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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Petition for Cancellation

Notice is hereby given that the following party requests to cancel indicated registration.

Petitioner Information

Name	Cowboy NSI, LLC		
Entity	limited liability company	Citizenship	Delaware
Address	450 W. FOURTH STREET Royal Oak, MI 48067-2557 UNITED STATES		

Attorney information	LINDA M. NORCROSS HOWARD & HOWARD ATTORNEYS PLLC 450 W. FOURTH STREET Royal Oak, MI 48067-2557 UNITED STATES ipdocket@h2law.com, lmn@h2law.com, kstein@howardandhoward.com, scarranceja@howardandhoward.com Phone:702.257.1483

Registrations Subject to Cancellation

Registration No	2470724	Registration date	07/17/2001
Registrant	NUTRACEUTICAL SCIENCES INSTITUTE, INC. 5400 Broken sound Blvd N.W. Boca Raton, FL 33487 UNITED STATES		

Goods/Services Subject to Cancellation

Class 005. First Use: 1999/09/14 First Use In Commerce: 1999/09/14 All goods and services in the class are cancelled, namely: VITAMINS AND DIETARY SUPPLEMENTS
Class 035. First Use: 1999/09/14 First Use In Commerce: 1999/09/14 All goods and services in the class are cancelled, namely: MAIL ORDER CATALOG SERVICES AND RETAIL STORE SERVICES OVER THE GLOBAL COMPUTER NETWORK FEATURING VITAMINS AND DIETARY SUPPLEMENTS

Grounds for Cancellation

Abandonment		Trademark Act section 14	
Registration No	2491928	Registration date	09/25/2001
Registrant	VITACOST.COM INC. 5400 Broken Sound Blvd.N.W. Boca Raton, FL 33487 UNITED STATES		

Goods/Services Subject to Cancellation

Class 035. First Use: 1999/09/14 First Use In Commerce: 1999/09/14 All goods and services in the class are cancelled, namely: Computerized on-line ordering services in

the field of vitamins and dietary supplements; mail order services featuring vitamins and dietary supplements

Grounds for Cancellation

Abandonment	Trademark Act section 14

Attachments	Final Consolidated Petition to Cancel with Exhibits 4840-3521-1554 v 1.pdf(3747477 bytes)

Certificate of Service

The undersigned hereby certifies that a copy of this paper has been served upon all parties, at their address record by First Class Mail on this date.

Signature	/Linda M. Norcross/
Name	LINDA M. NORCROSS
Date	02/24/2015

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In the Matter of:
U.S. Registration No. 2470724
Mark: NUTRACEUTICAL SCIENCES INSTITUTE
And
U.S. Registration No. and 2491928
Mark: NSI NUTRACEUTICAL SCIENCES INSTITUTE (& design)

COWBOY NSI, LLC, Petitioner, v. VITACOST.COM, INC., Respondent.	Cancellation No. ________________

CONSOLIDATED PETITION TO CANCEL

Pursuant to 15 U.S.C. § 1068, Petitioner Cowboy NSI, LLC, a Delaware limited liability company ("Petitioner"), hereby seeks to cancel U.S. Registration No. 2470724 for the mark NUTRACEUTICAL SCIENCES INSTITUTE (the "'724 Registration") and U.S. Registration No. 2491928 for the mark NSI NUTRACEUTICAL SCIENCES INSTITUTE (& design) (the "'928 Registration") (collectively the "Registrations"), each of which are owned by VITACOST.COM, INC., (the "Respondent"), a Delaware Corporation.

As grounds in support of its consolidated petition for cancellation, Petitioner asserts the following:

1. On July 19, 2010, Respondent filed a Combined Declaration of Use and Application for Renewal of Registration under Sections 8 & 9 in connection with the '724

Registration, alleging that the mark is in use in commerce on or in connection with "VITAMINS AND DIETARY SUPPLEMENTS" in International Class 5 and "MAIL ORDER CATALOG SERVICES AND RETAIL STORE SERVICES OVER THE GLOBAL COMPUTER NETWORK FEATURING VITAMINS AND DIETARY SUPPLEMENTS" in International Class 35.

2. On August 3, 2011, Respondent filed a Combined Declaration of Use and Application for Renewal of Registration under Sections 8 & 9 in connection with the '928 Registration, alleging that the mark is in use in commerce on or in connection with "COMPUTERIZED ON-LINE ORDERING SERVICES IN THE FIELD OF VITAMINS AND DIETARY SUPPLEMENTS; MAIL ORDER SERVICES FEATURING VITAMINS AND DIETARY SUPPLEMENTS" in International Class 35.

3. On February 11, 2015, Petitioner filed an application seeking registration on the Principal Register of the mark NUTRACEUTICAL SCIENCES INSTITUTE based on an intent to use the mark in commerce in connection with "VITAMINS AND DIETARY SUPPLEMENTS" in International Class 5 and "MAIL ORDER CATALOG SERVICES FEATURING VITAMINS AND DIETARY SUPPLEMENTS; ON-LINE RETAIL STORE SERVICES FEATURING VITAMINS AND DIETARY SUPPLEMENTS" in International Class 35, and which was assigned Serial No. 86/532,201.

4. On February 11, 2015, Petitioner filed an application seeking registration on the Principal Register of the mark NSI NUTRACEUTICAL SCIENCES INSTITUTE (& design) based on an intent to use the mark in commerce in connection with "MAIL ORDER SERVICES FEATURING VITAMINS AND DIETARY SUPPLEMENTS; ON-LINE RETAIL STORE

SERVICES FEATURING VITAMINS AND DIETARY SUPPLEMENTS" in International Class 35, and which was assigned Serial No. 86/ 532299.

5. The United States Patent & Trademark Office will likely refuse registration of Petitioner's applications based on the Registrations.

6. On information and belief, Respondent has abandoned the marks in the Registrations with no intent to resume use pursuant to a product rebranding process which began in April of 2011.

7. In a press release dated June 16, 2011 (a copy of which is attached hereto as Exhibit A), Respondent indicated that it "is in the process of rebranding its proprietary NSI supplement line to a new 'Vitacost' label to increase brand and Company awareness." Respondent further indicated that the rebranding process began in April 2011 "with the majority of the transition to be completed by the end of the year," referring to the year 2011.

8. With respect to the June 16, 2011 press release, "NSI" is an abbreviation for NUTRACEUTICAL SCIENCES INSTITUTE and refers to and includes various trademarks used by Respondent, including the marks in the Registrations.

9. In a subsequent press release dated August 9, 2011 (a copy of which is attached hereto as Exhibit B), Respondent commented on the status of the rebranding process as follows: "The Vitacost Brand: The process of converting the NSI proprietary product line over to the new Vitacost label continued in the second quarter of 2011 with the majority of products on track to be converted over by year-end."

10. In a yet another press release dated November 8, 2011 (a copy of which is attached as Exhibit C), Respondent further commented on the progress of the rebranding process as follows: The Vitacost Brand: Through September 30, 2011, approximately 79% of the

conversion was complete. The Company remains on track to convert the majority of the NSI proprietary line over to the new Vitacost label by year-end 2011. Sales of the converted SKUs have significantly outperformed the legacy NSI products."

11. On information and belief, the press releases informed the public of Respondent's intent to abandon its NUTRACEUTICAL SCIENCES INSTITUTE mark at least as early as April of 2011.

12. On information and belief, Respondent's rebranding efforts resulted in the replacement of the marks in the Registrations with entirely different brands.

13. A search of Respondent's website at <vitacost.com> reveals no references to either of the marks in the Registrations. A screenshot from Respondent's website reflecting as much is attached as Exhibit D.

14. On information and belief, Respondent began the process of discontinuing its use of the marks in the Registrations on products which were formerly branded with such marks at least as early as April of 2011.

15. On information and belief, the products on which Respondent no longer uses the marks in the Registrations include products for the goods and services named in the Registrations.

16. On information and belief, Respondent's "VITACOST" mark replaced the marks in the Registrations as part of its rebranding efforts which began in April of 2011.

17. Respondent's Form-K for the fiscal year ending December 31, 2013 further indicates that the marks in the registrations have been discontinued and replaced with the "VITACOST" brand, as follows: "In 2013 and 2012, our proprietary brands accounted for approximately 20% and 22% of our net sales, respectively. Our proprietary brands include:

- Vitacost: Our Vita cost brand is our largest proprietary brand. Under the Vitacost brand, we offer nearly 900 products including multivitamins, minerals, herbs, amino acids, anti-oxidants and others, including a separate Whole Food line of non-GMO supplements and a Targeted Wellness linewhich provides specific ingredients to support healthy cholesterol levels, improve cognitive function, and reduce stress levels."

A copy of the corresponding excerpt from pp. 6-7 of Respondent's 2013 Form 10-K is attached as Exhibit E.

18. The goods described in Respondent's 2013 Form 10-K as offered under the "VITACOST" brand include the goods covered by the marks in the Registrations.

19. On information and belief, Respondent intended to abandon the marks in the Registrations with no intent to resume use in commerce in connection with the goods and services named in the Registrations at least as early as April of 2011.

20. On information and belief, Respondent's rebranding efforts have been completed such that the marks in the Registrations are not currently in use in commerce in connection with the goods and services named in the Registrations.

21. On information and belief, Respondent has no intent to resume use of the marks in the Registrations in commerce for the goods and services named in the Registrations.

22. On information and belief, Respondent has abandoned the marks in the Registrations within the meaning of Section 27 of the Lanham Act, 15 USC §1127.

23. On information and belief, Respondent has discontinued any use of the marks in the Registrations resulting in the loss of their significance as indicators of source.

24. On information and belief, Respondent, through its intentional nonuse has abandoned the marks in the Registrations, and thus any goodwill that may have been associated with such marks has been lost by such intentional nonuse and abandonment.

25. Petitioner is being damaged and will continue to be damaged by the Respondent's Registrations, pursuant to the allegations stated above, because the Registrations will prevent Petitioner from obtaining federal registration of the NUTRACEUTICAL SCIENCES INSTITUTE and NSI NUTRACEUTICAL SCIENCES INSTITUTE (& design) marks set forth in its Applications.

26. For these foregoing reasons, the Registrations are subject to cancellation for abandonment.

WHEREFORE, Petitioner prays that the consolidated petition to cancel be granted and the Registrations be cancelled.

