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

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2018

OR

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

For the transition period from _____to_____

Commission File Number
000-19932

RELIV' INTERNATIONAL, INC.

(Exact name of Registrant as specified in its charter)

Delaware	371172197
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
136 Chesterfield Industrial Boulevard Chesterfield, Missouri	63005
(Address of principal executive offices)	(Zip Code)

(636) 537-9715
Registrant's telephone number, including area code

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.001	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

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

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 ☑

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 ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐
Smaller reporting company ☑ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Based upon the closing price of $4.83 per share of the registrant's common stock as reported on the NASDAQ Global Select Market on June 29, 2018, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately $5.4 million. (The determination of stock ownership by non-affiliates was made solely for the purpose of responding to the requirements of the Form and the registrant is not bound by this determination for any other purpose.)

The number of shares outstanding of the registrant's common stock as of March 18, 2019 was 1,746,499 (excluding treasury shares).

DOCUMENTS INCORPORATED BY REFERENCE

Document	Part of Form 10-K into Which Document Is Incorporated
Sections of the registrant's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 23, 2019, which is expected to be filed no later than 120 days after December 31, 2018	Part III

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FORWARD-LOOKING STATEMENTS

This annual report includes both historical and "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations and projections about future results. Words such as "may," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential," "continue," or similar words are intended to identify forward-looking statements, although not all forward-looking statements contain these words. Although we believe that our opinions and expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements, and our actual results may differ substantially from the views and expectations set forth in this annual report. We disclaim any intent or obligation to update any forward-looking statements after the date of this annual report to conform such statements to actual results or to changes in our opinions or expectations.

PART I

Item No. 1 - Business

Overview

We are a developer and marketer of a proprietary line of nutritional supplements addressing basic nutrition, specific wellness needs, weight management and sports nutrition. We sell our products through an international network marketing system using independent distributors. We have sold products in the United States since 1988 and in selected international markets since 1991.

We currently offer 19 nutritional supplements, and our product offering has selectively evolved over our history. Our core line of nutritional supplements, which represented 58.9% of net sales for the year ended December 31, 2018, included the following five products:

- Reliv Classic and Reliv Now — two basic nutritional supplements containing a full and balanced blend of vitamins, minerals, protein and herbs, including a whey-based version of Now.
- Innergize! — an isotonic sports supplement in two flavors
- FibRestore — a high-fiber and antioxidant supplement
- LunaRich X — a soy concentrate with elevated levels of lunasin, in capsule form

In February 2017, we launched our Fit3 fitness and weight loss program in the United States to broaden and bolster our weight management offering, and to appeal to a broader demographic than our essential nutrition. The Fit3 program consists of three principal components: (1) nutrition coaching, (2) exercise coaching and videos, and (3) three fitness products: Active, Burn and Purify. The Fit3 program involves our most interactive offering for distributors and customers, including a separate website with independent content and a focused social media outreach and support initiative. We offer a Fit Kit that includes a 90-day supply of the Fit3 products and access to the information, tools and videos we offer through the program. We believe the Fit3 program provides an attractive alternate entry point for new distributors or customers who are more interested in weight loss and fitness than our essential nutrition or targeted solutions.

We periodically refine our products and introduce related new products and product categories. Our internal research and development team has developed most of our products, and we hold U.S. patents on five of these products —ReversAge, GlucAffect, ProVantage, 24K and CardioSentials. We also own several U.S. and international patents and patent applications related to lunasin through our acquisition of the lunasin technology in September 2016.

We believe that our network marketing model is the best method for the marketing and sale of our products because it utilizes ongoing personal contact among our distributors and their retail customers. This enables our distributors to communicate directly regarding the products, the business opportunity we offer and their personal experiences with both. We provide our distributors with a financially rewarding and entrepreneurial business opportunity, affording them the ability to earn compensation both from the direct sale of products and from sales

volume generated by distributors they sponsor. We actively support our distributors by providing marketing materials, a dependable product fulfillment system and frequent educational, training and motivational programs.

The majority of our sales traditionally has been, and is expected to continue to be, made through our distributors in the United States. We also currently generate sales through distributor networks in Australia, Austria, Canada, France, Germany, Ireland, Malaysia, Mexico, the Netherlands, New Zealand, the Philippines, Singapore and the United Kingdom. In each country in which we conduct business, our distributors operate under a business and compensation model that maintains consistent marketing, sales, fulfillment, and compliance procedures. As of December 31, 2018, our network consisted of approximately 30,370 distributors and preferred customers —19,810 in the United States and 10,560 across our international markets.

Industry Overview

Nutritional Supplement Market

We operate primarily in the $44 billion U.S. nutritional supplement market which is up 6.1% from the prior year. This is part of the broader $140 billion U.S. nutrition industry according to data published by the *Nutrition Business Journal*, or NBJ, and an estimated $320.0 billion global nutrition industry, also according to the NBJ. Additionally, more than 185 million Americans, or 75% of all U.S. adults, take dietary supplements annually according to the Council for Responsible Nutrition, an increase of 5 percentage points from 2016.

A combination of demographic, healthcare and lifestyle trends are expected to drive continued growth in the nutritional supplement market. These trends include:

- *Aging Population:* The older population (persons 65 years or older) numbered 50 million in 2017 according to latest information from the Department of Health and Human Services. This population segment grew 1.6 million from 2014 and they represented 16.03% of the U.S. population, or about one in every seven Americans. By 2060, there will be approximately 98.2 million older persons, nearly one in four U.S. residents. Recent data from the Council for Responsible Nutrition shows that 78% of adults aged 55 and over take dietary supplements. This is up from 74% in 2016. We believe this ever-growing population, living longer lives than in previous decades, will continue to focus on their nutritional needs as they age.

- *Rising Healthcare Costs and Commitment to Health:* The cost of healthcare in the United States is projected to have grown 5.5% in 2018, up slightly from 4.6% growth in 2017, according to the Centers for Medicare and Medicaid Services (CMS). In 2017, U.S. healthcare spending reached $3.5 trillion or $10,739 per person. As reported from Frost and Sullivan, approximately 75% of total U.S. health care expenditures are spent on preventable health issues. Many studies have demonstrated that dietary supplements have a positive effect on reducing the potential for health issues and consumers are reacting to this by taking charge of their personal health. In a recent survey conducted by Harris Poll, taking vitamins was one of the top five responses from participants wanting to improve health and wellness habits. We believe more consumers will seek the use of nutritional supplements to maintain quality of life as well as reduce medical costs.

- *Continued Focus on Weight Management:* According to a report published by The State of Obesity in September 2016, nearly 38%, or more than one-third of U.S. men and women were obese, as were almost 17% of U.S. children. It is estimated that 86.3% of Americans will be overweight or obese by 2030. Health care costs related to obesity currently account for almost 21% of U.S. health care costs according to a report by Cornell University and are expected to grow to as much as $956.9 billion by 2030. Being overweight is linked to more than 90 chronic diseases and can lead to more serious health concerns such as diabetes, heart disease and other chronic illnesses. According to a May 2016 report from Technavio, the global weight loss supplement market via direct selling was valued at $624.9 million in 2015 and North America accounted for more than one-third of those sales. Bearing these facts in mind, we believe that there will be a continual need not only for weight loss products but also for wellness products.

Direct Selling Market

Health and nutrition products are distributed through various market means, including retailers such as supermarkets, drugstores, mass merchants and specialty retailers; direct marketers such as mail order companies and Internet retailers; and direct sellers such as network marketers and healthcare practitioners. We distribute our products through the direct selling channel via our network marketers.

Direct selling involves the marketing of products and services directly to consumers in a person-to-person manner. Direct selling is a significant global industry largely utilized for the sale of a wide range of consumer products from companies such as Avon Products Inc., Alticor Global Holdings, Inc. (Amway Corp.) and Tupperware Brands Corporation. According to the World Federation of Direct Selling Associations, or WFDSA, the 2017 global direct selling market (for all product categories) was estimated to be $189.4 billion, an increase from $182.6 billion in 2016. The WFDSA estimates that the number of individuals engaged in direct selling has nearly tripled between 1999 and 2017, from 35.9 million sellers to 116.7 million in 2017. The United States had 18.6 million direct sellers in 2017, the most of any country. Globally, wellness products came in as the top selling category, the third year in a row that it has come in ahead of cosmetics and personal care.

While the United States is currently the largest direct selling market with $34.9 billion in annual sales in 2017, international markets account for 81% of the entire industry, according to the WFDSA. Twenty-four countries (including the United States) have annual direct sales revenue of at least $1 billion and another twenty-six have annual direct sales revenue of at least $100 million, according to the WFDSA.

We believe that we are well positioned to capitalize on the world-wide growth trends in direct sales, as both a developer of proprietary nutritional products, utilizing our network marketing distribution system.

Our Competitive Strengths

We believe that we possess a number of competitive strengths that are the keys to our growth and profitability in the future.

Leading Marketer of Bioavailable Lunasin-Containing Products. We own certain technology and proprietary testing and manufacturing processes that allow us to produce LunaRich X, to our knowledge, the only commercial source of soy concentrate with elevated levels of bioactive lunasin. One 310 mg capsule of LunaRich X contains an amount of lunasin equivalent to 25 grams of high quality soy protein. In addition to our LunaRich X capsules, we fortified six other nutritional supplements with LunaRich X so that a serving of those products yields an amount of bioactive lunasin equivalent to consuming 25 grams of soy protein. The products fortified with LunaRich X are Reliv Now with Soy, Reliv Now for Kids, ProVantage, GlucAffect, SoySentials and Fit3 Active.

Complete, Simple Nutrition. We focus on the completeness, balance and simplicity of our basic nutritional supplements — Reliv Classic or Reliv Now — combined with LunaRich X. Our recommended daily regimen of essential nutrition for any new distributor or customer is one shake of either Reliv Now or Reliv Classic and two capsules of LunaRich X. Our two basic nutritional supplements each contain a full and balanced blend of vitamins, minerals, proteins and herbs supporting an individual's daily nutritional needs and our LunaRich X capsules support an individual's wellness at the epigenetic level. The combination of Reliv Now or Reliv Classic and LunaRich X makes supplementation simple and effective for the consumer. For more specific individual needs, we provide 16 additional supplements. We believe that our two basic nutritional supplements, together with LunaRich X and our additional supplements, enhance the ability of our distributors to build their businesses by providing a comprehensive, simple product offering.

In-House Development. We utilize nutrition science as the basis for product formulation. We maintain an ongoing research and development effort. We believe our ability to formulate nearly all of our nutritional supplement products enables us to maintain our high standards of quality assurance and proprietary product composition.

Experienced Ambassador Team. Our Ambassador corps consists of distributors who have achieved the level of Master Director, have earned royalty payments of at least $4,000 in consecutive months and meet our

leadership and character criteria necessary to garner our invitation to be an Ambassador. Our Ambassadors generally are our most productive distributors and are essential in recruiting, motivating and training our entire distributor network. We, and our Ambassadors, lead hundreds of annual events throughout all of our markets to motivate and train distributors, including regular recruiting meetings, trainings, conference calls, training schools for Master Affiliates and higher levels and regional, national and international distributor conferences.

Experienced and Incentivized Management Team. Our management team is led by Robert L. Montgomery, who founded our company in 1985. Our executive officers have been employed by our company for an average of 22 years and are experienced in their areas of focus, which include manufacturing, sales, finance, marketing and operations. As of March 18, 2019, our directors and executive officers beneficially own approximately 36.0% of our common stock.

Our Business Strategy

Our basic objective is to increase our net sales by adding customers and distributors, increasing the productivity of our distributors, and by periodically improving our existing products and introducing new products. We also intend to invest in our infrastructure to improve our operating efficiencies, provide better service to our customers and distributors and leverage our current operating facilities to improve our profitability. We seek to accomplish these objectives by employing the following strategic initiatives:

Leverage and Expand our Existing Distributor Base Throughout the United States. The United States has been and will continue to be our largest market. Our growth strategy in the United States involves multiple initiatives, such as the launch in early 2017 of our Fit3 product line and fitness program, continued investment in company-sponsored events and distributor training and better utilization of our upper-level distributors across different geographical areas to increase our distributor base.

Increase Appeal to Broader Demographic. Traditionally, our customer and distributor demographic has skewed towards baby boomers and older individuals searching for nutritional solutions to supplement their diet and support overall wellness. While continuing to maintain our focus on the needs of this important segment, we believe there is an opportunity to expand our sales and distributor base by increasing our appeal to younger generations interested in nutrition and an active healthy lifestyle. In February 2017, we launched our Fit3 product line and fitness program aimed at individuals seeking to improve their fitness levels and incorporate healthier options into their daily routines. We believe the nutritional and fitness aspects of Fit3 will attract health conscious on-the-go individuals, many of whom fall within the under-40 demographic. Further, we maintain an active presence on popular social media sites including Facebook, Twitter, YouTube and several other social networks that are popular with younger generations. Our internal social media team is comprised of Gen X and Gen Y staffers who regularly interact with distributors, customers and prospects. We plan to continue to develop products and programs and expand our technology offerings in an effort to further appeal to younger generations interested in healthy active lifestyles and a vibrant evolving business opportunity.

Expand in Existing and New International Markets. We believe there is a significant opportunity to increase our net sales in international markets. We have a business model that is compatible across all of our markets and encourages our distributors to pursue their business in multiple markets. We believe this business model supports expansion of our distributor network in our existing international markets and will provide a framework that facilitates our entry into new international markets. To that end, we continue to monitor business conditions in potential new markets and will selectively expand as timing and conditions are appropriate.

Invest in Improved and New Products. As a developer of nutritional supplements, it is vital to continue to invest in the research and development of new and innovative products. For example, in January 2017, we introduced our Fit3 line of products and in January 2013 we launched LunaRich X to support heart health and overall wellness. Additionally, we will continue to improve and validate the efficacy of our existing product line. These types of investments should facilitate customer and distributor retention, as well as the recruitment of new distributors.

Our Products

Product Overview

Our product line includes nutritional supplements that address basic nutrition, specific wellness needs, weight management and sports nutrition. We combine ingredients from science and nature in targeted, well-balanced, easy-to-use formulas that are specifically designed to enhance wellness and increase performance and energy in specific applications. All but three of our supplements are in powdered form that the consumer mixes with water, juice or other liquid. LunaRich X, Burn and Purify are available in capsule form.

We currently offer 19 nutritional supplements. Our basic nutritional supplements are formulated to provide a balanced and complete level of supplementation for the consumer. For more specific needs, we provide other focused product formulations. We have purposely been selective in the number and types of products that we offer. By providing a line of targeted products, we make it simple for our distributors and consumers to choose products appropriate for their objectives. We consider four of our oldest and best selling products — Reliv Classic, Reliv Now, Innergize!, and FibRestore — along with LunaRich X capsules to be our primary or "core" products.

The following table summarizes our product categories as of December 31, 2018. The net sales figures are for the year ended December 31, 2018:

Product Category	Product Name	% of 2018 Net Sales[(1)]	Year Introduced
Basic Nutrition	Reliv Now	17.3	1988
	Reliv Now with Whey	1.5	2018
	Reliv Classic	10.5	1988
	Now for Kids	6.3	2000
Specific Wellness	FibRestore	9.5	1993
	Arthaffect	6.9	1996
	ReversAge	3.6	2000
	SoySentials	1.5	1998
	CardioSentials	1.7	2005
	GlucAffect	1.0	2008
	24K	1.2	2011
	LunaRich X capsules	12.6	2013
Weight Management	Fit3 product line	2.5	2017
	Meal replacements	0.1	Various
Sports Nutrition	Innergize!	7.6	1991
	ProVantage	2.9	1997

(1) This table does not include net sales for the year ended December 31, 2018 related to freight and handling, sales of marketing materials, membership fees, and other manufacturing revenue, which represented approximately 13.3% of net sales for the year ended December 31, 2018.

Basic Nutrition Supplements

Our three basic nutrition supplements provide consumers with a broad spectrum of essential nutrients. Every formulation is specifically designed to optimize and enhance the benefits of the nutrients it contains.

- Reliv Now with Soy is a nutritional supplement containing a variety of vitamins and minerals, soy and various herbs. Reliv Now is available in every country where we operate. In Australia, the product is

marketed as Nourish. In 2018, we introduced a soy-free option, Now with Whey. This product has a nearly identical vitamin/mineral profile as Reliv Now with Soy. It is only available in the United States.

- Reliv Classic is a nutritional supplement containing a variety of vitamins and minerals, soy and various herbs. It is a vegetarian product that contains no animal compounds, artificial preservatives, artificial flavors or added simple sugars. Reliv Classic is available in the United States, Canada, France, Germany, Austria, the Netherlands, the United Kingdom and Ireland.

- Now for Kids is a product designed to provide a balanced nutritional supplement for a child's diet and contains a variety of vitamins and minerals. Now for Kids is available in Australia, New Zealand, the United States, the United Kingdom, France, Germany, Ireland, Austria, the Netherlands, Mexico, Malaysia and the Philippines. In Australia, the product is marketed as Nourish for Kids.

Specific Wellness Supplements

Our line of eight specific wellness supplements contains specific compounds that target certain nutritional needs. Each product is intended to work in conjunction with our basic nutritional supplement formulas to provide an effective and balanced method for sustaining health and well-being.

- ReversAge is a patented youth-promoting nutritional supplement designed to slow down the effects of the aging process. Three proprietary complexes form the foundation of the supplement: longevity complex, antioxidant complex and herbal complex. The longevity complex is restorative and designed to replenish key hormones while creating balance within the body's major systems; the antioxidant complex is designed to slow aging at the cellular level; and the herbal complex delivers a variety of herbs, including Ginkgo Biloba and Maca. ReversAge is available in every country where we operate except Germany, the United Kingdom, France, the Netherlands and Ireland. In Canada and Mexico, the product is marketed as Nutriversal.

