

In connection with the closing of the Merger, each share of iSatori common stock outstanding on the Closing Date became exchangeable for 0.1732 shares of the Company's common stock (the “Exchange Ratio“). In the event any iSatori shareholder would otherwise be entitled to a fractional share of the Company's common stock, the Company agreed to pay the value of those fractional interests in cash. The Company issued a total of 2,315,644 shares of common stock and paid a total of $239 for remaining fractional interests to former iSatori shareholders in connection with the Merger.

Table of Contents

Recent Developments

None.

Industry Overview

We compete principally in the nutrition industry. The Nutrition Business Journal categorizes the industry in the following segments:

Natural & Organic Foods (products such as cereals, milk, non-dairy beverages and frozen meals);

Functional Foods (products with added ingredients or fortification specifically for health or performance purposes); and

Natural & Organic Personal Care and Household Products.

Management believes that the following factors drive growth in the nutrition industry:

The general public's awareness and understanding of the connection between diet and health;

The aging population in the Company's markets who tend to use more nutritional supplements as they age;

Increasing healthcare costs and the consequential trend toward preventative medicine and non-traditional medicines; and

Product introductions in response to new scientific studies.

Our Products

The Company currently focuses its sales and marketing efforts on its full line of sports, weight loss and general nutrition products that are currently marketed and sold nationally as well as internationally. The Company currently markets approximately 60 different NDS Products to more than 900 GNC franchise locations located in the United States, as well as to approximately 900 additional franchise locations in more than 15 countries, both of which are distributed primarily through GNC's distribution system. In addition, as a result of the launch of Metis Nutrition, we distribute products through more than 3,000 corporate GNC stores in the United States, and with the completion of the Merger, we sell iSatori Products through more than 25,000 retail locations, which include specialty, mass, and online. A complete product list is available on our websites at fitlifebrands.com, ndsnutrition.com, pmdsports.com, sirenlabs.com, coreactivenutrition.com, metisnutrition.com, and isatori.com.

NDS Products

The Company's NDS Products sold through GNC franchise locations include:

NDS – Innovative weight loss, general health and sports nutrition supplements, examples include Censor, Cardio Cuts and LipoRUSH DS;

PMD – Precision sports nutrition formulations for professional muscular development, examples include Amplify XL, Pump Fuel and Flex Stack;

Siren Labs – Weight loss and sports nutrition performance enhancing supplements for fitness enthusiasts, examples include Isolate, Shock'd and NeuroLean; and

Metis Nutrition – multifaceted men's health and weight loss formulations, including JXT5 and PyroStim, currently distributed through more than 3,000 corporate stores and 500 franchise stores nationally.

NDS Products also include innovative diet, health and sports nutrition supplements and related products marketed through its Core Active Nutrition product line ("Core Active Nutrition Products"). Core Active Nutrition Products provide essential support for accelerated fitness and nutrition goals sold directly to athletic facilities, gyms, and independent retailers nationwide.

Table of Contents

iSatori Products

iSatori Products include scientifically engineered nutritional products that are sold through online marketing, Fortune 500 retailers, and thousands of retail stores around the world. iSatori Products include:

Sports Nutritionals: Products including Bio-Active Peptides product (Bio-GroTM), advanced branched-chain amino acids powder with Bio-Active Peptides (Amino-GroTM), advanced creatine powder supercharged with Agmatine and Betaine (5XLTM), natural testosterone booster in both pill and powder form (Isa-TestTM and Isa-Test DA3TM), and a pre-workout muscle-building powdered drink mix (Pre-GroTM);

Energy & Sports Drink Products: iSatori's energy supplements, Energize and Energize BulletsTM, are tablets and drinks whose primary purpose is to safely "boost energy" provided by a combination of time-released caffeine, vitamins, and herbal formulations;

Meal Replacements: protein-based products related to health nutrition and performance, includes iSatori's 100% Bio-Active Whey, a premium protein blend with Bio-Active Peptides; and

Weight Loss Products: iSatori's weight loss products are principally sold under the BioGenetics Laboratories brand, and include Forskohlin Lean & ToneTM and Garcinia Trim, as well as iSatori's newest thermogenic, LIPO-DREXTM with C3G nutrient partitioning technology.

Manufacturing, Sources and Availability of Raw Materials

All of the Company's products are manufactured by pre-selected FDA-regulated contract manufacturers. The Company utilizes third-party manufacturers to provide its finished products, within the United States and Canada. Each contract manufacturer is required by the Company to abide by current Good Manufacturing Practices ("cGMPs") to ensure quality and consistency, and to manufacture its products according to the Company's strict specifications, and nearly all our contract manufacturers are certified through a governing body such as the NPA ("Natural Products Association") or NSF International. In most cases, contract manufacturers purchase the raw materials based on the Company's specifications; however, from time to time, the Company will license particular raw material ingredients and supply its own source to the manufacturer. Once produced, in addition to in-house testing performed by the contract manufacturer, the Company may also perform independent analysis and testing. The contract manufacturer ships the finished product to one of our fulfillment centers in either Omaha, Nebraska or Denver, Colorado, or to our distributors. The Company has implemented vendor qualification programs for all of its suppliers and manufacturers, including analytical testing of purchased products. As part of the vendor program, the Company also periodically inspects vendors' facilities to monitor quality control and assurance procedures.

Product Reformulations and New Product Identification

From time to time we reformulate existing products to address market developments and trends, and to respond to customer requests. We also continually expand our product line through the development of new products. New product ideas are derived from a number of sources, including internally, trade publications, scientific and health journals, consultants, distributors, and other third parties. Prior to reformulating existing products or introducing new products, we investigate product formulations as they relate to regulatory compliance and other issues. We introduced

a total of 55 new products during the year ended December 31, 2016, which included 24 completely new products, and 31 product reformulations and flavor extensions. We anticipate launching a similar number of new and reformulated products during 2017 across all brands.

Management continually assesses and analyzes developing market trends to detect and proactively address what they believe are areas of unmet or growing demand that represent an opportunity for the Company and, where deemed appropriate, attempts to introduce new products and/or packaging solutions in direct response to meet that demand.

Sales, Marketing and Distribution

NDS Products

NDS Products are sold through more than 900 GNC franchise locations located throughout the United States. The Company also currently distributes NDS Products to approximately 900 GNC international franchise locations in more than 15 countries. On May 1, 2014, the Company transitioned the majority of its distribution of NDS Products to GNC's centralized distribution platform for all NDS Products, excluding protein, which transitioned in mid-September 2014. Prior to the change, the majority of the Company's revenue was realized upon direct shipment of NDS Products to individual franchise locations. For the year ended December 31, 2016, virtually all sales of NDS Products were attributable to sales through GNC's centralized distribution platform.

Our sales and marketing efforts are designed to expand sales of NDS Products to additional GNC franchise locations both domestically and internationally, as well as developing a broader retail presence for our Core Active Nutrition Products and continued expansion of our Metis Nutrition brand during 2017. The launch of Metis is an exciting milestone for the Company and represents a compelling growth platform for the Company. Management believes that substantial growth opportunities exist to increase revenue attributable to NDS Products with GNC, especially given GNC's stated goal of "refranchising" (i.e., converting corporate owned stores into franchise locations) up to 1,000 total stores over the next three or four years, continued expansion in the international franchise system, and additional domestic growth in GNC's corporate stores with Metis Nutrition. The domestic franchise market remains a strong business and the core of our operations. Management is excited to continue to work collaboratively with the franchisees to build on our established track records of growth and innovation.

Table of Contents

iSatori Products

iSatori Products are distributed directly to consumers through its websites and a proprietary online direct marketing system, as well as through wholesalers, specialty, online-only, grocery, convenience, drug and mass-market distribution channels. Through established distribution channel networks, iSatori has created channel access to over 120,000 domestic and international retail locations. iSatori products are currently sold in over 25,000 retail locations. iSatori creates marketing, promotion, and packaging devices in its efforts to drive demand for its products through its established retail distribution.

In some cases, iSatori utilizes independent brokers, who work in conjunction with iSatori's experienced sales employees and management to oversee the grocery, drug and mass market channels. iSatori sells its products to mass-market merchandisers either directly or through distributors of nutritional supplement products. Major distributor, grocery, drug, convenience, club and mass-market customers are and/or have included: Albertsons, Amazon, Bally's Total Fitness, BodyBuilding.com, Costco, CVS, Drugstore.com, Europa Sports, GNC, Kroger, Rite Aid, Super Value, 24 Hour Fitness, 7-Eleven, Vitamin Shoppe, Vitamin World, Walgreens and Wal-Mart.

iSatori's core strategy is to build brands within its channels of distribution that are appropriate for each product brand and to develop increased brand awareness and strong brand recognition among consumers seeking products with a reputation for quality and innovation. iSatori has utilized social media campaigns, coupons, print, radio, online and television advertising, plus cooperative and other incentive programs to build consumer awareness and generate trial and repeat purchases to drive sales revenue. Marketing and sales groups regularly review the media mix for its effectiveness in creating consumer demand and the highest return on investment dollars.

In addition, iSatori's conventional distribution marketing and its proprietary internet marketing strategy are designed to increase awareness of proprietary brands and drive targeted traffic to iSatori's websites to make purchases. Through iSatori's online marketing system, its network affiliates use a multi-channel approach which includes search engine marketing, email campaigns, banner advertisements and additional affiliate programs to acquire new customers and retain a repeatable customer base.

Product Returns

We currently have a 30-day product return policy for NDS Products, which allows for a 100% sales price refund, less a 20% restocking fee, for the return of unopened and undamaged products purchased from us online through one of our websites. Product sold to GNC may be returned from store shelves or the distribution center in the event product is damaged, short dated, expired or recalled. GNC maintains a customer satisfaction program which allows customers to return product to the store for credit or refund. Subject to certain terms and restrictions, GNC may require reimbursement from vendors for unsaleable returned product through either direct payment or credit against a future invoice. We also support a product return policy for iSatori Products, whereby customers can return product for credit or refund. Historically, with a few noted exceptions, product returns have been immaterial. That said, despite the best efforts of management, product returns can and do occur from time to time and can be material.

Competition

The Company competes with many companies engaged in the nutritional supplement industry. The Company also competes with companies who sell products similar to the Company's products online. Many of the Company's competitors have significantly greater financial and human resources than our own. The Company seeks to differentiate its products and marketing from its competitors based on product quality, benefits, and functional ingredients. Patent and trademark applications that cover new formulas and embody new technologies will be pursued

whenever possible. While we cannot assure that such measures will block competitive products, we believe our continued emphasis on innovation and new product development targeted at the needs of the consumer will enable the Company to effectively compete in the marketplace.

Regulatory Matters

Our business is subject to varying degrees of regulation by a number of government authorities in the U.S., including the FDA, the Federal Trade Commission ("FTC"), the Consumer Product Safety Commission, the U.S. Department of Agriculture, and the Environmental Protection Agency. Various agencies of the states and localities in which we operate and in which our products are sold also regulate our business, such as the California Department of Health Services, Food and Drug Branch. The areas of our business that these and other authorities regulate include, among others:

- product claims and advertising;
- product labels;
- product ingredients; and
- how we manufacture, package, distribute, import, export, sell and store our products.

Table of Contents

The FDA, in particular, regulates the formulation, manufacturing, packaging, storage, labeling, promotion, distribution and sale of vitamins and other nutritional supplements in the U.S., while the FTC regulates marketing and advertising claims. In August 2007, a new rule issued by the FDA went into effect requiring companies that manufacture, package, label, distribute or hold nutritional supplements to meet cGMPs to ensure such products are of the quality specified and are properly packaged and labeled. We are committed to meeting or exceeding the standards set by the FDA and believe we are currently operating within the FDA mandated cGMPs.

The FDA also regulates the labeling and marketing of dietary supplements and nutritional products, including the following:

- the identification of dietary supplements or nutritional products and their nutrition and ingredient labeling;
- requirements related to the wording used for claims about nutrients, health claims, and statements of nutritional support;
- labeling requirements for dietary supplements or nutritional products for which “high potency“ and “antioxidant“ claims are made;
- notification procedures for statements on dietary supplements or nutritional products; and
- premarket notification procedures for new dietary ingredients in nutritional supplements.

The Dietary Supplement Health and Education Act of 1994 (“DSHEA“) revised the provisions of the Federal Food, Drug and Cosmetic Act concerning the composition and labeling of dietary supplements and defined dietary supplements to include vitamins, minerals, herbs, amino acids and other dietary substances used to supplement diets. DSHEA generally provides a regulatory framework to help ensure safe, quality dietary supplements and the dissemination of accurate information about such products. The FDA is generally prohibited from regulating active ingredients in dietary supplements as drugs unless product claims, such as claims that a product may heal, mitigate, cure or prevent an illness, disease or malady, trigger drug status.

DSHEA also 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 FDA. 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 intent to sell the product as an unapproved new drug, a violation of the FDCA.