Respectfully submitted,

COWBOY NSI, LLC
By its attorneys:
Howard & Howard Attorneys PLLC

Date: 2/24/15

Linda M. Norcross

Linda M. Norcross
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the date which appears below a copy of the foregoing Consolidated Petition to Cancel is being served on the attorneys for Respondent Vitacost.com, Inc., by First Class Mail, by causing a copy thereof to be deposited with the United States Postal Service as first class mail in a postage prepaid envelope addressed to Attorneys for Respondent as follows:

WELSH FLAXMAN & GITLER LLC
Stewart Gitler
2000 Duke Street
Suite 100
Alexandria, VIRGINIA 22314

Dated: Las Vegas, Nevada
February 24, 2015

Sarah C. Carranceja

Sarah C. Carranceja
An employee of Howard & Howard Attorneys PLLC

4818-2402-4098, v. 1

EXHIBIT A

EX-99.1 3 v226060_ex99-1.htm

Investor Contact:
Vitacost.com
Kathleen Reed
Director of Investor Relations
561.982.4180

ICR, Inc.
John Mills
Senior Managing Director
310.954.1105

Vitacost.com Announces Conclusion of Strategic and Internal Reviews

Company Announces Results for Third and Fourth Quarters 2010 and First Quarter 2011

Company Announces Termination of Stockholder Rights Plan

BOCA RATON, Fla., June 16, 2011 –Vitacost.com, Inc. (NASDAQ:VITC), a leading online retailer and direct marketer of health and wellness products, announced updates from the conclusion of its previously announced Strategic and Internal Reviews and announced results for the third and fourth quarters of 2010 and the first quarter of 2011. The Company further announced today that its Board of Directors has voted to terminate the Company's stockholder rights plan by accelerating the expiration date of the plan to June 16th, 2011. "Our decision to terminate the stockholder rights plan reflects the Board's continuing commitment to corporate governance best practices," said Jeffrey J. Horowitz, the Company's Chief Executive Officer."

Strategic Review

The Board of Directors has concluded its Strategic Review of the Company's operations, previously announced on July 30, 2010. Key updates are as follows:

- Management Changes – As previously announced, the Board has made several changes to its executive staff over the past nine months including appointing Jeffrey Horowitz as Chief Executive Officer and Steve Markert as interim Chief Financial Officer. In addition, the Company has recently named a VP of Human Resources and also named a new Director of Manufacturing. The Company is currently conducting a search for a Chief Operating Officer.

- Revised Marketing Plan – New customer additions are a top priority in 2011 as the Company believes that due to the high number of repeat purchases made by customers – an expanded base will create long-term value. To that regard, the Company has decreased spending on print advertising and is reallocating advertising dollars to on-line and other media channels to accelerate the pace of customer growth. Also, the Company has instituted 'free-shipping' and other promotional measures which should continue throughout the year.

- SKU Expansion in Key Categories – The Company has accelerated the pace of new product launches for its proprietary products and expects to launch more than 100 new SKUs in 2011. The Company continues to add third party SKUs in faster growing categories such as personal care, organic foods and sports nutrition.

- Moving Virtual Inventory In-House – The Company is in the process of bringing more than 12,000 former virtual inventory SKUs in-house to accelerate order fulfillment and delivery time. This would effectively eliminate virtual inventory offerings.

- Vitacost Brand - The Company is in the process of rebranding its proprietary NSI supplement line to a new 'Vitacost' label to increase brand and Company awareness. This process began in April 2011 with the majority of the transition to be completed by the end of the year.

- Shipping Policy – In order to improve customer service, the Company changed its shipping policy in the fourth quarter of 2010 to allow for splitting and transferring orders between warehouses to expedite the fulfillment process.

- Increased In-House Manufacturing - The Company performed a formal review of the products it manufactures in-house and brought back 83 proprietary products that were previously manufactured by third party suppliers.

- Operational Investments – The Company is making infrastructure investments in 2011 to position the Company for future growth. The Company will spend an estimated $3 to $5 million in 2011 for further improvements on its two distribution centers and its manufacturing facility.

"We are encouraged by the double-digit sales momentum experienced in the fourth quarter 2010 and the first quarter 2011. We believe the implementation of our new go-to-market strategy will enable us to achieve strong growth throughout 2011 and beyond," stated Jeffrey J. Horowitz. "Our value proposition to consumers has not changed. We continue to offer the broadest selection of products at competitive prices with superior customer service. As the largest on-line provider of dietary supplements in the market today, we believe the changes outlined in our Strategic Review will provide us with the necessary foundation to continue to grow the business and increase profitability long-term."

Financial Results

The currently comprised Audit Committee has concluded the internal review of the valuation of non-cash stock based compensation previously announced on November 16, 2010 by the previously comprised Audit Committee and has determined that no restatement of the Company's previously issued financial statements is required. Accordingly, the Company's historical filings referenced in Item 4.02 of the Company's Form 8-K dated December 7, 2010 can now be relied upon.

"We are pleased that with today's earnings announcement we are returning to a normalized financial reporting schedule," said Mr. Horowitz. "Our new Board and management team have been working diligently to resolve the questions surrounding our equity capitalization and are pleased with the recent court decision certifying our share counts."

Net Sales:

For the third quarter of 2010, the Company reported net sales of $50.3 million, a 4.0% increase from net sales of $48.4 million for the third quarter of 2009. Advertising and fees earned from affiliate programs were $0.1 million in the third quarter of 2010 compared to $0.4 million in the third quarter of 2009. Excluding these amounts, sales of third party product increased 14.7% year-over-year to $34.2 million, partially offset by an 8.7% decrease in sales of the Company's proprietary brands to $13.4 million. Revenue billed from freight was down 25.0% compared to the third quarter of 2009 to $2.6 million.

For the fourth quarter of 2010, the Company reported net sales of $59.2 million, a 17.8% increase from net sales of $50.3 million for the fourth quarter of 2009 and a 17.7% sequential increase from the $50.3 million reported for the third quarter of 2010. During the fourth quarter of 2010, the Company discontinued offering loyalty membership programs on its website given the negative publicity surrounding the service. Advertising and fees earned from affiliate programs were $0.1 million in the fourth quarter of 2010 compared to $0.4 million in the fourth quarter of 2009. Excluding these amounts, sales of third party product increased 30.8% year-over-year to $40.3 million, partially offset by a 3.9% decrease in sales of the Company's proprietary brands to $14.8 million, with revenue billed from freight up 10.0% compared to the fourth quarter of 2009 to $4.0 million.

For the first quarter of 2011, the Company reported net sales of $63.8 million, an 11.5% increase from net sales of $57.2 million for the first quarter of 2010. This was the highest quarterly sales result in the Company's history, although the growth was down sequentially from the 17.8% year-over-year growth posted in the fourth quarter of 2010. This was due to decreased promotions compared to the year ago period when the Company ran several large promotions due to the out-of-stock issue. Due to the elimination of the loyalty membership program in the fourth quarter of 2010 as mentioned above, advertising and fees earned from affiliates was negligible in the first quarter of 2011, compared to $0.3 million in the first quarter of 2010. Excluding these amounts, sales of third party product increased 23.0% year-over-year to $45.3 million, partially offset by a 0.9% decrease in sales of the Company's proprietary brands to $15.8 million. In February 2011, as a result of the Strategic Review, the Company began offering 'free-shipping' at an order value of $49 or higher on its website. Accordingly, revenue billed from freight was down 34.3% compared to the first quarter of 2010 to $2.7 million.

The increase in net sales was primarily the result of an increase in the customer base and the number of shipped orders. However, sales were negatively impacted in all three quarters from a continuation of a highly competitive and promotional environment as many companies continued to offer deep discounts. The year-over-year sales decline in proprietary products improved sequentially throughout the nine-month period as sales were negatively impacted by the carryover effect of the out-of-stock condition which occurred in the first half of 2010 and due to a lack of new product introductions as compared to third party SKUs. The Company expects this situation to improve in 2011 given the more than 100 new proprietary product SKUs set to be launched throughout the year as mentioned above in the Strategic Review. Also, freight revenues were negatively impacted by 'free shipping' offers which the Company ran with various order sizes; however, these were more prevalent during the third quarter of 2010 and the first quarter of 2011. Back orders did not have a meaningful impact on sales during the nine-month period and are currently at historical lows.

Gross Margin:

For the third quarter of 2010, gross margin decreased to 24.9% compared to 31.2% in the third quarter of 2009. Approximately 71.8% of product sales stemmed from lower margin third party revenue in the third quarter of 2010 compared to 67.0% in the third quarter of 2009.

For the fourth quarter of 2010, the Company's gross margin decreased to 23.4% from 31.9% in the fourth quarter of 2009. Third party sales accounted for 73.1% of total product sales in the fourth quarter of 2010 compared to 66.6% in the fourth quarter of 2009.

For the first quarter of 2011, the Company reported a gross margin of 24.1%, down from 28.2% in the first quarter of 2010. Third party sales accounted for 74.2% of total product sales in the first quarter of 2011 compared to 69.8% in the first quarter of 2010. However, gross margin improved sequentially from the 23.4% reported in the fourth quarter of 2010. This improvement was due to reduced product promotions from fourth quarter levels, coupled with select price increases on both proprietary and third party products and reduced purchasing costs from third-party suppliers, partially offset by a step-up in free-shipping offers.

Gross margin was impacted by a mix shift in all three quarters with increased sales of lower margin third party products accounting for a greater percentage of total revenue than in prior periods as third party sales in each period grew at a faster rate than proprietary products. Going forward, the Company expects to see a similar product mix, as third party product offerings continue to outpace new proprietary product launches and due to a continuation of higher growth rates for third party products. Gross margin was also negatively impacted by 'free-shipping' and other promotional offers in response to a heightened level of competition which is expected to continue in 2011.

Fulfillment Expense:

For the third quarter of 2010, fulfillment expense was $4.4 million compared to $2.3 million in the third quarter of 2009. As a percent of sales, fulfillment expense increased to 8.7% compared to 4.7% in the same period in 2009.

For the fourth quarter of 2010, fulfillment expense was $4.9 million compared to $2.9 million in the fourth quarter of 2009. As a percent of sales, fulfillment expense increased to 8.3% compared to 5.8% in the fourth quarter of 2009.

For the first quarter of 2011, fulfillment expense was $4.9 million compared to $3.7 million in the first quarter of 2010. As a percent of sales, fulfillment expense increased to 7.7% compared to 6.5% in the year ago period.

The year-over-year increase in all three quarters was primarily due to operating the expanded distribution center in Las Vegas, Nevada and higher labor costs at both the Las Vegas and Lexington, North Carolina facilities as a result of operating inefficiencies. These operating inefficiencies include a significant sales increase in products requiring special handling (e.g. liquids and products in glass packaging) which resulted in higher labor costs. Labor costs were exacerbated in the fourth quarter due to increased order volume. Although these order patterns are expected to continue in 2011, the Company is looking at better ways to lower packaging costs. Total fulfillment expenses as a percentage of sales decreased sequentially in both the fourth quarter and the first quarter 2011 due to increased sales leverage. The Company is working diligently to improve efficiencies at its distribution centers and expects to see improvement in fulfillment expenses by the end of the year.

Sales & Marketing Expense:

For the third quarter of 2010, sales and marketing expense increased to $5.2 million from $3.7 million for the third quarter of 2009. As a percent of sales, sales and marketing expense increased to 10.4% compared to 7.6% in the same period in 2009. The increase in sales and marketing expense year-over-year was primarily due to increased on-line advertising spending of $0.7 million, increased print advertising of $0.4 million and an increase in overall payroll expenses of $0.4 million, primarily related to increased headcount at the Company's customer service center to meet increased call volume and improve customer service.