- SoySentials is a nutritional supplement containing soy as well as other vitamins, minerals and herbs designed for use by women. SoySentials provides a woman with key nutrients targeted to promote women's health and ease the symptoms of menopause and PMS. SoySentials is available in the United States and Mexico.

- CardioSentials is a patented berry-flavored nutritional supplement that promotes heart health. The product contains 1,500 mg of phytosterols per serving, policosanol and several powerful antioxidants. In a clinical study of this product, participants experienced meaningful reductions in cholesterol as well as improvement in their high-density lipoprotein, or HDL, and low-density lipoprotein, or LDL, ratios. CardioSentials is available only in the United States.

- Arthaffect is a nutritional supplement containing Arthred, a form of hydrolyzed collagen protein, which is clinically reported to support healthy joint function. The product is available in the United States, Australia, New Zealand, Mexico, the Philippines, Malaysia, Singapore, and Canada. The product is marketed as A-Affect in Australia, New Zealand and Canada due to local product regulations.

- FibRestore is a nutritional supplement containing fiber, vitamins, minerals and herbs. A modified version of the FibRestore formula is marketed in Canada under the name Herbal Harmony to comply with Canada's nutritional regulations. FibRestore is available in all of the countries in which we operate.

- GlucAffect is a patented cinnamon cream flavored nutritional supplement designed to support healthy blood sugar levels. GlucAffect contains Pycnogenol® and other clinically supported active ingredients. GlucAffect has been clinically proven to assist in healthy blood sugar management and support weight loss. GlucAffect is available in the United States.

- 24K is a patented healthy energy product. 24K is formulated with a synergistic blend of 24 active ingredients designed to enhance the body's natural vitality and provide energy, focus and stress relief. It contains no caffeine and only 20 calories per serving. 24K is available only in the United States.

- LunaRich X is a nutritional supplement available in capsule form and comes in a bottle of 30, 60 or 120 capsules. LunaRich X is a soy concentrate with elevated levels of bioactive lunasin, a soy peptide shown to have heart health and wellness benefits. LunaRich X is currently available in the United States, Canada, Mexico, the United Kingdom, France, Germany, Ireland, Austria, the Netherlands, the Philippines, Singapore and New Zealand. The product is marketed as LunaRich C in Germany, Austria, the United Kingdom, France, the Netherlands and Ireland due to local regulations.

Weight Management Supplements

Our five weight management supplements combine advanced weight loss promoting complexes with scientifically balanced nutrition and protein for muscle development and toning. Our ingredients are designed to work together, along with proper diet and exercise, to turn unwanted fat into energy without sacrificing muscle mass.

- Active is a nutritional supplement designed as the protein, energy and recovery product for use in our Fit3 program introduced in February 2017. Active combines a three-protein blend of whey, casein and non-GMO soy with active ingredients to support weight loss, physical performance and energy when combined with healthy eating and exercise. Active is currently available in the United States.

- Burn is a nutritional supplement in our Fit 3 program that promotes weight loss when combined with healthy eating and exercise through a targeted fat-burning formula. Burn is available in the United States.

- Purify is a nutritional supplement in our Fit3 program that contains probiotics and liver and metabolic supporting ingredients intended to cleanse the digestive system and allow maximum absorption and metabolic efficiency. Purify is available in the United States.

- Reliv ReShape is designed as a meal replacement or a nutritious snack delivering 12 grams of protein. Reliv ReShape is only sold in Australia and New Zealand.

- Reliv Ultrim-Plus is designed as a meal replacement (for a maximum of two meals per day) for use in a weight loss program. Reliv Ultrim-Plus is sold only in Mexico.

Sports Nutrition Supplements

Our two sports nutrition supplements contain a balance of nutrients scientifically designed to improve athletic performance and endurance, as well as muscle recovery and repair.

- Innergize! is a sports supplement, containing vitamins and minerals designed for performance enhancement. Innergize! is available in every country where we operate. In Canada, the product is marketed as Optain due to local product regulations.

- ProVantage is a patented nutritional supplement containing soy designed to enhance athletic performance with a balance of nutrients needed to improve endurance, muscle recovery and repair. The product also benefits those seeking to increase their soy intake. ProVantage is available in the United States and Canada.

Research and Development

We maintain an ongoing research and development effort and consult with other industry professionals with respect to developments in nutritional science, product enhancements and new products. Since 2011, we have introduced six nutritional supplement products, including 24K, LunaRich X, Active, Burn, Purify and Now with Whey. From time to time, we reformulate and enhance our products. Our research and development team

consistently evaluates product advancements in the marketplace and advancements in raw materials and ingredients available for new product ideas and developments.

For the years ended December 31, 2018 and 2017, our research and development expenses were $473,000 and $488,000 respectively.

SL Technology, Inc.

In mid-2013, we formed a wholly-owned subsidiary, SL Technology, Inc. ("SLTI") for the purpose of entering into a Technology License Agreement (the "License Agreement") with Soy Labs, LLC ("Soy Labs"). Pursuant to this License Agreement, Soy Labs granted SLTI an exclusive license for its intellectual property related to its soy concentrate with elevated levels of bioactive lunasin and other soy-related ingredients. The license covered an issued patent and several patent applications related to lunasin and soy-related peptides, proprietary information and manufacturing processes of Soy Labs.

In September 2016, we entered into a letter agreement with Soy Labs to acquire sole ownership of intellectual property subject to the License Agreement. In consideration for acceleration of the final payment under the License Agreement, Soy Labs transferred all rights, title and interest in the technology to us and terminated any of our future royalty obligations under the License Agreement.

Network Marketing Program

General Overview

We market and sell our products through a network marketing system of independent distributors, who purchase our products from us, or from other distributors, and who then sell our products directly to consumers. In addition to selling our products, our distributors also recruit others to distribute our products. Distributors receive compensation from both the sale of the products they have purchased at wholesale and, in the case of Master Affiliates and above, commissions on the volume of products sold by their downline organization. We believe network marketing is an effective way to distribute our products because it allows and relies on personal contact, education and endorsement of products which are not as readily available through other distribution channels.

We recognize that our sales growth is based on the continued development and growth of our independent distributor force and we strive to maintain an active and motivated distributor network through a combination of quality products, and a business opportunity with distributor discounts, commissions and bonus payments, sales conventions, training, personal recognition and a variety of publications and promotional materials.

Program Structure

Individuals that do not wish to become distributors, but want to purchase products directly from the company may enroll as retail or preferred customers, so long as they are sponsored by an existing distributor. We created a Preferred Customer program in the United States and Canada, effective February 1, 2016. Those wishing to join as a preferred customer may enroll for an annual fee of $10, for which they receive a 10% discount from the retail prices of our products.

Individuals who desire to market and sell our products may become distributors by being sponsored into the program by an existing distributor, and becoming part of that distributor's "downline." We offer a tiered discount and commission, or royalty, format that consists of four principal levels and several sub-levels, which are designed to compensate and motivate distributors to increase their networks and sales volumes.

Our distributors consist principally of individuals, although we also permit entities such as corporations, partnerships, limited liability companies and trusts to become distributors. A new distributor is required to complete a distributor application and, in most areas, to purchase a package of distributor materials (for $40 plus sales tax in the United States) consisting of a Distributor Guide and CD, business forms and promotional materials. The Distributor Agreement, when accepted by us, becomes the contract between us and the distributor and obligates the distributor to the terms of the agreement, which includes our Policies and Procedures for conduct of their business. All distributors are independent contractors and are not our employees.

In each country in which we conduct business, distributors operate under a compensation system pursuant to which distributors generally are compensated based on their sales volumes. On the basis of sales volume or commission volume, distributors may achieve the following successive levels of achievement and compensation:

Designation	Discount
Retail Distributor[(1)]	20%
Affiliate	25%
Key Affiliate	30%
Senior Affiliate	35%
Master Affiliate	40% [(1)]
Director	40% [(1)]
Key Director	40% [(1)]
Senior Director	40% [(1)]
Master Director/Ambassador	40% [(1)]
Presidential Director/Ambassador	40% [(1)]

[(1)] In addition to discounts, these levels also receive commissions based on sales in their downline organization.

Distributors purchase products from us at a discount from the suggested retail price for the products and then may sell the product at retail to customers, sell the product to other distributors at wholesale or consume the product. The amount of the discount varies depending on the distributor's level of achievement, as indicated above.

Distributors generate income equal to the difference between the price at which they sell the product to customers and the discounted price they pay for the product. Distributors also earn wholesale commissions on products purchased by downline distributors in the distributor's sponsored group equal to the difference between the price at which the distributor is entitled to purchase product and the price at which downline distributors purchase product. We calculate payments and issue a payment directly to the qualified distributor on a weekly basis. For example, assume Distributor A is a 40% discount Master Affiliate who signs up Distributor B, a 30% discount Key Affiliate, who signs up Distributor C, a 20% discount Retail Distributor. If Distributor C purchases directly from us, a 10% wholesale profit check will be sent to Distributor A and a 10% wholesale profit check will be sent to Distributor B.

Upon achieving the level of Master Affiliate, distributors begin to receive additional compensation — "generation royalty" — payments of 8%, 6%, 4%, 3% and 2% of the retail volume of product purchased from us by Master Affiliates and above (and their personal groups) whom they have sponsored, and for each of five downline levels of sponsorship. To qualify for these additional compensation payments, Master Affiliates and above are required to maintain certain monthly sales volumes.

Master Affiliates who sponsor other distributors that achieve the level of Master Affiliate are entitled to become part of the Director Program. Advancement at the Director level is based upon achieving increasing levels of royalties based on sales generated by other distributors in the Director's downline organization. Distributors achieving each level receive recognition for their achievements at our company-sponsored events and in our publications. We also have a Star Director Program under which distributors achieving the level of Director and above receive additional compensation based on the number of Master Affiliates they have sponsored into the program. Directors receive an additional 1% to 3% royalty on the retail sales volume of Master Affiliates in their downline organization for an unlimited number of levels of sponsorship, until reaching a level that includes a Master Affiliate who also has achieved Star Director status.

Master Directors and Presidential Directors may also be invited to participate in the Ambassador Program. Qualifications to be invited by us to participate in the Ambassador Program include demonstrated competence and leadership qualities. Ambassadors receive recognition and awards for achieving Ambassador status and can then achieve additional levels of accomplishment. We utilize our Ambassadors to lead meetings and conferences, and to provide training and education to our distributors. Ambassadors achieving the level of Silver and higher also

participate in the "Reliv Inner Circle," which may entitle them to receive additional compensation, paid participation in our sponsored events, health insurance and car allowances.

In addition to the levels of compensation described, we also provide a variety of incentives, bonuses, awards and trips to distributors who achieve high sales volumes and who advance in the distributor ranks.

Distributor Training, Motivation and Management

Our marketing efforts are focused on the development, training, motivation and support of our independent distributors. We support an active training program for our distributors in which our representatives and experienced distributors, usually Ambassadors, lead group training sessions. We provide distributors with manuals, brochures and other promotional, training and informational publications. We encourage distributors to hold regular weekly recruiting meetings and training sessions. We sponsor weekly training conference calls in which a significant number of distributors participate.

Our sponsorship generally includes the following:

- During 2018, we sponsored numerous special events in cities across all of our markets led by corporate executives and/or experienced Ambassadors;
- For the key markets in which we operate, we sponsor our annual conference for distributors; and
- In the United States during 2018, we sponsored two regional conferences for U.S. distributors.

During 2018, we invested approximately $1.03 million in training, conferences and promotional events for our distributors worldwide compared with $1.25 million in 2017.

Distributor Compliance

Our distributor organization and business model are designed and intended to promote the sale of our products to consumers by distributors. Sales training and promotional efforts emphasize that intention. To that end, we monitor purchases by distributors to identify potentially excessive individual purchases and keep detailed information regarding customer purchases through our corporate shopping cart and as part of our autoship program. Distributors are not required at any time to purchase product, although Master Affiliates and above are required to maintain certain minimum sales levels in their personal groups to continue receiving generation royalty compensation payments.

Distributors may create their own advertising provided that it is within our advertising rules. Unless a distributor is using our designed and approved advertisements, the distributor must submit for approval in writing all advertising (e.g. brochures, flyers, audio tapes, classified or display ads, radio scripts) to our Compliance Department before placing it or arranging for placement.

Pursuant to our Policies and Procedures, which are incorporated by reference into our Distributor Agreement, distributors are permitted to make only those claims about our products that have been approved by us and/or provided in sales and training materials. Distributors acknowledge that our products are not represented as drugs and they are not authorized to make any diagnosis of any medical condition, make drug-type claims for, or prescribe our products to treat or cure, any disease or condition. We do not authorize or permit our distributors to make any express or implied references with regard to our products that they cure, prevent or relieve disease, replace or augment medication, provide therapy, promote healing, alleviate illnesses or symptoms of illnesses, or make any other medical claims for specific ailments.

In order to comply with regulations that apply to both us and our distributors, we conduct considerable research into the applicable regulatory framework prior to entering any new market to identify all necessary licenses and approvals and applicable limitations on operations in that market. We devote substantial resources to obtaining the necessary licenses and approvals and maintaining operations that are in compliance with the applicable limitations. We also research laws applicable to distributor operations and revise or alter distributor materials and products, as required by applicable regulations in each market.

Regulations in existing and new markets often are ambiguous and subject to considerable interpretive and enforcement discretion by the responsible regulators. In addition, regulations affecting our business often change and are subject to varying interpretation and application. We make every effort to monitor and comply with changes in laws and regulations as they occur.

We have a Compliance Department that receives and reviews allegations of distributor misconduct. If we determine that a distributor has violated our Policies and Procedures, we may take a number of disciplinary actions. For example, we may impose sanctions such as warnings or suspensions until specific conditions are satisfied, or take other appropriate actions at our discretion, including termination of the distributor's agreement.

Geographic Presence

Markets

We currently sell our products throughout the United States and in 13 other countries around the world. We have sold products in the United States since 1988 and our first product outside of the United States in 1991 when we entered Australia. In 2018, approximately 23.4% of our net sales were generated outside of the United States.

The table below shows the countries in which we operate and the year we commenced selling products:

Country	Year Entered	Country	Year Entered
United States	1988	Malaysia	2003
Australia	1991	Ireland	2003
New Zealand	1992	Singapore	2004
Canada	1992	Germany	2005
Mexico	1993	Austria	2006
United Kingdom[(1)]	1995	Netherlands	2006
Philippines	2000	France	2013

(1) Includes Great Britain, Scotland, Wales and Northern Ireland.

Within the United States, we sell our products to distributors in all 50 states. We derived 42.5% of our domestic net sales in 2018 in California, Pennsylvania, Illinois, Michigan, Texas, Ohio, and Florida, with each state contributing at least 4% of net sales. We believe that there is the opportunity to increase the number of our distributors in all markets where we sell our products.

We organize all of our international operations under our wholly owned subsidiary, Reliv' World. As of December 31, 2018, Reliv' World consisted of the following market-specific entities: Reliv' Australia, Reliv' New Zealand, Reliv' Canada, Reliv' Mexico, Reliv' Europe, Reliv' Philippines, Reliv' Malaysia, and Reliv' Singapore. We have utilized this method of separate corporations in most of our markets, as local business licensing and product approvals require a local legal entity.

We believe that there is a significant opportunity to increase sales in our current international markets, as a whole. We have established a substantially consistent business model and compensation plan across all of our markets, and we continue to support our international markets with additional marketing programs and materials.

In addition to increasing sales in current international markets, our expansion strategy targets selected new foreign markets, when appropriate.

New Market Entry Process

When conditions warrant, we evaluate new markets for our products. In order to do so, we perform an analysis of synergies between new and existing countries and distributor presence or interest in new markets, market conditions, regulatory conditions, product approval procedures and competition before selecting markets to enter.

Once we decide to enter a new market, we first hire local legal counsel and/or a consultant with appropriate expertise to:

- help ensure that our network marketing system and products comply with all applicable regulations;
- help establish favorable public relations in the new market by acting as an intermediary between us and local regulatory authorities, public officials and business people; and
- explain our products and product ingredients to appropriate regulators and, when necessary, to arrange for local technicians to conduct required ingredient analysis tests of the products.

Where regulatory approval in a foreign market is required, we utilize local counsel and/or consultants to work with regulatory agencies to confirm that all of the ingredients in our products are permissible within the new market. Where reformulation of one or more of our products is required, we attempt to obtain substitute or replacement ingredients. During the regulatory compliance process, we may alter the formulation, packaging, branding or labeling of our products to conform to applicable regulations as well as local variations in customs and consumer habits, and we may modify some aspects of our network marketing system as necessary to comply with applicable regulations.

Following completion of the regulatory compliance phase, we undertake the steps necessary to meet the operations requirements of the new market. In the majority of our new markets, we establish a sales center in a major city and provide for product purchases by telephone and/or pick up. Product is shipped to the purchaser from a warehouse located in the general geographic market or the distributor may walk in to the local office and purchase products, if a pick up center is available. In addition, we initiate plans to satisfy inventory, personnel and transportation requirements of the new market, and we modify our distributor materials, recordings, videos and other training materials as necessary to be suitable for the new market.

In some countries, regulations applicable to the activities of our distributors also may affect our business because in some countries we are, or regulators may assert that we are, responsible for our distributors' conduct. In these countries, regulators may request or require that we take steps to ensure that our distributors comply with local regulations.