In December 2006, the Dietary Supplement and Nonprescription Drug Consumer Protection Act ("DSNDCPA") was passed, which further revised the provisions of the Federal Food, Drug and Cosmetic Act. Under the act, manufacturers, packers or distributors whose name appears on the product label of a dietary supplement or nonprescription drug are required to include contact information on the product label for consumers to use in reporting adverse events associated with the product's use and for us to notify the FDA of any serious adverse event report within 15 business days of receiving such report. Events reported to the FDA would not be considered an admission from a company that its product caused or contributed to the reported event. We are committed to meeting or exceeding the requirements of the DSNDCPA.

We are also subject to a variety of other regulations in the U.S., including those relating to bioterrorism, taxes, labor and employment, import and export, the environment and intellectual property. All of these regulations require significant financial and operational resources to ensure compliance, and we cannot assure you that we will always be in compliance despite our best efforts to do so.

Table of Contents

Our operations outside the U.S. are similarly regulated by various agencies and entities in the countries in which we operate and in which our products are sold. The regulations of these countries may conflict with those in the U.S. and may vary from country to country. The sale of our products in certain European countries is subject to the rules and regulations of the European Union, which may be interpreted differently among the countries within the European Union. In other markets outside the U.S., we may be required to obtain approvals, licenses or certifications from a country's ministry of health or comparable agency before we begin operations or the marketing of products in that country. Approvals or licenses may be conditioned on reformulation of our products for a particular market or may be unavailable for certain products or product ingredients. These regulations may limit our ability to enter certain markets outside the U.S. As with the costs of regulatory compliance in the U.S., foreign regulations require significant financial and operational resources to ensure compliance, and we cannot assure you that we will always be in compliance despite our best efforts to do so. Our failure to maintain regulatory compliance within and outside the U.S. could impact our ability to sell our products and thus, materially impact our financial position and results of operations.

Patents, Trademarks and Proprietary Rights

The Company regards intellectual property, including its trademarks, service marks, website URLs (domains) and other proprietary rights, as valuable assets and part of their revered brand equity. The Company believes that protecting such intellectual property is crucial to its business strategy. The Company pursues registrations of the registrable trademarks, service marks and patents, associated with its key products in the United States, Canada, Europe and other places it distributes its products.

The Company formulates its products using proprietary ingredient formulations, flavorings and delivery systems. To further protect its product formulations and flavors, the Company enters into agreements with manufacturers which provide exclusivity to certain products formulations and delivery technologies. When appropriate, the Company will seek to protect its research and development efforts by filing patent applications for proprietary product technologies or ingredient combinations. We have abandoned or not pursued efforts to register certain other patents and marks identifying other items in our product line for various reasons including the inability of some names to qualify for registration or patent applications to qualify for patent protection, and due to our abandonment of certain such products. All trademark registrations are protected for a period of ten years and then are renewable thereafter if still in use.

Employees

We had 32 full-time employees (20 for NDS and 12 for iSatori) and one part-time employee as of December 31, 2016. We consider our employee relations to be good. In addition to the above, the Company retains consultants for certain services on an as needed basis.

Environmental Regulation

Our business does not require us to comply with any particular environmental regulations.

ITEM 1A - Risk Factors

An investment in our common stock involves a high degree of risk. You should carefully consider the following information about these risks, together with the other information contained in this Annual Report on Form 10-K, before investing in our common stock. If any of the events anticipated by the risks described below occur, our results of operations and financial condition could be adversely affected which could result in a decline in the market price of

our common stock, causing you to lose all or part of your investment.

The Company was profitable during the year ended December 31, 2016, however we may not be able to achieve sustained profitability. The Company's failure to sustain profitability or effectively manage growth could result in continued net losses, and therefore negatively affect the Company's financial condition.

To achieve continual and consistent profitable operations, the Company must maintain growth in revenue from its products, including sales of NDS Products to GNC franchisees, and sales of iSatori Products. In the event of any decrease in sales, if the Company is not able to maintain growth, or if the Company is unable to effectively manage its growth, the Company may not be able to sustain profitability, and may incur net losses in the future, and those net losses could be material. In the event the Company achieves net losses, its financial condition could be negatively affected, and such affect could be material.

Table of Contents

We were not in compliance with certain bank covenants at December 31, 2016, and, although a waiver was obtained with respect to such non-compliance, in the event we are subsequently in violation of such covenants, and we are unable to obtain a waiver, we will be in default.

As of December 31, 2016, the Company was not in compliance with certain financial covenants with a four-quarter look-back period in its existing term loan and revolving line of credit with U.S. Bank (the "Bank"), principally due to decreased revenue received during the third quarter of fiscal 2016. The Company received a waiver for all covenant defaults on both the existing five-year term loan and revolving line of credit with the Bank for the quarter ended December 31, 2016. No consideration was paid or payable in connection with such waiver. Receipt of the waiver for the current period notwithstanding, no assurances can be given with respect to either the Company's ability to secure and maintain compliance with the covenants in future periods, or, in the event the Company is not compliant, that the Bank with provide a waiver of compliance for such covenants in future periods. In the event the Company is not in compliance with the covenants in future periods and the Bank fails to provide a waiver, declares the term loan or revolving line of credit to be in default, and terminates the term loan or the revolving line of credit, any amounts due the Bank at such time would become immediately due and payable. In such event, our financial condition will be negatively affected, and such affect could be material.

We are currently dependent on sales to GNC for a substantial portion of our total sales.

Sales to GNC's centralized distribution platform accounted for approximately 82% of total sales including indirect distribution of product to domestic and international franchisees. GNC's franchisees are not required to purchase product from the Company. In the event GNC ceases purchasing products from the Company, or otherwise reduce their purchases, the Company's total revenues would be negatively impacted, and such impact will be material. Moreover, the transition to GNC's centralized distribution system has had the effect of concentrating the majority of our accounts receivable with a single payor. Prior to the transition, the Company collected receivables directly from over 300 franchisees on an annual basis representing approximately 900 store locations. While the acquisition of iSatori has reduced the percentage of total accounts receivable attributable to GNC, the Company anticipates that GNC will continue to represent a substantial portion of all accounts receivable for the foreseeable future. In the event that GNC stops paying or there are other issues affecting the Company's relationship with GNC, the inability of the Company to collect on its outstanding accounts receivable would have a material adverse impact on its financial position and ability to support continued operations.

Our ability to materially increase sales is largely dependent on the ability to increase sales of product to GNC, as well as increasing sales of our Core Active Nutrition Products and iSatori Products. We may invest significant amounts in these expansions with little success.

We currently are focusing our marketing efforts on increasing the sale of products to GNC, both domestically and internationally, as well as increasing the number of retailers selling Core Active Nutrition Products and iSatori Products. We may not be successful increasing sales to GNC, or contracting with additional distributors or retailers to market and sell Core Active Nutrition Products or iSatori Products. In addition, although we continue efforts to expand international distribution for our products in the year ended December 31, 2016, we have no assurance that any further efforts to sell our products outside the United States will result in material increased revenue. We may need to overcome significant regulatory and legal barriers in order to continue to sell our products internationally, and we cannot give assurance as to whether we will be able to comply with such regulatory or legal requirements.

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

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 products. Our products are manufactured on a purchase order basis only and manufacturers can terminate their relationships with us at will. 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 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 believe that we can meet our current supply and manufacturing requirements with our current suppliers and manufacturers or with available substitute suppliers and manufacturers. Historically, we have not experienced any delays or disruptions to our business caused by difficulties in obtaining supplies.

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.

While we require that our manufacturers 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.

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 return to or maintain profitability.

We face intense competition from numerous resellers, manufacturers and wholesalers of protein shakes and nutritional supplements similar to ours, including retail, online and mail order providers. Many 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, ingredients, or those of similar companies, could adversely affect our sales and revenue.

Our 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.

The efficiency of nutritional supplement products is supported by limited conclusive clinical studies, which could result in less market acceptance of these products and lower revenues or lower growth rates in revenues.

Our nutritional supplement products are made from various ingredients including vitamins, minerals, amino acids, herbs, botanicals, fruits, berries and other substances for which there is a long history of human consumption. However, there is little long-term experience with human consumption of certain product ingredients or combinations of ingredients in concentrated form. Although we believe all of our products fall within the generally known safe limits for daily doses of each ingredient contained within them, nutrition science is imperfect. Moreover, some people have peculiar sensitivities or reactions to nutrients commonly found in foods, and may have similar sensitivities or reactions to nutrients contained in our products. Furthermore, nutrition science is subject to change based on new research. New scientific evidence may disprove the efficacy of our products or prove our products to have effects not previously known. We could be adversely affected by studies that may assert that our products are ineffective or harmful to consumers, or if adverse effects are associated with a competitor's similar products.

Table of Contents

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

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 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.

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.

If the products we sell do not have the healthful effects intended, our business may suffer.

In general, our products sold consist of nutritional supplements, which are classified in the United States as “dietary supplements“ which do not currently require approval from the FDA or other regulatory agencies prior to sale. Although many of the ingredients in such products are vitamins, minerals, herbs and other substances for which there is a long history of human consumption, they contain innovative ingredients or combinations of ingredients. Although we believe all of such products and the combinations of ingredients in them are safe when taken as directed by the Company, there is little long-term experience with human or other animal consumption of certain of these ingredients or combinations thereof in concentrated form. The products could have certain side effects if not taken as directed or if taken by a consumer that has certain medical conditions. Furthermore, there can be no assurance that any of the products, even when used as directed, will have the effects intended or will not have harmful side effects.

A slower growth rate in the nutritional supplement industry could lessen our sales and make it more difficult for us to sustain consistent growth.

The nutritional supplement industry has been growing at a strong pace over the past ten years, despite continued negative impacts of popular supplements like Echinacea and ephedra on the supplement market. However, any reported medical concerns with respect to ingredients commonly used in nutritional supplements could negatively impact the demand for our products. Meanwhile, low-carb products, affected liquid meal replacements and similar competing products addressing changing consumer tastes and preferences could affect the market for certain categories of supplements. All these factors could have a negative impact on our sales growth.

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.

Table of Contents

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, including John Wilson, our Chief Executive Officer, who is vital to our ability to grow our business and maintain 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 OTCBB marketplace. An active trading market for the 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.

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. For example, the adjusted closing price of our common stock has ranged from a high of $1.92 to a low of $0.87 during the period commencing January 1, 2016 and ending December 31, 2016. 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. Because our common stock may fall under the definition of “penny stock,“ trading in the 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 the 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 may issue preferred stock with rights senior to the common stock.

Our articles of incorporation authorize the issuance of up to 10,000,000 shares of preferred stock in the aggregate. 10,000,000 shares of Series A Preferred Stock, par value $0.01 per share, 1,000 shares of Series B Preferred Stock, par value $0.01 per share, and 500 shares of Series C Preferred Stock par value $0.01 per share, are currently authorized (the “Preferred Stock“) and, therefore, could be issued without shareholder approval subject to the 10,000,000 share limitation. Currently, there are no shares of Preferred Stock issued and outstanding, and we have no existing plans to

issue any shares of Preferred Stock. However, the rights and preferences of any such class or series of Preferred Stock, were we to issue it, 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.

We have never paid cash dividends on our 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.

SHOULD ONE OR MORE OF THE FOREGOING RISKS OR UNCERTAINTIES MATERIALIZE, OR SHOULD THE UNDERLYING ASSUMPTIONS PROVE INCORRECT, ACTUAL RESULTS MAY DIFFER SIGNIFICANTLY FROM THOSE ANTICIPATED, BELIEVED, ESTIMATED, EXPECTED, INTENDED OR PLANNED.

Table of Contents

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company is headquartered in Omaha, Nebraska and maintains a lease at a cost of $4,403 per month, which lease is currently set to expire in June 30, 2017. The Omaha facility is a total of 4,720 square feet inclusive of approximately 1,000 square feet of on-site warehouse space. iSatori currently leases 10,444 square feet of space at 15000 W. 6th Avenue, Suite 202, Golden, Colorado 80401, at a cost of $10,890 per month. The Golden, Colorado lease, which includes 7,200 square feet of office space and 3,244 square feet of attached warehouse space, was set to expire on January 31, 2017, but was extended by agreement with the landlord pending build-out of a smaller space also owned by the landlord. Prior to January 2, 2016, iSatori also leased 17,426 square feet of space at 6200 North Washington Street, Unit 10, Denver, Colorado 80216, for its distribution center, at a cost of $10,819 per month. The lease is currently sublet through December 31, 2018, and otherwise set to expire on December 31, 2018.

The Company also leases some office equipment for aggregate total cost of $193 per month at the Omaha, Nebraska facility and $625 per month at the Golden, Colorado facility for an aggregate monthly expense of $818.