For the fourth quarter of 2010, sales and marketing expense increased to $4.6 million from $4.3 million for the fourth quarter of 2009. As a percent of sales, sales and marketing expense decreased to 7.8% for the fourth quarter of 2010 from 8.5% in the fourth quarter of 2009. Sales and marketing expenses also decreased sequentially both on a dollar basis and as a percent of sales from the third quarter to the fourth quarter of 2010 while driving a 17.7% sequential increase in net sales. During the fourth quarter, the Company scaled back its print marketing efforts in order to increase its focus on its core internet customers.

For the first quarter of 2011, sales and marketing expense increased to $5.1 million from $3.7 million for the first quarter of 2010. As a percent of sales, expenses increased to 8.1% for the first quarter of 2011 from 6.6% in the first quarter of 2010. Sales and marketing expense increased year-over-year due to a $1.8 million dollar increase in total internet advertising spending, a $0.4 million reduction in co-op revenue and a $0.1 million increase in depreciation, partially offset by a $0.9 million decrease in traditional print spending as the Company continued to transition away from direct mail pieces. The Company expects print expenditures to continue to be down throughout 2011 as savings are reinvested in on-line and other media to further increase the focus of the business around serving on-line customers. The Company is focused on driving top-line growth while managing its customer acquisition costs.

General & Administrative Expense:

For the third quarter of 2010, total reported general and administrative expense was $11.8 million, down $4.0 million from the $15.8 million reported in the third quarter of 2009. Included in the third quarter of 2010 were $6.1 million in expenses broken down as follows: $3.5 million for settlement of the derivative litigation, $1.2 million in accrued severance to the Company's former Chief Executive Officer, $0.8 million in fees associated with the class action lawsuit, conclusion of the proxy solicitation and other matters, and $0.7 million in proxy reimbursement fees to Great Hill Partners. Included in the third quarter of 2009 was $10.9 million in stock based compensation expense incurred in connection with the Company's initial public offering.

Excluding these items in both periods, general and administrative expense increased $0.7 million year-over-year to $5.6 million in the third quarter of 2010 compared to $4.9 million in the third quarter of 2009. General and administrative expense increased year-over-year primarily due to an additional $0.3 million in stock-based compensation expense, an increase of $0.2 million in costs associated with being a public company, an increase of $0.1 million in credit card fees due to higher sales and an additional $0.5 million in on-going expenses, including higher technology costs and other items.

For the fourth quarter of 2010, total reported general and administrative expense was $10.8 million up $5.7 million from the $5.2 million reported in the fourth quarter of 2009. Included in the fourth quarter of 2010 were $3.1 million in expenses broken down as follows: $1.1 million in accrued severance to the Company's former Chief Financial Officer, $0.5 million in 2010 audit fees to the Company's independent accountants and an additional $1.5 million in legal fees associated with the internal review, equity capitalization issue, class action lawsuit, conclusion of the proxy solicitation, and consulting fees associated with the Strategic Review.

Excluding the $3.1 million in expenses previously mentioned, general and administrative expense was $7.7 million in the fourth quarter of 2010, up $2.5 million compared to $5.2 million in the fourth quarter of 2009. The year-over-year increase was due to increased payroll expenses of $0.8 million, increased costs associated with being a public company of $0.6 million, increased credit card fees of $0.3 million due to higher sales, and an additional $1.5 million in on-going expenses.

For the first quarter of 2011, total reported general and administrative expense was $7.5 million, up $2.6 million from the $4.9 million reported in the first quarter of 2010. Included in the first quarter of 2011 were $0.6 million in expenses primarily related to the Strategic Review and the Company's equity capitalization issue.

Excluding the $0.6 million in expenses mentioned above in the 2011 quarter, general and administrative expenses were $6.9 million in the first quarter of 2011, up $2.0 million compared to $4.9 million in the first quarter of 2010. The year-over-year increase was due to increased payroll expenses of $1.1 million, increased credit card fees of $0.2 million due to higher sales, increased depreciation and amortization expense of $0.1 million, and an additional $0.6 million in on-going expenses. Increased payroll expenses were due to additional hires in critical areas such as IT, Finance and Business Intelligence.

Operating Income/Loss:

For the third quarter of 2010, the Company reported an operating loss of $8.9 million compared to an operating loss of $6.7 million in the third quarter of 2009. Excluding the items mentioned in the 'General and Administrative Expense' section above in both periods, third quarter 2010 operating loss was $2.7 million compared to an operating profit of $4.2 million in the third quarter of 2009.

For the fourth quarter of 2010, the Company reported an operating loss of $6.5 million compared to an operating profit of $3.7 million for the fourth quarter of 2009. Excluding the items mentioned in the 'General and Administrative Expense' section above, fourth quarter 2010 operating loss was $3.3 million compared to an operating profit of $3.7 million in the fourth quarter of 2009.

For the first quarter of 2011, the Company reported an operating loss of $2.2 million compared to an operating profit of $3.8 million in the first quarter of 2010. Excluding the item mentioned in the 'General and Administrative Expense' section above, the Company reported an operating loss of $1.6 million in the first quarter of 2011, a $1.8 million sequential improvement from the fourth quarter of 2010.

Adjusted EBITDA:

For the third quarter of 2010, excluding the items mentioned above in the 'General and Administrative Expense' section, adjusted EBITDA (earnings before interest, taxes, depreciation, amortization and related non-cash compensation expense) was a loss of $0.8 million, compared to a positive $5.1 million in the third quarter of 2009.

For the fourth quarter of 2010, excluding the items mentioned above in the 'General and Administrative Expense' section, adjusted EBITDA was a loss of $1.4 million, compared to a positive $5.4 million in fourth quarter of 2009.

For the first quarter of 2011, excluding the item mentioned above in the 'General and Administrative Expense' section adjusted EBITDA improved sequentially to break-even. However, this was down from a positive $5.0 million in the first quarter of 2010.

Income Taxes:

For the third quarter of 2010, the Company reported a tax benefit of $3.3 million, compared to a tax benefit of $3.0 million in the third quarter of 2009. Excluding items previously mentioned in the 'General and Administrative Expense' section above, the third quarter 2010 tax benefit was $1.0 million compared to a tax expense of $0.9 million in the third quarter of 2009.

For the fourth quarter of 2010, the Company reported tax expense of $4.3 million, compared to tax expense of $1.3 million in the fourth quarter of 2009. Due to the Company's cumulative pre-tax losses over the past three years, it was determined that a full valuation allowance against its deferred tax assets was warranted. Accordingly, $6.3 million was recorded as tax expense in the fourth quarter of 2010. Excluding the items previously mentioned in the 'General and Administrative Expense' section above and excluding the $6.3 million in valuation allowance on deferred tax assets, the fourth quarter 2010 tax benefit was $1.1 million compared to a tax expense of $1.3 million in the fourth quarter of 2009.

For the first quarter of 2011, the Company reported negligible tax expense, compared to income tax expense of $1.2 million in the first quarter of 2010. The Company recorded an additional $0.7 million in tax expense in the first quarter of 2011 associated with the valuation allowance on its deferred tax assets. Excluding the items previously mentioned in the 'General and Administrative Expense' section above, and excluding the $0.7 million in additional taxes, first quarter 2011 tax benefit was $0.5 million compared to a tax expense of $1.2 million in the first quarter of 2010.

EPS Calculation:

For the third quarter of 2010, the Company reported a net loss of $5.6 million or ($0.20) per share calculated on a weighted average basic share count of 27.8 million shares compared to a reported net loss of $3.8 million or ($0.17) per share for the third quarter of 2009 calculated on a weighted average basic share count of 23.2 million shares. The Company is using basic shares outstanding in its earnings per share calculation as the inclusion of common stock equivalents in the calculation during both quarters was anti-dilutive. Excluding the expenses previously mentioned in the 'General and Administrative Expense' section above in both quarters, earnings per share were ($0.06) in the third quarter of 2010 compared to $0.13 per share in the third quarter of 2009. The third quarter of 2009 calculation is off of a fully diluted base of 23.7 million.

For the fourth quarter of 2010, the Company reported a net loss of $10.6 million or ($0.38) per share calculated on a weighted average basic share count of 27.8 million shares compared to net income of $2.6 million or $0.09 per share for the fourth quarter of 2009 calculated on a weighted average fully diluted share count of 28.5 million shares outstanding. The Company is using basic shares outstanding in the fourth quarter of 2010 calculation as the inclusion of common stock equivalents in the calculation during the quarter was anti-dilutive. Excluding the expenses previously mentioned in the 'General and Administrative Expense' and the 'Income Taxes' sections above, earnings per share were ($0.08) in the fourth quarter of 2010 compared to $0.09 per share in the fourth quarter of 2009.

For the first quarter of 2011, the Company reported a net loss of $2.2 million or ($0.08) per share calculated on a weighted average basic share count of 27.8 million shares compared to net income of $2.5 million or $0.09 per share for the first quarter of 2010 calculated on a weighted average fully diluted share count of 28.5 million shares outstanding. The Company is using basic shares outstanding in the first quarter 2011 calculation as the inclusion of common stock equivalents in the calculation during the quarter was anti-dilutive. Excluding the expenses previously mentioned in the 'General and Administrative Expense' and the 'Income Taxes' sections above earnings per share were ($0.04) in the first quarter of 2011 compared to $0.09 per share in the first quarter of 2010.

Balance Sheet:

The Company had cash, cash equivalents, and securities available for sale of $40.4 million as of September 30, 2010 compared to $44.4 million as of December 31, 2009. The Company reported accounts receivable of $1.2 million and inventory of $30.1 million as of September 30, 2010 compared to balances of $0.7 million and $28.1 million, respectively as of December 31, 2009.

Total debt amounted to $13.6 million as of September 30, 2010 compared to $9.8 million as of December 31, 2009. Included in the total debt figure were an outstanding line of credit balance of $8.0 million at September 30, 2010 compared to $3.5 million at December 31, 2009 and a notes payable balance of $5.1 million at September 30, 2010 compared to a balance of $5.9 million at December 31, 2009. Total reported debt also included an interest rate swap liability of $0.5 million at September 30, 2010 compared to a balance of $0.5 million at December 31, 2009.

On December 13, 2010, the Company paid off $11.6 million in outstanding debt, effectively eliminating its outstanding line of credit, bank notes and interest rate swaps. As of December 31, 2010, the Company had $25.5 million of cash, cash equivalents and securities available for sale, accounts receivable of $0.4 million and inventory of $29.8 million. As mentioned in the 'Income Taxes' section above, it was determined in the fourth quarter 2010 that due to the Company's cumulative net losses over the past three years, a full valuation of its deferred tax asset was warranted. Accordingly, its deferred tax asset (including current portion) was $0 at December 31, 2010. Additionally, during the fourth quarter of 2010, the Company recorded a deferred tax liability of $0.5 million.