Manufacturing

We established a manufacturing line at our headquarters facility in Chesterfield, Missouri and began to manufacture all of our nutritional supplements in early 1993. We expanded our Chesterfield facility in 1997 to 126,000 square feet of total space. On January 1, 2019, we sold substantially all of the machinery, equipment, inventory, tools and other assets and materials used in manufacturing operations to Nutracom, LLC, ("Nutracom"). Nutracom is owned substantially and is controlled by Dr. Carl W. Hastings and his family. Nutracom is leasing the manufacturing space in our facility for a period of seven years, with an option to renew for a five-year term. We also entered into agreements whereby Nutracom will continue to manufacture our core products on our premises for a period of seven years.

The substantial overhead and cash flow required to operate the production facility had become a significant detriment to our financial performance, financing strategies and focus. We sold the manufacturing operations in an effort to reduce operating losses and improve cash flow, provide additional sources of lease and financing revenue and to potentially reduce our cost of goods sold as Nutracom increases its production. The sale to Nutracom also allows us to retain a level of involvement over the production and cost of our products and grants us an equity interest in Nutracom. The sale will also allow our management to focus on our core business.

At this facility, all of our powdered nutritional supplements and encapsulated products are manufactured for distribution both domestically and internationally.

Historically, our ability to closely monitor the manufacture of nearly all of our nutritional supplements is a competitive advantage over competitors and contributes to our ability to provide high-quality products. We have not experienced any significant difficulty in obtaining supplies of raw materials for our nutritional supplements or finished product.

Fulfillment

Distributors and their customers order product in either case lots or individual units of each product and pay for the goods prior to shipment. We also have a preferred customer plan that allows these customers to purchase product at a 10% discount for an annual enrollment fee of $10. We also offer a monthly or quarterly autoship program for distributors and customers. Product is shipped directly to the distributor or customer and upline distributors earn wholesale profits or, if applicable, a commission on all sales.

In the United States, our products are warehoused at our Chesterfield facility and shipped by common carrier to distributors and customers upon order. Our facility in Chesterfield, Missouri serves all parts of the country. Our products are also warehoused in, and shipped to local distributors from: Sydney, Australia; Auckland, New Zealand; Oakville, Canada; Guadalajara, Mexico; Redditch (Birmingham), England; Makati (Manila), Philippines; and Subang Jaya (Kuala Lumpur), Malaysia. With the exception of our Canada, New Zealand, and Singapore subsidiaries, each of our subsidiaries maintains an office and personnel to receive, record, and fill orders from distributors. Distributors in Ireland, France, Germany, Austria, and the Netherlands order and receive product from our UK-based subsidiary.

We maintain a policy that unused product may be returned by a customer to the selling distributor for a full refund or exchange within 30 days after purchase. We also maintain a policy that any distributor who terminates his or her distributorship may return saleable product which was purchased from us within twelve months of the termination for a refund of 100% of the purchase price less any compensation received relating to the purchase of the products. We believe this buyback policy addresses and satisfies a number of regulatory compliance issues pertaining to network marketing systems.

Historically, product returns and buy backs have not been significant. Product returns and buy backs have been approximately 0.17% and 0.25% of net sales in 2018 and 2017, respectively.

Intellectual Property

Our formulas are protected as trade secrets and, to the extent necessary, by confidentiality agreements. In addition, we have obtained U.S. patents on five products as set forth below:

Product	**Patent Expiration Date**
ReversAge	May 2021
ProVantage	December 2030
GlucAffect	November 2029
24K	February 2032
CardioSentials	January 2029

In addition to our patented formulas, we own four U.S. patents, 12 international patents and two patent applications related to our soy concentrate ingredient with elevated levels of bioactive lunasin, the key ingredient in our LunaRich X product. Further, we utilize a proprietary production process to produce our soy concentrate that we protect as a trade secret, along with the bioassay to determine the bioavailability of lunasin in our products.

Currently, we have 14 trademarks registered with the U.S. Patent and Trademark Office, or USPTO, including Reliv and the names of 12 of our 18 nutritional products. Reliv Now for Kids, LunaRich X, ReShape, Active, Burn and Purify are not registered with the USPTO. Trademark registrations for selected marks have been issued or applied for in Australia, New Zealand, Canada, Mexico, the United Kingdom, Ireland, the Philippines, Malaysia, Singapore, Germany and several other foreign countries that offer network marketing opportunities. We consider our trademarks to be an important asset of our business.

Regulation

Product Regulation

The formulation, manufacturing, labeling and advertising or promotion of our products are subject to regulation by the Food and Drug Administration, or FDA, which regulates our products under the federal Food, Drug and Cosmetic Act, or FDCA, the Federal Trade Commission, or FTC, and various agencies of the states or countries into which our products are shipped or sold. FDA regulations include requirements and limitations with respect to the labeling of our food products and also with respect to the formulation of those products. FDA regulations also limit and control the extent to which health or other claims can be made with respect to the efficacy of any food or cosmetic. The FDCA has been amended several times with respect to dietary supplements, most recently by the Nutrition Labeling and Education Act of 1990, or NLEA, and the Dietary Supplement Health and Education Act of 1994, or DSHEA, and related regulations. Such legislation governs the formulation, manufacturing, marketing and sale of nutritional supplements, including the content and presentation of health-related information included on the labels or labeling of nutritional supplements.

All of the products we market are classified as dietary supplements under the FDCA. Dietary supplements such as those we sell, for which no "drug" claim is made, are not subject to FDA approval prior to their sale. However, DSHEA established a pre-market notification process for dietary supplements that contain a "new dietary ingredient," or NDI, a term that is defined as "a dietary ingredient that was not marketed in the United States before October 15, 1994," the date on which DSHEA was signed into law. Certain NDIs that have been "present in the food supply" are exempt from the notification requirement. For those NDIs that are not exempt, DSHEA requires the manufacturer or distributor of a dietary supplement containing an NDI to submit to the FDA, at least 75 days prior to marketing, a notification containing the basis for concluding that the dietary supplement containing the NDI will "reasonably be expected to be safe." Dietary supplement products can be removed from the market if shown to be unsafe, or if the FDA determines, based on the labeling of products, that the intended use of the product is for the diagnosis, cure, mitigation, treatment or prevention of disease. The FDA can regulate those products as "drugs" and require premarket approval of a "new drug application." Distributors of dietary supplements that make any claims for dietary supplements, including product performance and health benefit claims must have substantiation that the statements are truthful and not misleading.

In January 2000, the FDA published a final rule that defines the types of statements that can be made concerning the effect of a dietary supplement on the structure or function of the body pursuant to DSHEA. Under DSHEA, dietary supplement labeling may bear "structure/function" claims, which are claims that the products affect the structure or function of the body, without prior FDA approval. They may not, without prior FDA approval, bear a claim that they can prevent, treat, cure, mitigate or diagnose disease, otherwise known as a "drug claim." The final rule describes how the FDA will distinguish drug claims from structure/function claims. Dietary supplements, like conventional foods, are also permitted to make "health claims," which are claims that are exempt from regulation as "drug" claims pursuant to the amendments to the FDCA established by the NLEA in 1990. A "health claim" is a claim, ordinarily approved by FDA regulation, on a food or dietary supplement product's labeling that "characterizes the relationship of any substance to a disease or health-related condition." To help assure that foods, dietary supplements and cosmetics comply with the provisions of the FDCA and FDA's regulations, the FDA has numerous enforcement tools, including the ability to issue warning letters, initiate product seizures and injunctions and pursue criminal penalties.

In July 2016, the FDA put into effect new labeling regulations in which manufacturers must comply by January 1, 2020. We are currently implementing these label changes and will be in full compliance prior to the deadline. The changes will affect the Supplement Facts panel and how macro and micronutrients are claimed.

The manufacture of dietary supplements is subject to existing FDA current good manufacturing practice, or cGMP, regulations for food. In June 2007, the FDA issued regulations relating to more detailed cGMP specifically for dietary supplements. The facilities in Chesterfield are periodically audited by the FDA and we believe they are in full compliance with cGMP.

Advertisements for our products are subject to regulation by the FTC. The FTC prohibits unfair methods of competition and unfair or deceptive acts or practices in or affecting commerce and provides that the dissemination of any false advertisement pertaining to drugs, cosmetics or foods, including dietary supplements, is an unfair or

deceptive practice. Under the FTC's substantiation doctrine, an advertiser must have a "reasonable basis" for all claims made about a product. The failure to be able to adequately substantiate claims may be considered either deceptive or unfair practices. In order to avoid a violation of the FTC standards, we endeavor to assure that we have adequate substantiation for all advertising claims made for our products. In addition, the FTC has increased its scrutiny of the use of distributor testimonials. Although it is impossible for us to monitor all the product claims made by our independent distributors, we make efforts to monitor distributor testimonials and restrict inappropriate distributor claims. The FTC has been more aggressive in pursuing enforcement against dietary supplement products since the passage of DSHEA in 1994, and has brought numerous actions against dietary supplement companies, some resulting in several million dollar civil penalties and/or restitution as well as court-ordered injunctions.

We are aware that there is adverse publicity in many markets, including the United States, concerning foods that are grown from genetically modified organisms, or GMOs. In some markets, the possibility of health risks thought to be associated with GMOs has prompted proposed or actual governmental regulation. Nearly all ingredients in our formulas are non-GMO. We use non-GMO ingredients when required by governmental regulations and strive to use non-GMO ingredients in every other instance when commercially feasible and available. We believe compliance with regulatory requirements in this area should not have a material adverse effect on our business.

Sales Program Regulation

Our distribution and sales program is subject to regulation by the FTC and other federal and state regulation as well as regulations in several countries in which we conduct business. Various state agencies regulate multi-level distribution services. We are required to register with, and submit information to, certain of such agencies and we believe we have complied fully with such requirements. We actively strive to comply with all applicable state and federal laws and regulations affecting our products and our sales and distribution programs. The Attorneys General of several states have taken an active role in investigating and prosecuting companies whose compensation plans they claim violate local anti-pyramid and/or consumer protection statutes. We are unable to predict the effect such increased activity will have on our business in the future nor are we able to predict the probability of future laws, regulations or interpretations which may be passed by state or federal regulatory authorities.

Federal and state laws directed at network marketing programs have been adopted throughout the years to prevent the use of fraudulent practices often characterized as "pyramid schemes." Illegal pyramid schemes compensate participants primarily for the introduction or enrollment of additional participants into the program. Often these schemes are characterized by large up-front entry or sign-up fees, over-priced products of low value, little or no emphasis on the sale or use of products, high-pressure recruiting tactics and claims of huge and quick financial rewards with little or no effort. Generally, these laws are directed at ensuring that product sales ultimately are made to consumers and that advancement within such sales organizations is based on sales of products.

We believe that our network marketing system satisfies the standards and case law defining a legal marketing system. It is an ongoing part of our business to monitor and respond to regulatory and legal developments, including those that may affect our network marketing system. However, the regulatory and legal requirements concerning network marketing systems do not include "bright line" rules and are inherently fact-based.

Competition

The business of developing and distributing nutritional products such as those we offer is highly competitive. Numerous manufacturers, distributors and retailers compete for consumers and, in the case of other network marketing companies, for distributors. Our competitors include both network marketing companies such as Alticor Global Holdings, Inc. (Amway Corp.), Avon Products Inc., Herbalife Ltd., Mary Kay Inc., Melaleuca, Inc., Mannatech, Inc., Nature's Sunshine Products Inc., NuSkin Enterprises Inc. and USANA Health Sciences Inc., as well as specialty and mass retail establishments. Our ability to remain competitive depends on the underlying science and high quality of our products and our success in recruiting and retaining distributors. The pool of individuals interested in network marketing tends to be limited in each market and may be reduced to the extent other network marketing companies successfully recruit these individuals into their businesses. We believe that we offer a rewarding compensation plan with attractive financial benefits to compete for the time, attention and commitment of distributors. Our compensation plan is seamless, permitting international expansion.

Reliv Now and Reliv Classic compete with numerous supplements that offer multi-vitamin benefits. Our fitness and weight management products compete with other products in the weight loss market, including nationally advertised products such as SlimFast. Many companies have entered, or have plans to enter, the sports drink market in which Innergize! and ProVantage compete, a market led by Gatorade. 24K competes with 5-Hour Energy and numerous other liquid energy shots and drinks. With Arthaffect, FibRestore, ReversAge, GlucAffect, CardioSentials, SoySentials, and LunaRich X, we are in the specific wellness needs, food and anti-aging markets, which are extremely competitive and led by the major food companies.

Employees

As of December 31, 2018, we and all of our subsidiaries had approximately 156 full-time employees compared with 160 such employees at the end of 2017. After the Nutracom transaction, our full-time headcount was 99 employees.

Additional Available Information

We make available, free of charge, copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to these reports as soon as reasonably practicable after such material is electronically filed with, or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act. This information is available on our corporate web site at www.reliv.com under the "Investor Relations" section. This information may also be obtained from the SEC's on-line database located at www.sec.gov.

Item No. 2 – Properties

We own approximately six acres of land and a building containing approximately 126,000 square feet of office, manufacturing and warehouse space located in Chesterfield, Missouri, where we maintain our corporate headquarters and sole manufacturing facility. We believe that our worldwide facilities are suitable and adequate in relation to our present and immediate future needs.

The following table summarizes information related to our worldwide facilities as of March 18, 2019:

Location	Nature of Use	Square Feet	Owned/Leased
Chesterfield, MO, USA	corporate headquarters/call center/manufacturing/warehouse	126,000	Owned
Seven Hills (Sydney), Australia	central office/call center	1,000	Leased
Oakville, Ontario, Canada	warehouse/distribution	2,100	Leased
Guadalajara, Mexico	central office/warehouse/call center	2,300	Leased
Makati City (Manila), Philippines	central office/ warehouse/distribution	4,000	Leased
Redditch (Birmingham), England, UK	central office/ warehouse/distribution	11,500	Leased
Subang Jaya (Kuala Lumpur), Malaysia	central office/call center	300	Leased

We have leased 96,450 square feet of manufacturing and office space in our Chesterfield facility to Nutracom for a period of seven years with a five-year option.

Item No. 3 - Legal Proceedings

From time to time, we are involved in litigation incidental to the conduct of our business. We do not believe that any current proceedings will have a material adverse effect on our business, financial condition, results of operations or cash flows.

PART II

Item No. 5 - Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the NASDAQ Global Select Market under the symbol: RELV. The following table sets forth the high and low sales prices of our common stock and the quarterly dividends per share paid on our common stock during the years ended December 31, 2018 and 2017.

	High	Low	Dividend
Year Ending December 31, 2018			
Fourth Quarter	$ 5.06	$ 3.83	$ -
Third Quarter	5.26	4.62	-
Second Quarter	5.35	4.15	-
First Quarter	6.24	4.60	-
Year Ending December 31, 2017			
Fourth Quarter	$ 8.44	$ 3.72	$ -
Third Quarter	13.77	6.22	-
Second Quarter	9.00	5.18	-
First Quarter	8.87	4.13	-

As of March 18, 2019, there were approximately 762 holders of record of our common stock and an additional 1,908 beneficial owners, including shares of common stock held in street name.

We have not declared any cash dividends over the past two years. The declaration of future dividends is subject to the discretion of our Board of Directors and will depend upon various factors, including our earnings, financial condition, restrictions imposed by any indebtedness that may be outstanding, cash requirements, and other factors deemed relevant by our Board of Directors. Our current lending agreements contain covenants which may limit our ability to declare cash dividends.

Item No. 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes included elsewhere in this Annual Report on Form 10-K. The following discussion and analysis discusses the financial condition and results of our operations on a consolidated basis, unless otherwise indicated.

Overview

We are a developer and marketer of a proprietary line of nutritional supplements addressing basic nutrition, specific wellness needs, weight management and sports nutrition. We sell our products through an international network marketing system utilizing independent distributors. Sales in the United States represented approximately 76.6% of worldwide net sales for the year ended December 31, 2018 compared to approximately 77.7% for the year ended December 31, 2017. Our international operations currently generate sales through distributor networks with facilities in Australia, Canada, Malaysia, Mexico, the Philippines, and the United Kingdom. We also operate in Ireland, France, Germany, Austria and the Netherlands from our United Kingdom distribution center, in New Zealand from our Australia office, and in Singapore from our Malaysia office.

We derive our revenues principally through product sales made by our global independent distributor base, which, as of December 31, 2018, consisted of approximately 30,370 distributors and preferred customers. Our sales can be affected by several factors, including our ability to attract new distributors and retain our existing distributor base, our ability to properly train and motivate our distributor base and our ability to develop new products and successfully maintain our current product line.

All of our sales to distributors outside the United States are made in the respective local currency; therefore, our earnings and cash flows are subject to fluctuations due to changes in foreign currency rates as compared to the U.S. dollar. As a result, exchange rate fluctuations may have an effect on sales and gross margins. Accounting practices require that our results from operations be converted to U.S. dollars for reporting purposes. Consequently, our reported earnings may be significantly affected by fluctuations in currency exchange rates, generally increasing with a weaker U.S. dollar and decreasing with a strengthening U.S. dollar. Products manufactured for sale to our foreign subsidiaries are transacted in U.S. dollars. From time to time, we enter into foreign exchange forward contracts to mitigate our foreign currency exchange risk.

Components of Net Sales and Expense

Product sales represent the actual product purchase price typically paid by our distributors, after giving effect to distributor allowances, which can range from 20% to 40% of suggested retail price, depending on the rank of a particular distributor. Handling and freight income represents the amounts billed to distributors for shipping costs. We record net sales and the related commission expense when the merchandise is shipped.