ITEM 3. LEGAL PROCEEDINGS

On December 31, 2014, various plaintiffs, individually and on behalf of a purported nationwide and sub-class of purchasers, filed a lawsuit in the U.S. District Court for the Northern District of California, captioned Ryan et al. v. Gencor Nutrients, Inc. et al., Case No.: 4:14-CV-05682. The lawsuit includes claims made against the manufacturer and various producers and sellers of products containing a nutritional supplement known as Testofen, which is manufactured and sold by Gencor Nutrients, Inc. (“Gencor”). Specifically, the Ryan plaintiffs allege that various defendants have manufactured, marketed and/or sold Testofen, or nutritional supplements containing Testofen, and in doing so represented to the public that Testofen had been clinically proven to increase free testosterone levels. According to the plaintiffs, those claims are false and/or not statistically proven. Plaintiffs seek relief under violations of the Racketeering Influenced Corrupt Organizations Act, breach of express and implied warranties, and violations of unfair trade practices in violation of California, Pennsylvania, and Arizona law. NDS utilizes Testofen in a limited number of nutritional supplements it manufactures and sells pursuant to a license agreement with Gencor.

On February 19, 2015 this matter was transferred to the Central District of California to the Honorable Manuel Real. Judge Real had previously issued an order dismissing a previously filed but similar lawsuit that had been filed by the same lawyer who represents the plaintiffs in the Ryan matter. That related lawsuit is on appeal to the U.S. Court of Appeals for the Ninth Circuit, and in June of 2016, the Ninth Circuit reversed the District Court's dismissal of the companion case, specifically as to the plaintiff's false advertising claim. As of the date hereof, the Ryan case has not yet been reinstated, but we expect reinstatement of the case in the near future.

On October 27, 2015, the Company filed a declaratory judgment in the U.S. District Court for the District of Nebraska, captioned Fitlife Brands, Inc. v. Met-Rx Substrate Technology, Inc., Case No. 8:15-cv-00388, seeking a declaration that its METIS NUTRITION trademark was not likely to cause confusion with various MET-RX trademarks owned by Met-Rx Substrate Technology, Inc. (“Met-Rx”). This dispute originally began as an action in front of the U.S. Patent and Trademark Office (“USPTO”) when the Company first filed for the METIS NUTRITION trademark, and Met-Rx filed a Notice of Opposition to the Company’s application, arguing that the METIS NUTRITION mark was likely to cause confusion with various MET-RX trademarks owned by Met-Rx. At the Company’s request, the USPTO stayed the matter, and the Company initiated the aforementioned proceeding. On

August 29, 2016, the parties entered into a Settlement Agreement, pursuant to which the case was dismissed, and the Company is allowed to use the METIS NUTRITION trademark in certain circumstances.

We are currently not involved in any litigation except noted above that we believe could have a material adverse effect on our financial condition or results of operations. Other than described above, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of the Company or any of its subsidiaries, threatened against or affecting the Company, our common stock, any of our subsidiaries or of the Company's or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

ITEM 4. MINE SAFETY DISCLOSURES

None.

Table of Contents

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK, RELATED STOCKHOLDER MATTERS AND ISSUERS PURCHASES OF EQUITY SECURITIES

Our common stock is traded in the over-the-counter market, and quoted on the OTCBB market under the symbol FTLF.

At December 31, 2016, there were 10,449,520 shares of common stock outstanding and there were approximately 231 shareholders of record of the Company's common stock in additional to an undetermined number of holders for whose shares are held in "street name". In addition to the foregoing, 33,869 shares of common stock were subscribed and another 41,920 were pending cancellation from treasury.

The following table sets forth for the periods indicated the high and low closing prices for our common stock. These quotations represent inter-dealer quotations, without adjustment for retail markup, markdown or commission and may not represent actual transactions.

	High	Low
Fiscal Year 2016		
First Quarter (January - March 2016)	$1.57	1.03
Second Quarter (April - June 2016)	$1.56	1.00
Third Quarter (July - September 2016)	$1.92	1.35
Fourth Quarter (October - December 2016)	$1.87	0.87
Fiscal Year 2015		
First Quarter (January - March 2015)	$2.58	$1.95
Second Quarter (April - June 2015)	$2.15	$1.56
Third Quarter (July - September 2015)	$1.75	$1.47
Fourth Quarter (October - December 2015)	$1.90	$1.34

On April 12, 2017, the closing price of our common stock was $0.56.

Share Repurchase Program

On June 30, 2014, the Company's Board of Directors approved the Repurchase Program, pursuant to which the Company is authorized to purchase up to $600,000 of our common stock per annum, subject to maximum repurchases of $50,000 per month. Additional purchases under the Repurchase Program may be made from time to time at the discretion of management as market conditions warrant and subject to certain regulatory restrictions and other considerations. In March 2015, the Board of Director's approved an extension of the Repurchase Program, which enabled the Company to purchase a substantial number of shares in a single transaction on March 6, 2015. The extension did not affect the terms or conditions of the existing Repurchase Program. As of March 31, 2017, the Company had repurchased an aggregate total of 207,909 shares of our common stock, at an average purchase price of $1.83 per share.

The Company repurchased 41,920 shares of common stock under the Repurchase Program during the quarter ended December 31, 2016.

Dividends

We have not and may never pay any dividends to our shareholders. We did not declare any dividends for the year ended December 31, 2016. Our Board of Directors does not intend to distribute dividends in the near future. 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 the common stock is Colonial Stock & Transfer located in Salt Lake City, Utah.

ITEM 6. SELECTED FINANCIAL DATA

Not a required disclosure for Smaller Reporting Companies.

Table of Contents

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OR PLAN OF OPERATION

The following is management's discussion and analysis of certain significant factors that have affected our financial position and operating results during the periods included in the accompanying consolidated financial statements, as well as information relating to the plans of our current management. This report includes forward-looking statements. Generally, the words "believes," "anticipates," "may," "will," "should," "expect," "intend," "estimate," "continue," and similar expressions or the negative thereof or comparable terminology are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, including the matters set forth in this report or other reports or documents we file with the Securities and Exchange Commission from time to time, which could cause actual results or outcomes to differ materially from those projected. Undue reliance should not be placed on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to update these forward-looking statements.

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the related notes thereto and other financial information contained elsewhere in this Form 10-K.

Critical Accounting Policies

Principle of Consolidation

The consolidated financial statements include the accounts of FitLife Brands, Inc. and NDS Nutrition Products, Inc. for the full-year ended December 31, 2016, as well as the accounts of iSatori, Inc. for the quarterly period ended December 31, 2016. All intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) the disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and (iii) the reported amount of net sales and expenses recognized during the periods presented. Adjustments made with respect to the use of estimates often relate to improved information not previously available. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of financial statements; accordingly, actual results could differ from these estimates.

These estimates and assumptions also affect the reported amounts of revenues, costs and expenses during the reporting period. Management evaluates these estimates and assumptions on a regular basis. Actual results could differ from those estimates.

Revenue Recognition

Revenue is derived from product sales. The Company recognizes revenue from product sales in accordance with Accounting Standards Codification ("ASC") Topic 605 "Revenue Recognition in Financial Statements" which assesses revenue upon: (i) the time customers are invoiced at shipping point provided title and risk of loss has passed to the customer, (ii) evidence of an arrangement exists, (iii) fees are contractually fixed or determinable, (iv) collection is reasonably assured through historical collection results and regular credit evaluations, and (v) there are no uncertainties regarding customer acceptance.

The Company offers discounts on sales to GNC franchises on many of its products. Discounts are updated monthly and made available to all franchisees. Revenue is recorded net of all discounts taken at the time of sale for all direct sales. Indirect sales involve sales through GNC's centralized distribution platform. Fulfillment to franchisees from GNC's distribution centers often spans several months and accounting periods after the initial indirect sale. Given that the discount programs change monthly, it is impossible to predict with any certainty what discounts will be taken on which products and at what time. As a result, prior to 2015, the Company had historically booked gross revenue through the indirect channel upon shipment to GNC. Discounts taken by franchisees upon fulfillment from GNC's distribution center are billed back to the Company as a credit to a future invoice. The Company accounted for these deductions ("Vendor Funded Discounts") as a selling and marketing expense in the period that the deduction was taken by GNC. Management believes this approach was the best way to match the expense to the timing of actual product fulfillment at the store level when the discounts are actually taken. In an effort to ensure consistent accounting policies across all operating divisions after the acquisition of iSatori, the Company elected to modify its accounting policy for Vendor Funded Discounts for the fiscal year ended December 31, 2015 and therafter. As a result, for all indirect distribution, the Company estimates anticipated discounts at the time product is shipped to GNC's distribution center(s) and recognizes that estimate as a deduction from gross revenue at the time of shipment to GNC. Actual discounts are compared to the estimate each accounting period and adjusted as necessary. Total revenue and selling and marketing expense is reduced by the amount of the estimate, and the new policy has no effect on operating or net income. Results of operations for the years ended December 31, 2015 and 2016 were both reported using the net revenue approach. The change had no impact on operating income or net income.

Table of Contents

Accounts Receivable

All of the Company's accounts receivable balance is related to trade receivables which, during the year ended December 31, 2016, increased due principally to the transition to GNC's centralized distribution platform. Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in its existing accounts receivable. The Company will maintain allowances for doubtful accounts, estimating losses resulting from the inability of its customers to make required payments for products. Accounts with known financial issues are first reviewed and specific estimates are recorded. The remaining accounts receivable balances are then grouped in categories by the amount of days the balance is past due, and the estimated loss is calculated as a percentage of the total category based upon past history. Account balances are charged off against the allowance when it is probable the receivable will not be recovered. We maintain an insurance policy for iSatori Products for international shipments, which protects the Company in the event the international distributor does not or cannot remit payment. The Company recorded an expense of $3,553 related to bad debt and doubtful accounts during the year ended December 31, 2016.

Allowance for Doubtful Accounts

The determination of collectability of the Company's accounts receivable requires management to make frequent judgments and estimates in order to determine the appropriate amount of allowance needed for doubtful accounts. The Company's allowance for doubtful accounts is estimated to cover the risk of loss related to accounts receivable. This allowance is maintained at a level we consider appropriate based on historical and other factors that affect collectability. These factors include historical trends of write-offs, recoveries and credit losses, the careful monitoring of customer credit quality, and projected economic and market conditions. Different assumptions or changes in economic circumstances could result in changes to the allowance.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At December 31, 2016, cash and cash equivalents include cash on hand and cash in the bank.

Inventory

The Company's inventory is carried at the lower of cost or net realizable value using the first-in, first-out ("FIFO") method. The Company evaluates the need to record adjustments for inventory on a regular basis. Company policy is to evaluate all inventories including raw material and finished goods for all of its product offerings across all of the Company's operating subsidiaries. At December 31, 2016 and 2015, the value of the Company's inventory was $3,756,716 (which included $1,132,256 from iSatori) and $4,790,301, respectively.

Property and Equipment

Property and equipment is recorded at cost and depreciated over the estimated useful lives of the assets using the straight-line method. When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and proceeds realized. Ordinary maintenance and repairs are charged to expense as incurred, and replacements and betterments are capitalized.

The range of estimated useful lives used to calculate depreciation for principal items of property and equipment are as follows:

Asset Category	Depreciation / Amortization Period
Furniture and Fixture	3 Years
Office equipment	3 Years
Leasehold improvements	5 Years

The Company adopted Statement of Financial Accounting Standard (“FASB“) ASC Topic 350 Goodwill and Other Intangible Assets. In accordance with ASC Topic 350, goodwill, which represents the excess of the purchase price and related costs over the value assigned to net tangible and identifiable intangible assets of businesses acquired and accounted for under the purchase method, acquired in business combinations is assigned to reporting units that are expected to benefit from the synergies of the combination as of the acquisition date. Under this standard, goodwill and intangibles with indefinite useful lives are no longer amortized. The Company assesses goodwill and indefinite-lived intangible assets for impairment annually during the fourth quarter, or more frequently if events and circumstances indicate impairment may have occurred in accordance with ASC Topic 350. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, the Company records an impairment loss equal to the difference. ASC Topic 350 also requires that the fair value of indefinite-lived purchased intangible assets be estimated and compared to the carrying value. The Company recognizes an impairment loss when the estimated fair value of the indefinite-lived purchased intangible assets is less than the carrying value.

Table of Contents

Impairment of Long-Lived Assets

In accordance with ASC Topic 3605, “Long-Lived Assets,“ such as property, plants, equipment, and purchased intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Goodwill and other intangible assets are tested for impairment. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount in which the carrying amount of the asset exceeds the fair value of the asset. There were no events or changes in circumstances that necessitated an impairment of long-lived assets.

Income Taxes

Deferred income taxes are provided based on the provisions of ASC Topic 740, “Accounting for Income Taxes,“ to reflect the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company adopted the provisions of FASB Interpretation No. 48 – “Accounting For Uncertainty In Income Taxes“–an interpretation of ASC Topic 740 (“FIN 48“). FIN 48 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not, that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating the Company's tax positions and tax benefits, which may require periodic adjustments. At December 31, 2016, the Company did not record any liabilities for uncertain tax positions.

Concentration of Credit Risk

The Company maintains its operating cash balances in a bank located in Nebraska. The Federal Depository Insurance Corporation (“FDIC“) insures accounts up to $250,000.