The Company had cash, cash equivalents, and securities available for sale of $23.2 million as of March 31, 2011 compared to $25.5 million as of December 31, 2010. Cash balances declined in the quarter as the Company used existing cash to pay vendors with accelerated terms and some of the various expenses mentioned in the 'General and Administrative Expense' section above. The Company reported accounts receivable of $1.3 million and inventory of $28.5 million as of March 31, 2011 compared to balances of $0.4 million and $29.8 million, respectively as of December 31, 2010.

E-Commerce Metrics

A copy of historical e-commerce metrics is available on the Company's website at http://investor.vitacost.com/events.cfm.

Conference Call Information

The Company will host a conference call to discuss these results and will provide additional comments and details at that time. Participating on the call will be Jeff Horowitz, the Company's Chief Executive Officer and Steve Markert, interim Chief Financial Officer.

The conference call is scheduled to begin at 10:00 a.m. EDT on Thursday, June 16, 2011. The call will be broadcast live over the Internet hosted on the Investor Relations section of Vitacost.com's website at http://investor.vitacost.com/events.cfm, and will be archived online through June 30, 2011. In addition, you may dial (877) 407-0784 to listen to the live broadcast.

A telephonic playback will be available from 1:00 p.m. EDT, June 16, 2011, through June 30, 2011. Participants can dial (877) 870-5176 to hear the playback. The pass code is 374375.

About Vitacost.com, Inc.

Vitacost.com, Inc. (NASDAQ: VITC) is a leading online retailer and direct marketer of health and wellness products, including dietary supplements such as vitamins, minerals, herbs or other botanicals, amino acids and metabolites, as well as cosmetics, organic body and personal care products, sports nutrition and health foods. Vitacost.com, Inc. sells these products directly to consumers through its website, www.vitacost.com, as well as through its catalogs. Vitacost.com, Inc. strives to offer its customers the broadest product selection of healthy living products, while providing superior customer service and timely and accurate delivery.

Forward-Looking Statements

Except for historical information contained herein, the statements in this release are forward-looking and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements made herein, which include statements regarding the Company's future growth prospects, future financial performance, expectations regarding improvements in fulfillment expenses, promotional and product introduction plans, plans to increase brand awareness, sales expectations, planned infrastructure investments, expectations regarding advertising expenditures, customer acquisition strategy and expectations regarding the pace of customer growth, plans to launch new SKUs, plans to move virtual inventory in-house to accelerate order fulfillment and delivery time, and expectations regarding when the Company's common stock will resume trading on the NASDAQ Global Market, involve known and unknown risks and uncertainties, which may cause the Company's actual results in current or future periods to differ materially from those anticipated or projected herein. Those risks and uncertainties include, among other things, the current global economic downturn or recession; difficulty expanding the Company's manufacturing and distribution facilities; significant competition in the Company's industry; unfavorable publicity or consumer perception of the Company's products on the Internet; the incurrence of material product liability and product recall costs; inability to defend intellectual property claims; costs of compliance and the Company's failure to comply with government regulations; the Company's failure to keep pace with the demands of customers for new products; disruptions in the Company's manufacturing system, including information technology systems, or losses of manufacturing certifications; the lack of long-term experience with human consumption of some of the Company's products with innovative ingredients; and costs associated with the internal review and stockholder litigation. Those and other risks are more fully described in the Company's filings with the Securities and Exchange Commission, including the Registration Statement on Form S-1, as amended, filed in connection with the company's initial public offering as well as the Company's Form 10-K filed for the full year ended December 31, 2009.

Non-GAAP Measures

To supplement the consolidated financial statements presented in accordance with GAAP, Vitacost.com uses the non-GAAP measure of adjusted EBITDA, defined as earnings before interest, taxes, depreciation, and amortization of intangible assets. To adjust for the impact of certain matters in 2010 and 2011, the Company has further adjusted the EBITDA calculation to exclude the impact of stock-based compensation expense and expenses from certain legal actions, settlements and related costs, severance costs, and certain other charges and credits. These non-GAAP measures are provided to enhance the user's overall understanding of the Company's current financial performance. Management believes that adjusted EBITDA provides useful information to the Company and to investors by excluding certain items that may not be indicative of the Company's core operating results. However, adjusted EBITDA should not be considered in isolation, or as a substitute for, or as superior to, net income/loss, cash flows, or other consolidated income/loss or cash flow data prepared in accordance with GAAP, or as a measure of the Company's profitability or liquidity. Although adjusted EBITDA is frequently used as a measure of operating performance, it is not necessarily comparable to other similarly titled captions of other companies due to differences in methods of calculation. Operating income (loss) is the closest financial measure prepared by the Company in accordance with GAAP in terms of comparability to adjusted EBITDA. Attached at the end of this release is a reconciliation of reported operating income (loss) determined under GAAP to the presentation of adjusted EBITDA.

VITACOST.COM, INC. BALANCE SHEET

Vitacost.com, Inc.
Consolidated Balance Sheets
March 31, 2011, December 31, 2010, September 30, 2010 and December 31, 2009

	March 31, 2011 (unaudited)	December 31, 2010	September 30, 2010 (unaudited)	December 31, 2009
Assets				
Current Assets				
Cash and cash equivalents	$ 14,451,133	$ 14,592,803	$ 3,714,153	$ 8,658,157
Securities available for sale	8,780,230	10,912,392	36,700,749	35,787,227
Accounts receivable	1,298,825	440,033	1,154,803	735,355
Other receivables	511,532	1,087,311	1,265,213	1,055,372
Inventory, net	28,536,694	29,827,929	30,054,597	28,096,884
Prepaid expenses	1,895,441	1,361,230	2,043,693	1,988,538
Deferred income taxes	-	-	3,714,061	1,167,724
Other assets	3,539,515	3,553,089	2,151,235	-
Total current assets	59,013,370	61,774,787	80,798,504	77,489,257
Property and equipment, net	37,811,231	38,011,314	35,281,388	21,961,903
Goodwill	2,200,000	2,200,000	2,200,000	2,200,000
Intangible assets, net	3,823	4,946	6,186	9,446
Deposits	429,727	114,308	115,643	4,656,128
Deferred tax asset	-	-	1,357,398	1,361,817
	2,633,550	2,319,254	3,679,227	8,227,391
Total assets	$ 99,458,151	$ 102,105,355	$ 119,759,119	$ 107,678,551
Liability and Stockholders' Equity				
Current Liabilities				
Line of credit	$ -	$ -	$ 8,000,000	$ 3,458,183
Current maturities of notes payable	29,700	58,888	5,087,301	1,090,969
Current maturities of capital lease obligations	-	-	-	35,452
Accounts payable	24,095,798	26,533,204	21,079,463	18,052,495
Deferred revenue	3,188,607	2,134,305	2,918,399	1,919,352
Accrued expenses	11,524,072	10,671,865	9,925,812	3,282,476
Income taxes payable	-	-	-	51,221
Total current liabilities	38,838,177	39,398,262	47,010,975	27,890,148
Notes payable, less current maturities	-	-	-	4,820,042
Interest rate swap liability	-	-	532,290	468,719
Deferred tax liability	521,389	521,389		
Total liabilities	$ 39,359,566	$ 39,919,651	$ 47,543,265	$ 33,178,909
Commitments and Contingencies				
Stockholders' Equity				
Preferred stock, par value $.00001 per share; authorized 25,000,000; no shares issued and outstanding at March 31, 2011, December 31, 2010 and December 31, 2009, respectively Common stock, par value $.00001 per share; authorized 100,000,000; 27,488,353, 27,780,453 and 27,488,353 shares issued and outstanding at March 31, 2011, December 31, 2010 and December 31,				

2009, respectively	278	278	278	275
Additional paid-in capital	74,950,908	74,829,972	74,198,058	71,932,256
Accumulated other comprehensive loss	(5,763)	(20,207)	(4,112)	-
Retained earnings/ (Accumulated Deficit)	(14,846,837)	(12,624,339)	(1,978,390)	2,567,111
Total stockholders' equity	60,098,586	62,185,704	72,215,834	74,499,642
Total liabilities and stockholders' equity	$ 99,458,152	$ 102,105,355	$ 119,759,099	$ 107,678,551

Source: Vitacost.com

VITACOST.COM, INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS – For the Three Months Ended September 30, 2010 and September 30, 2009

Vitacost.com, Inc.
Income Statement ($ in 000s)
(Unaudited)

	Quarter Ended					
	September 30, 2010			September 30, 2009		
	As Reported	Adjustments	Excluding Adjustments	As Reported	Adjustments	Excluding Adjustments
Net Sales	$ 50,312.0		$ 50,312.0	$ 48,353.7		$ 48,353.7
Cost of Goods Sold	37,794.4		37,794.4	33,287.7		33,287.7
Gross Profit	12,517.6		12,517.6	15,066.1		15,066.1
Fulfillment	4,378.2		4,378.2	2,295.0		2,295.0
Sales & Marketing	5,218.0		5,218.0	3,694.4		3,694.4
General & Administrative	11,781.4	6,142.9	5,638.5	15,779.6	10,896.9	4,882.7
Total Operating Expenses	21,377.6		15,234.7	21,769.0		10,872.1
Operating Income	(8,860.0)		(2,717.1)	(6,702.9)		4,193.9
Interest Income	33.0		33.0	20.8		20.8
Interest Expense	(104.5)		(104.5)	(219.2)		(219.2)
Other Income (Expense)	8.2		8.2	2.5		2.5
Income (loss) before taxes	(8,923.3)		(2,780.4)	(6,898.8)		3,998.1
Income tax (expense) benefit	3,293.7	2,267.4	1,026.3	3,048.8	3,931.9	(883.1)
Net Income (loss)	$ (5,629.6)		$ (1,754.1)	$ (3,850.0)		$ 3,115.0
EPS						
Basic	$ (0.20)		$ (0.06)	$ (0.17)		$ 0.13
Fully Diluted*	$ (0.20)		$ (0.06)	$ (0.17)		$ 0.13
Basic Shares Outstanding	27,755.5		27,755.5	23,231.4		23,231.4
Fully Diluted Shares Outstanding*	27,755.5		27,755.5	23,231.4		23,657.4

* The inclusion of common stock equivalents in the calculation of dilluted earnings per share during the periods was anti-dilutive.

