FITLIFE BRANDS, INC.
Form 10-K
March 31, 2015

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, 2014

OR

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

For the transition period from N/A to N/A

Commission File Number: 333-137170

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 (§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]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). [ ]

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: $12,128,344.

State the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: As of March 15, 2015, there were 8,202,362 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 2015 annual meeting of stockholders.

FITLIFE BRANDS, INC.
FORM 10-K ANNUAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014 and 2013
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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 Inc. and all of its subsidiaries.

Overview

FitLife Brands (the “Company”) is a national provider of innovative and proprietary nutritional supplements for health conscious consumers marketed under the brand names NDS Nutrition Products™ www.ndsnutrition.com), PMD™ (www.pmdsports.com), SirenLabs™ (www.sirenlabs.com) and CoreActive™ (www.coreactivenutrition.com). The Company manufactures and distributes a full line of nutritional supplements to support athletic performance, weight loss and general health predominantly through franchised General Nutrition Centers, Inc. (“GNC”) stores located both domestically and internationally.

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 is headquartered in Omaha, Nebraska. For more information on the Company, please go to www.fitlifebrands.com. The Company’s common stock currently trades under the symbol FTLF on the OTCBB

market.

Recent Developments

Share Repurchase Program

On June 30, 2014, the Company's Board of Directors approved a share 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 (the "Repurchase Program"). 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 12, 2015, the Company had repurchased an aggregate total of 120,354 shares of our common stock, at an average purchase price of $2.15 per share.

Industry Overview

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

- Dietary Supplements (vitamins, minerals, herbs & botanicals, sports nutrition, meal replacements and specialty supplements);
- 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 performance, weight loss and general nutrition products that are currently marketed and sold nationally. The Company currently markets more than 60 different products to approximately 900 GNC franchise locations located in the United States, as well as to approximately 300 additional franchise locations in more than 10 countries, all of which are distributed through either the Company's direct distribution system or GNC's distribution system. A complete product list is available on our websites at fitlifebrands.com, ndsnutrition.com, pmdsports.com, sirenlabs.com and coreactivenutrition.com. Key brands 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 Slimify, Shock'd and Ultra Karbs;

The Company also sells innovative diet, health and sports nutrition supplements and related products 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.

Manufacturing, Sources and Availability of Raw Materials

The Company utilizes several contract manufactures to produce its various products and product forms including capsules, tablets, and powders. All of our manufacturers abide by current Good Manufacturing Practices ("cGMPs") to ensure quality and consistency, and nearly all are certified through a governing body such as the NPA ("Natural Products Association") or NSF International. Raw materials are sourced and supplied by the respective contract manufacturer, and tested for accuracy and purity. The materials are blended according to specific and proprietary formula specifications and subjected to comprehensive testing prior to store placement. We own the formulas for each of our products and we believe that our purchasing requirements can be readily met from alternative sources, if necessary.

New Product Identification

From time to time we expand our product line through the development of new products. New product ideas are derived from a number of sources, including trade publications, scientific and health journals, consultants, distributors, and other third parties. Prior to introducing new products, we investigate product formulations as they relate to regulatory compliance and other issues. We introduced a total of 27 new products during the year ended December 31, 2014, which included eight (8) completely new products, 16 product reformulations and three (3) flavor extensions, and anticipate launching a new product line in the first half of fiscal 2015 under the Metis Nutrition brand marked for exclusive distribution through corporate owned GNC stores located in the US and Canada. 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

The Company principally distributes its sports nutrition, weight loss and general health products through approximately 900 GNC franchise locations located throughout the United States. The Company also currently distributes to over 300 GNC international franchise locations in more than 10 countries. On May 1, 2014, the Company transitioned the majority of its distribution to GNC's centralized distribution platform for all products excluding protein, which transitioned in mid-September. Prior to the change, the majority of the Company's revenue was realized upon direct shipment of product to individual franchise locations. For the year ended December 31, 2014, direct sales to 733 GNC franchise locations owned by 307 discrete customers represented approximately 50.0% of the total sales of the Company. Sales to GNC for indirect distribution to franchise and international locations accounted for 48.0% of total revenue. Excluding sales to GNC's centralized platform for indirect distribution, no single customer represented more than 10% of total revenue. The remaining 2.0% of sales was attributable to other distribution channels, including online sales through the Company-owned website at www.ndsnutrition.com and sales of its Core Active Nutrition Products.

We are currently focusing our sales and marketing efforts to expand sales to additional GNC franchise locations both domestically and internationally, as well as developing a broader retail presence for our Core Active Nutrition Products. In addition to the foregoing, we also anticipate launching a new brand, Metis Nutrition ("Metis"), into a select number of corporate owned stores and expect that the first product from the new brand will be available on store shelves in the second quarter. While risks and uncertainties remain, the anticipated launch of Metis is an exciting milestone for the Company and could represent a compelling growth platform for 2015 and beyond. Management believes that substantial growth opportunities exist to increase revenue with GNC including continued expansion in the international franchise system and domestically through the corporate store opportunity. 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.

Product Returns

We currently have a 30 day product return policy, 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 at www.ndsnutrition.com, or any of our other websites. Product sold to GNC may be returned only in the event product is damaged, or the product shelf life has expired. Historically, product returns have been immaterial.

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 the Company does. The Company seeks to differentiate its products and marketing from its competitors based on its 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.

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 current Good Manufacturing Practices ("GMPs") 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 GMPs.

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.

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

We have obtained federal registration on certain of our products. We have abandoned or not pursued efforts to register certain other marks identifying other items in our product line for various reasons including the inability of some names to qualify for registration 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.

During the fiscal year ended December 31, 2014 the Company wrote off the remaining balance of its investment in YogaEarth Group LLC ("YogaEarth") and recorded a $50,000 expense in connection with the write off. Contemporaneously with the write off, the Company, YogaEarth and other third parties (collectively, the "Parties") entered into a settlement agreement (the "Settlement") related to prior investment activity and intellectual property development initiatives undertaken by the Parties. Under the terms of the Settlement, YogaEarth agreed to sell its 50% ownership position in the kaniwa protein extraction intellectual property (the "Kaniwa IP") to the other Parties for the termination of certain equity rights and claims held by such parties in and against YogaEarth. Under the terms of the Settlement, the Company issued shares of its common stock with a fair market value of $84,500 to the third parties in exchange for their 37.5% of the Kaniwa IP, resulting in the Company owning 100% of the Kaniwa IP. Following the execution of the Settlement, the Company filed a patent application with the USPTO for the Kaniwa IP. On December 22, 2014, the USPTO notified the Company that its claims under the Kaniwa IP were not allowed. The Company intends to file a response with the USPTO on or before March 23, 2015.

Employees

We had 16 full-time employees and 1 part-time employee as of December 31, 2014. 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.

Although the Company has achieved profitable operations during the year ended December 31, 2014, it may not be able to sustain profitability. The Company's failure to sustain profitability or effectively manage growth could result in 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 to GNC franchisees. 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.

We are currently dependent on sales to GNC franchisees for the vast majority of our total sales.

Direct sales to GNC franchises during the year ended December 31, 2014 represented 50.0% of total sales, while sales to GNC's centralized distribution platform accounted for approximately 48.0% 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 franchisees cease purchasing products from the Company, or otherwise reduce their purchases, the Company's total revenues would be negatively impacted, and such impact could be material.

Our ability to materially increase sales is largely dependent on the ability to increase sales of product to additional GNC franchisees, as well as increasing sales of our Core Active Nutrition Products and, in the longer term, GNC corporate stores. 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