Earnings Per Share

Basic income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share reflects the potential dilution that could occur if stock options, warrants, and other commitments to issue common stock were exercised or equity awards vest resulting in the issuance of common stock that could share in the earnings of the Company. In the event of a loss, diluted loss per share is the same as basic loss per share, because of the effect of the additional securities, a net loss would be anti-dilutive.

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced sale or liquidation.

The carrying amounts of the Company's financial instruments, including cash, accounts payable and accrued liabilities, income tax payable and related party payable, if any, approximate fair value.

Recent Accounting Pronouncements

None.

RESULTS OF OPERATIONS

Fiscal Year Ended December 31, 2016 Compared to Fiscal Year Ended December 31, 2015

Net Sales. Revenue for the year ended December 31, 2016 increased 41.2% to $25,313,601 as compared to $17,931,464 for the year ended December 31, 2015. Revenue for the Company's NDS Nutrition division increased 10.7% to $18,259,853 as compared $16,492,701 for the year ended December 31, 2015. This increase was principally the result of continued improvement in sales of product through GNC, and the addition of revenue attributable to iSatori Products, which contributed $7,094,068 in sales for the year ended December 31, 2016.

The Company continually reformulates and introduces new products, as well as seeks to increase both the number of stores and number of approved products that can be sold within the GNC franchise system that comprise its domestic and international distribution footprint and, while no assurances can be given, anticipates that such efforts together with anticipated sales growth attributable to iSatori Products will continue to drive future revenue growth. While currently not a material component of revenue, management anticipates that continued international expansion within the GNC franchise system, as well as the introduction of new NDS Products and iSatori Products. will also contribute to future growth.

Table of Contents

Cost of Goods Sold. Cost of goods sold for the year ended December 31, 2016 increased 30.8% to $15,242,537 as compared to $11,653,057 for the year ended December 31, 2015. This increase is principally attributable to increased sales volumes, including sales of iSatori Products.

General and Administrative Expense. General and administrative expense for the year ended December 31, 2016 increased by $860,212 to $5,002,149 as compared to $4,141,937 for the year ended December 31, 2015. The increase in general and administrative expense for the year ended December 31, 2016 is principally attributable to the continued integration of iSatori operations following completion of the Merger.

Selling and Marketing Expense. Selling and marketing expense for the year ended December 31, 2016 increased to $4,118,414 as compared to $2,926,063 for the year ended December 31, 2015. This increase is principally attributable to the addition of iSatori Products. As net sales increase, selling and marketing expense is anticipated to simultaneously increase, although management anticipates that selling and marketing expense will increase at a slower rate.

Depreciation and Amortization. Depreciation and amortization for the years ended December 31, 2016 and 2015 increased to $478,235 from $300,141, respectively. The increase is principally attributable to the addition of iSatori Products.

Net Income/ (Loss). Net income was $368,078 for the year ended December 31, 2016, as compared to a net loss of $(1,165,940) for the year ended December 31, 2015. The increase in net income for the year ended December 31, 2016 compared to the year ended December 31, 2015 is principally attributable to increased sales volume of NDS Products, sales of iSatori Products and continued strong gross margins.

Financial Position, Liquidity and Capital Resources

The Company has historically financed its operations primarily through equity and debt financings, and more recently, cash flow from operations. The Company has also provided for its cash needs by issuing common stock, options and warrants for certain operating costs, including consulting and professional fees. The Company did not engage in any financing activities during the year ended December 31, 2016. The anticipated cash derived from operations, availability under the current line of credit with U.S. Bank and existing cash resources are expected to provide for the Company’s liquidity for the next 12 months.

Cash Provided by (Used in) Operating Activities

Net cash used in operating activities was $(88,416) in the fiscal year ended December 31, 2016, compared to cash used in operating activities of $(2,455,421) for the year ended December 31, 2015. The increase is attributable to increased revenue, including increased accounts receivables and inventories balances due, in part, to the addition of iSatori operations and sales, as well as variations in certain working capital accounts consistent with normal business practices and outcomes. Net working capital increased to $3,090,440 as of the year ended December 31, 2016 from $3,003,051 as of December 31, 2015.

Cash Provided by (Used in) Investing Activities

Cash used in investing activities for the fiscal year ended December 31, 2016 was $(70,995) as compared to $(411,042) used in investing activities during the year ended December 31, 2015. The primary difference was related to a temporary reduction in activity related to the Company’s stock buyback program.

Cash Provided by (Used in) Financing Activities

Cash used in financing activities for the year ended December 31, 2016 was $(80,099), as compared to $(660,201) cash used in financing activities during the year ended December 31, 2015. We drew down a net amount of $459,695 during the year ended December 31, 2016 from our existing line of credit with U.S. Bank. We expect to pay back all amounts borrowed under this line of credit, as well as any outstanding principal under the Company's existing term loan with U.S. Bank as soon as practicable. While no assurances can be given, other than the fiscal 2013 activity related to the recapitalization of the balance sheet and drawdowns on our line of credit consistent with normal operating procedures, we have not needed to seek or secure additional financing to operate and grow the business since the fourth quarter of 2010.

Working Capital

The Company currently believes that it has adequate cash resources to fund its working capital requirements for the remainder of 2016. However, should the Company be unable to generate sufficient revenue in the future to continue to achieve positive cash flow from operations, additional working capital will be required. In the event the Company fails to achieve positive cash flow from operations, and management is unable to secure additional working capital, the Company's business would be materially and adversely harmed.

Table of Contents

As of September 30, 2016, NDS, the Company's wholly owned subsidiary, was not in compliance with certain financial covenants with a four-quarter look-back period in its existing term loan and revolving line of credit with U.S. Bank (the "Bank"), principally due to decreased revenue received during the third quarter of fiscal 2016, as well as increased operating expenses as a result of the Merger incurred in the third quarter of fiscal 2015. On or around November 11, 2016, the Company received a waiver for all covenant defaults on both the existing five-year term loan and revolving line of credit with the Bank for the quarter ended September 30, 2016. No consideration was paid or payable in connection with such waiver. Receipt of the waiver for the current period notwithstanding, no assurances can be given with respect to either the Company's ability to secure and maintain compliance with the covenants in future periods, or, in the event the Company is not compliant, that the Bank with provide a waiver of compliance for such covenants in future periods. In the event the Company is not in compliance with the covenants in future periods and the Bank fails to provide a waiver, declares the term loan or revolving line of credit to be in default, and terminates the term loan or the revolving line of credit, any amounts due the Bank at such time would become immediately due and payable. In such event, our financial condition will be negatively affected, and such affect could be material.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our business is currently conducted principally in the United States. As a result, our financial results are not materially affected by factors such as changes in foreign currency exchange rates or economic conditions in foreign markets. We do not engage in hedging transactions to reduce our exposure to changes in currency exchange rates, although as the geographical scope of our business broadens, we may do so in the future.

Our exposure to risk for changes in interest rates relates primarily to our investments in short-term financial instruments. Investments in both fixed rate and floating rate interest earning instruments carry some interest rate risk. The fair value of fixed rate securities may fall due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Partly as a result of this, our future interest income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that have fallen in estimated fair value due to changes in interest rates. However, as substantially all of our cash equivalents consist of bank deposits and short-term money market instruments, we do not expect any material change with respect to our net income as a result of an interest rate change.

We do not hold any derivative instruments and do not engage in any hedging activities.

ITEM 8. FINANCIAL STATEMENTS

The information required hereunder in this Annual Report on Form 10-K is set forth in the financial statements and the notes thereto 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.

Under the supervision and with the participation of our Management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of December 31, 2016. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports submitted under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, including to ensure that information required to be disclosed by the Company is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Table of Contents

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

We are responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes of accounting principles generally accepted in the United States.

This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by our registered public accounting firm pursuant to an exemption for smaller reporting companies under Section 989G of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives.

Our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of our internal control over financial reporting as of December 31, 2016. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO“) in Internal Control—Integrated Framework. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2016, our internal control over financial reporting was effective.

(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, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

The information required by this item will be set forth in our definitive proxy statement for our 2017 annual meeting of stockholders to be filed within 120 days after our fiscal year end and is incorporated in this report by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be set forth in our definitive proxy statement for our 2017 annual meeting of stockholders to be filed within 120 days after our fiscal year end and is incorporated in this report by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item will be set forth in our definitive proxy statement for our 2017 annual meeting of stockholders to be filed within 120 days after our fiscal year end and is incorporated in this report by reference.

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

The information required by this item will be set forth in our definitive proxy statement for our 2017 annual meeting of stockholders to be filed within 120 days after our fiscal year end and is incorporated in this report by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item will be set forth in our definitive proxy statement for our 2017 annual meeting of stockholders to be filed within 120 days after our fiscal year end and is incorporated in this report by reference.

Table of Contents

PART IV

ITEM 15. EXHIBITS AND REPORTS

Exhibits

2.1	Agreement and Plan of Merger, by and among the Company, iSatori, Inc., and ISFL Merger Sub, Inc., dated May 18, 2015 (incorporated by reference to Exhibit 2.1 filed with Form 8-K on May 18, 2015).
2.2	Voting and Standstill Agreement dated May 18, 2015 (incorporated by reference to Exhibit 4.1 of Schedule 13D (Commission File No. 005-47773) filed by the Company, Stephen Adelé Enterprises, Inc., Stephen Adelé, RENN Universal Growth Investment Trust, PLC, RENN Global Entrepreneurs Fund, Inc. and Russell Cleveland).
3.1	Articles of Incorporation (incorporated by reference to Exhibit 3.1 filed with Amendment No. 3 to the Company's Registration Statement on Form SB2 (Commission File No. 333-137170)).
3.2	Amendments to Articles of Incorporation (incorporated by reference to Exhibit 3.2 filed with Amendment No. 3 to the Company's Registration Statement on Form SB2 (Commission File No. 333-137170)).
3.3	Bylaws of the Corporation (incorporated by reference to Exhibit 3.3 filed with Amendment No. 3 to the Company's Registration Statement on Form SB2 (Commission File No. 333-137170).
3.4	Certificate of Amendment to Articles of Incorporation (incorporated by reference to Exhibit 3.1 filed with Form 8-K on September 13, 2010).
3.5	Certificate of Amendment to Articles of Incorporation to change name to FitLife Brands, Inc. (incorporated by reference to Exhibit 3.1 filed with Form 8-K on October 1, 2013).
3.6	Certificate of Amendment to Articles of Incorporation to effect 1-for-10 reverse split (incorporated by reference to Exhibit 3.1 filed with Form 8-K on October 1, 2013).
3.7	Certificate of Designations of Series A Convertible Preferred Stock (incorporated by reference to Exhibit 4.2 filed with Form 8-K on June 30, 2008).
3.8	Certificate of Designations of Series B Convertible Preferred Stock (incorporated by reference to Exhibit 10.1 filed with Form 8-K on January 23, 2009).
3.9	Certificate of Designations of Series C Convertible Preferred Stock. (incorporated by reference to Exhibit 4.3 filed with Form 10-K on April 15, 2011).
10.1	Asset Purchase Agreement between the Company and NDS Nutritional Products, Inc. (incorporated by reference to Exhibit 10.1 filed with Form 8-K on October 15, 2008).
10.2	Settlement Agreement (incorporated by reference to Exhibit 10.1 filed with Form 8-K on October 6, 2009).
10.3	Secured Promissory Note (incorporated by reference to Exhibit 10.2 filed with Form 8-K on October 6, 2009).
10.4	Second Amendment to Asset Purchase Agreement (incorporated by reference to Exhibit 10.3 filed with Form 8-K on October 6, 2009).
10.5	Amendment No. 1 to Security Agreement (incorporated by reference to Exhibit 10.4 filed with Form 8-K on October 6, 2009).
10.6	Amendment No. 1 to Supply, License and Transition Agreement (incorporated by reference to Exhibit 10.5 filed with Form 8-K on October 6, 2009).
10.7	Assignment of Name (incorporated by reference to Exhibit 10.6 filed with Form 8-K on October 6, 2009).
10.8	Consulting Agreement for Services between the Company and Burnham Hill Advisors LLC, dated August 20, 2009 (incorporated by reference to Exhibit 99.1 filed with the Form 8-K on August 26, 2009).
10.9	Consulting Agreement for Services between the Company and Burnham Hill Advisors LLC, dated August 20, 2010 (incorporated by reference to Exhibit 99.1 filed with Form 8-K on August 23, 2010).
10.10	Amendment No. 1 to Consulting Agreement between the Company and Burnham Hill Advisors LLC, dated September 15, 2010. (incorporated by reference to Exhibit 10.12 filed with Form 10-K on April 15, 2011).
10.11	

	Amendment No. 2 to Consulting Agreement between the Company and Burnham Hill Advisors LLC, dated November 18, 2010. (incorporated by reference to Exhibit 10.13 filed with Form 10-K on April 15, 2011).
10.12	Employment Agreement, dated December 31, 2009, between the Company and John Wilson. (incorporated by reference to Exhibit 10.14 filed with Form 10-K on April 15, 2011).
10.13	2010 Equity Incentive Plan (incorporated by reference to Exhibit 10.18 filed with Form 10-K on April 15, 2011).
10.14	Form of Exchange Agreement (incorporated by reference to Exhibit 10.1 filed with Form 8-K on October 7, 2013).
10.15	Employment Agreement, dated May 1, 2013, by and between the Company and Michael Abrams (incorporated by reference to Exhibit 10.15 filed with the Annual Report on Form 10-K on March 28, 2014).
10.16	Amendment No. 2 to Employment Agreement, dated July 14, 2014 between the Company and John Wilson. (incorporated by reference to Exhibit 10.1 filed with Form 8-K on July 15, 2014).
10.17	Demand Promissory Note (incorporated by reference to Exhibit 10.1 filed with Form 8-K on September 11, 2015).
10.18	Security Agreement by and among the Company, Stephen Adele Enterprises, and Stephen Adele, dated September 11, 2015 (incorporated by reference to Exhibit 10.2 filed with Form 8-K on September 11, 2015).
10.19	Employment Agreement between the Company, and Stephen Adel (incorporated by reference to Exhibit 2.3 filed with Form S-4 on July 7, 2015).
10.20	Employment Agreement, by and between FitLife Brands, Inc. and Patrick Ryan, dated June 7, 2016 (incorporated by reference to Exhibit 10.1 filed with Form 8-k on June 13, 2016).
14.1	Code of Ethics (incorporated by reference to 14.1 filed with Form 10-K on March 27, 2009).
21	List of Subsidiaries.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act.
31.2	Certification of Principal Financial and Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act.
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act.
32.2	Certification of Chief Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act.