Source: Vitacost.com

VITACOST.COM, INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS – For the Three Months Ended December 31, 2010 and December 31, 2009

Vitacost.com, Inc.
Income Statement ($ in 000s)
(Unaudited)

	Quarter Ended					
	December 31, 2010			December 31, 2009		
	As Reported	Adjustments	Excluding Adjustments	As Reported	Adjustments	Excluding Adjustments
Net Sales	$ 59,240.4		$ 59,240.4	$ 50,290.8		$ 50,290.8
Cost of Goods Sold	45,361.3		45,361.3	34,252.3		34,252.3
Gross Profit	13,879.2		13,879.2	16,038.5		16,038.5
Fulfillment	4,890.3		4,890.3	2,926.4		2,926.4
Sales & Marketing	4,632.0		4,632.0	4,291.2		4,291.2
General & Administrative	10,810.5	3,104.3	7,706.1	5,152.7		5,152.7
Total Operating Expenses	20,332.8		17,228.4	12,370.3		12,370.3
Operating Income	(6,453.6)		(3,349.3)	3,668.2		3,668.2
Interest Income	34.0		34.0	33.5		33.5
Interest Expense	40.7		40.7	(40.0)		(40.0)
Other Income (Expense)	13.8		13.8	223.4		223.4
Income (loss) before taxes	(6,365.1)		(3,260.7)	3,885.2		3,885.2
Income tax (expense) benefit	(4,280.9)	(5,337.8)	1,057.0	(1,330.4)		(1,330.4)
Net Income (loss)	$ (10,645.9)		$ (2,203.8)	$ 2,554.8		$ 2,554.8
EPS						
Basic	$ (0.38)		$ (0.08)	$ 0.09		$ 0.09
Fully Diluted*	$ (0.38)		$ (0.08)	$ 0.09		$ 0.09
Basic Shares Outstanding	27,771.5		27,771.5	27,488.4		27,488.4
Fully Diluted Shares Outstanding*	27,771.5		27,771.5	28,513.1		28,513.1

* The inclusion of common stock equivalents in the calculation of dilluted earnings per share during the quarter ended December 31, 2010 was anti-dilutive.

Source: Vitacost.com

VITACOST.COM, INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS – For the Twelve Months Ended December 31, 2010 and December 31, 2009

Vitacost.com, Inc.
Income Statement ($ in 000s)

	Twelve Months Ended					
	December 31, 2010			December 31, 2009		
	As Reported	Adjustments	Excluding Adjustments	As Reported	Adjustments	Excluding Adjustments
Net Sales	$ 220,680.5		$ 220,680.5	$ 191,807.0		$ 191,807.0
Cost of Goods Sold	164,205.7		164,205.7	130,605.5		130,605.5
Gross Profit	56,474.8		56,474.8	61,201.5		61,201.5
Fulfillment	17,353.7		17,353.7	8,953.6		8,953.6
Sales & Marketing	18,727.5		18,727.5	14,283.7		14,283.7
General & Administrative	33,918.7	10,606.0	23,312.7	29,082.6	10,896.9	18,185.7
Total Operating Expenses	70,000.0		59,394.0	52,319.9		41,423.0
Operating Income	(13,525.1)		(2,919.1)	8,881.6		19,778.5
Interest Income	127.9		127.9	96.5		96.5
Interest Expense	(341.0)		(341.0)	(497.9)		(497.9)
Other Income (Expense)	38.1		38.1	249.8		249.8
Income (loss) before taxes	(13,700.2)		(3,094.2)	8,730.1		19,626.9
Income Tax (expense) benefit	(1,491.2)	(2,587.3)	1,096.0	(2,836.1)	3,931.9	(6,768.0)
Net Income (loss)	$ (15,191.5)		$ (1,998.2)	$ 5,894.0		$ 12,858.9
EPS						
Basic	$ (0.55)		$ (0.07)	$ 0.24		$ 0.53
Fully Diluted	$ (0.55)		$ (0.07)	$ 0.24		$ 0.52
Basic Shares Outstanding	27,703.7		27,703.7	24,216.9		24,216.9
Fully Diluted Shares Outstanding*	27,703.7		27,703.7	24,674.2		24,674.2

* The inclusion of common stock equivalents in the calculation of diluted earnings per share during the year endedDecember 31, 2010 was anti-dilutive.

Source: Vitacost.com

VITACOST.COM, INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS – For the Three Months Ended March 31, 2011 and March 31, 2010

Vitacost.com, Inc.
Income Statement ($ in 000s)
(Unaudited)

	Quarter Ended					
	March 31, 2011			March 31, 2010		
	As Reported	Adjustments	Excluding Adjustments	As Reported	Adjustments	Excluding Adjustments
Net Sales	$ 63,762.1		$ 63,762.1	$ 57,176.1		$ 57,176.1
Cost of Goods Sold	48,395.3		48,395.3	41,066.9		41,066.9
Gross Profit	15,366.8		15,366.8	16,109.3		16,109.3
Fulfillment	4,941.4		4,941.4	3,690.4		3,690.4
Sales & Marketing	5,139.4		5,139.4	3,746.5		3,746.5
General & Administrative	7,485.4	612.5	6,872.9	4,884.0		4,884.0
Total Operating Expenses	17,566.2		16,953.7	12,320.8		12,320.8
Operating Income	(2,199.4)		(1,586.9)	3,788.5		3,788.5
Interest Income	14.9		14.9	28.5		28.5
Interest Expense	(2.5)		(2.5)	(127.1)		(127.1)
Other Income (Expense)	1.9		1.9	11.6		11.6
Income (loss) before taxes	(2,185.1)		(1,572.6)	3,701.4		3,701.4
Income tax (expense) benefit	(37.4)	(505.6)	468.1	(1,196.1)		(1,196.1)
Net Income (loss)	$ (2,222.5)		$ (1,104.4)	$ 2,505.3		$ 2,505.3
EPS						
Basic	$ (0.08)		$ (0.04)	$ 0.09		$ 0.09
Fully Diluted*	$ (0.08)		$ (0.04)	$ 0.09		$ 0.09
Basic Shares Outstanding	27,790.0		27,790.0	27,552.1		27,552.1
Fully Diluted Shares Outstanding*	27,790.0		27,790.0	28,528.6		28,528.6

* The inclusion of common stock equivalents in the calculation of dilluted earnings per share during the quarter endedMarch 31, 2011 was anti-dilutive.

Source: Vitacost.com

QUARTERLY NET SALES BY PRODUCT LINE – For the Three and Nine Months Ended September 30, 2010 and September 30, 2009

Vitacost.com - Revenue by Product Line ($ in 000s)

	Three Months Ended September 30, (unaudited)		$	%
	2010	2009	Increase	Increase
Third-party product (1)	$ 34,296	$ 30,193	$ 4,104	13.6%
Proprietary products	13,416	14,693	(1,277)	-8.7%
Freight	2,600	3,468	(868)	-25.0%
Net sales	50,312	48,354	1,958	4.0%

(1) Third-party product sales include advertising and fees earned from affiliate programs of $138K in 3Q10 and $424K in 3Q09.

	Nine Months Ended September 30, (unaudited)		$	%
	2010	2009	Increase	Increase
Third-party product (1)	$ 106,647	$ 88,520	$ 18,127	20.5%
Proprietary products	44,313	43,033	1,279	3.0%
Freight	10,480	9,963	517	5.2%
Net sales	161,440	141,516	19,924	14.1%

(1) Third-party product sales include advertising and fees earned from affiliate programs of $668K for the nine months ended September 30, 2010 and were $1.5M for the nine months ended September 30, 2009.

QUARTERLY NET SALES BY PRODUCT LINE – For the Three and Twelve Months Ended December 31, 2010 and December 31, 2009

Vitacost.com - Revenue by Product Line ($ in 000s)

	Three Months Ended December 31, (unaudited)		$	%
	2010	2009	Increase	Increase
Third-party product (1)	$ 40,417	$ 31,230	$ 9,188	29.4%
Proprietary products	14,847	15,447	(601)	-3.9%
Freight	3,976	3,614	362	10.0%
Net sales	59,240	50,290	8,950	17.8%

(1) Third-party product sales include advertising and fees earned from affiliate programs of $103K in 4Q10 and $396K in 4Q09.

	Twelve Months Ended December 31,		$	%
	2010	2009	Increase	Increase
Third-party product (1)	$ 147,065	$ 119,750	$ 27,315	22.8%
Proprietary products	59,159	58,480	679	1.2%
Freight	14,457	13,577	880	6.5%
Net sales	220,680	191,807	28,873	15.1%

(1) Third-party product sales include advertising and fees earned from affiliate programs of $770K for the twelve months ended December 31, 2010 and were $1.9M for the twelve months ended December 31, 2009.

QUARTERLY NET SALES BY PRODUCT LINE – For the Three Months Ended March 31, 2011 and March 31, 2010

Vitacost.com - Revenue by Product Line ($ in 000s)

	Three Months Ended March 31, (unaudited)		$	%
	2011	2010	Increase	Increase
Third-party product (1)	$ 45,294	$ 37,148	$ 8,146	21.9%
Proprietary products	15,750	15,889	(139)	-0.9%
Freight	2,718	4,139	(1,421)	-34.3%
Net sales	63,762	57,176	6,586	11.5%

(1) Third-party product sales include advertising and fees earned from affiliate programs of $625 in 1Q11 and $343K in 1Q10.

VITACOST.COM, INC. RECONCILIATION OF GAAP OPERATING INCOME TO ADJUSTED EBITDA

To supplement the consolidated financial statements presented in accordance with GAAP, Vitacost.com uses the non-GAAP measure of adjusted EBITDA, defined as earnings before interest, taxes, depreciation, and amortization of intangible assets. To adjust for the impact of certain matters in 2010 and 2011, the Company has further adjusted the EBITDA calculation to exclude the impact of stock-based compensation expense and expenses from certain legal actions, settlements and related costs, severance costs, and certain other charges and credits. These non-GAAP measures are provided to enhance the user's overall understanding of the Company's current financial performance. Management believes that adjusted EBITDA provides useful information to the Company and to investors by excluding certain items that may not be indicative of the Company's core operating results. However, adjusted EBITDA should not be considered in isolation, or as a substitute for, or as superior to, net income/loss, cash flows, or other consolidated income/loss or cash flow data prepared in accordance with GAAP, or as a measure of the Company's profitability or liquidity. Although adjusted EBITDA is frequently used as a measure of operating performance, it is not necessarily comparable to other similarly titled captions of other companies due to differences in methods of calculation. Operating income (loss) is the closest financial measure prepared by the Company in accordance with GAAP in terms of comparability to adjusted EBITDA. Attached is a reconciliation below of reported operating income (loss) determined under GAAP to the presentation of adjusted EBITDA.