Our primary expenses include cost of products sold, distributor royalties and commissions and selling, general and administrative expenses.

Cost of products sold primarily consists of expenses related to raw materials, labor, quality control and overhead directly associated with production of our products and sales materials, as well as shipping costs relating to the shipment of products to distributors, and duties and taxes associated with product exports. Cost of products sold is impacted by the cost of the ingredients used in our products, the cost of shipping distributors' orders, and our efficiency in managing the production of our products.

Distributor royalties and commissions are weekly and monthly payments made to distributors, based on products sold in their downline organization. Based on our distributor agreements, these expenses typically approximate 23% of sales at suggested retail. Distributor royalties and commissions are paid on an amount referred to as the business value ("BV"), which typically ranges between 80% and 90% of the suggested retail price of each product. Also, we include other sales leadership bonuses, such as Ambassador bonuses, within this caption. Overall, distributor royalties and commissions remain directly related to the level of our sales and should continue at comparable levels as a percentage of net sales going forward. We have implemented or are in the process of implementing similar pricing structures in all of our international markets.

Selling, general and administrative expenses include the compensation and benefits paid to our employees except for those in manufacturing, all other selling expenses, marketing, promotional expenses, travel and other corporate administrative expenses. These other corporate administrative expenses include professional fees, non-manufacturing depreciation and amortization, occupancy costs, communication costs and other similar operating expenses. Selling, general and administrative expenses can be affected by a number of factors, including staffing levels and the cost of providing competitive salaries and benefits; the amount we decide to invest in distributor training and motivational initiatives; and the cost of regulatory compliance.

Results of Operations

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Net sales decreased by 13.6% worldwide as net sales in the United States decreased by 14.8% in the year ended December 31, 2018 compared with 2017. During 2018, our international net sales decreased by 9.4% over the prior year with minimal impact from foreign currency fluctuations in the aggregate. Net sales in Europe, our largest foreign market, decreased by 13.2% in 2018 compared to the prior year, with a benefit of 3.0% due to the impact of foreign currency fluctuation. Net sales in Asia increased by 3.8% in 2018 compared to the prior year. When measured in local currencies, net sales in Asia increased by 7.9% in 2018.

The following table summarizes net sales by geographic market for the years ended December 31, 2018 and 2017.

Net Sales by Market	**Year Ended December 31,**					
(in thousands)	**2018**		**2017**		**Change from prior year**	
	Amount	**% of Net Sales**	**Amount**	**% of Net Sales**	**Amount**	**%**
	(dollars in thousands)					
United States	$ 27,673	76.6%	$ 32,475	77.7%	$ (4,802)	(14.8)%
Australia/New Zealand	732	2.0	923	2.2	(191)	(20.7)
Canada	719	2.0	915	2.2	(196)	(21.4)
Mexico	474	1.3	445	1.0	29	6.5
Europe	3,973	11.0	4,578	11.0	(605)	(13.2)
Asia	2,545	7.1	2,453	5.9	92	3.8
Consolidated total	$ 36,116	100.0%	$ 41,789	100.0%	$ (5,673)	(13.6)%

The following table sets forth, as of December 31, 2018 and 2017, the number of our active distributors and Master Affiliates and above. The total number of active distributors includes Master Affiliates and above. We define an active distributor as one that enrolls as a distributor or renews his or her distributorship during the prior twelve months. Master Affiliates and above are distributors that have attained the highest level of discount and are eligible for royalties generated by Master Affiliate groups in their downline organization. We include Preferred Customers as part of our Active Distributor count, and Preferred Customers represent approximately 5,060 and 4,990 of the Active Distributor count as of December 31, 2018 and 2017, respectively.

Active Distributors/Master Affiliates by Market	December 31, 2018		December 31, 2017		% Change	
	Active Distributors and Preferred Customers	Master Affiliates and Above	Active Distributors and Preferred Customers	Master Affiliates and Above	Active Distributors and Preferred Customers	Master Affiliates and Above
United States	19,810	2,340	23,050	2,820	(14.1)%	(17.0)%
Australia/New Zealand	960	90	1,100	110	(12.7)	(18.2)
Canada	560	80	660	90	(15.2)	(11.1)
Mexico	970	90	710	60	36.6	50.0
Europe	2,980	390	3,800	450	(21.6)	(13.3)
Asia	5,090	380	4,300	380	18.4	0.0
Consolidated total	30,370	3,370	33,620	3,910	(9.7)%	(13.8)%

Use of Non-GAAP Financial Information

Net sales expressed in local currency or net sales adjusted for the impact of foreign currency fluctuation are non-GAAP financial measures. We use these measurements to assess the level of business activity in a foreign market, absent the impact of foreign currency fluctuation relative to the U.S. dollar, which our local management has no ability to influence. This is a meaningful measurement to management, and we believe this is a useful measurement to provide to shareholders.

The following table provides key statistics related to distributor activity by market and should be read in conjunction with the following discussion.

Distributor Activity by Market	United States	AUS/NZ	Canada	Mexico	Europe	Asia	International -- Total
Sales in USD (in 000's):							
Year ended 12/31/2018	$ 27,673	$ 732	$ 719	$ 474	$ 3,973	$ 2,545	$ 8,443
Year ended 12/31/2017	$ 32,475	$ 923	$ 915	$ 445	$ 4,578	$ 2,453	$ 9,314
% change in sales-2018 vs. 2017:							
Change in GAAP sales in USD	-14.8%	-20.7%	-21.4%	6.5%	-13.2%	3.8%	-9.4%
Due to currency fluctuation	-	-2.1%	0.1%	-2.1%	3.0%	-4.1%	0.0%
Sales in local currency (non-GAAP)	-14.8%	-18.6%	-21.5%	8.6%	-16.2%	7.9%	-9.4%
# of new distributors-2018[(1)]	3,696	146	106	558	1,258	3,042	5,110
# of new distributors-2017[(1)]	4,667	168	145	271	1,646	2,632	4,862
% change	-20.8%	-13.1%	-26.9%	105.9%	-23.6%	15.6%	5.1%
# of new Master Affiliates-2018	330	9	14	50	86	171	330
# of new Master Affiliates-2017	534	8	15	15	108	215	361
% change	-38.2%	12.5%	-6.7%	233.3%	-20.4%	-20.5%	-8.6%
# of Product orders-2018	107,731	4,452	2,418	3,496	13,000	29,791	53,157
# of Product orders-2017	125,648	5,537	3,060	3,235	16,246	25,926	54,004
% change	-14.3%	-19.6%	-21.0%	8.1%	-20.0%	14.9%	-1.6%

(1) The new distributor totals for 2018 and 2017 include 3,727 and 3,587, respectively, new worldwide preferred customers.

United States

- Net sales in the United States declined by 14.8% in 2018 compared to the prior year as all measurements of distributor activity declined. Net sales in the United States in 2018 included $1.44 million in contract manufacturing sales as we utilized our manufacturing facility for third-party production, beginning in mid-2018.
- In May 2018, we launched Reliv Now® with Whey to provide our cornerstone Now product in an alternative protein source. In 2018, Now with Whey represented 2.0% of network marketing net sales in the United States.
- Products in the LunaRich line, including Reliv Now® and LunaRich X™, continued to perform well, constituting 15.9% and 12.4% of net sales in the United States, respectively, in 2018. Reliv Now and LunaRich X represented 16.7% and 13.5%, respectively, of net sales in the United States in the prior year. Sales of the Fit3 product line represented 3.5% of net sales in the U.S. in 2018 compared to 6.1% of net sales in the prior year.
- Distributor/Preferred Customer enrollments decreased by 20.8% in 2018 compared to the prior year.
- Distributor retention was 73.5% for the twelve month period ended December 31, 2018 compared to 71.5% for all of 2017. Distributor retention is determined by the percentage of active distributors from 2017 that renewed their distributorships in 2018.
- New Master Affiliate qualifications decreased by 38.2% in 2018 compared to the prior year, and Master Affiliate retention improved to 71.3% in 2018 compared to 56.0% in 2017. Master Affiliate retention is defined by the percentage of Master Affiliates as of end of 2017 that requalified their distributorships as Master Affiliates during 2018. Our Master Affiliate count and new Master Affiliate qualifications have been negatively impacted since the increased business volume requirements in February 2016 to reach the Master Affiliate level.
- Our average order size in 2018 decreased by 5.1% to $337 at suggested retail value compared to the prior year. The number of product orders also decreased by 14.3% in 2018 compared to the prior year for the same reasons as the overall decrease in sales.

International Operations

- The average foreign exchange rate for the U.S. dollar for 2018 was stronger against most of the currencies in which we conduct business, except for the Canadian dollar, British pound and Euro, when compared to the average foreign exchange rates for the year ended December 31, 2018. However, in the aggregate, foreign currency fluctuations in 2018 had virtually no impact on foreign sales reported in U.S. dollars.
- We continue to review prices and margins in all of our international markets and plan to make adjustments as needed, as we increased prices in most of our markets in 2018. We are also reviewing sales by product to phase out products with lower sales levels and gross margins as strategically appropriate.
- We closed our operations in Indonesia effective June 30, 2018 due to weak sales and minimal distributor activity.
- Australia/New Zealand and Canadian net sales in 2018 decreased by 18.6% and 21.5%, respectively, in local currency compared to 2017 as the result of decreased distributor activity in the market. We terminated our sales manager in AUS/NZ during Q2 2018.
- Net sales in Mexico increased by 8.6% in local currency in 2018 compared to the prior year. Sales in Mexico have begun to rebound as we have installed new promotions in the market and supported it with additional corporate-sponsored events. During Q3 2018, we retained a sales consultant with experience in another network marketing company in Mexico. In Q4 2018, net sales in Mexico increased by 35.1% compared to the prior-year quarter.
- Net sales in Europe decreased by 16.2% in local currency in 2018 compared to the prior year. Distributor activity declined both in the form of new distributor and preferred customer enrollments and number of product orders placed in the region.
- Sales in Asia increased by 7.9% in local currency in 2018 compared to the prior year. Local currency sales in the Philippines, our largest market in the region, increased by 10.3% in 2018 compared to the prior year. Distributor and customer activity continues to accelerate in the region as new distributor/preferred customer enrollments increased by 15.6% in 2018 and product orders in 2018 increased by 14.9%.

Costs and Expenses

The following table sets forth selected results of our operations expressed as a percentage of net sales for the years ended December 31, 2018 and 2017. Our results of operations for the periods described below are not necessarily indicative of results of operations for future periods.

Statement of Operations data

(amounts in thousands)	2018		2017	
	Amount	% of net sales	Amount	% of net sales
Net sales	$ 36,116	100.0 %	$ 41,789	100.0 %
Costs and expenses:				
Cost of products sold	9,710	26.9	9,401	22.5
Distributor royalties and commissions	11,749	32.6	14,686	35.1
Selling, general and adminstrative	16,521	45.7	17,885	42.8
Loss from operations	(1,864)	(5.2)	(183)	(0.4)
Interest income	93	0.3	102	0.2
Interest expense	(96)	(0.3)	(109)	(0.3)
Other income	62	0.2	38	0.1
Loss before income taxes	(1,805)	(5.0)	(152)	(0.4)
Provision for income taxes	98	0.3	545	1.3
Net loss	$ (1,903)	(5.3) %	$ (697)	(1.7) %
Loss per common share-Basic	$ (1.03)		$ (0.38)	
Loss per common share-Diluted	$ (1.03)		$ (0.38)	

Cost of Products Sold:

- The cost of products sold as a percentage of net sales in 2018 increased by 4.4% compared to the prior-year period. The cost of products sold as a percentage of net sales in 2018 was impacted by the contract manufacturing business, which has a lower margin than the network marketing sales. Cost of products sold as a percentage of net sales was also negatively impacted by promotions in the United States that reduced our handling and freight income.

Distributor Royalties and Commissions:

- Distributor royalties and commissions as a percentage of net sales for 2018 decreased by 2.5% of net sales when compared to the prior-year period. Over the course of 2017, we increased the prices of our products in most of our markets, with prices increased in the U.S. and Canada effective November 1, 2017. As part of the price increase, we did not increase the BV of the products. The BV represents the amount per commissionable product that is paid in distributor royalties and commissions. This accounts for the slight decrease in royalties and commissions expense as a percentage of net sales. Net sales from contract manufacturing also slightly reduced this percentage as commissions are not paid on these sales.

Selling, General and Administrative Expenses:

- Selling, general and administrative expenses declined by $1.36 million in 2018 compared to the prior-year period but increased as a percentage of net sales due to declining sales.
- Salaries, other staffing expenses, benefits, and incentive compensation decreased in the aggregate by $723,000 in YTD 2018 compared to the prior-year period.
- Sales and marketing expenses decreased by $801,000 in 2018 compared to the prior-year period. Components of the decrease include:
    - $368,000 decrease in Star Director and other distributor bonuses, credit card fees, and other expenses related to the level of sales.
    - $73,000 decrease in video production and other sales development expense in 2018 compared to the prior-year period. The decrease relates to Fit3 new product launch expenses incurred in Q1 2017.
    - $118,000 decrease in distributor conferences and meeting expenses as we held two smaller spring and fall conferences in the U.S. in 2018 versus one major conference.
    - $69,000 decrease in promotions expense as we have reduced such activities in 2018 relative to the level of sales.
- Other general and administrative expenses increased by $160,000 in 2018 versus the prior-year period. Components of the increase include:
    - $130,000 increase in consulting fees due to the conversion of a former R&D employee to a consulting arrangement, a consulting arrangement related to contact manufacturing business, and the addition of a sales consultant in Mexico in the latter half of 2018.
    - $107,000 increase in legal fees
    - $60,000 increase in accounting fees
    - An increase of $141,000 in the expense on a key-man life insurance policy that was redeemed during 2018.

  Offsetting reductions include:
    - $95,000 reduction in depreciation expense.
    - $66,000 reduction in directors' fees.
    - $47,000 reduction in corporate travel expenses.
- General and administrative expenses in Indonesia for 2018 included $52,000 of severance and other expenses related to the closing of the office and operations in that country in June 2018.

Other Income/Expense:

- The other income in 2018 and 2017 is primarily the result of foreign currency exchange gains on intercompany debt denominated in U.S. dollars in certain of our subsidiaries.

Income Taxes:

- We reported income tax expense of $98,000 for 2018, compared to income tax expense of $545,000 in 2017.
- During the fourth quarter of 2017, we determined that it was more likely than not that operating results in our European subsidiary would not be sufficient to realize our net operating loss carryforwards. Accordingly, we placed a valuation allowance of $509,000 on our deferred tax asset in that subsidiary.
- During 2016, we determined that it was more likely than not that Federal and various state net operating losses generated in 2016 and beyond will not be realized based on projections of future taxable income and other considerations. Accordingly, the tax provisions as of December 31, 2018 and 2017 include the impact of recording a valuation allowance of $265,000 and $198,000, respectively, against the losses generated from a U.S. tax perspective.
- See Note 12 of the Consolidated Financial Statements for additional detail regarding income taxes, including a reconciliation of the income tax expense/benefit to the U.S. statutory rate for each period.

Net Loss:

- For 2018, we reported a net loss of $1.90 million compared to a net loss of $697,000 in 2017. The increase in the net loss is primarily the result of the decrease in net sales in the United States.

Liquidity and Capital Resources

In 2018, we used $1.17 million of net cash in operating activities, $3.01 million was provided by investing activities, and we used $3.05 million in financing activities. This compares to $157,000 used in operating activities, $377,000 used in investing activities, and $136,000 generated in financing activities in 2017. Cash and cash equivalents decreased by $1.28 million to $1.99 million as of December 31, 2018 compared to $3.27 million as of December 31, 2017.

Significant changes in working capital items consisted of an increase in accounts receivable of $377,000, and an increase in accounts payable and accrued expenses of $366,000 in 2018. The increase in accounts receivable is the result of trade receivables from contract manufacturing customers during the fourth quarter of 2018. The increase in accounts payable and accrued expenses is the result of an increase in trade payables related to the contract manufacturing work as of December 31, 2018 compared to December 31, 2017.

Investing activities during 2018 consisted of $3.07 million in proceeds provided by the redemption of a life insurance policy and payments received on a distributor note receivable of $116,000, offset by a net investment of $173,000 for capital expenditures. Financing activities during 2018 consisted of principal payments of $3.05 million on long-term borrowings.

Stockholders' equity decreased to $11.99 million at December 31, 2018 compared to $14.36 million at December 31, 2017. The decrease is primarily due to our net loss during 2018 of $1.90 million, an unfavorable adjustment in foreign currency translation of $124,000, and a reduction of $368,000 due to the recognition of deferred revenue under ASU No. 2014-09. Our working capital balance was $4.17 million at December 31, 2018 compared to $2.14 million at December 31, 2017. The current ratio at December 31, 2018 was 2.07 compared to 1.34 at December 31, 2017.

In July 2018, management voluntarily elected to redeem the cash surrender value (CSV) of our whole life insurance policy maintained on the life of our Board of Directors' Chairman and former Chief Executive Officer. Upon redemption and related receipt of the $3.07 million CSV proceeds, we simultaneously remitted to our lender $2.86 million of the CSV proceeds to be applied towards the full reduction of our outstanding term loan and revolver loan balances. Following this series of July 2018 transactions, the balances of our term loan, revolver loan, and life insurance policy balances were zero.