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 FitLife Brands, Inc.

Date: April 17, 2017 By: /s/ John Wilson
John Wilson
Chief Executive Officer (Principal Executive Officer),
President

Date: April 17, 2017 By: /s/ Michael Abrams
Michael Abrams
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: April 17, 2017 By: /s/ John Wilson
John Wilson
Chief Executive Officer (Principal Executive Officer), President, Director

Date: April 17, 2017 By: /s/ Michael Abrams
Michael Abrams
Chief Financial Officer (Principal Financial Officer)

Date: April 17, 2017 By: /s/ Lewis Jaffe
Lewis Jaffe
Chairman of the Board

Date: April 17, 2017 By: /s/ Grant Dawson
Grant Dawson
Director

Date: April 17, 2017 By: /s/ Stephen Adele
Stephen Adele
Director

Date: April 17, 2017 By: /s/ Seth Yakatan
Seth Yakatan
Director

Date: April 17, 2017 By: /s/ Todd Ordal
Todd Ordal
Director

-21-

Table of Contents

ITEM 8. FINANCIAL STATEMENTS

FITLIFE BRANDS, INC.

TABLE OF CONTENTS

	Page
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM:	
Tarvaran Askelson & Company	F-1
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Balance Sheets at December 31, 2016 and 2015	F-2
Consolidated Statements of Operations for the years ended December 31, 2016 and 2015	F-3
Consolidated Statements of Cash Flows for the years ended December 31, 2016 and 2015	F-4
Consolidated Statement of Stockholders' Equity for the years ended December 31, 2016 and 2015	F-5
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	F-6

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
FitLife Brands, Inc.

We have audited the accompanying consolidated balance sheets of FitLife Brands, Inc. and subsidiaries ("FitLife Brands, Inc." or "the Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2016. FitLife Brands, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FitLife Brands, Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

/s/ Tarvaran, Askelson & Company, LLP
Tarvaran, Askelson & Company, LLP

Dana Point, California
April 14, 2017

Table of Contents

FITLIFE BRANDS, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS:	December 31, 2016	December 31, 2015
CURRENT ASSETS		
Cash	$1,293,041	$1,532,550
Accounts receivable, net	2,792,649	2,684,567
Security deposits	24,956	26,077
Inventory	3,756,716	4,790,301
Note receivable, current portion	2,782	16,517
Prepaid income tax	120,000	152,000
Prepaid expenses and other current assets	136,014	334,483
Total current assets	8,126,158	9,536,493
PROPERTY AND EQUIPMENT, net	171,004	226,804
Note receivable, net of current portion	52,695	52,695
Deferred Taxes	689,000	812,879
Intangibles assets, net	6,507,505	6,929,505
TOTAL ASSETS	$15,546,363	$17,558,378
LIABILITIES AND STOCKHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
Accounts payable	$1,596,748	$3,363,906
Accrued expenses and other liabilities	539,765	1,003,832
Litigation Reserve	-	95,775
Line of credit	1,950,000	1,490,305
Term loan agreement, current portion	544,825	525,589
Notes payable	12,700	54,036
Total current liabilities	4,644,038	6,533,443
LONG-TERM DEBT, net of current portion	369,177	914,138
TOTAL LIABILITIES	5,013,215	7,447,581
CONTINGENCIES AND COMMITMENTS	-	-

STOCKHOLDERS' EQUITY:		
Preferred stock, $0.01 par value, 10,000,000 shares authorized as of December 31, 2016 and 2015:		
Preferred Stock Series A; 10,000,000 shares authorized; 0 shares issued and outstanding as of December 31, 2016 and 2015	-	-
Preferred Stock Series B; 1,000 shares authorized; 0 shares issued and outstanding as of December 31, 2016 and 2015	-	-
Preferred Stock Series C; 500 shares authorized; 0 shares issued and outstanding as of December 31, 2016 and 2015	-	-
Common stock, $.01 par value, 150,000,000 shares authorized; 10,449,520 and 10,444,257 issued and outstanding as of December 31, 2016 and December 31, 2015, respectively	104,495	104,443
Subscribed common stock; 33,869 and 9,688 shares pending issuance as of December 31, 2016 and December 31, 2015, respectively	339	97
Treasury stock	(44,417)	(142,228)
Additional paid-in capital	30,919,289	30,963,122
Accumulated deficit	(20,446,559)	(20,814,637)
Total stockholders' equity	$10,533,147	$10,110,797
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$15,546,363	$17,558,378

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

Table of Contents

FITLIFE BRANDS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Revenue	$25,313,601	$17,931,464
Total	25,313,601	17,931,464
Cost of Goods Sold	15,242,537	11,653,057
Gross Profit	10,071,064	6,278,407
OPERATING EXPENSES:		
General and administrative	5,002,149	4,141,937
Selling and marketing	4,118,414	2,926,063
Depreciation and amortization	478,235	300,141
Total operating expenses	9,598,798	7,368,141
OPERATING INCOME (LOSS)	472,265	(1,089,734)
OTHER (INCOME) AND EXPENSES		
Interest expense	109,391	90,410
Other expense (income)	(5,204)	13,768
Total other (income) expense	104,187	104,178
INCOME TAXES (BENEFIT)	-	(27,972)
NET INCOME (LOSS)	$368,078	$(1,165,940)
NET INCOME (LOSS) PER SHARE:		
Basic	$0.04	$(0.13)
Diluted	$0.03	$(0.13)
Basic	10,429,452	8,677,433
Diluted	11,521,344	8,677,433

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

Table of Contents

FITLIFE BRANDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Net income	$368,078	$(1,165,940)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	478,235	300,141
Capitalization of select merger costs	-	(57,507)
Common stock issued (cancelled) for services	40,508	453,779
Warrants and options issued (cancelled) for services	58,178	-
Gain on write-up of investment	-	-
Intercompany transfer	-	(746,784)
Changes in operating assets and liabilities:	-	
Accounts receivable	(108,082)	(116,269)
Inventory	1,033,585	(1,559,392)
Deferred tax asset	123,879	(66,565)
Prepaid income tax	32,000	(152,000)
Prepaid expenses	198,469	195,430
Note receivable	13,735	4,074
Deposits	-	1,060
Accounts payable	(1,767,159)	522,591
Accrued liabilities	(464,067)	(123,814)
Litigation reserve	(95,775)	95,775
Income tax payable	-	(40,000)
Net cash provided by (used in) operating activities	(88,416)	(2,455,421)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(23,405)	(12,833)
Proceeds from sale of assets	(3,177)	-
Repurchases of common stock	(44,413)	(398,209)
Net cash provided by (used in) investing activities	(70,995)	(411,042)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	459,695	-
Payments for redemption of preferred stock	-	-
Repayments of note payable	(539,794)	(660,201)
Net cash provided by (used in) financing activities	(80,099)	(660,201)
INCREASE (DECREASE) IN CASH	(239,510)	(3,526,665)
CASH, BEGINNING OF PERIOD	1,532,551	5,059,215

CASH, END OF PERIOD	$1,293,041	$1,532,550
Supplemental disclosure operating activities		
Cash paid for interest	$109,391	$90,410

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

Table of Contents

FITLIFE BRANDS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Common Stock		Preferred Stock Preferred A		Preferred B		Preferred C		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Tot
DECEMBER 31, 2014	8,202,362	$82,024	-	$-	-	$-	-	$-	$26,280,388	$(19,648,697)	$6,
Common stock issued for services	83,605	836							163,166		16
Common stock cancelled for services	(37,000)	(370)							(73,630)		(7
Subscribed common stock	9,688	97							15,104		15
Common stock issued for merger consideration	2,315,644	23,156									23
Common stock repurchased and cancelled	(120,354)	(1,204)							(254,778)		(2
Treasury stock											(1
Purchase price merger accounting for									4,484,295		4,

combination with iSatori, Inc.											
Options issued for services									315,741		31
Options vested during the period									32,838		32
Net income										(1,165,940)	(1
DECEMBER 31, 2015	10,453,945	$104,540	-	$-	-	$-	-	$-	$30,963,122	$(20,814,637)	$10
Common stock issued for services	82,853	829							104,673		10
Common stock cancelled for services	(86,534)	(865)							(111,629)		(1
Subscribed common stock	33,869	339							47,421		47,
Common stock repurchased and cancelled	(85,833)	(858)							(141,370)		(1
Treasury stock									4		97
Cashless exercise of options	85,089	851							(851)		-
Options issued for services									58,178		58
Net income										368,078	36
DECEMBER 31, 2016	10,483,389	$104,834	-	$-	-	$-	-	$-	$30,919,289	$(20,446,559)	$10

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

Table of Contents

FITLIFE BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

NOTE 1. DESCRIPTION OF BUSINESS

Summary

FitLife Brands, Inc. (the "Company") is a national provider of innovative and proprietary nutritional supplements for health conscious consumers marketed under the brand names NDS Nutrition ProductsTM ("NDS") (www.ndsnutrition.com), PMDTM (www.pmdsports.com), SirenLabsTM (www.sirenlabs.com), CoreActiveTM (www.coreactivenutrition.com), and Metis NutritionTM (www.metisnutrition.com) (together, "NDS Products"). With the consummation of the merger with iSatori, Inc. ("iSatori") on September 30, 2015, which became effective on October 1, 2015, described below (the "Merger"), the Company added several brands to its product portfolio, including iSatori (www.isatori.com), BioGenetic Laboratories (www.biogenetics.com), and Energize (www.tryenergize.com) (together, "iSatori Products"). The NDS Products are distributed principally through franchised General Nutrition Centers, Inc. ("GNC") stores located both domestically and internationally, and, with the addition of Metis Nutrition, through corporate GNC stores in the United States. The iSatori Products are sold through more than 25,000 retail locations, which include specialty, mass, and online.

The Company was incorporated in the State of Nevada on July 26, 2005. In October 2008, the Company acquired the assets of NDS Nutritional Products, Inc., a Nebraska corporation, and moved those assets into its wholly owned subsidiary NDS Nutrition Products, Inc., a Florida corporation ("NDS"). The Company's NDS Products are sold through NDS and the iSatori Products are sold through iSatori, Inc., a Delaware corporation and a wholly owned subsidiary of the Company.

FitLife Brands is headquartered in Omaha, Nebraska and maintains an office in Golden, Colorado, which it acquired in connection with the Merger. For more information on the Company, please go to http://www.fitlifebrands.com. The Company's common stock currently trades under the symbol FTLF on the OTC:PINK market.

iSatori Merger

On September 30, 2015, the Company consummated the Merger contemplated by the Agreement and Plan of Merger, dated May 18, 2015 (the "Merger Agreement"), among the Company, ISFL Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company ("Merger Sub"), and iSatori, pursuant to which iSatori merged with and into Merger Sub, with iSatori surviving as a wholly-owned subsidiary of the Company. The Merger was approved by iSatori shareholders at a special meeting held on September 29, 2015 and became effective on October 1, 2015 (the "Closing Date").

In connection with the closing of the Merger, each share of iSatori common stock outstanding on the Closing Date became exchangeable for 0.1732 shares of the Company's common stock (the "Exchange Ratio"). In the event any iSatori shareholder would otherwise be entitled to a fractional share of the Company's common stock, the Company agreed to pay the value of those fractional interests in cash. The Company issued a total of 2,315,644 shares of common stock and paid a total of $239 for remaining fractional interests to former iSatori shareholders in connection with the Merger.

Pursuant to the terms and conditions of the Merger Agreement, the Company increased the size of its Board of Directors (the "Board") from five to seven members, appointed Stephen Adele, Chief Executive Officer of iSatori, to

serve on the Board, and appointed two independent directors, Messrs. Seth Yakatan and Todd Ordal, each of whom were designated by iSatori, to the Board. Concurrently with these appointments, Dr. Fadi Aramouni resigned from the Board.