Adjusted EBITDA Calculation ($ in 000s)

	1Q10	**2Q10**	**3Q10**	**4Q10**	**2010 Yr**	**1Q11**
Reported operating (loss) income	3,788.5	(2,000.0)	(8,860.0)	(6,453.6)	(13,525.1)	(2,199.4)
Depreciation and amortization	1,082.8	1,322.8	1,347.7	1,384.3	5,137.6	1,492.5
FAS 123R - Stock Option Expense	156.5	193.0	536.5	577.4	1,463.4	99.4
Adjusted EBITDA	5,027.8	(484.2)	(6,975.7)	(4,491.9)	(6,924.0)	(607.5)
Adjustments:						
- Settlement of derivative lawsuits			3,500.0		3,500.0	
- Accrued severance to former executives	-	-	1,153.1	1,113.4	2,266.5	
- Proxy reimbursement expenses to GHP	-	-	700.0	-	700.0	
- 2010 audit fee to independent accountants				532.5	532.5	
- Additional proxy/legal/consulting expenses	-	1,358.5	789.8	1,458.4	3,606.7	612.5
Total	-	1,358.5	6,142.9	3,104.3	10,605.7	612.5
Adjusted EBITDA	**$5,027.8**	**$ 874.3**	**$ (832.9)**	**$(1,387.5)**	**$ 3,681.7**	**$ 5.0**

Source: Vitacost.com

EXHIBIT B

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Vitacost.com Announces Results for Second Quarter 2011 and Provides Update on Long-term Sales Growth Initiatives

Names Robert Wegner as Chief Operating Officer

BOCA RATON, Fla., August 9, 2011 –Vitacost.com, Inc. (NASDAQ:VITC), a leading online retailer and direct marketer of health and wellness products, reported financial results for the second quarter of 2011 and provided updates to its long-term sales growth initiatives previously outlined on June 16th, 2011 in conjunction with the conclusion of the Strategic Review. In addition, the Company announced that it has named Robert "Bert" Wegner as Chief Operating Officer. Mr. Wegner has over 20 years of logistical experience and was formerly the Director of Operations, North America at Amazon.com from 2006 through 2010. He served in other senior operational and managerial roles at Amazon from 1999 through 2006. His initial responsibilities include fulfillment, manufacturing and customer service.

"We are making progress on our initiatives to drive the top-line as we look to grow sales at a faster pace in order to leverage our fixed cost structure," said Jeffrey J. Horowitz, the Company's Chief Executive Officer. "We are thrilled that Bert has joined the Vitacost.com team as he will be instrumental in helping manage the business towards long-term profitable growth."

Sales Growth Initiatives

The Company provided additional details on its long-term sales growth strategy. Key initiatives include:

- Expand Customer Base: New customer additions are a top priority in 2011. The Company believes that due to the high number of repeat purchases made by existing customers, an expanded base will create long-term value. To that end, the Company has extended its reach on the internet beyond its www.vitacost.com website and is now selling products through online marketplaces and testing new marketing vehicles such as daily deal sites and offline magazines. In the second quarter of 2011, the Company added 157,200 new customers bringing total active customers to 1.2 million at June 30, 2011, up 10.2% year-over-year.

- Expand Product Offerings: The Company has increased the number of new proprietary product launches in 2011 from 100 previously announced to a new goal of 150 by year-end. An estimated 135 of these are scheduled to be launched under the Vitacost VMHS label. Year-to-date, the Company has launched approximately 88 new proprietary products, 40 of which were launched in the second quarter of 2011. On the third party side, the Company added 2,165 new SKUs in the second quarter of 2011, with 1,056 new products in its core VMHS category. The Company also continues to focus on faster growing categories such as personal care, sports nutrition and food.

- The Vitacost Brand: The process of converting the NSI proprietary product line over to the new Vitacost label continued in the second quarter of 2011 with the majority of products on track to be converted over by year-end.

- Elimination of Virtual Inventory: During the second quarter of 2011, the Company completed the process of bringing more than 12,000 former virtual inventory SKUs in-house. Sales of these products have accelerated, increasing over 170% on a monthly basis since the date of transition.

Second Quarter 2011 Results

For the second quarter of 2011, the Company reported net sales of $65.9 million, a 22.1% increase from net sales of $54.0 million for the second quarter of 2010. Due to the elimination of the loyalty membership program in the fourth quarter of 2010, advertising and fees earned from affiliates was negligible in the second quarter of 2011, compared to $0.2 million in the second quarter of 2010. Excluding these amounts, sales of third party product increased 36.5% year-over-year to $47.8 million. Sales growth of the Company's proprietary products continued to improve sequentially and turned positive in the quarter with sales increasing 8.1% year-over-year to $16.2 million. This was the first positive growth in proprietary products in four quarters. Revenue billed from freight was down 50.2% compared to the second quarter of 2010 to $1.9 million as the Company offered 'free shipping' at an order value of $49 or higher during all three months of the 2011 quarter. Free shipping was not offered in the second quarter of 2010. The increase in net sales was primarily the result of an increase in the customer base and the number of shipped orders as customers responded positively to the Company's promotional offers and new product offerings in both proprietary and third-party brands.

Reported gross profit was $14.5 million, in the second quarter of 2011, up 3.6% year-over-year. Included in the second quarter of 2011 was a $0.5 million credit from the Company's shipping provider. Excluding this amount, gross profit increased 0.4% year-over-year, with gross margin of 21.3% in the second quarter of 2011 compared to 25.9% in the second quarter of 2010. Third party sales accounted for 74.7% of total product sales in the second quarter of 2011 compared to 70.0% in the second quarter of 2010. Gross margin declined sequentially from the 24.1% reported in the first quarter of 2011 due to increased product promotions and decreased margins on freight as 'free shipping' was offered for two months in the first quarter of 2011 compared to a full three month period in the second quarter. Product mix remained relatively consistent with the first quarter and did not have a material impact on the sequential change in gross margin. Going forward, the Company expects to see a similar product mix, as third party product offerings continue to outpace new proprietary product launches and due to a continuation of higher third party product growth rates. 'Free shipping' and other promotional offers are expected to continue for the remainder of 2011.

Fulfillment expense was $5.1 million in the second quarter of 2011 compared to $4.4 million in the same period last year. As a percent of sales, fulfillment expense decreased 40 basis points year-over-year to 7.7% compared to 8.1% in the same period last year. The year-over-year decrease on a percentage basis, was due to operating duplicate distribution centers in Las Vegas in the early part of the year ago quarter to ensure there were no disruptions to service levels as the Company transitioned over to its new Las Vegas facility. Fulfillment expense as a percentage of sales was flat sequentially with the first quarter of 2011. The Company continues to focus on reducing special handling and packaging costs and is improving efficiencies at its distribution centers with total labor costs flat with first quarter levels despite increased sales volume. The Company expects to see improvement in fulfillment expense by the end of the year.

For the second quarter of 2011, sales and marketing expense increased to $5.2 million from $5.1 million for the second quarter of 2010. While driving a 22.1% year-over-year increase in sales, sales and marketing expense as a percentage of sales decreased to 7.9% for the second quarter of 2011 from 9.5% in the second quarter of 2010 due to improved advertising efficiency. Savings from decreased spending on catalogs more than offset increases in internet advertising and decreased levels of co-op revenue. Sales and marketing expense also increased $0.1 million from the first quarter of 2011 but decreased as a percentage of sales from the 8.1% reported in the March quarter. The Company expects spending on catalogs to continue to be down for the remainder of 2011 as savings are reinvested in on-line and other media to further increase the focus of the business around serving on-line customers.

Total reported general and administrative expense was $7.8 million, up $1.4 million from the $6.4 million reported in the second quarter of 2010. Included in the second quarter of 2011 were $1.1 million in expenses primarily related to the Strategic Review and the Company's Equity Capitalization issue. Included in the year ago quarter were $1.4 million in expenses associated with the proxy solicitation. The Company expects these charges to decrease going forward as the Board of Directors concluded the Strategic Review in June 2011 and the Company has made significant progress in rectifying its Equity Capitalization issue.

Excluding the expenses mentioned above in both quarters, general and administrative expense was $6.7 million in the second quarter of 2011, up $1.6 million compared to $5.1 million in the second quarter of 2010. The year-over-year increase was primarily due to increased employee expenses of $1.3 million and increased credit card fees of $0.2 million due to higher sales. Increased payroll expenses were due to additional hires in critical areas such as IT, Finance and Business Intelligence. However, general and administrative expenses declined $0.2 million sequentially from the $6.9 million reported in the first quarter of 2011, excluding $0.6 million in expenses in the first quarter associated with the Equity Capitalization issue and the Strategic Review. The sequential decline was primarily attributable to decreased bad debt expense and credit card charge backs.

The Company reported an operating loss of $3.7 million for the second quarter of 2011 compared to an operating loss of $2.0 million in the same period a year ago. For the second quarter of 2011, the Company reported $44,048 in tax expense, compared to a tax benefit of $692,060 in the second quarter of 2010. During the second quarter of 2011, the Company recorded an additional $1.4 million valuation allowance on its deferred tax assets.

For the second quarter of 2011, the Company reported a net loss of $3.7 million or ($0.13) per share calculated on a weighted average basic share count of 27.8 million shares compared to a net loss of $1.4 million or ($0.05) per share for the second quarter of 2010 calculated on a weighted average basic share count of 27.7 million shares outstanding. The Company is using basic shares outstanding in the second quarter of 2011 and second quarter of 2010 calculations as the inclusion of common stock equivalents in the calculation during both quarters was anti-dilutive. Excluding the expenses previously mentioned in the discussion on gross profit and general and administrative expense, earnings per share were ($0.11) in the second quarter of 2011 compared to ($0.02) per share in the second quarter of 2010.

Excluding the expenses previously mentioned in the discussion on gross profit and general and administrative expenses, adjusted EBITDA (earnings before interest, taxes, depreciation, amortization and related non-cash compensation expense) for the second quarter of 2011 was ($1.2) million, compared to $0.9 million in the previous year.

Balance Sheet/Cash Flow Highlights

The Company had cash, cash equivalents, and securities available for sale of $16.3 million as of June 30, 2011 compared to $19.7 million as of March 31, 2011 and compared to $22.9 million as of December 31, 2010. The Company has revised its December 31, 2010 and its March 31, 2011 cash and cash equivalents balances to include outstanding checks as opposed to classifying them as a component of accounts payable. The effect of this revision on the Company's consolidated balance sheets was to decrease cash and cash equivalents and accounts payable at December 31, 2010 and March 31, 2011 by approximately $2.6 million and $3.6 million, respectively. The effect of the revision on the Company's consolidated statements of cash flows was to decrease (increase) net cash provided by (used in) operating activities by $2.6 million and ($0.9 million) for the year ended December 31, 2010 and the three months ended March 31, 2011, respectively. This revision, which the Company has concluded is not material, and which will be made prospectively, does not impact the Company's operating (loss) income, net (loss) income, or working capital for any prior period.

Cash balances declined in the quarter primarily as a result of the $3.5 million Derivative Settlement payment previously disclosed in a press release dated May 27, 2011. The Company reported accounts receivable of $1.5 million and inventory of $31.9 million compared to balances of $1.3 million and $28.5 million, respectively as of March 31, 2011 and compared to balances of $0.4 million and $29.8 million, respectively as of December 31, 2010. Cash flow from operations for the six-months ended June 30, 2011 was a use of $4.4 million compared to a source of $7.4 million in the prior year six month period. The current year period reflects the $3.5 million Derivative Settlement payment mentioned above.

E-Commerce Metrics

A copy of historical e-commerce metrics is available on the Company's website at http://investor.vitacost.com/events.cfm.