In September 2018, the maximum borrowing amount on our revolving line of credit was reduced from $2.0 million to $750,000. As amended, the revolver's maturity date remained April 29, 2019 and the revolver's interest rate continued to be based on the 30-day LIBOR plus 2.25%. As of December 31, 2018, there were no outstanding borrowings on the revolving line of credit. In January 2019, we borrowed $500,000 under our revolving line of credit. In March 2019, the revolving line of credit's maturity date was extended to April 28, 2020 and the interest rate was revised to the 30-day LIBOR plus 3.00%. As amended, the revolver's maximum borrowing amount remains $750,000. Borrowings under the lending agreement continue to be secured by all our tangible and intangible assets and by a mortgage on the real estate of our corporate headquarters.

We have experienced significant losses over the last several years and may experience a loss in 2019. Our existing cash, cash equivalents, operating revenue and borrowing facilities may not be sufficient to fund our operating expenses through the next 12 months which would require us to obtain additional financing before that time. We has taken several steps which management believes will result in an improved financial position, operating results, and cash flows. Over the last several years we have also taken other cost cutting measures including reductions in staff, freezing or lowering salaries, limiting promotional events all in an effort to reduce operating expenses.

As detailed in Note 2 of the accompanying consolidated financial statements, in January 2019, we entered into a Purchase Agreement with Nutracom, LLC (Nutracom) pursuant to which Nutracom purchased the assets used by us in our manufacturing operations. Assets purchased by Nutracom from us were financed by us under payment terms scheduled to provide incoming funds to us of $200,000 or more per year. We have also entered into an agreement for Nutracom to lease a significant portion of our headquarters building. Management believes that these transactions with Nutracom will be favorable to our financial position, operating results, and cash flows; however, there are risks and uncertainties which arise with these Nutracom transactions and their impact to our operations.

Should the aforementioned changes to the company's operations not provide sufficient cash flow improvement or should we be unable to obtain sufficient additional capital or borrowings, we may have to engage in any or all of the following activities: (i) monetize our headquarters building via traditional bank lending or a sale and leaseback-type transaction; (ii) monetize a note receivable from a distributor (see Note 11 of the accompanying consolidated financial statements); (iii) restructure our core distributor business model including recruiting, promotions, incentives, and other activities; (iv) cease operations in certain geographic regions, and (v) reduce employee compensation and benefits.

We may not be able to obtain sufficient additional funding through monetizing certain of our existing assets, sourcing additional borrowings, and issuing additional equity, or any other means, and if we are able to do so, these available sources of funds may not be on satisfactory terms. Our ability to raise additional capital in the equity markets, should we choose to do so, is dependent on a number of factors, including, but not limited to, the market demand for our common stock, which itself is subject to a number of business risks and uncertainties, as well as the uncertainty that we would be able to raise such additional capital at a price or on terms that are favorable to us.

These actions may have a material adverse impact on our ability to achieve certain of our planned objectives. Even if we are able to source additional funding, we may be forced to significantly reduce our operations if our operating performance does not improve. If we are unable to source additional funding, we may be forced to significantly reduce or shut down our operations. The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effect on our assets or liabilities should we not be able to continue as a going concern.

Critical Accounting Policies

Our financial statements are based on the selection and application of significant accounting policies, which require management to make significant estimates and assumptions. We believe that the following are some of the more critical judgment areas in the application of our accounting policies that currently affect our financial condition and results of operations.

Revenue

On January 1, 2018, we adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (including amendments), and applied the new revenue standard to all contracts using the modified retrospective method. Under this method, prior periods were not restated. Upon adoption, we recognized the cumulative effect of applying the new revenue standard as a reduction of $367,568 (with zero net tax effect) to the opening retained earnings (accumulated deficit) balance.

The new revenue standard defines a five step process to recognize revenues. We account for a contract with our independent distributors (including customers) when there is a legally enforceable contract, the rights of the parties are identified, the contract has commercial substance, and collectability of the contract consideration is probable. Product sales revenue (principally nutritional and dietary supplements) and commission expenses are recorded when control is transferred to independent distributors, which occurs at the time of shipment. Generally, net sales reflect product sales less the distributor discount of 20 percent to 40 percent of the suggested retail price. We present distributor royalty and commission expense as an operating expense, rather than a reduction to net sales, as these payments are not made to the purchasing distributor. At point of sale, we receive payment by credit card, personal check, or guaranteed funds for contracts from independent distributors and make related commission payments in the following month.

Under this new revenue standard, we determined that the timeframe for recognizing the revenue performance obligation for membership fees-type revenue would be lengthened to more closely correlate with the distributor (including customer) membership terms of generally twelve months. Based upon all membership fees contracts still in existence as of December 31, 2017, the adoption of the new revenue standard resulted in the recognition of a deferred revenue liability balance of $367,568. We receive payment for membership fees at the beginning of the annual membership term and recognize membership fees revenue on a straight-line basis in correlation with the completion of our performance obligation under the membership term. At December 31, 2018, the deferred revenue liability balance was $337,234.

Actual and estimated sales returns are classified as a reduction of net sales. We estimate and accrue a reserve for product returns based on our return policy and historical experience. Our return policy allows for distributors to return product only upon termination of his or her distributorship. Allowable returns are limited to saleable product which was purchased within twelve months of the termination for a refund of 100% of the original purchase price less any distributor royalties and commission received relating to the original purchase of the returned products. For the years ended December 31, 2018 and 2017, total returns as a percent of net sales were approximately 0.17% and 0.25%, respectively.

We record handling and freight income as a component of net sales and record handling and freight costs as a component of cost of products sold. Total net sales do not include sales tax as we consider ourselves a pass-through conduit for collecting and remitting applicable sales taxes.

We do not anticipate that the adoption of the new revenue standard will be material to net sales and net income on an ongoing basis.

Inventories

Inventories are valued at the lower of cost or market. Product cost includes raw material, labor and overhead costs and is accounted for using the first-in, first-out basis. On a periodic basis, we review our inventory levels in each country for estimated obsolescence or unmarketable items, as compared to future demand requirements and the shelf life of the various products. Based on this review, we record inventory write-downs when costs exceed expected net realizable value. Historically, our estimates of obsolete or unmarketable items have been materially accurate.

Sales aids and promotional materials inventories represent distributor kits, product brochures, and other sales and business development materials which are held for sale to distributors. Costs of the sales aids and promotional materials held for sale are capitalized as inventories and subsequently recorded to cost of goods sold upon recognition of revenue when sold to distributors. All other advertising and promotional costs are expensed when incurred.

Legal Proceedings

In the ordinary course of business, we are subject to various legal proceedings, including lawsuits and other claims related to labor, product and other matters. We are required to assess the likelihood of adverse judgments and outcomes to these matters as well as the range of potential loss. Such assessments are required to determine whether a loss contingency reserve is required under the provisions of FASB ASC Topic 450, “Contingencies,” and to determine the amount of required reserves, if any. These assessments are subjective in nature. Management makes these assessments for each individual matter based on consultation with outside counsel and based on prior experience with similar claims. To the extent additional information becomes available or our strategies or assessments change, our estimates of potential liability for a given matter may change. Changes to estimates of liability would result in a corresponding additional charge or benefit recognized in the statement of operations in the period in which such changes become known. We recognize the costs associated with legal defense in the periods incurred. Accordingly, the future costs of defending claims are not included in our estimated liability.

Income Tax Matters

We account for income taxes in accordance with FASB ASC Topic 740, “Income Taxes,” (ASC Topic 740) which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of

temporary differences between the book and tax bases of recorded assets and liabilities. ASC Topic 740 also requires that deferred tax assets be reduced by a valuation allowance if it is "more likely than not" that some portion or the entire deferred tax asset will not be realized. In our quarterly evaluation of the need for a valuation allowance, we consider and weigh both positive and negative factors, including the expected level of future taxable income and available tax planning strategies. If actual results differ from the assumptions made in our previous evaluation of our valuation allowance, we may record a change in valuation allowance through income tax expense in the period this determination is made.

The calculations of our tax liabilities involve dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for uncertain tax positions based on the two-step process prescribed in the guidance under ASC Topic 740. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that 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 requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as we have to determine the probability of various possible outcomes. We re-evaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, or new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision.

During 2016, 2017 and 2018, we determined that it was more likely than not that U.S. federal and various state net operating losses primarily generated in these years will not be realized based on projections of future U.S. taxable income, estimated reversals of existing taxable timing differences, and other considerations. Accordingly, the 2018 and 2017 income tax provisions include the impact of recording a full deferred tax asset valuation allowance of approximately $265,000 and $198,000 against the annual losses generated from a U.S. tax perspective.

At December 31, 2018, we had deferred tax assets related to net operating loss carryforwards and other income tax credits in our foreign operations with a tax value of $3.1 million. These net operating loss carryforwards principally do not expire, depending on the country and period in which they occurred. As of December 31, 2017, we assessed the realizability of the European subsidiary's deferred tax assets and concluded that future realization failed to meet the threshold of more likely than not based upon the subsidiary's recent tax operating losses. Accordingly, we recorded a full valuation allowance to the European subsidiary's deferred tax assets and recorded a deferred income tax charge of $509,000 at December 31, 2017. We continue to have a full valuation allowance applied to all other net operating loss carryforwards in our foreign operations.

The Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") 118 to provide guidance to companies on the reporting of the impacts of The United States Tax Cuts and Jobs Act in their financial statements. Under SAB 118, we recorded affected items in fiscal year 2017 as provisional to allow additional time for clarifying technical guidance from Treasury and analysis of the effect to our current tax positions. In 2018, we completed our analysis and did not record any adjustments to our 2017 provisional income tax amounts.

Current-Year Adoption of Recent Accounting Pronouncements

Discussion regarding our adoption of accounting pronouncements is included in Note 1 to the Consolidated Financial Statements.

Item No. 8 - Financial Statements and Supplementary Data

Reference is made to the Consolidated Financial Statements contained in Part IV hereof.

Item No. 9 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item No. 9A - Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has reviewed and evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2018. Based on such review and evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were effective as of December 31, 2018, to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, (a) is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms and (b) is accumulated and communicated to our management, including the officers, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the 2013 framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Although there are inherent limitations in the effectiveness of any system of internal control over financial reporting, based on our evaluation, management has concluded our internal controls over financial reporting were effective as of December 31, 2018.

Attestation Report of the Registered Public Accounting Firm

This Annual Report on Form 10-K 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 rules of the SEC that permit us to provide only management's report in this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no material changes in our internal control over financial reporting during the fourth quarter of 2018 that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

Item No. 9B - Other Information

None

PART III

Item No. 10 - Directors, Executive Officers and Corporate Governance

Information called for by Item 10 of Part III is incorporated by reference to the definitive Proxy Statement for the 2019 Annual Meeting of Shareholders to be held on May 23, 2019, which is expected to be filed with the Commission within 120 days after December 31, 2018.

Item No. 11 - Executive Compensation

Information called for by Item 11 of Part III is incorporated by reference to the definitive Proxy Statement for the 2019 Annual Meeting of Shareholders to be held on May 23, 2019, which is expected to be filed with the Commission within 120 days after December 31, 2018.

Item No. 12 - Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information called for by Item 12 of Part III is incorporated by reference to the definitive Proxy Statement for the 2019 Annual Meeting of Shareholders to be held on May 23, 2019, which is expected to be filed with the Commission within 120 days after December 31, 2018.

Item No. 13 - Certain Relationships and Related Transactions, and Director Independence

Information called for by Item 13 of Part III is incorporated by reference to the definitive Proxy Statement for the 2019 Annual Meeting of Shareholders to be held on May 23, 2019, which is expected to be filed with the Commission within 120 days after December 31, 2018.

Item No. 14 - Principal Accountant Fees and Services

Information called for by Item 14 of Part III is incorporated by reference to the definitive Proxy Statement for the 2019 Annual Meeting of Shareholders to be held on May 23, 2019, which is expected to be filed with the Commission within 120 days after December 31, 2018.

PART IV

Item No. 15 - Exhibits and Financial Statement Schedules

(a) 1. The Consolidated Financial Statements filed as part of this report on Form 10-K are listed on the accompanying Index to Consolidated Financial Statements and Consolidated Financial Statement Schedules.

2. Financial schedules required to be filed by Item 8 of this form, and by Item 15(d) below:

All other financial schedules are not required under the related instructions or are inapplicable and therefore have been omitted.

3. Exhibits: See the Exhibit Index immediately before the signature page of this Annual Report on Form 10-K.

Item No. 16 – Form 10-K Summary

None

Exhibit Index

Exhibit Number	Document
2.1	Purchase Agreement with Nutracom, LLC dated January 1, 2019 (filed herewith).
3.1	Second Amended and Restated Certificate of Incorporation (incorporated by reference to Appendix B of Schedule 14A of the Registrant filed on April 17, 2003).
3.2	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.2 to the Form 10-K of the Registrant for the year ended December 31, 2016)
3.3	By-Laws (incorporated by reference to the Registration Statement on Form S-3 of the Registrant filed on February 21, 2006).
3.4	Amendment to By-Laws dated March 22, 2001 (incorporated by reference to the Registration Statement on Form S-3 of the Registrant filed on February 21, 2006).
3.5	Certificate of Designation to Create a Class of Series A Preferred Stock for Reliv' International, Inc. (incorporated by reference to Exhibit 3.1 to the Form 10-Q of the Registrant for quarter ended March 31, 2003).
4.1	Form of Reliv International, Inc. common stock certificate (incorporated by reference to the Registration Statement on Form S-3 of the Registrant filed on February 21, 2006).
10.1	Amended Exclusive License Agreement with Theodore P. Kalogris dated December 1, 1991 (incorporated by reference to Exhibit 10.1 to the Form 10-K of the Registrant for the year ended December 31, 1992).
10.2*	Robert L. Montgomery Employment Agreement dated June 19, 2007 (incorporated by reference to Exhibit 10.1 to the Form 8-K of the Registrant filed June 25, 2007).
10.3*	Carl W. Hastings Employment Agreement dated January 1, 2019 (filed herewith).
10.4*	Reliv' International, Inc. Supplemental Executive Retirement Plan dated June 1, 1998 (incorporated by reference to Exhibit 10.19 to the Form10-K of the Registrant for year ended December 31, 1998).
10.5*	Reliv International, Inc. Employee Stock Ownership Plan and Trust dated August 29, 2006 (incorporated by reference to Exhibit 10.1 to the Form 8-K of the Registrant filed August 30, 2006).
10.6*	2009 Distributor Stock Purchase Plan (incorporated by reference to Appendix 1 of Form S-3 Registration Statement the Registrant filed July 1, 2009).
10.7*	2009 Incentive Stock Plan (incorporated by reference to Exhibit 10.1 to the Form S-8 Registration Statement the Registrant filed December 2, 2010).
10.8*	2014 Incentive Stock Plan (incorporated by reference to Exhibit 10.1 to the Form S-8 Registration Statement the Registrant filed November 19, 2014).
10.9*	Reliv International, Inc. Incentive Compensation Plan effective January 1, 2007 (incorporated by reference to Exhibit 10.1 to the Form 8-K of the Registrant filed May 31, 2007).