In addition to the foregoing, the Company secured an option to purchase, on or before December 31, 2015, approximately 600,000 shares of the Company's common stock, otherwise issuable to the two largest shareholders of iSatori, and secured a right of first refusal to purchase approximately 460,000 shares of the Company's common stock issuable to a certain iSatori shareholder in the connection with the Merger. After careful consideration of many factors, including available cash resources, the Company's Board of Directors elected not to exercise the purchase option prior to its expiration. The right of first refusal, however, remains outstanding.

On September 11, 2015, the Company loaned iSatori $750,000 pursuant to a Demand Promissory Note ("Note"), due and payable on demand after October 15, 2015 in the event the Merger was not consummated on or before such date. The proceeds from the Note were to be used by iSatori for the payment, in the ordinary course of business, of payroll and accounts payable of iSatori pending consummation of the Merger. The Note was deemed satisfied in full in connection with the Closing Date of the Merger and was included as an element of the total purchase price, which also included the assumption of outstanding debt of approximately $1.1 million and the issuance of approximately 2.3 million shares of Company common stock. In connection with the Merger, the Company also converted all issued and outstanding options and warrants of iSatori into options and warrants of FitLife in an amount equal to the number of iSatori options and warrants issued and outstanding multiplied by the Exchange Ratio, at an exercise equal to the original exercise price divided by the Exchange Ratio. The treasury stock net equivalent of all issued and outstanding options and warrants were factored into the calculation of the final Exchange Ratio, the vast majority of which were and remain significantly out of the money.

Table of Contents

At closing, in connection with adjustment provisions outlined in the Merger Agreement, iSatori established certain reserves and write-offs totaling approximately $1.8 million, which write-offs, together with the issuance of the Note and other variances of certain working capital accounts, resulted in a reduction of the Exchange Ratio under the terms of the Merger Agreement from 0.3000 to 0.1732 shares of common stock of the Company for each share of iSatori common stock issued and outstanding.

NOTE 2. BASIS OF PRESENTATION

The accompanying financial statements represent the consolidated financial position and results of operations of the Company and include the accounts and results of operations of the Company and its wholly owned subsidiaries. The accompanying consolidated financial statements include the active entity of FitLife Brands, Inc. and its wholly owned subsidiaries.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. Significant accounting policies are as follows:

Principle of Consolidation

The consolidated financial statements include the accounts of the Company and NDS Nutrition Products, Inc. Intercompany accounts and transactions have been eliminated in the consolidated condensed financial statements.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP“) requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) the disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and (iii) the reported amount of net sales and expenses recognized during the periods presented. Adjustments made with respect to the use of estimates often relate to improved information not previously available. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of financial statements; accordingly, actual results could differ from these estimates.

These estimates and assumptions also affect the reported amounts of revenues, costs and expenses during the reporting period. Management evaluates these estimates and assumptions on a regular basis. Actual results could differ from those estimates.

Revenue Recognition

Revenue is derived from product sales. The Company recognizes revenue from product sales in accordance with Accounting Standards Codification (“ASC“) Topic 605 “Revenue Recognition in Financial Statements“ which assesses revenue upon: (i) the time customers are invoiced at shipping point provided title and risk of loss has passed to the customer, (ii) evidence of an arrangement exists, (iii) fees are contractually fixed or determinable, (iv) collection is reasonably assured through historical collection results and regular credit evaluations, and (v) there are no uncertainties regarding customer acceptance.

The Company offers discounts on sales to GNC franchises on many of its products. Discounts are updated monthly and made available to all franchisees. Revenue is recorded net of all discounts taken at the time of sale for all direct sales. Indirect sales involve sales through GNC's centralized distribution platform. Fulfillment to franchisees from GNC's distribution centers often spans several months and accounting periods after the initial indirect sale. Given that the discount programs change monthly, it is impossible to predict with any certainty what discounts will be taken on which products and at what time. As a result, prior to 2015, the Company had historically booked gross revenue through the indirect channel upon shipment to GNC. Discounts taken by franchisees upon fulfillment from GNC's distribution center are billed back to the Company as a credit to a future invoice. The Company accounted for these deductions ("Vendor Funded Discounts") as a selling and marketing expense in the period that the deduction was taken by GNC. Management believes this approach was the best way to match the expense to the timing of actual product fulfillment at the store level when the discounts are actually taken. In an effort to ensure consistent accounting policies across all operating divisions after the acquisition of iSatori, the Company elected to modify its accounting policy for Vendor Funded Discounts for the fiscal year ended December 31, 2015 and therafter. As a result, for all indirect distribution, the Company estimates anticipated discounts at the time product is shipped to GNC's distribution center(s) and recognizes that estimate as a deduction from gross revenue at the time of shipment to GNC. Actual discounts are compared to the estimate each accounting period and adjusted as necessary. Total revenue and selling and marketing expense is reduced by the amount of the estimate, and the new policy has no effect on operating or net income. Results of operations for the years ended December 31, 2015 and 2016 were both reported using the net revenue approach. The change had no impact on operating income or net income.

Customer Concentration

Total sales to GNC during 2016 and 2015 were $21,897,633 and $16,989,536, respectively representing 87% and 95% of total revenue respectively. Accounts receivable attributible to GNC as of December 31, 2016 and 2015 were $2,327,689 and $2,577,577, respectively representing 83% and 96% of the Company's total accounts receivable balance, respectively.

Table of Contents

Product Returns

We currently have a 30-day product return policy for NDS Products, which allows for a 100% sales price refund, less a 20% restocking fee, for the return of unopened and undamaged products purchased from us online throught one of our websites. Product sold to GNC may be returned from store shelves or the distribution center in the event product is damaged, short dated, expired or recalled. GNC maintains a customer satisfaction program which allows customers to return product to the store for credit or refund. Subject to certain terms and restrictions, GNC may require reimbursement from vendors for unsaleable returnted product through either direct payment or credit against a future invoice. We also support a product return policy for iSatori Products, whereby customers can return product for credit or refund. Historically, with a few noted exceptions, product returns have been immaterial. That said, despite the best of management, product returns can and do occur from time to time and can be material.

Information for product returns is predictabel and received on regular basis and adjusted for accordingly. Adjustments for returns are based on factual information and historical trends for both NDS products and iSatori products and special to each distribution channel. We monitor, among other things, remaining shelflife and sell through data on a weekly basis. If we determine there are any risks or issues with any specific products we accrue sales return allowances based on management's assessment of the overal risk and liklihood of returns in light of all information available.

Accounts Receivable

All of the Company’s accounts receivable balance is related to trade receivables. Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company’s best estimate of the amount of probable credit losses in its existing accounts receivable. The Company will maintain allowances for doubtful accounts, estimating losses resulting from the inability of its customers to make required payments for products. Accounts with known financial issues are first reviewed and specific estimates are recorded. The remaining accounts receivable balances are then grouped in categories by the amount of days the balance is past due, and the estimated loss is calculated as a percentage of the total category based upon past history. Account balances are charged off against the allowance when it is probable the receivable will not be recovered. We maintain an insurance policy for iSatori Products for international shipments, which protects the Company in the event the international distributor does not or cannot remit payment. The Company recorded an expense of $3,552 related to bad debt and doubtful accounts during the year ended December 31, 2016.

Note Receivable

In connection with iSatori's sale of its Living Orchard product line in 2010, the Company recorded a note receivable representing all or a portion of the purchase price. The term of the note receivable were amended in 2013. Since that time, the buyer has continued to make bi-weekly payments in satisfaction of the note receivable. Each payment is approximately $750. The Company does not record any interest income in connection with this receivable.

Allowance for Doubtful Accounts

The determination of collectability of the Company’s accounts receivable requires management to make frequent judgments and estimates in order to determine the appropriate amount of allowance needed for doubtful accounts. The Company’s allowance for doubtful accounts is estimated to cover the risk of loss related to accounts receivable. This allowance is maintained at a level we consider appropriate based on factors that affect collectability. These factors include historical trends of write-offs, recoveries and credit losses, the careful monitoring of customer credit quality, and projected economic and market conditions. Different assumptions or changes in economic circumstances could

result in changes to the allowance.

Allowance for Sales Returns and Incentive Programs

The Company currently does not establish reserve allowances against accounts receivable related to sales returns or incentive programs. Sales returns are captured on a weekly basis and accounts receivable are updated accordingly. Given the real-time nature of the information, an allowance account for sales returns is not necessary. Regarding incentives, the Company accrues an estimate of 8% for promotional expenses it calls “vendor funded discounts” at the time of sale. The expense is recorded as a contra-revenue account, and the expected incentive costs are never included in accounts receivable. As such, an allowance account for incentives is not required or necessary. Actual incentive costs are reconciled to the estimate on a regular basis.

Cash and Cash Equivalents

The Company maintains cash balances in several financial institutions that are insured by the Federal Deposit Insurance Corporation up to certain federal limitations. At times, the Company's cash balance exceeds these federal limitations. The amount in excess was $1,085,992 and $1,212,535 as of December 31, 2016 and 2015, respectively.

Deposits

Deposits are security deposits for leased properties in Nebraska and Colorado. The deposits will be returned at the end of the lease term.

Table of Contents

Inventory

The Company's inventory is carried at the lower of cost or net realizable value using the first-in, first-out ("FIFO") method. The Company evaluates the need to record adjustments for inventory on a regular basis. Company policy is to evaluate all inventories including raw material and finished goods for all of its product offerings across all of the Company's operating subsidiaries. At December 31, 2016, the value of the Company's inventory was $3,756,716, of which $2,624,461 and $1,132,256 was related to NDS Products and iSatori Products, respectively. At December 31, 2015, the value of the Company's inventory was $4,790,301.

Property and Equipment

Property and equipment is recorded at cost and depreciated over the estimated useful lives of the assets using the straight-line method. When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and proceeds realized. Ordinary maintenance and repairs are charged to expense as incurred, and replacements and betterments are capitalized.

The range of estimated useful lives used to calculate depreciation for principal items of property and equipment are as follows:

Asset Category	Depreciation / Amortization Period
Furniture and Fixture	3 Years
Office equipment	3 Years
Leasehold improvements	5 Years

The Company adopted FASB ASC Topic 350, Goodwill and Other Intangible Assets. In accordance with ASC Topic 350, goodwill, which represents the excess of the purchase price and related costs over the value assigned to net tangible and identifiable intangible assets of businesses acquired and accounted for under the purchase method, acquired in business combinations is assigned to reporting units that are expected to benefit from the synergies of the combination as of the acquisition date. Under this standard, goodwill and intangibles with indefinite useful lives are no longer amortized. The Company assesses goodwill and indefinite-lived intangible assets for impairment annually during the fourth quarter, or more frequently if events and circumstances indicate impairment may have occurred in accordance with ASC Topic 350. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, the Company records an impairment loss equal to the difference. ASC Topic 350 also requires that the fair value of indefinite-lived purchased intangible assets be estimated and compared to the carrying value. The Company recognizes an impairment loss when the estimated fair value of the indefinite-lived purchased intangible assets is less than the carrying value.

Impairment of Long-Lived Assets

In accordance with ASC Topic 3605, Long-Lived Assets, such as property, plant, and equipment, and purchased intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Goodwill and other intangible assets are tested for impairment. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimate undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no events or changes in circumstances that necessitated an impairment of long-lived assets.

Table of Contents

Income Taxes

Deferred income taxes are provided based on the provisions of ASC Topic 740, Accounting for Income Taxes, to reflect the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company adopted the provisions of FASB Interpretation No. 48; Accounting For Uncertainty In Income Taxes - An Interpretation of ASC Topic 740 ("FIN 48"). FIN 48 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not, that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating the Company's tax positions and tax benefits, which may require periodic adjustments. At December 31, 2016, the Company did not record any liabilities for uncertain tax positions.

In November 2015, the FASB issued ASU No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes (“ASU 2015-17”), which simplifies the presentation of deferred income taxes. ASU 2015-17 requires that deferred tax assets and liabilities be classified as noncurrent in a classified statement of financial position. ASU 2015-17 is effective for financial statements issued for fiscal years beginning after December 15, 2016 (and interim periods within those fiscal years) with early adoption permitted. ASU 2015-17 may be either applied prospectively to all deferred tax assets and liabilities or retrospectively to all periods presented. We have elected to early adopt ASU 2015-17 prospectively effective 2016. As a result, we have presented all deferred tax assets and liabilities as noncurrent on our consolidated balance sheet as of December 31, 2016, but have not reclassified current deferred tax assets and liabilities on our consolidated balance sheet as of December 31, 2015. There was no impact on our results of operations as a result of the adoption of ASU 2015-17.

Concentration of Business and Credit Risk

The Company maintains cash balances in several financial institutions that are insured by the Federal Deposit lnsurance Corporation up to certain federal limitations. At times, the Company's cash balance exceeds these federal limitations. The amount in excess was $1,085,992 and $1,212,535 as of December 31, 2016 and 2015, respectively.