Conference Call Information

The Company will host a conference call to discuss these results and will provide additional comments and details at that time. Participating on the call will be Jeff Horowitz, the Company's Chief Executive Officer and Steve Markert, interim Chief Financial Officer.

The conference call is scheduled to begin at 10:00 a.m. EDT on August 9, 2011. The call will be broadcast live over the Internet hosted on the Investor Relations section of Vitacost.com's website at http://investor.vitacost.com/events.cfm, and will be archived online through August 31, 2011. In addition, you may dial (877) 407-0784 to listen to the live broadcast.

A telephonic playback will be available from 1:00 p.m. EDT, August 9, 2011, through August 31, 2011. Participants can dial (877) 870-5176 to hear the playback. The pass code is 376432.

About Vitacost.com, Inc.

Vitacost.com, Inc. (NASDAQ: VITC) is a leading online retailer and direct marketer of health and wellness products, including dietary supplements such as vitamins, minerals, herbs or other botanicals, amino acids and metabolites, as well as cosmetics, organic body and personal care products, sports nutrition and health foods. Vitacost.com, Inc. sells these products directly to consumers through its website, www.vitacost.com. Vitacost.com, Inc. strives to offer its customers the broadest product selection of healthy living products, while providing superior customer service and timely and accurate delivery.

Forward-Looking Statements

Except for historical information contained herein, the statements in this release are forward-looking and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements made herein, which include statements regarding the Company's future growth prospects, future financial performance, expectations regarding improvements in fulfillment expenses, promotional and product introduction plans, plans to increase brand awareness, sales expectations, international expansion plans, expectations regarding advertising expenditures, customer acquisition strategy and expectations regarding the pace of customer growth, plans to launch new SKUs and plans to move virtual inventory in-house to accelerate order fulfillment and delivery time, involve known and unknown risks and uncertainties, which may cause the Company's actual results in current or future periods to differ materially from those anticipated or projected herein. Those risks and uncertainties include, among other things, the current global economic downturn or recession; difficulty expanding the Company's manufacturing and distribution facilities; significant competition in the Company's industry; unfavorable publicity or consumer perception of the Company's products on the Internet; the incurrence of material product liability and product recall costs; inability to defend intellectual property claims; costs of compliance and the Company's failure to comply with government regulations; the Company's failure to keep pace with the demands of customers for new products; disruptions in the Company's manufacturing system, including information technology systems, or losses of manufacturing certifications; or the lack of long-term experience with human consumption of some of the Company's products with innovative ingredients. Those and other risks are more fully described in the Company's filings with the Securities and Exchange Commission, including the Company's Form 10-K for the full year ended December 31, 2010 and the Company's Form 10-Q for the quarter ended March 31, 2011.

Non-GAAP Measures

To supplement the consolidated financial statements presented in accordance with GAAP, Vitacost.com uses the non-GAAP measure of adjusted EBITDA, defined as earnings before interest, taxes, depreciation, and amortization of intangible assets. To adjust for the impact of certain matters in 2010 and 2011, the Company has further adjusted the EBITDA calculation to exclude the impact of stock-based compensation expense and expenses from certain legal actions, settlements and related costs, severance costs, and certain other charges and credits. These non-GAAP measures are provided to enhance the user's overall understanding of the Company's current financial performance. Management believes that adjusted EBITDA provides useful information to the Company and to investors by excluding certain items that may not be indicative of the Company's core operating results. However, adjusted EBITDA should not be considered in isolation, or as a substitute for, or as superior to, net income/loss, cash flows, or other consolidated income/loss or cash flow data prepared in accordance with GAAP, or as a measure of the Company's profitability or liquidity. Although adjusted EBITDA is frequently used as a measure of operating performance, it is not necessarily comparable to other similarly titled captions of other companies due to differences in methods of calculation. Operating income (loss) is the closest financial measure prepared by the Company in accordance with GAAP in terms of comparability to adjusted EBITDA. Attached at the end of this release is a reconciliation of reported operating income (loss) determined under GAAP to the presentation of adjusted EBITDA.

VITACOST.COM, INC. BALANCE SHEET

Vitacost.com, Inc.
Consolidated Balance Sheets
June 30, 2011 and December 31, 2010

Assets	June 30, 2011 (unaudited)	December 31, 2010
Current Assets		
Cash and cash equivalents	$ 16,282,051	$ 11,951,643
Securities available for sale	-	10,912,392
Accounts receivable	1,467,237	440,033
Other receivables	243,413	1,087,311
Inventory, net	31,922,727	29,827,929
Prepaid expenses	1,941,907	1,361,230
Deferred income taxes	-	-
Other assets	2,661,045	3,553,089
Total current assets	54,518,380	59,133,627
Property and equipment, net	36,922,325	38,011,314
Goodwill	2,200,000	2,200,000
Intangible assets, net	2,698	4,946
Deposits	271,254	114,308
Deferred tax asset	-	-
	2,473,952	2,319,254
Total assets	$ 93,914,657	$ 99,464,195
Liability and Stockholders' Equity		
Current Liabilities		
Line of credit	$ -	$ -
Current maturities of notes payable	-	58,888
Current maturities of capital lease obligations	-	-
Accounts payable	26,278,433	23,892,044
Deferred revenue	2,907,032	2,134,305
Accrued expenses	7,531,698	10,671,865
Income taxes payable	-	-
Total current liabilities	36,717,163	36,757,102
Notes payable, less current maturities	-	-
Interest rate swap liability	-	-
Deferred tax liability	547,678	521,389
Total liabilities	$ 37,264,841	$ 37,278,491
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, par value $.00001 per share; authorized 25,000,000; no shares issued and outstanding at June 30, 2011, and December 31, 2010, respectively		
Common stock, par value $.00001 per share; authorized 100,000,000; 27,790,953, and 27,780,453 shares issued and outstanding at June 30, 2011, and December 31, 2010, respectively	278	278
Additional paid-in capital	75,196,017	74,829,972
Accumulated other comprehensive loss	-	(20,207)
Retained earnings/(Accumulated Deficit)	(18,546,479)	(12,624,339)
Total stockholders' equity	56,649,816	62,185,704
Total liabilities and stockholders' equity	$ 93,914,657	$ 99,464,195

Source: Vitacost.com

VITACOST.COM, INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS – For the Three Months Ended June 30, 2011 and June 30, 2010

Vitacost.com, Inc.
Income Statement ($ in 000s)
(Unaudited)

	Quarter Ended					
	June 30, 2011			June 30, 2010		
	As Reported	Adjustments	Excluding Adjustments	As Reported	Adjustments	Excluding Adjustments
Net Sales	$ 65,891.2		$ 65,891.2	$ 53,951.9		$ 53,951.9
Cost of Goods Sold	51,418.6	(454.0)	51,872.6	39,983.1		39,983.1
Gross Profit	14,472.6		14,018.6	13,968.8		13,968.8
Fulfillment	5,094.7		5,094.7	4,394.8		4,394.8
Sales & Marketing	5,236.9		5,236.9	5,131.0		5,131.0
General & Administrative	7,807.5	1,116.7	6,690.8	6,443.0	1,358.5	5,084.4
Total Operating Expenses	18,139.2		17,022.5	15,968.8		14,610.3
Operating Income	(3,666.5)		(3,003.8)	(2,000.0)		(641.5)
Interest Income	7.7		7.7	32.4		32.4
Interest Expense	(0.2)		(0.2)	(150.1)		(150.1)
Other Income (Expense)	3.5		3.5	4.5		4.5
Income (loss) before taxes	(3,655.6)		(2,992.9)	(2,113.3)		(754.8)
Income tax (expense) benefit	(44.0)	-	(44.0)	692.1	444.9	247.2
Net Income (loss)	$ (3,699.6)		$ (3,037.0)	$ (1,421.3)		$ (507.6)
EPS						
Basic	$ (0.13)		$ (0.11)	$ (0.05)		$ (0.02)
Fully Diluted*	$ (0.13)		$ (0.11)	$ (0.05)		$ (0.02)
Basic Shares Outstanding	27,790.5		27,790.5	27,730.7		27,730.7
Fully Diluted Shares Outstanding*	27,790.5		27,790.5	27,730.7		27,730.7

*The inclusion of common stock equivalents in the calculation of dilluted earnings per share during the periods was anti-dilutive.

Source: Vitacost.com

QUARTERLY NET SALES BY PRODUCT LINE – For the Three and Six Months Ended June 30, 2011 and June 30, 2010

Vitacost.com - Revenue by Product Line ($ in 000s)

	Three Months Ended June 30, 2011 (unaudited)		$	%
	2011	2010	Increase	Increase
Third-party product (1)	$ 47,807	$ 35,203	$ 12,604	35.8%
Proprietary products	16,221	15,007	1,214	8.1%
Freight	1,863	3,742	(1,879)	-50.2%
Net sales	65,891	53,952	11,939	22.1%

(1) Third-party product sales include advertising and fees earned from affiliate programs of $99 in 2Q11 and $186,181 in 2Q10.

	Six Months Ended June 30, 2011 (unaudited)			
	2011	2010	Increase	Increase
Third-party product (1)	$ 93,101	$ 72,351	$ 20,750	28.7%
Proprietary products	31,971	30,896	1,075	3.5%
Freight	4,581	7,881	(3,300)	-41.9%
Net sales	129,653	111,128	18,525	16.7%

(1) Third-party product sales include advertising and fees earned from affiliate programs of $724 for the six months ended June 30, 2011 and were $529,326 for the six months ended June 30, 2010.

VITACOST.COM, INC. RECONCILIATION OF GAAP OPERATING INCOME TO ADJUSTED EBITDA

To supplement the consolidated financial statements presented in accordance with GAAP, Vitacost.com uses the non-GAAP measure of adjusted EBITDA, defined as earnings before interest, taxes, depreciation, and amortization of intangible assets. To adjust for the impact of certain matters in 2010 and 2011, the Company has further adjusted the EBITDA calculation to exclude the impact of stock-based compensation expense and expenses from certain legal actions, settlements and related costs, severance costs, and certain other charges and credits. These non-GAAP measures are provided to enhance the user's overall understanding of the Company's current financial performance. Management believes that adjusted EBITDA provides useful information to the Company and to investors by excluding certain items that may not be indicative of the Company's core operating results. However, adjusted EBITDA should not be considered in isolation, or as a substitute for, or as superior to, net income/loss, cash flows, or other consolidated income/loss or cash flow data prepared in accordance with GAAP, or as a measure of the Company's profitability or liquidity. Although adjusted EBITDA is frequently used as a measure of operating performance, it is not necessarily comparable to other similarly titled captions of other companies due to differences in methods of calculation. Operating income (loss) is the closest financial measure prepared by the Company in accordance with GAAP in terms of comparability to adjusted EBITDA. Below is a reconciliation of reported operating income (loss) determined under GAAP to the presentation of adjusted EBITDA.