10.10*	R. Scott Montgomery Employment Agreement dated January 2, 2008 (incorporated by reference to Exhibit 10.1 to the Form 8-K of the Registrant filed January 4, 2008).
10.11*	Ryan A. Montgomery Employment Agreement dated January 2, 2008 (incorporated by reference to Exhibit 10.2 to the Form 8-K of the Registrant filed January 4, 2008).
10.12*	Steven D. Albright Employment Agreement dated January 2, 2008 (incorporated by reference to Exhibit 10.4 to the Form 8-K of the Registrant filed January 4, 2008).
10.13	Loan Sale Agreement between 2010-1 RADC/CADC Venture, LLC and Reliv International, Inc. dated March 16, 2012 (incorporated by reference to Exhibit 10.1 to the Form 10-Q of the Registrant for the quarter ended March 31, 2012).
10.14	Technology License Agreement by and between SL Technology, Inc. and Soy Labs, LLC dated July 23, 2013 (incorporated by reference to Exhibit 10.1 to the Form 8-K of the Registrant filed July 25, 2013).
10.15	Agreement by and among Reliv International, Inc., SL Technology, Inc., Soy Labs, LLC and 1Soy, Inc. dated July 23, 2013 (incorporated by reference to Exhibit 10.2 to the Form 8-K of the Registrant filed July 25, 2013).
10.16	Letter agreement between SL Technology, Inc. and Soy Labs, LLC dated September 2, 2016 (incorporated by reference to Exhibit 10.18 to the Form 10-K of the Registrant for the year ended December 31, 2016)
10.17	Promissory Note (revolving credit facility) dated September 30, 2015 among Reliv International, Inc., Reliv, Inc., Reliv World Corporation, and SL Technology, Inc., as Borrowers and Enterprise Bank & Trust (incorporated by reference to Exhibit 10.2 to the Form 10-Q of the Registrant filed November 13, 2015).
10.18	Business Loan Agreement dated September 30, 2015 among Reliv International, Inc., Reliv, Inc., Reliv World Corporation, and SL Technology, Inc., as Borrowers and Enterprise Bank & Trust (incorporated by reference to Exhibit 10.3 to the Form 10-Q of the Registrant filed November 13, 2015).
10.19	Deed of Trust dated September 30, 2015 between Reliv International, Inc. as Grantor and Enterprise Bank & Trust (incorporated by reference to Exhibit 10.4 to the Form 10-Q of the Registrant filed November 13, 2015).
10.20	First Amendment to Loan Agreement dated September 30, 2016 among Reliv International, Inc., Reliv, Inc., Reliv World Corporation, and SL Technology, Inc., as Borrowers and Enterprise Bank & Trust (incorporated by reference to Exhibit 10.1 to the Form 10-Q of the Registrant filed November 14, 2016).
10.21	Change in Terms Agreement (revolving credit facility) dated September 30, 2016 among Reliv International, Inc., Reliv, Inc., Reliv World Corporation, and SL Technology, Inc., as Borrowers and Enterprise Bank & Trust (incorporated by reference to Exhibit 10.2 to the Form 10-Q of the Registrant filed November 14, 2016).
10.22	Second Amendment to Loan Agreement dated April 11, 2018 among Reliv International, Inc., Reliv, Inc., Reliv World Corporation, and SL Technology, Inc., as Borrowers and Enterprise Bank & Trust (incorporated by reference to Exhibit 10.1 to the Form 10-Q of the Registrant filed May 15, 2018).
10.23	Change in Terms Agreement (revolving credit facility) dated April 30, 2018 among Reliv International, Inc., Reliv, Inc., Reliv World Corporation, and SL Technology, Inc., as Borrowers

	and Enterprise Bank & Trust (incorporated by reference to Exhibit 10.3 to the Form 10-Q of the Registrant filed May 15, 2018).
10.24	Third Amendment to Loan Agreement dated September 11, 2018 among Reliv International, Inc., Reliv, Inc., Reliv World Corporation, and SL Technology, Inc., as Borrowers and Enterprise Bank & Trust (incorporated by reference to Exhibit 10.1 to the Form 10-Q of the Registrant filed November 14, 2018).
10.25	Change in Terms Agreement (revolving credit facility) dated September 11, 2018 among Reliv International, Inc., Reliv, Inc., Reliv World Corporation, and SL Technology, Inc., as Borrowers and Enterprise Bank & Trust (incorporated by reference to Exhibit 10.2 to the Form 10-Q of the Registrant filed November 14, 2018).
10.26	Lease between Registrant (lessor) and Nutracom, LLC (lessee) dated January 1, 2019 (filed herewith).
10.27	Secured Term Note issued by Nutracom, LLC to Registrant dated January 1, 2019 (filed herewith).
10.28	Unsecured Term Note issued by Nutracom, LLC to Registrant dated January 1, 2019 (filed herewith).
10.29	Fourth Amendment to Loan Agreement dated March 25, 2019 among Reliv International, Inc., Reliv, Inc., Reliv World Corporation, and SL Technology, Inc., as Borrowers and Enterprise Bank & Trust (filed herewith)
10.30	Change in Terms Agreement (revolving credit facility) dated March 25, 2019 among Reliv International, Inc., Reliv, Inc., Reliv World Corporation, and SL Technology, Inc., as Borrowers and Enterprise Bank & Trust (filed herewith).
11	Statement re: computation of per share earnings (incorporated by reference to Note 9 of the Consolidated Financial Statements contained in Part IV).
21	Subsidiaries of the Registrant (filed herewith).
23	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm (filed herewith).
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended (filed herewith).
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended (filed herewith).
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101	Interactive Data Files, including the following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2018, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Net Loss and Comprehensive Loss, (iii) the Consolidated Statements of Stockholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) the Notes to Consolidated Financial Statements.

*Indicates management compensation plan, contract or arrangement.

SIGNATURES

Pursuant to the requirements of 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, thereunto duly authorized.

RELIV' INTERNATIONAL, INC.

By: /s/ Ryan A. Montgomery
Ryan A. Montgomery, Chief Executive Officer

Date: March 29, 2019

Pursuant to the requirements of the Securities Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Robert L. Montgomery
Robert L. Montgomery, Chairman of the Board of Directors

Date: March 29, 2019

By: /s/ Steven D. Albright
Steven D. Albright, Chief Financial Officer (and accounting officer)

Date: March 29, 2019

By: /s/ Ryan A. Montgomery
Ryan A. Montgomery, Chief Executive Officer, Director

Date: March 29, 2019

By: /s/ Denis St. John
Denis St. John, Director

Date: March 29, 2019

By: /s/ Robert M. Henry
Robert M. Henry, Director

Date: March 29, 2019

By: /s/ John M. Klimek
John M. Klimek, Director

Date: March 29, 2019

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Reliv' International, Inc.
and Subsidiaries

Consolidated Financial Statements

Years ended December 31, 2018 and 2017

Contents

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors
Reliv' International, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Reliv' International, Inc. and Subsidiaries (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of net loss and comprehensive loss, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

The Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP
We have served as the Company's auditor since 1991.

St. Louis, Missouri
March 29, 2019

Reliv' International, Inc. and Subsidiaries

Consolidated Balance Sheets

	December 31	
	2018	**2017**
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,989,974**	$ 3,272,788
Accounts receivable, less allowances of $5,000 in 2018 and $26,300 in 2017	**400,759**	29,760
Accounts due from employees and distributors	**151,222**	138,497
Inventories:		
Finished goods	**2,460,563**	2,762,249
Raw materials	**372,865**	1,653,466
Sales aids and promotional materials	**121,519**	139,770
Total inventories	**2,954,947**	4,555,485
Refundable income taxes	**22,712**	26,552
Assets held for sale	**2,124,939**	-
Prepaid expenses and other current assets	**441,453**	372,602
Total current assets	**8,086,006**	8,395,684
Other assets	**338,974**	337,190
Cash surrender value of life insurance	**-**	3,086,522
Note receivable due from distributor	**1,282,072**	1,405,113
Intangible assets, net	**1,948,263**	2,174,248
Property, plant, and equipment	**14,420,559**	19,055,260
Less accumulated depreciation	**9,722,009**	13,378,021
Property, plant, and equipment, net	**4,698,550**	5,677,239
Total assets	**$ 16,353,865**	$ 21,075,996

Reliv' International, Inc. and Subsidiaries

Consolidated Balance Sheets (continued)

	December 31	
	2018	**2017**
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	**$ 3,880,086**	$ 3,200,018
Income taxes payable	**35,304**	12,616
Revolving line of credit	**-**	500,000
Current maturities of long-term debt	**-**	2,545,421
Total current liabilities	**3,915,390**	6,258,055
Noncurrent liabilities:		
Other noncurrent liabilities	**445,611**	453,354
Total noncurrent liabilities	**445,611**	453,354
Stockholders' equity:		
Preferred stock, par value $0.001 per share; 500,000 shares authorized; -0- shares issued and outstanding in 2018 and 2017	**-**	-
Common stock, par value $0.001 per share; 5,000,000 shares authorized, 2,110,013 shares issued and 1,845,160 shares outstanding in 2018; 2,110,013 shares issued and 1,845,160 shares outstanding in 2017	**2,110**	2,110
Additional paid-in capital	**30,622,547**	30,598,920
Accumulated deficit	**(12,311,138)**	(10,040,229)
Accumulated other comprehensive loss:		
Foreign currency translation adjustment	**(982,095)**	(857,654)
Treasury stock	**(5,338,560)**	(5,338,560)
Total stockholders' equity	**11,992,864**	14,364,587
Total liabilities and stockholders' equity	**$ 16,353,865**	$ 21,075,996

See accompanying notes.

Reliv' International, Inc. and Subsidiaries

Consolidated Statements of Net Loss and Comprehensive Loss

	Year ended December 31	
	2018	**2017**
Product sales	**$ 33,918,169**	$ 38,751,357
Handling & freight income	**2,197,572**	3,037,425
Net sales	**36,115,741**	41,788,782
Costs and expenses:		
Cost of products sold	**9,709,743**	9,401,406
Distributor royalties and commissions	**11,749,604**	14,685,553
Selling, general, and administrative	**16,520,885**	17,885,226
Loss from operations	**(1,864,491)**	(183,403)
Other income (expense):		
Interest income	**93,054**	101,901
Interest expense	**(95,556)**	(109,254)
Other income	**61,652**	38,844
Loss before income taxes	**(1,805,341)**	(151,912)
Provision for income taxes	**98,000**	545,000
Net loss available to common shareholders	**$ (1,903,341)**	$ (696,912)
Other comprehensive income (loss):		
Foreign currency translation adjustment	**(124,441)**	113,551
Comprehensive loss	**$ (2,027,782)**	$ (583,361)
Loss per common share - Basic	**($1.03)**	($0.38)
Weighted average shares	**1,845,000**	1,845,000
Loss per common share - Diluted	**($1.03)**	($0.38)
Weighted average shares	**1,845,000**	1,845,000

See accompanying notes.

Reliv' International, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

	Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Treasury Stock		
	Shares	Amount	Capital	Deficit	Loss	Shares	Amount	Total
Balance at December 31, 2016	2,110,013	$ 2,110	$ 30,565,144	$ (9,284,317)	$ (1,030,205)	264,853	$ (5,338,560)	$ 14,914,172
Net loss	-	-	-	(696,912)	-	-	-	(696,912)
Other comprehensive income (loss):								
Foreign currency translation adjustment	-	-	-	-	113,551	-	-	113,551
Income tax effects of Tax Cuts & Jobs Act	-	-	-	(59,000)	59,000	-	-	-
Total comprehensive loss								(583,361)
Stock-based compensation	-	-	33,776	-	-	-	-	33,776
Balance at December 31, 2017	2,110,013	2,110	30,598,920	(10,040,229)	(857,654)	264,853	(5,338,560)	14,364,587
Net loss	-	-	-	**(1,903,341)**	-	-	-	**(1,903,341)**
Other comprehensive income (loss):								
Foreign currency translation adjustment	-	-	-	-	**(124,441)**	-	-	**(124,441)**
Total comprehensive loss								**(2,027,782)**
Adoption of Accounting Standards Update 2014-09	**-**	**-**	**-**	**(367,568)**	-	-	-	**(367,568)**
Stock-based compensation	**-**	**-**	**23,627**	-	-	-	-	**23,627**
Balance at December 31, 2018	**2,110,013**	**$ 2,110**	**$ 30,622,547**	**$ (12,311,138)**	**$ (982,095)**	**264,853**	**$ (5,338,560)**	**$ 11,992,864**

See accompanying notes.

Reliv' International, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year ended December 31	
	2018	**2017**
Operating activities		
Net loss	**$ (1,903,341)**	$ (696,912)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	**810,442**	900,126
Stock-based compensation	**23,627**	33,776
Non-cash life insurance policy reduction (accretion)	**20,329**	(120,540)
(Gain) loss on sale of property, plant and equipment	**(684)**	(8,844)
Deferred income taxes	**-**	508,000
Foreign currency transaction (gain)/loss	**(32,577)**	(20,659)
(Increase) decrease in accounts receivable and accounts due from employees and distributors	**(377,466)**	104,671
(Increase) decrease in inventories	**(26,036)**	15,472
(Increase) decrease in refundable income taxes	**(3,840)**	70,612
(Increase) decrease in prepaid expenses and other current assets	**(75,941)**	107,051
(Increase) decrease in other assets	**(1,783)**	(32,102)
Increase (decrease) in income taxes payable	**30,909**	12,616
Increase (decrease) in accounts payable & accrued expenses and other non-current liabilities	**366,437**	(1,030,062)
Net cash used in operating activities	**(1,169,924)**	(156,795)
Investing activities		
Proceeds from sale of property, plant, and equipment	**8,522**	13,143
Purchase of property, plant, and equipment	**(181,343)**	(499,409)
Proceeds from redemption of life insurance policy	**3,066,193**	-
Payments received on distributor note receivable	**115,892**	109,160
Net cash provided by (used in) investing activities	**3,009,264**	(377,106)
Financing activities		
Proceeds from revolving line of credit borrowings	**-**	500,000
Principal payments on long-term borrowings	**(3,045,421)**	(363,736)
Net cash provided by (used in) financing activities	**(3,045,421)**	136,264
Effect of exchange rate changes on cash and cash equivalents	**(76,733)**	63,608
Increase (decrease) in cash and cash equivalents	**(1,282,814)**	(334,029)
Cash and cash equivalents at beginning of year	**3,272,788**	3,606,817
Cash and cash equivalents at end of year	**$ 1,989,974**	$ 3,272,788

Reliv' International, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)

	Year ended December 31	
	2018	**2017**
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	**$ 99,000**	$ 99,800
Income taxes paid (received), net	**$ 66,600**	$ (52,500)

See accompanying notes.

1. Nature of Business and Significant Accounting Policies

Nature of Business

Reliv' International, Inc. (the Company) produces a proprietary line of nutritional supplements addressing basic nutrition, specific wellness needs, weight management, and sports nutrition. These products are sold by subsidiaries of the Company to a sales force of independent distributors of the Company that sell products directly to consumers. The Company and its subsidiaries sell products to distributors throughout the United States and in Australia, Austria, Canada, France, Germany, Ireland, Malaysia, Mexico, the Netherlands, New Zealand, the Philippines, Singapore, and the United Kingdom.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its foreign and domestic subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents

The Company's policy is to consider the following as cash and cash equivalents: demand deposits and short-term investments with a maturity of three months or less when purchased.

Inventories

Inventories are valued at the lower of cost or market. Product cost includes raw materials, labor, and overhead costs and is accounted for on a first-in, first-out basis. On a periodic basis, the Company reviews its inventory levels, as compared to future demand requirements and the shelf life of the various products. Based on this review, the Company records inventory write-downs when necessary.

Sales aids and promotional materials inventories represent distributor kits, product brochures, and other sales and business development materials which are held for sale to distributors. Cost of the sales aids and promotional materials held for sale are capitalized as inventories and subsequently recorded to cost of goods sold upon recognition of revenue when sold to distributors. All other advertising and promotional costs are expensed when incurred.

1. Nature of Business and Significant Accounting Policies (continued)

Property, Plant, and Equipment

Property, plant, and equipment are stated on the cost basis. Depreciation is computed using the straight-line or an accelerated method over the useful life of the related assets. Generally, computer equipment and software are depreciated over 3 to 5 years, office equipment and machinery over 7 years, and real property over 39 years.

Foreign Currency Translation and Transaction Gains or Losses

All balance sheet accounts have been translated using the exchange rates in effect at the balance sheet date. Statements of net income (loss) amounts have been translated using the average exchange rate for the year. The gains and losses resulting from the changes in exchange rates from year to year have been reported in other comprehensive income (loss). The foreign currency translation adjustment is the only component of accumulated other comprehensive loss. If applicable, foreign currency translation adjustments exclude income tax expense (benefit) as certain of the Company's investments in non-U.S. subsidiaries are deemed to be reinvested for an indefinite period of time. Foreign currency transaction gains (losses) were $32,577 and $20,659 for 2018 and 2017, respectively.

Basic and Diluted Earnings (Loss) per Share

Basic earnings (loss) per common share are computed using the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per common share are computed using the weighted average number of common shares and potential dilutive common shares that were outstanding during the period. Potential dilutive common shares consist of outstanding stock options, outstanding stock warrants, and convertible preferred stock. See Note 9 for additional information regarding earnings (loss) per share.

Stock-Based Compensation

The Company has stock-based incentive plans under which it may grant stock option, restricted stock, and unrestricted stock awards. The Company recognizes stock-based compensation expense based on the grant date fair value of the award and the related vesting terms. Depending upon the characteristics of the option, the fair value of stock-based awards is primarily determined using the Black-Scholes model, which incorporates assumptions and management estimates including the risk-free interest rate, expected volatility, expected option life, and dividend yield. The Company recognizes forfeitures when incurred. See Note 8 for additional information.

The Company accounts for options granted to non-employees and warrants granted to distributors under the fair value approach required by FASB ASC Topic 505-50, "Equity Based Payments to Non-Employees."

1. Nature of Business and Significant Accounting Policies (continued)

Fair Value Measurements

FASB ASC Topic 820, "Fair Value Measurements and Disclosures," defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements required under other accounting pronouncements. See Note 6 for further discussion.

Income Taxes

The provision for income taxes is computed using the liability method. The primary differences between financial statement and taxable income result from financial statement accruals and reserves and differences between depreciation and amortization for book and tax purposes.

Unrecognized tax benefits are accounted for as required by FASB ASC Topic 740 which prescribes a more likely than not threshold for financial statement presentation and measurement of a tax position taken or expected to be taken in a tax return. See Note 12 for further discussion.

Advertising

Costs of sales aids and promotional materials are capitalized as inventories. All other advertising and promotional costs are expensed when incurred. The Company recorded $19,300 and $22,300 of advertising expense in 2018 and 2017, respectively.

Research and Development Expenses

Research and development expenses, which are charged to selling, general, and administrative expenses as incurred, were $473,000 and $488,000 in 2018 and 2017, respectively.

Amortizable Intangible Assets

The Company records intangible assets based on management's determination of the fair value of the respective assets at the time of acquisition. Determining the fair value of intangible assets is judgmental and involves the use of significant estimates and assumptions of future company operations. The Company bases its fair value estimates and related asset lives on assumptions it believes to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from these estimates.

Intangible assets estimated to have finite lives are amortized over their estimated economic life under the straight-line method; such method correlates to management's estimate of the assets' economic benefit. Based on management's estimates at origination, these lives range from two to seventeen years. Related amortization expense is presented within Selling, General, and Administrative in the accompanying consolidated statements of net loss and comprehensive loss. As of December 31, 2018, remaining lives of intangible assets range from six to eleven years.

1. Nature of Business and Significant Accounting Policies (continued)

Revenue Recognition

On January 1, 2018, the Company adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (including amendments), and applied the new revenue standard to all contracts using the modified retrospective method. Under this method, prior periods are not restated. Upon adoption, the Company recognized the cumulative effect of applying the new revenue standard as a reduction of $367,568 (with zero net tax effect) to the opening retained earnings (accumulated deficit) balance.