The Company provides credit in the normal course of business to customers located throughout the U.S. The Company performs ongoing credit evaluations of its customers and maintains allowances for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends, and other information.

One customer comprised 82% and 91% of the Company’s revenues for the years ended December 31, 2016 and 2015, respectively. The loss of this customer would have a material adverse effect on the Company’s business, financial condition, or results of operation.

Earnings Per Share

Basic income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share reflects the potential dilution that could occur if stock options, warrants, and other commitments to issue common stock were exercised or equity awards vest resulting in the issuance of common stock that could share in the earnings

of the Company. In the event of a loss, diluted loss per share is the same as basic loss per share, because of the effect of the additional securities, a result of the net loss would be anti-dilutive.

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced sale or liquidation.

The carrying amounts of the Company's financial instruments, including cash, accounts payable and accrued liabilities, income tax payable and related party payable, if any, approximate fair value.

Table of Contents

Recent Accounting Pronouncements

Stock Compensation - Employee Share-Based Payments – In March 2016, the FASB issued guidance to amend certain aspects of accounting for employee share-based awards, including accounting for income taxes related to those transactions. This guidance will require recognizing excess tax benefits and deficiencies (that result from an increase or decrease in the fair value of an award from grant date to the vesting date or exercise date) on share-based compensation arrangements in the tax provision, instead of in equity as under the current guidance. In addition, these amounts will be classified as an operating activity in the statement of cash flows, instead of as a financing activity. In addition, cash paid for shares withheld to satisfy employee taxes will be classified as a financing activity, instead of as an operating activity. The guidance is effective beginning in the first quarter of the Company's 2018 fiscal year (with early adoption permitted) and is required to be adopted as follows:

- Prospectively for the recognition of excess tax benefits and deficiencies in the tax provision.
- Retrospectively or prospectively for the classification of excess tax benefits and deficiencies in the statement of cash flows.
- Retrospectively for the classification of cash paid for shares withheld to satisfy employee taxes in the statement of cash flows.

Leases – In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). ASU 2016-02 requires entities to recognize right-of-use assets and lease liabilities on the balance sheet for the rights and obligations created by all leases, including operating leases, with terms of more than 12 months. The new standard also requires additional disclosures on the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative information. The new standard will be effective for the Company on January 1, 2019. Early adoption is permitted. The Company is in the process of evaluating the impact the adoption of this standard will have on its consolidated financial statements and related disclosures.

Inventory Measurement – In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory" ("ASU 2015-11"), which requires entities to measure inventory at the lower of cost and net realizable value ("NRV"). ASU 2015-11 defines NRV as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The ASU will not apply to inventories that are measured by using either the last-in, first-out method or the retail inventory method. The guidance in ASU 2015-11 is effective prospectively for fiscal years beginning after December 15, 2016, and interim periods therein. Early adoption is permitted. Upon transition, entities must disclose the nature of and reason for the accounting change. The Company does not expect that the adoption of this standard will have a material effect on its consolidated financial statements.

Going Concern Disclosures – In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"). ASU 2014-15 requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued and provides guidance on determining when and how to disclose going concern uncertainties in the financial statements. Certain disclosures will be required if conditions give rise to substantial doubt about an entity's ability to continue as a going concern. ASU 2014-15 is effective for annual and interim reporting periods ending after December 15, 2016, with early adoption permitted. The Company's adoption of this standard did not have a material effect on its consolidated financial statements.

NOTE 4. PREPAID EXPENSES

The Company has prepaid expenses as of December 31, 2016 and 2015 as follows:

	December 31,	
	2016	2015
Prepaid Expenses	136,014	334,483
Total	$136,014	$334,483

NOTE 5. INVENTORIES

The Company inventories as of December 31, 2016 and 2015 consists as follows:

	December 31,	
	2016	2015
Finished goods	$3,069,531	$3,381,973
Components	687,185	1,408,328
Total	$3,756,716	$4,790,301

Table of Contents

NOTE 6. PROPERTY AND EQUIPMENT

The Company has fixed assets as of December 31, 2016 and 2015 as follows:

	December 31,	
	2016	2015
Equipment	$792,930	$808,324
Accumulated depreciation	$(621,926)	$(581,520)
Total	$171,004	$226,804

Depreciation expense was $56,236 for December 31, 2016 compared to $29,830 for December 31, 2015.

Intangible assets and amortization expense required, see example for updates and inclusion:

NOTE 7. ACQUISITION

iSatori, Inc. On September 30, 2015, the Company consummated the Merger contemplated by the Merger Agreement, among the Company, Merger Sub, and iSatori, pursuant to which iSatori merged with and into Merger Sub, with iSatori surviving as a wholly-owned subsidiary of the Company. The Merger was approved by iSatori shareholders at a special meeting held on September 29, 2015 and became effective on October 1, 2015.

In connection with the closing of the Merger, each share of iSatori common stock outstanding on the Closing Date became exchangeable for 0.1732 shares of the Company's common stock. In the event any iSatori shareholder would otherwise be entitled to a fractional share of the Company's common stock, the Company agreed to pay the value of those fractional interests in cash.

In addition to the foregoing, the Company secured an option to purchase, on or before December 31, 2015, almost 600,000 shares of the Company’s common stock, otherwise issuable to the two largest shareholders of iSatori, and secured a right of first refusal to purchase approximately 460,000 shares of the Company’s common stock issuable to a certain iSatori shareholder in the connection with the Merger. After careful consideration of many factors, including available cash resources, the Company’s Board of Directors elected not to exercise the purchase option prior to its expiration. The right of first refusal, however, remains outstanding.

On September 11, 2015, the Company loaned iSatori $750,000 pursuant to the Note, due and payable on demand after October 15, 2015 in the event the Merger was not consummated on or before such date. The proceeds from the Note were to be used by iSatori for the payment, in the ordinary course of business, of payroll and accounts payable of iSatori pending consummation of the Merger. The Note was deemed satisfied in full in connection with the Closing Date of the Merger and was included as an element of the total purchase price, which also included the assumption of outstanding debt of approximately $1.1 million and the issuance of approximately 2.3 million shares of Company common stock. In connection with the Merger, the Company also converted all issued and outstanding options and warrants of iSatori into options and warrants of FitLife in an amount equal to the number of iSatori options and warrants issued and outstanding multiplied by the Exchange Ratio, at an exercise equal to the original exercise price divided by the Exchange Ratio. The treasury stock net equivalent of all issued and outstanding options and warrants were factored into the calculation of the final Exchange Ratio, the vast majority of which were and remain

significantly out of the money.

At closing, in connection with adjustment provisions outlined in the Merger Agreement, iSatori established certain reserves and write-offs totaling approximately $1.8 million, which write-offs, together with the issuance of the Note and other variances of certain working capital accounts, resulted in a reduction of the Exchange Ratio under the terms of the Merger Agreement from 0.3000 to 0.1732 shares of common stock of the Company for each share of iSatori common stock issued and outstanding.

The fair value of consideration transferred on the date of acquisition consisted of the following:

Pre-closing note issued by iSatori and forgiven by FitLife at closing:	$750,000
Fair value of shares issued to iSatori shareholders:	$3,566,092
Fair value of replacement options and warrants issued to iSatori employees	$191,121
Capitalized S-4 costs	$57,507
Cash paid to shareholders of iSatori in lieu of fractional shares	$239
Total consideration	$4,564,959

The acquisition has been accounted for as a business combination in accordance with the requirements of ASC 805, Business Combinations. The following table sets forth the estimated fair value of assets acquired and liabilities assumed for the acquisitions as of the acquisition date.

Current assets	$3,117,459
Current Liabilities	$(5,009,760)
Property Plant and Equipment	$237,498
Intangible Assets	
Customer Relationship (10-year life)	$593,000
Trade names (10-year life)	$504,000
Intellectual Property (10-year life)	$868,000
Other non-current assets	$57,314
Goodwill	$4,197,448
Net assets acquired	$4,564,959

Table of Contents

The assessment of fair value is based on information available to management at the time the condensed consolidated financial statements were prepared and reflect the as recorded book value as management does not expect any material adjustments. The goodwill reflects future economic benefits expected to arise from the expanded presence in the nutritional supplement industry and notable increase in our distribution footprint both in-store and on-line. We do not expect to deduct goodwill for income tax purposes. The amount of goodwill will be periodically assessed and tested for impairment. In the event fair value of the goodwill is exceeded by its carried value, the company will record an impairment expense. Intangible assets include intellectual property, trade names and customer relationships with an estimated fair value of $868,000, $504,000 and $593,000, respectively, along with $57,507 in capitalized costs related to the preparation of the registration statement on Form S-4 in connection with the acquisition. All such intangibles have an estimated useful life of 10 years after December 31, 2015.

The amortization expense for all intangible assets is grouped with the depreciation expense for the related reporting period, and reported in the Statements of Operations and the Statements of Cash Flows as “Depreciation and amortization“ expense. The Company calculates the weighted average of the average amortization period, in total and by major define-lived intangible asset on a straight-line basis over the estimated useful lives.

The Company had total amortization expense of $421,999 and $270,311 for December 31, 2016 and December 31, 2015.

During the year ended December 31, 2015, the Company incurred transaction costs of $745,203 of which $57,507 were related the registration statement on Form S-4 and capitalized as an element of purchase price. The remaining $687,696 was recorded as an operating expense.

The Company’s consolidated results of operations for the year ended December 31, 2015 include $1.4 million of revenues and a net loss of $(0.7) million associated with the operating results of iSatori from October 1, 2015 to December 31, 2015. These iSatori operating results include certain accelerated stock-based compensation.

The following unaudited pro forma information presents a summary of the Company’s combined results of operations for the year ended December 31, 2015 as if the iSatori acquisition had occurred on January 1, 2015. The following pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transaction been effected on the assumed date, nor is it necessarily an indication of trends in future results for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the pro forma information, basic shares outstanding and dilutive equivalents, cost savings from operating efficiencies, potential synergies, and the impact of the incremental costs incurred in integrating the businesses.

(in thousands, except per share data)	December 31, 2015
Total revenue	$24,842
Income from continuing operations	(4,813)
Basic earnings per share from continuing operations	$(0.44)
Diluted earnings per share from continuing operations	$(0.44)

The Company engaged a third-party valuation expert to determine if there had been any impairment to indefinite-lived intangible assets as of December 31, 2016. The analysis and report concluded that the valuation of the indefinite-lived intangible assets exceeded the carrying value of such assets. As such, no impairment was deemed necessary of December 31, 2016.

Table of Contents

NOTE 8. INTELLECTUAL PROPERTY

The Company actively pursues intellectual property through both patent applications and trade secrets in an effort to differentiate its products. While no assurances can be given, the Company will continue to pursue the protections afforded by intellectual property going forward as a core element of its product development initiatives. The Company received a notice of allowance related to the extraction of protein from kaniwa from the USPTO on April 19, 2016 and maintains a patent pending application related to the methods and use of bioactive peptides.

NOTE 9. NOTE PAYABLES

Notes payable consist of the following as of December 31, 2016 and December 31, 2015:

	December 31, 2016	December 31, 2015
Revolving line of credit of $3,000,000 from U.S. Bank, dated April 9, 2009, as amended July 15, 2010, May 25, 2011, August 22, 2012, April 29, 2013, May 22, 2014, June 25, 2014, May 15, 2015 and August 15, 2016 at an interest rate of 3.0% plus the one-month LIBOR quoted by U.S. Bank from Reuters Screen LIBOR. The line of credit matures on June 15, 2017, and is secured by 80% of the eligible receivables and 50% of the eligible inventory (such inventory amount not to exceed 50% of the borrowing base) of FitLife Brands, Inc. The Company pays interest only on this line of credit.	$1,950,000	$1,490,305
Term loan of $2,600,000 from US Bank, dated September 4, 2013, at a fixed interest rate of 3.6%. The term loan amortizes evenly on a monthly basis and matures August 15, 2018.	914,002	1,439,727
Notes payable for warehouse equipment	12,700	54,036
Total of notes payable and advances	2,876,703	2,984,068
Less current portion	(2,507,526)	(2,069,930)
Long-term portion	$369,177	$914,138

As of December 31, 2016, the Company was not in compliance with certain financial covenants with a four-quarter look-back period in its existing term loan and revolving line of credit with U.S. Bank (the “Bank”), principally due to decreased revenue received during the third quarter of fiscal 2016. The Company received a waiver for all covenant defaults on both the existing five-year term loan and revolving line of credit with the Bank for the quarter ended December 31, 2016. No consideration was paid or payable in connection with such waiver. Receipt of the waiver for the current period notwithstanding, no assurances can be given with respect to either the Company’s ability to secure and maintain compliance with the covenants in future periods, or, in the event the Company is not compliant, that the Bank with provide a waiver of compliance for such covenants in future periods. In the event the Company is not in compliance with the covenants in future periods and the Bank fails to provide a waiver, declares the term loan or revolving line of credit to be in default, and terminates the term loan or the revolving line of credit, any amounts due the Bank at such time would become immediately due and payable. In such event, our financial condition will be negatively affected, and such affect could be material.

Table of Contents

NOTE 10. EQUITY

Common and Preferred Stock

The Company is authorized to issue 150,000,000 shares of common stock, $0.01 par value, of which 10,449,520 common shares were issued and outstanding as of December 31, 2016. Subject to a limit of 10,000,000 preferred shares in the aggregate, the Company is authorized to issue 10,000,000 shares of Series A Convertible Preferred Stock, $0.01 par value, 1,000 shares of its 10% Cumulative Perpetual Series B Preferred Stock, $0.01 par value, and 500 shares of its Series C Convertible Preferred Stock, par value $0.01, none of which were issued and outstanding as of December 31, 2016.

As of December 31, 2016, 33,869 shares of common stock were subscribed and 41,920 shares were held in treasury, reserved for cancellation.

Options

As of December 31, 2016, 1,059,988 options to purchase common stock of the Company were issued and outstanding. During the fiscal year ended December 31, 2016, the Company issued 219,000 options to key employees and members of the Board of Directors, which are expensed monthly basis over a three year period. Additional information about the outstanding options is included in the following table:

Outstanding	Exercise Price	Issuance Date	Expiration Date	Vesting
34,640	$0.06	04/03/15	04/03/25	No
55,424	$0.06	09/29/15	09/29/25	No
70,000	$0.90	04/13/12	04/13/17	No
50,000	$0.90	01/16/13	01/16/18	No
10,000	$1.00	03/04/13	03/04/18	No
218,163	$1.39	05/09/16	05/09/21	Yes
4,330	$1.44	09/29/15	09/29/25	No
40,000	$2.20	04/11/14	04/11/19	No
370,000	$2.30	02/23/15	02/23/20	No
93,503	$3.31	02/16/12	02/16/22	No
19,424	$4.62	05/13/15	05/13/25	Yes
4,330	$5.49	04/08/15	04/08/25	No
1,732	$5.81	03/05/15	03/05/25	No
33,774	$5.89	03/23/15	03/23/25	Yes
8,660	$12.13	09/17/13	09/17/23	Yes
21,650	$12.99	09/06/12	09/05/17	No
7,038	$12.99	11/14/12	09/27/22	No
17,320	$14.43	01/16/13	11/30/22	No
1,059,988				

Table of Contents

Warrants

The Company values all warrants using the Black-Scholes option-pricing model. Critical assumptions for the Black-Scholes option-pricing model include the market value of the stock price at the time of issuance, the risk-free interest rate corresponding to the term of the warrant, the volatility of the Company's stock price, dividend yield on the common stock, as well as the exercise price and term of the warrant. The Black Scholes option-pricing model was the best determinable value of the warrants that the Company "knew up front" when issuing the warrants in accordance with Topic 505. Other than as expressly noted below, the warrants are not subject to any form of vesting schedule and, therefore, are exercisable by the holders anytime at their discretion during the life of the warrant. No discounts were applied to the valuation determined by the Black-Scholes option-pricing model; provided, however, that in determining volatility the Company utilized the lesser of the 90-day volatility as reported by Bloomberg or other such nationally recognized provider of financial markets data and 40.0%.

As of December 31, 2016, 60,620 warrants to purchase common stock of the Company were issued and outstanding, all of which were assumed by the Company in connection with the acquisition of iSatori. Additional information about the outstanding warrants is included in the following table:

Outstanding	Exercise Price	Issuance Date	Expiration Date	Vesting
17,320	$12.99	10/01/13	01/01/18	No
43,300	$12.99	07/16/13	07/16/18	No
60,620				

Private Placements, Other Issuances and Cancellations

The Company periodically issues shares of its common stock and warrants to purchase shares of common stock to investors in connection with private placement transactions, as well as, to advisors and consultants for the fair value of services rendered. Absent an arm's length transaction with an independent third-party, the value of any such issued shares is based on the trading value of the stock at the date on which such transactions or agreements are consummated or such shares are issued. The Company expenses the fair value of all such issuances in the period incurred.

Table of Contents

The Company issued 82,853 shares of its common stock and 33,869 shares of its common stock subscribed for services rendered during the year ended December 31, 2016, for which it recorded an aggregate expense of $153,002, as compared to an expense of $179,203 for the year ended December 31, 2015. During the year ended December 31, 2016 the Company also cancelled 86,534 shares surrendered in settlement of a tax obligation and issued 85,089 shares in connection with the cashless exercise of an option held by a member of the Board of Directors.

2016

During the year ended December 31, 2016, the Company issued 82,853 shares of its common stock and 33,869 shares of its common stock subscribed, consisting of (i) 66,666 shares issued to employees for the fair value of services rendered; (ii) 24,082 shares issued to members of the Board of Directors for the fair value of services rendered consistent with the Company's Board compensation plan, and (iii) 25,974 shares issued to members of the Board of Directors for the fair value of services rendered in connection with the Company's acquisition of iSatori. In addition to the above, during the year ended December 31, 2016 the Company cancelled 86,534 shares surrendered by an employee in settlement of a tax obligation from a previously issued grant that vested during the year, issued 85,089 shares in connection with the cashless exercise of an option grant assumed by the Company in connection with the acquisition of iSatori, bought back 41,920 shares pursuant to the terms of its share Repurchase Program, all of which remained subject to cancellation from treasuryas of December 31, 2016. During the fiscal year ended December 31, 2016, the Company issued 219,000 options to key employees, for which it records a monthly expense equal to 1/36th of the total value of the grant. The Company did not issue any shares of its common stock to investors for cash during the year ended December 31, 2016.

During the year ended December 31, 2016, the Company valued shares issued for services rendered based on the trading value of the stock at the time of grant. Options are valued using the Black-Scholes option pricing model subject to maximum implied volatility of 40%.

2015

During the year ended December 31, 2015, the Company issued 2,408,937 shares of its common stock, consisting of (i) 2,315,644 shares issued to iSatori shareholders in connection with the Merger; (ii) 66,667 shares issued to employees for the fair value of services rendered; and (iii) 16,938 shares issued to members of the Board of Directors for the fair value of services rendered consistent with the Company's Board compensation plan. As of December 31, 2015, there were an additional 9,688 shares of common stock issuable to members of the Board of Directors for the fair value of services rendered consistent with the Company's Board compensation plan. In addition to the above, during the year ended December 31, 2015 the Company cancelled 37,000 shares previously issued for services and bought back and subsequently cancelled 206,187 shares pursuant to the terms of its share Repurchase Program. During the fiscal year ended December 31, 2015, the Company issued 370,000 options to management, key employees and members of the Board of Directors, for which it recorded an expense of $315,741. In connection with the acquisition of iSatori, the Company issued 312,205 options to former option holders of iSatori for which $191,121 was included as an element of the purchase price. The Company did not issue any shares of its common stock to investors for cash during the year ended December 31, 2015.

During the year ended December 31, 2015, the Company valued shares issued for services rendered based on the trading value of the stock at the time of grant.

NOTE 11. INCOME TAXES

The provision (benefit) for income taxes from continued operations for the years ended December 31, 2016 and 2015 consist of the following:

Current:	December 31, 2016	December 31, 2015
Federal AMT	$-	$-
State	2,417	-
	2,417	-
Deferred:		
Federal	(139,279)	5,074
State	(15,475)	5,510
	(154,754)	10,584
Change in valuation allowance	154,754	(10,584)
Provision (benefit) for income taxes, net	$2,417	$-

Table of Contents

Deferred income taxes result from temporary differences in the recognition of income and expenses for the financial reporting purposes and for tax purposes. The components of deferred tax assets consist principally from the following:

	December 31, 2016	December 31, 2015
Inventory	$54,000	$41,401
Allowance for Doubtful Accounts	-	162,849
Foreign tax credits	30,000	30,086
Share Based Compensation	39,000	39,485
Other	8,000	24,100
Property and equipment	-	16,712
Net operating loss carryforwards	7,666,946	7,666,946
Valuation allowance	(7,013,946)	(7,168,700)
Deferred income tax asset	784,000	812,879
Deferred expenses	(63,000)	(71,482)
Property and equipment	(32,000)	(52,397)
Deferred income tax liability	(95,000)	(123,879)
Net deferred tax asset	$689,000	$689,000

The Company has net operating loss carryforwards of approximately $22,400,000 for federal purposes available to offset future taxable income through 2036 and 2.298,000 for State of Colorado purposes which expire in various years through 2036, The Company has provided a valuation reserve against the full amount of the net operating loss benefit, because in the opinion of management the benefits from net operating losses carried forward may be impaired or limited on certain circumstances. Events which may cause limitations in the amount of net operating losses that the Company may utilize in any one year include, but are not limited to, limitations imposed under Section 382 of the Internal Revenue Code, as amended, from change of more than 50% over a three-year period. The impact of any limitations that may be imposed for future issuances of equity securities, including issuances with respect to acquisitions have not been determined.

ASC 740 requires the consideration of a valuation allowance to reflect the likelihood of realization of deferred tax assets. Significant management judgment is required in determining any valuation allowance recorded against deferred tax assets. In evaluating the ability to recover deferred tax assets, the Company considered available positive and negative evidence, giving greater weight to itsrecent cumulative losses and its ability to carry-back losses against prior taxable income and lesser weight to its projected financial results due to the challenges of forecasting future periods. The Company also considered, commensurate with its objective verifiability, the forecast of future taxable income including the reversal of temporary differences. At that time the Company continued to have sufficient positive evidence, including recent cumulative profits, a reduction in operating expenses, the ability to carry-back losses against prior taxable income and an expectation of improving operating results, showing a valuation allowance was not required. At the end of the year ended December 31, 2012, expectations of taxable income necessitated a reduction in the valuation allowance and a restoration of $689,000 of deferred tax assets related to net operating losses expected to be utilized in the next 12 months. At December 31, 2016, the Company continues to maintain the

deferred tax asset of $689,000.

Table of Contents

NOTE 12. FAIR VALUE MEASUREMENTS

The Company immediately adopted FASB Accounting Standards Codification No. 820 (SFAS 157), Fair Value Measurements. ASC 820 relates to financial assets and financial liabilities.

Determination of Fair Value

At December 31, 2016, the Company calculated the fair value of its assets and liabilities for disclosure purposes only.

Valuation Hierarchy

ASC 820 establishes a three-level valuation hierarchy for the use of fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date:

Valuation Hierarchy

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs that are both significant to the fair value measurement and unobservable. These inputs rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs are developed based on the best information available in the circumstances and may include the Company's own data.

Non-Financial Assets Measured at Fair Value on a Non-Recurring Basis

Non-financial assets, such as property, equipment and leasehold improvements, goodwill, and intangible assets, are required to be measured at fair value only when an impairment loss is recognized. The Company did not record an impairment charge related to these assets during the years ended December 31, 2016 and 2015.

NOTE 13. COMMITMENTS AND CONTINGENCIES

The Company does not have a commitment and contingency liability associated with any third party consulting agreements.

NOTE 14. RELATED PARTY TRANSACTIONS

The Company did not have any related party transactions as of December 31, 2016.

Table of Contents

NOTE 15. NET INCOME / (LOSS) PER SHARE

Basic income per share is calculated by dividing net income attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted income per share is calculated by dividing net income attributable to common stockholders by the weighted average fully diluted number of shares of common stock outstanding during the period. For the year ended December 31, 2016, the following potential shares of common stock were excluded in the number of shares of common stock outstanding for the calculation of diluted income per share. For the year ended December 31, 2015, the following potential shares of common stock were included in the number of the shares of common stock outstanding for the calculation of diluted income per share.

	December 31,	
	2016	2015
Warrants	102,287	98,742
Options	1,008,132	614,607
Total	1,110,418	713,349

The following table represents the computation of basic and diluted losses per share at December 31, 2016 and 2015:

	December 31,	December 31,
	2016	2015
Net income (losses) available for common shareholders	368,078	(1,165,940)
Basic weighted average common shares outstanding	10,429,452	8,677,433
Basic income (loss) per share	0.04	(0.13)
Diluted weighted average common shares outstanding	11,521,344	8,677,433
Diluted income (loss) per share	0.03	(0.13

Net loss per share is based upon the weighted average shares of common stock outstanding.

NOTE 16. SUBSEQUENT EVENTS

In April 2017, the Company and GNC entered into an agreement pursuant to which the Company agreed to provide GNC with margin support credits equal to $700,000 (“GNC Credits”), which GNC Credits will be recognized in bi-weekly or monthly installments through September 2017. The GNC Credits will be recognized from amounts remitted by GNC to the Company, and will have the effect of decreasing net income in the periods affected. The Company believes that the agreement with GNC aligns the interests of GNC and the Company, and provides an incentive for both GNC and the Company to support the sale of the Company’s products through GNC’s centralized distribution platform.

Management has reviewed and evaluated subsequent events and transactions occurring after the balance sheet date through the filing of this Annual Report on Form 10-K on April 17, 2016 and determined that no additional subsequent events occurred.