The new revenue standard defines a five step process to recognize revenues. The Company accounts for a contract with its independent distributors (including customers) when there is a legally enforceable contract, the rights of the parties are identified, the contract has commercial substance, and collectability of the contract consideration is probable. Product sales revenue (principally nutritional and dietary supplements) and commission expenses are recorded when control is transferred to independent distributors, which occurs at the time of shipment. Generally, net sales reflect product sales less the distributor discount of 20 percent to 40 percent of the suggested retail price. The Company presents distributor royalty and commission expense as an operating expense, rather than a reduction to net sales, as these payments are not made to the purchasing distributor. At point of sale, the Company receives payment by credit card, personal check, or guaranteed funds for contracts from independent distributors and makes related commission payments in the following month.

Under this new revenue standard, the Company determined that the timeframe for recognizing the revenue performance obligation for membership fees-type revenue would be lengthened to more closely correlate with the distributor (including customer) membership terms of generally twelve months. Based upon all membership fees contracts still in existence as of December 31, 2017, the adoption of the new revenue standard resulted in the recognition of a deferred revenue liability balance of $367,568. The Company receives payment for membership fees at the beginning of the annual membership term and recognizes membership fees revenue on a straight-line basis in correlation with the completion of its performance obligation under the membership term. At December 31, 2018, the deferred revenue liability balance was $337,234.

Actual and estimated sales returns are classified as a reduction of net sales. The Company estimates and accrues a reserve for product returns based on the Company's return policy and historical experience. The Company's return policy allows for distributors to return product only upon termination of his or her distributorship. Allowable returns are limited to saleable product which was purchased within twelve months of the termination for a refund of 100% of the original purchase price less any distributor royalties and commission received relating to the original purchase of the returned products. For the years ended December 31, 2018 and 2017, total returns as a percent of net sales were approximately 0.17% and 0.25%, respectively.

1. Nature of Business and Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Company records handling and freight income as a component of net sales and records handling and freight costs as a component of cost of products sold. Total net sales do not include sales tax as the Company considers itself a pass-through conduit for collecting and remitting applicable sales taxes.

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption to the Company's results from operations are as follows:

	Year Ended December 31, 2018		
	As Reported	Without Adoption of ASU 2014-09	Effect of Change Higher/(Lower)
Operating results			
Net sales	$36,115,741	$36,086,633	$29,108
Net loss	(1,903,341)	(1,932,449)	29,108

The Company does not anticipate that the adoption of the new revenue standard will be material to net sales and net income on an ongoing basis.

New Accounting Pronouncements – Not Yet Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases (Topic 842)* which supersedes the existing lease guidance. This update requires lessees to recognize a lease liability and a lease asset for all leases, including operating leases, on its balance sheet. The update also expands the required quantitative and qualitative disclosures surrounding leases. Subsequent to its issuance of ASU No. 2016-02, the FASB issued related ASU's, including ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements,* which provides for another transition method in addition to the modified retrospective approach originally required by ASU No. 2016-02. This transition method option under ASU No. 2018-11 allows entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption.

As required, the Company will adopt ASU 2016-02 on January 1, 2019. The Company anticipates applying certain practical expedients permitted in the standard, as well as the prospective transition method. The Company's adoption of this new lease standard will result in the January 1, 2019 recognition of right-of-use assets and lease liabilities of approximately $460,000 in the Company's consolidated financial statements. The Company leases certain office facilities, storage, and equipment.

1. Nature of Business and Significant Accounting Policies (continued)

Going Concern

The Company has incurred operating losses, declining net sales, and negative net cash flows over its most recent five years. Management estimates that these unfavorable trends are more likely than not to continue for the foreseeable future, and as a result, the Company will require additional financial support to fund its operations and execute its business plan. As of December 31, 2018, the Company had $1,989,974 in cash and cash equivalents which may not be sufficient to fund the Company's planned operations through one year after the date the consolidated financial statements are issued, and accordingly, there is substantial doubt about the Company's ability to continue as a going concern. The analysis used to determine the Company's ability to continue as a going concern does not include cash sources outside of the Company's direct control that management expects to be available within the next twelve months.

The Company may not be able to obtain sufficient additional funding through monetizing certain of its existing assets, sourcing additional borrowings, and issuing additional equity, or any other means, and if it is able to do so, these available sources of funds may not be on satisfactory terms. The Company's ability to raise additional capital in the equity markets, should the Company choose to do so, is dependent on a number of factors, including, but not limited to, the market demand for the Company's common stock, which itself is subject to a number of business risks and uncertainties, as well as the uncertainty that the Company would be able to raise such additional capital at a price or on terms that are favorable to the Company

The Company has taken several steps which management believes will result in an improved financial position, operating results, and cash flows. As detailed in Note 7 of these consolidated financial statements, in January 2019, the Company has borrowed $500,000 of its available $750,000 revolving line of credit balance. In March 2019, the Company and its lender have agreed to extend its available $750,000 revolving line of credit agreement to April 28, 2020.

As detailed in Note 2 of these consolidated financial statements, in January 2019, the Company entered into a Purchase Agreement with Nutracom, LLC (Nutracom) pursuant to which Nutracom purchased the assets used by the Company in its manufacturing operations. Assets purchased by Nutracom from the Company were financed by the Company under payment terms scheduled to provide incoming funds to the Company of $200,000 or more per year. The Company has also entered into an agreement for Nutracom to lease a significant portion of the Company's headquarters building. Management believes that these transactions with Nutracom will be favorable to its financial position, operating results, and cash flows; however, there are risks and uncertainties which arise with these Nutracom transactions and their impact to the Company's operations.

1. Nature of Business and Significant Accounting Policies (continued)

Going Concern (continued)

Should the aforementioned changes to the company's operations not provide sufficient cash flow improvement or should the Company be unable to obtain sufficient additional capital or borrowings, the Company may have to engage in any or all of the following activities: (i) seek to monetize its headquarters building via traditional bank lending or a sale and leaseback-type transaction; (ii) monetizing its note receivable from a distributor (see Note 11); (iii) restructure its core distributor business model including recruiting, promotions, incentives, and other activities; (iv) cease operations in certain geographic regions, and (v) reduce employee compensation and benefits.

These actions may have a material adverse impact on the Company's ability to achieve certain of its planned objectives. Even if the Company is able to source additional funding, it may be forced to significantly reduce its operations if its business operating performance does not improve. If the Company is unable to source additional funding, it may be forced to significantly reduce or shut down its operations. These consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary in the event the Company can no longer continue as a going concern.

2. Assets Held For Sale

On January 1, 2019, the Company entered into a Purchase Agreement with Nutracom, LLC (Nutracom) pursuant to which Nutracom purchased the following assets used by the Company in its manufacturing operations:

- Inventories (sold at cost of $1.56 million) and,
- Machinery and other equipment with a net book value of $565,000 (sold for $1 million; gain on disposal of $435,000).

Nutracom was formed by the Company's manufacturing operations management which included former officers of the Company. Employees of the Company's manufacturing operations were offered employment by Nutracom.

Prior to its approval of the transaction, the Company's Board of Directors formed a special committee consisting of the Company's independent directors to review the transaction. To assist in its review, the special committee engaged a qualified third-party expert to opine a fairness opinion on the transaction and related agreements as detailed below.

2. Assets Held For Sale (continued)

Concurrently with the execution of the Purchase Agreement, the Company entered into several agreements with Nutracom including a product supply agreement for a term of seven years, a fulfillment agreement, and a facility lease agreement whereby Nutracom will lease manufacturing, warehouse, and certain office space of the Company's headquarters building from the Company for a term of seven years, with a Nutracom option for an additional five-year term. Annual lease amounts range from $193,000 to $410,000 per year over the seven-year term.

Nutracom provided the following consideration to the Company for the manufacturing operations and related identified assets and agreements:

- $1 million secured promissory note, seven year term, fixed interest rate of 5.5%, principal and interest payable monthly;
- $764,344 unsecured promissory note, seven year term, fixed interest rate of 7.0%, interest only payable for the first two years with monthly payment of principal and interest thereafter under a ten-year amortization schedule. The face value of the unsecured note includes the first year's rent due the Company under the facility lease agreement.
- Nutracom management transferred to the Company its ownership of 99,200 shares of the Company's common stock valued at $540,144.
- Nutracom issued to the Company a non-voting Class B 15% equity membership interest in Nutracom, LLC. The Class B interest does not share in any profits or losses from operations of Nutracom. As defined within the Nutracom Operating Agreement, upon any merger, consolidation, disposition, or liquidation of Nutracom, the Class B equity membership interest converts to a Class A equity membership interest.
- Commencing January 1, 2020, the Company's Class B interest will be entitled to receive a percentage, (ranging from 1.0% to 1.25%) of Nutracom's annual revenues (excluding Nutracom's revenues from sales to the Company).

The Company's non-voting Class B 15% equity membership interest in Nutracom was valued by the aforementioned third-party expert at $505,000. As the Company's non-voting membership interest does not participate in the management of Nutracom, nor does the Company share in any Nutracom operating profits or losses, the Company anticipates accounting for its Nutracom equity investment under the cost method.

As of December 31, 2018, the Company has presented inventories and machinery and other equipment sold to Nutracom as a current asset under the caption of "Assets held for sale" in the accompanying consolidated balance sheets. The Company will account for the Nutracom transactions in its first quarter 2019 financial results.

3. Property, Plant, and Equipment

Property, plant, and equipment at December 31, 2018 and 2017, consist of the following:

	2018	2017
Land and land improvements	**$ 905,190**	$ 905,190
Building	**9,964,523**	9,950,190
Machinery and equipment	**180,519**	4,755,727
Office equipment	**1,157,392**	1,183,115
Computer equipment and software	**2,212,935**	2,261,038
	14,420,559	19,055,260
Less accumulated depreciation	**9,722,009**	13,378,021
	$ 4,698,550	$ 5,677,239

At December 31, 2018, approximately $0.56 million of net property, plant, and equipment (cost $4.70 million; $4.14 million accumulated depreciation) is presented as "Assets held for sale" in the accompanying consolidated balance sheets. See Note 2 for further discussion.

For the years ended December 31, 2018 and 2017, depreciation expense was $584,457 and $674,141, respectively.

4. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2018 and 2017, consist of the following:

	2018	2017
Trade payables	**$ 2,105,814**	$ 1,667,495
Distributors' commissions	**1,030,948**	1,115,649
Sales taxes	**195,802**	154,958
Deferred revenue	**337,234**	-
Payroll and payroll taxes	**210,288**	261,916
	$ 3,880,086	$ 3,200,018

5. Amortizable Intangible Assets

The Company had amortizable intangible assets as follows as of December 31, 2018 and 2017:

	Gross Carrying Amount		Accumulated Amortization	
	2018	**2017**	**2018**	**2017**
Distributorship and related agreements	**$2,060,000**	$2,060,000	**$1,437,423**	$1,327,556
Lunasin technology license	**1,954,661**	1,954,661	**628,975**	512,857
	$4,014,661	$4,014,661	**$2,066,398**	$1,840,413

Amortization expense for intangible assets totaled $225,985 in each of 2018 and 2017, respectively. Amortization expense for amortizable intangible assets over the next five years is estimated to be:

	Intangible Amortization
2019	$226,000
2020	226,000
2021	226,000
2022	226,000
2023	226,000

6. Fair Value of Financial Instruments

The carrying amount and fair value of financial instruments at December 31, 2018 and 2017 were approximately as follows:

Description	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
December 31, 2018					
Note receivable	**$1,405,112**	**$1,529,000**	**-**	**$1,529,000**	**-**
Marketable securities	**339,000**	**339,000**	**$339,000**	**-**	**-**
December 31, 2017					
Long-term debt	$3,045,421	$3,045,421	-	$3,045,421	-
Note receivable	1,521,005	1,684,000	-	1,684,000	-
Marketable securities	330,000	330,000	$330,000	-	-

6. Fair Value of Financial Instruments (continued)

Fair value can be measured using valuation techniques such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). Accounting standards utilize a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

Long-term debt: The fair value of the Company's term and revolver loans approximated carrying value as these loans had variable market-based interest rates that reset every thirty days.

Note receivable: The Company's note receivable is a variable rate residential mortgage-based financial instrument. An average of published interest rate quotes for a fifteen-year residential jumbo mortgage, a comparable financial instrument, was used to estimate fair value of this note receivable under a discounted cash flow model.

Marketable securities: The assets (trading securities) of the Company's Supplemental Executive Retirement Plan are recorded at fair value on a recurring basis, and are presented within Other Assets in the consolidated balance sheets.

The carrying value of other financial instruments, including cash, accounts receivable and accounts payable, and accrued liabilities approximate fair value due to their short maturities or variable-rate nature of the respective balances.

7. Debt

Debt at December 31, 2018 and 2017 consists of the following:

	2018	2017
Term loan	**$** -	$ 2,545,421
Revolving line of credit	-	500,000
	-	3,045,421
Less current maturities	-	3,045,421
Long-term portion	**$** -	$ -

7. Debt (continued)

Effective September 30, 2015, the Company entered into a series of lending agreements with a new primary lender which included agreements for a $3.25 million term loan and $3.5 million revolving credit facility. These lending agreements replaced similar borrowings under agreements with the Company's former primary lender.

The $3.25 million term loan was for a period of three years and required monthly term loan payments, under a ten-year amortization, consisting of principal of $27,080 plus interest with a balloon payment for the outstanding balance due and payable on September 30, 2018. The term loan's interest rate was based on the 30-day LIBOR plus 2.25%.

The $3.5 million revolving line of credit agreement, originally dated September 30, 2015, and subsequently amended and extended, accrues interest at a floating interest rate based on the 30-day LIBOR plus 2.25% and had an original term of one year.

At June 30, 2018, the Company was current on all principal and interest due to its lender. In July 2018, management voluntarily elected to redeem the cash surrender value (CSV) of the Company's whole life insurance policy maintained on the life of the Company's Board of Directors' Chairman and former Chief Executive Officer. Upon redemption and related receipt of the $3.07 million CSV proceeds, the Company simultaneously remitted to its lender $2.86 million of the CSV proceeds to be applied towards the full reduction of its outstanding term loan and revolver balances. Following this series of July 2018 transactions, the balances of the Company's term loan, revolver loan, and life insurance policy balances were zero.

Effective with a September 11, 2018 amendment, the revolving line of credit's maximum borrowing amount was reduced from $2.0 million to $750,000. As amended, the revolver's maturity date remained April 29, 2019 and the revolver's interest rate continued to be based on the 30-day LIBOR plus 2.25%. As of December 31, 2018, there were no outstanding borrowings on the revolving line of credit. In January 2019, the Company borrowed $500,000 under its revolving line of credit.

Effective with a March 2019 amendment, the revolving line of credit's maturity date was extended to April 28, 2020 and the interest rate was revised to the 30-day LIBOR plus 3.00%. As amended, the revolver's maximum borrowing amount remains $750,000.

Borrowings under the lending agreement are secured by all tangible and intangible assets of the Company and by a mortgage on the real estate of the Company's headquarters. At December 31, 2018, the Company was in compliance with its loan covenant requirements.

8. Stockholders' Equity

Stock Options – Incentive Stock Plans

The Company sponsors an incentive stock plan (the "2014 Plan") allowing for a maximum of 142,857 shares to be granted in the form of either incentive stock options, non-qualified stock options, restricted stock awards, or unrestricted stock awards. Employees, directors, advisors, and consultants of the Company are eligible to receive the grants. This plan has been approved by the stockholders of the Company. The Compensation Committee of the Board of Directors administers the plan.

The 2014 Plan provides that options may be issued under the Plan at an option price not less than fair market value of the stock at the time the option is granted. Under the plan, restricted stock of the Company may be granted at no cost to the grantee. The grantees are entitled to dividends and voting rights for their respective shares. Restrictions limit the sale or transfer of these shares during the requisite service period. In addition, the committee may grant or sell unrestricted stock at a purchase price to be determined by the committee. Vesting terms and restrictions, if applicable, under the plan, are set by the committee and will be 10 years or less. The 2014 Plan expires in 2024.

In May 2017, the Company's shareholders voted to approve a 2017 Incentive Stock Plan (2017 Plan) which authorizes the issuance of up to 200,000 shares of the Company's common stock in various forms of stock options and/or stock awards. The 2017 Plan will not become effective until registered with the Securities and Exchange Commission.

A summary of the Company's stock option activity and related information for the years ended December 31 follows:

	2018		**2017**	
	Options	**Weighted Avg. Exercise Price**	**Options**	**Weighted Avg. Exercise Price**
Outstanding beginning of the year	**140,424**	**$7.85**	236,844	$8.14
Granted	**-**		-	
Exercised	**-**		-	
Expired and forfeited	**(58,998)**	**7.96**	(96,420)	8.57
Outstanding at end of year	**81,426**	**$7.77**	140,424	$7.85
Exercisable at end of year	**14,655**	**$7.77**	13,713	$7.77

Compensation cost for the stock option plan was approximately $21,000 ($21,000 net of tax) and $27,000 ($27,000 net of tax) for the years ended December 31, 2018 and 2017, respectively, and has been recorded in selling, general, and administrative expense. As of December 31, 2018, the total remaining unrecognized compensation cost related to the non-vested portion of time vesting stock options totaled $19,000 ($19,000 net of tax), which will be amortized over the weighted remaining requisite service period of 1.17 years. The aggregate intrinsic value of stock options outstanding and currently exercisable at December 31, 2018 was $-0-.

8. Stockholders' Equity (continued)

Distributor Stock Purchase Plan

In July 2009, the Company established a Distributor Stock Purchase Plan (2009 Plan) which replaced a similar plan which had expired.

The plan allows distributors who have reached the "Ambassador" status the opportunity to allocate up to 10% of their monthly compensation into the plan to be used to purchase the Company's common stock at the current market value. The plan also states that at the end of each year, the Company will grant warrants to purchase additional shares of the Company's common stock based on the number of shares purchased by the distributors under the plan during the year. The warrant exercise price will equal the market price for the Company's common stock at the date of issuance. The warrants issued shall be in the amount of 25% of the total shares purchased under the plan during the year and the warrants are fully vested upon grant.

The Company records expense under the fair value method for warrants granted to distributors. Total expense for the warrants was $3,000 and $6,600 in 2018 and 2017, respectively.

A summary of the Company's warrant activity for the years ended December 31 follows:

	2018		2017	
	Warrants	Weighted Avg. Exercise Price	Warrants	Weighted Avg. Exercise Price
Outstanding beginning of the year	**5,960**	**$4.46**	6,291	$5.34
Granted	**1,113**	**4.24**	1,258	4.77
Exercised	**-**		-	
Expired	**(2,183)**	**4.06**	(1,589)	8.19
Outstanding at end of year	**4,890**	**$4.58**	5,960	$4.46
Exercisable at end of year	**4,890**		5,960	

	As of December 31, 2018		
	Warrants Outstanding and Exercisable		
Range of Exercise Prices	Warrants	Weighted Avg. Exercise Price	Weighted Avg. Remaining Life
$ 4.24	1,113	$4.24	3.00
$ 4.64	2,519	4.64	1.00
$ 4.77	1,258	4.77	2.00
$4.24 - $4.77	4,890	$4.58	1.71

8. Stockholders' Equity (continued)

Distributor Stock Purchase Plan (continued)

The fair value of the warrants was estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions:

	Year ended December 31	
	2018	**2017**
Expected warrant life (years)	**3.0**	3.0
Risk-free weighted average interest rate	**2.46%**	1.98%
Stock price volatility	**55.8%**	73.8%
Dividend yield	**0.0%**	0.0%

The intrinsic value for stock warrants outstanding at December 31, 2018 was $-0-.

The 2009 Distributor Stock Purchase Plan was established with a ten-year life. As a result, there will be no further grants from this Plan. Upon exercise, forfeiture or expiration of all outstanding warrants, the Plan will terminate.

9. Loss per Share

The following table sets forth the computation of basic and diluted loss per share:

	Year ended December 31	
	2018	**2017**
Numerator:		
Net loss	**($1,903,341)**	($696,912)
Denominator:		
Denominator for basic loss per share – weighted average shares	**1,845,000**	1,845,000
Dilutive effect of employee stock options and other warrants	**-**	-
Denominator for diluted loss per share – adjusted weighted average shares	**1,845,000**	1,845,000
Basic loss per share	**($1.03)**	($0.38)
Diluted loss per share	**($1.03)**	($0.38)

For the years ended December 31, 2018 and 2017, options and warrants totaling 86,316 and 146,384, respectively, shares of common stock were not included in the denominator for diluted loss per share because their effect would be anti-dilutive or because the shares were deemed contingently issuable.

10. Leases

The Company leases certain office facilities, storage, and equipment. These leases have varying terms, and certain leases have renewal and/or purchase options. Future minimum payments under non-cancelable leases with initial or remaining terms in excess of one year consist of the following at December 31, 2018:

2019	$ 268,652
2020	186,168
2021	16,479
2022	16,479
2023	6,681
Thereafter	-
	$ 494,459

Rent expense for operating leases was $326,724 and $338,734 for the years ended December 31, 2018 and 2017, respectively.

11. Note Receivable Due From Distributor

In March 2012, the Company purchased a note and mortgage ("Note") from a real estate investment management firm on certain properties in Wyoming and Idaho for $2 million. In May 2012, the Company entered into a Loan Modification Agreement ("LMA") with the Note's original and present borrower ("Borrower") to restructure the Note's principal amount due and related terms. The LMA terms are for a principal balance due of $2 million with interest only payments made monthly in 2012. The LMA's interest rate is the greater of 6% or prime and there is no prepayment penalty for voluntary principal payments. Concurrently, with the execution of the LMA, the Company and the Borrower also entered into a Security Agreement in which repayment of the LMA is secured by the Borrower's Reliv distributorship business.

As originally structured, beginning in 2013, the LMA was to require monthly payment of principal and interest under a five-year amortization period. In February 2013, while retaining the Company's right to require Borrower's compliance with the LMA's terms, the Company and the Borrower agreed to a verbal modification in the payment schedule in which the Company agreed to accept monthly payments of principal and interest under a fifteen-year amortization period. The outstanding balance of the note receivable was $1,405,112 and $1,521,005 as of December 31, 2018 and 2017, respectively.

12. Income Taxes

Compenents of loss before income taxes:	Year ended December 31	
	2018	**2017**
United States	**($1,694,301)**	($30,606)
Foreign	**(111,040)**	(121,306)
	($1,805,341)	($151,912)

Compenents of provision (benefit) for income taxes:	Year ended December 31	
	2018	**2017**
Current:		
Federal	**($3,000)**	($2,000)
State	**4,000**	5,000
Foreign	**97,000**	33,000
Total current	**98,000**	36,000
Deferred:		
Federal	**-**	-
State	**-**	-
Foreign	**-**	509,000
Total deferred	**-**	509,000
	$98,000	$545,000

12. Income Taxes (continued)

The provision (benefit) for income taxes is different from the amounts computed by applying the United States federal statutory income tax rate of 21% and 34% for the years ended December 31, 2018 and 2017, respectively. The reasons for these differences are as follows:

	Year ended December 31	
	2018	**2017**
Income taxes at U.S. statutory rate	**($379,000)**	($52,000)
State income taxes, net of federal benefit	**7,000**	11,000
Higher/(lower) effective taxes on earnings/losses in foreign countries	**38,000**	(65,000)
Foreign corporate income taxes	**97,000**	33,000
Foreign tax credit carryover	**-**	(66,000)
Life insurance settlement	**118,000**	-
GILTI	**34,000**	-
Nondeductible meals and entertainment expense	**9,000**	13,000
Valuation allowance, net	**186,000**	707,000
Other	**(12,000)**	(36,000)
	$98,000	$545,000

The Company has determined that it was more likely than not that its U.S. federal and various state net operating losses will not be realized based on projections of future U.S. taxable income, estimated reversals of existing taxable timing differences, and other considerations. Accordingly, the 2018 and 2017 income tax provisions include the impact of recording a full deferred tax asset valuation allowance of approximately $186,000 and $198,000, respectively, against the annual losses generated from a U.S. tax perspective. The Company has a deferred tax asset relating to domestic federal net operating loss carryforwards of approximately $451,000 at December 31, 2018 of which approximately $188,000 will expire between 2036 and 2037. The Company has a deferred tax asset of $3,118,000 at December 31, 2018 relating to foreign net operating loss carryforwards in various jurisdictions which principally do not expire. At December 31, 2018, the Company has recorded a full valuation allowance against all domestic and foreign net operating loss carryforward balances as it is more likely than not that this asset will not be realized.

As of December 31, 2017, management's assessment of the realizability of its Europe's subsidiary's deferred tax assets concluded that it no longer meets the threshold of more likely than not based upon the subsidiary's recent declining operating results. Accordingly, the Company recorded a full valuation allowance against the Europe subsidiary's deferred tax assets with a corresponding deferred income tax charge of $509,000 in 2017.

12. Income Taxes (continued)

The components of the deferred tax assets and liabilities, and the related tax effects of each temporary difference at December 31, 2018 and 2017, are as follows:

	2018	2017
Deferred tax assets:		
Inventory obsolescence reserve	**$ 53,000**	$ 62,000
Product refund reserve	**-**	7,000
Deferred revenue	**91,000**	-
Organization costs	**117,000**	127,000
Deferred compensation	**97,000**	94,000
Depreciation and amortization	**2,000**	-
Miscellaneous accrued expenses	**23,000**	13,000
Domestic net operating loss carryforwards	**451,000**	186,000
Foreign net operating loss carryforwards	**3,118,000**	3,413,000
Valuation allowance	**(3,845,000)**	(3,767,000)
	107,000	135,000
Deferred tax liabilities:		
Depreciation and amortization	**-**	28,000
Foreign currency exchange	**107,000**	107,000
	107,000	135,000
Net deferred tax assets (liabilities)	**$ -**	$ -

The United States Tax Cuts and Jobs Act (TCJA) was enacted in December 2017, which significantly changed U.S. tax law, principally by permanently reducing the U.S. federal statutory rate to 21% effective January 1, 2018, implementing a territorial tax system, and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries. The effect of the federal tax rate reduction to 21% was reflected as a reduction in the December 31, 2017 U.S. deferred tax asset balances with a corresponding reduction in the valuation allowance. Under the TCJA's repatriation tax, the Company's cumulative amount of unremitted foreign earnings and related tax was immaterial.

Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") 118 to provide guidance to companies on the reporting of the impacts of TCJA in their financial statements. Under SAB 118, the Company recorded affected items in fiscal year 2017 as provisional to allow additional time for clarifying technical guidance from Treasury and analysis of the effect to the Company's current tax positions. In 2018, the Company has completed its analysis and did not record any adjustments to its 2017 provisional income tax amounts.

The TCJA introduced a new tax on global intangible low-taxed income ("GILTI") effective as of January 1, 2018. The Company's policy is to treat GILTI as a period cost when incurred.

12. Income Taxes (continued)

At December 31, 2018 and 2017, the Company had $32,000 and $36,000, respectively, of cumulative unrecognized tax benefits, of which only the net amount of $22,000 would impact the effective income tax rate if recognized.

The aggregate changes in the balance of net unrecognized tax benefits were as follows:

	2018	**2017**
Beginning of year	**$26,000**	$32,000
Settlements and effective settlements with tax authorities	**-**	-
Lapse of statute of limitations	**(7,000)**	(6,000)
Decrease to tax positions taken during prior periods	**(3,000)**	(6,000)
Increase to tax positions taken during current period	**6,000**	6,000
End of year	**$22,000**	$26,000

The Company applied applicable accounting guidance relating to accounting for uncertainty in income taxes. Reserves for uncertainty in income taxes are adjusted quarterly in light of changing facts and circumstances, such as the progress of tax audits, case law, and emerging legislation. The primary difference between gross unrecognized tax benefits and net unrecognized tax benefits is the U.S. federal tax benefit from state tax deductions. It is the Company's practice to recognize interest and / or penalties related to income tax matters in income tax expense.

At December 31, 2018 and 2017, the Company had $10,000 and $11,000, respectively, accrued for interest and penalties within the balance of unrecognized tax benefits. The Company's unrecognized tax benefits balance is included within other noncurrent liabilities on the consolidated balance sheets.

The Company, including its domestic and foreign subsidiaries, is subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. The Company has concluded all U.S. federal income tax matters for years through 2014 and concluded years through 2014 with its primary state jurisdiction.

One of the Company's foreign subsidiaries is presently under local country audit for alleged deficiencies (totaling approximately $800,000 plus interest at 20% per annum) in value-added tax (VAT) and withholding tax for the years 2004 through 2006. The Company, in consultation with its legal counsel, believes that there are strong legal grounds that it should not be liable to pay the majority of the alleged tax deficiencies. As of December 31, 2010, management estimated and reserved approximately $185,000 for resolution of this matter and recorded this amount within Selling, General, and Administrative expense in the 2010 Consolidated Statement of Income. In 2011, the Company made good faith deposits to the local tax authority under the tax agency's administrative judicial resolution process. As of December 31, 2018, management's estimated reserve (net of deposits) for this matter is approximately $172,500.

13. Employee Benefit Plans

The Company sponsors a 401(k) employee savings plan which covers substantially all employees. Employees can contribute up to 15% of their gross income to the plan. The Company matched a percentage of the employee's contribution at a rate of 10% for the years ended December 31, 2018, and 2017, respectively. Company contributions under the 401(k) plan totaled $36,800 and $35,400 in 2018 and 2017, respectively.

The Company sponsors an employee stock ownership plan ("ESOP") which covers substantially all U.S. employees. Contributions to the ESOP are funded by the Company on a discretionary basis. In 2018 and 2017, the Company did not make any contributions to the ESOP.

14. Incentive Compensation Plans

Under a Board of Directors approved incentive compensation plan, bonuses are payable quarterly in an amount not to exceed 18% of the Company's Income from Operations for any period, subject to the Company achieving a minimum quarterly Income from Operations of at least $500,000. For fiscal years 2018 and 2017, the Board determined that the aggregate amount of incentive compensation available under the Plan shall be equal to 18% of the Company's Income from Operations. The bonus pool is allocated to executives according to a specified formula, with a portion allocated to a middle management group determined by the Executive Committee of the Board of Directors. The Company expensed a total of $-0- and $109,500 to the participants of the bonus pool for 2018 and 2017, respectively.

The Company sponsors a Supplemental Executive Retirement Plan (SERP) to allow certain executives to defer a portion of their annual salary and bonus into a grantor trust. A grantor trust was established to hold the assets of the SERP. The Company funds the grantor trust by paying the amount deferred by the participant into the trust at the time of deferral. Investment earnings and losses accrue to the benefit or detriment of the participants. The SERP also provides for a discretionary matching contribution by the Company not to exceed 100% of the participant's annual contribution. In 2018 and 2017, the Company did not provide a match. The participants fully vest in the deferred compensation three years from the date they enter the SERP. The participants are not eligible to receive distribution under the SERP until retirement, death, or disability of the participant. At December 31, 2018 and 2017, SERP assets were $339,000 and $330,000, respectively, and are included in "Other Assets" in the accompanying consolidated balance sheets. At December 31, 2018 and 2017, SERP liabilities were $341,000 and $332,000, respectively, and are included in "Other Non-Current Liabilities" in the accompanying consolidated balance sheets. The changes in the balances of SERP assets and SERP liabilities during 2018 and 2017 were due to net realized and unrealized investment gains/losses incurred by the plan.

15. Segment Information

Description of Products and Services by Segment

The Company operates in one reportable segment, a network marketing segment consisting of six operating units that sell nutritional and dietary products to a sales force of independent distributors that sell the products directly to customers. These operating units are based on geographic regions. Geographic area data for the years ended December 31, 2018 and 2017 follow:

	2018	2017
Net sales to external customers		
United States	**$27,673,352**	$32,474,797
Australia/New Zealand	**732,227**	922,594
Canada	**718,560**	914,775
Mexico	**474,372**	445,299
Europe [(1)]	**3,972,381**	4,578,095
Asia [(2)]	**2,544,849**	2,453,222
Total net sales	**$36,115,741**	$41,788,782
Assets by area		
United States	**$13,584,424**	$18,100,872
Australia/New Zealand	**540,591**	572,368
Canada	**166,533**	265,629
Mexico	**179,713**	219,501
Europe [(1)]	**867,008**	1,032,641
Asia [(2)]	**1,015,596**	884,985
Total consolidated assets	**$16,353,865**	$21,075,996

[(1)] *Europe consists of United Kingdom, Ireland, France, Germany, Austria, and the Netherlands.*

[(2)] *Asia consists of Philippines, Malaysia, and Singapore.*

The Company classifies its sales into two categories of sales products plus handling & freight income. Net sales by product category data for the years ended December 31, 2018 and 2017, follow:

	2018	2017
Net sales by product category		
Nutritional and dietary supplements	**$32,670,362**	$37,326,863
Sales aids, membership fees, and other	**1,247,807**	1,424,494
Handling & freight income	**2,197,572**	3,037,425
Total net sales	**$36,115,741**	$41,788,782

16. Restructuring Activities

In April 2018, the Company announced the June 30, 2018 closing of the operations of its Reliv Indonesia subsidiary. The total cost of this program, primarily representing employee severance costs, facility exit costs, and a write-down of inventory to its net realizable value, was approximately $77,000, and was included in the company's operating results for the second quarter ended June 30, 2018. At December 31, 2018, this program has been substantially completed.

17. Subsequent Events

On January 1, 2019, the Company entered into a Purchase Agreement with Nutracom, LLC (Nutracom) pursuant to which Nutracom purchased the assets used by the Company in its manufacturing operations. See Note 2 for further information.

In January 2019, the Company borrowed $500,000 under its revolving line of credit. In March 2019, the Company and its primary lender amended the terms of the Company's revolving line of credit agreement. See Note 7 for further information.

Corporate Information

Corporate Headquarters:
Reliv International, Inc.
136 Chesterfield Industrial Blvd.
Chesterfield, Missouri 63005
Phone: 636.537.9715
www.reliv.com

Annual Meeting:
The annual meeting of the stockholders will be held at 9:00 am Central Daylight Time on Thursday, May 23, 2019 at
Reliv Corporate Headquarters
136 Chesterfield Industrial Blvd.
Chesterfield, Missouri 63005

Independent Auditors:
Ernst & Young LLP

Stock Exchange Listing:
NASDAQ Stock Market under the symbol RELV

Fiscal Year-End:
December 31

Financial Information:
Reliv International maintains a website at www.reliv.com/investor-relations

Shareholder Questions:
Communications concerning stock transfer requirements, lost certificates, change of address or questions regarding the Dividend Reinvestment Program should be directed to American Stock Transfer & Trust at 800.937.5449

Transfer Agent:
American Stock Transfer & Trust Co.
6201 15th Avenue
Brooklyn, NY 11219
800.937.5449
Email: help@astfinancial.com