Adjusted EBITDA Calculation ($ in 000s)
(Unaudited)

	2Q11	2Q10
Reported operating (loss) income	(3,666.5)	(2,000.0)
Depreciation and amortization	1,533.2	1,322.8
Stock Based Compensation Expense	243.3	193.0
Adjusted EBITDA	(1,890.0)	(484.2)
Adjustments:		
- Credit from shipping provider	(454.0)	
- Additional proxy/legal/consulting expenses	1,116.7	1,358.5
Total	662.7	1,358.5
Adjusted EBITDA	**$ (1,227.4)**	**$ 874.3**

Source: Vitacost.com

EXHIBIT C

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Vitacost.com Announces Results for Third Quarter 2011 and Provides Update on Long-term Sales Growth Initiatives

BOCA RATON, Fla., November 8, 2011 – Vitacost.com, Inc. (NASDAQ:VITC), a leading online retailer and direct marketer of health and wellness products, reported financial results for the third quarter of 2011 with a 26.1% year-over-year increase in net sales, driven by a 25.8% increase in the number of new customers and a 28.4% increase in the number of shipped orders.

"We continue to make progress on our initiatives to grow sales as we increased our customer base and the number of orders shipped in the quarter," said Jeffrey J. Horowitz, the Company's Chief Executive Officer. "The consumer responded positively to our new products and promotional offerings in both proprietary and third party brands. We will continue to invest in our infrastructure to have the best team, systems and products in place to position Vitacost.com for long-term profitable growth."

Sales Growth Initiatives

The Company provided additional details on its long-term sales growth strategy. Key initiatives include:

- Expand Customer Base: New customer additions continue to be a top priority, as the Company believes future top-line growth will stem from an expanded base and is increasing its touch points on the internet to target customers directly where and how they shop. In the third quarter of 2011, the Company added 180,536 new customers, up 25.8% year-over-year. The Company ended the third quarter of 2011 with 1.3 million active customers, up 13.1% year-over-year. The Company launched a 'Refer a Friend' campaign in mid-October, rewarding current Vitacost customers for referring new business to the Company and also relaunched its mobile application with an improved technology platform designed to improve the mobile user experience.

- Expand Product Offerings: The Company remains on track to launch 150 new proprietary products in 2011. An estimated 135 of these are scheduled to be launched under the Vitacost label. Year-to-date, the Company has launched approximately 138 new proprietary products, 48 of which were launched in the third quarter of 2011. On the third party side, the Company added 1,297 new SKUs in the third quarter of 2011, with 307 new products in its core VMHS category. The Company also continues to focus on faster growing categories such as food, sports nutrition/bodybuilding, and personal care.

- The Vitacost Brand: Through September 30, 2011, approximately 79% of the conversion was complete. The Company remains on track to convert the majority of the NSI proprietary line over to the new Vitacost label by year-end 2011. Sales of the converted SKUs have significantly outperformed the legacy NSI products.

Third Quarter 2011 Results

For the third quarter of 2011, the Company reported net sales of $63.5 million, a 26.1% increase from net sales of $50.3 million for the third quarter of 2010. Due to the elimination of the loyalty membership program in the fourth quarter of 2010, advertising and fees earned from affiliates were negligible in the third quarter of 2011, compared to $0.1 million in the third quarter of 2010. Excluding these amounts, sales of third party product increased 36.9% year-over-year to $46.8 million. Sales for the Company's proprietary products increased 9.4% year-over-year to $14.7 million. Revenue billed from freight was down 22.1% to $2.0 million compared to the third quarter of 2010, as the Company offered 'free shipping' at an order value of $49 or higher during all three months of the 2011 quarter. Free shipping was offered at an order value of $79 or higher during July and August of 2010 and was offered at an order value of $99 or higher during September 2010. The increase in net sales was primarily the result of an increase in the customer base and the number of shipped orders as customers responded positively to the Company's new products and promotional offers of both proprietary and third party brands.

Gross profit was $14.4 million, in the third quarter of 2011, up 15.3% year-over-year. Gross margin was 22.7% in the third quarter of 2011 compared to 24.9% in the third quarter of 2010. Gross margin declined 220 basis points year-over-year due to a shift in product mix with third party sales accounting for 76.1% of total product sales in the third quarter of 2011 compared to 71.8% in the third quarter of 2010. Gross margin was also impacted by decreased margins on freight due to the $49 'free shipping' offer which began in February 2011 and lower product margins on a year-over-year basis due to increased promotions.

However, gross margin improved 70 basis points sequentially from the 22.0% reported in the second quarter of 2011 and improved 140 basis points sequentially from the 21.3% gross margin in the second quarter of 2011, excluding a credit from our freight carrier. Gross margin improved sequentially despite a continued customer shift toward third party product due to a reduction in the level of promotional offers. Also, the Company's margin on freight improved due to negotiated savings with our freight carrier, which is expected to continue going forward. The Company expects product mix to continue to skew toward third party product as third party product offerings continue to increase, outpacing new proprietary product launches. 'Free shipping' and other promotional offers are expected to continue for the foreseeable future.

For the third quarter of 2011, the Company reported fulfillment expense of $5.6 million or 8.8% of sales, compared to $4.4 million or 8.7% in the same period last year. Included in third quarter 2011 was $0.1 million in executive recruiting fees related to the hiring of the Chief Operating Officer. Excluding this amount, fulfillment expense was $5.5 million or 8.7% of sales flat with the year ago period. Fulfillment expense as a percentage of sales increased sequentially from the 7.7% of sales posted in the second quarter of 2011 primarily due to a fee sharing arrangement on freight savings paid to a consultant. Total labor and other employee expenses remained relatively flat with the second quarter of 2011. The Company expects to see an improvement in fulfillment expense as a percentage of sales in 2012, as the Company is in the beginning stages of implementing initiatives to improve efficiencies through increased scale and leverage.

For the third quarter of 2011, sales and marketing expense increased $1.2 million year-over-year to $6.4 million from $5.2 million for the third quarter of 2010. Included in this amount was a $0.7 million severance payment to the former Chief Marketing Officer and a $0.2 million recruiting fee related to the hiring of the new Chief Marketing Officer. Excluding these amounts, sales and marketing expense increased $0.3 million year-over-year to $5.5 million and was 8.7% of sales, down from 10.4% of sales in the third quarter of 2010. Savings from decreased spending on catalogs more than offset increases in internet advertising and decreased levels of co-op revenue.

Excluding the previously mentioned $0.7 million severance amount and the $0.2 million paid in recruiting fees, sales and marketing expense also increased $0.3 million sequentially from the second quarter of 2011. This was primarily due to new hires in the marketing department as the new Chief Marketing Officer expands his team and a sequential increase in advertising spending. The Company expects further hiring in the marketing department to continue into 2012. In addition, spending on catalogs is expected to continue to decrease with the savings reinvested in on-line and other media to further increase the focus of the business around serving on-line customers.

Total reported general and administrative expense was $7.8 million, down $4.0 million from the $11.8 million reported in the third quarter of 2010. During the quarter, the Company recorded an out of period adjustment to increase stock-based compensation by $0.4 million related to the immediate vesting of options granted to the Chief Executive Officer during the June 30, 2011 quarter. Also included in the third quarter of 2011 were $0.8 million in expenses broken down as follows: $0.4 million primarily related to the Company's Equity Capitalization issue, $0.3 million related to a software litigation settlement offer and $0.1 million for an adjustment to the severance for the former Chief Executive Officer and former Chief Financial Officer. Included in the third quarter of 2010 were $6.1 million in expenses broken down as follows: $3.5 million for settlement of the derivative litigation, $1.2 million in accrued severance to the Company's former Chief Executive Officer, $0.8 million in fees associated with the class action lawsuit, conclusion of the proxy solicitation and other matters, and $0.7 million in proxy reimbursement fees to Great Hill Partners. The Company expects these charges to decrease going forward as the Equity Capitalization issue was rectified in September and the Company expects to be done paying these expenses by the end of the year.

Excluding the expenses previously mentioned in both quarters, general and administrative expense was $7.0 million in the third quarter of 2011, up $1.3 million compared to $5.7 million in the third quarter of 2010. The year-over-year increase was primarily due to increased employee expenses of $0.7 million with additional hires in critical areas such as IT, Finance and Business Intelligence, higher stock compensation expense of $0.3 million and increased credit card fees of $0.2 million due to higher sales.

General and administrative expenses increased $0.3 million sequentially from the $6.7 million reported in the second quarter of 2011, excluding $1.1 million in expenses in the second quarter associated with the Equity Capitalization issue and the Strategic Review. The sequential increase was primarily attributable to higher stock compensation expense of $0.5 million, partially offset by lower credit card processing fees due to the slightly lower sales in the quarter.

The Company reported an operating loss of $5.4 million for the third quarter of 2011 compared to an operating loss of $8.9 million in the same period a year ago. Excluding the expenses previously mentioned in the discussion on fulfillment, marketing and general and administrative expenses, the Company would have reported an operating loss of $3.6 million compared to an operating loss of $2.7 million in the third quarter of 2010.

For the third quarter of 2011, the Company reported a tax benefit of $42,053 compared to a tax benefit of $3,310,688 in the third quarter of 2010. During the third quarter of 2011, the Company recorded an additional $1.7 million valuation allowance on its deferred tax assets.

For the third quarter of 2011, the Company reported a net loss of $5.3 million or ($0.19) per share calculated on a weighted average basic share count of 27.8 million shares outstanding compared to a net loss of $5.6 million or ($0.20) per share for the third quarter of 2010 calculated on a weighted average basic share count of 27.8 million shares outstanding. The Company is using basic shares outstanding in the third quarter of 2011 and 2010 calculations as the inclusion of common stock equivalents in the calculation during both quarters was anti-dilutive. Excluding the expenses previously mentioned in the discussion on fulfillment, marketing and general and administrative expenses, earnings per share were ($0.13) in the third quarter of 2011 compared to ($0.06) per share in the third quarter of 2010.

Excluding the expenses previously mentioned in the discussion on fulfillment, marketing and general and administrative expenses, adjusted EBITDA (earnings before interest, taxes, depreciation, amortization and related non-cash compensation expense) for the third quarter of 2011 was ($1.3) million, compared to ($0.8) million in the previous year.

Balance Sheet/Cash Flow Highlights

The Company had cash, cash equivalents, and securities available for sale of $12.8 million as of September 30, 2011 compared to $16.3 million as of June 30, 2011 and compared to $22.9 million as of December 31, 2010.

Cash balances declined sequentially from second quarter levels primarily as a result of paying severance to the former Chief Executive Officer and Chief Marketing Officer of $1.3 million and $0.7 million, respectively, paying $0.7 million in expenses associated with the Strategic Review, Equity Capitalization issue and proxy contest, and due to the operating loss generated in the quarter. The Company reported accounts receivable of $1.1 million and inventory of $31.9 million compared to balances of $1.5 million and $31.9 million, respectively as of June 30, 2011 and compared to balances of $0.4 million and $29.8 million, respectively as of December 31, 2010.

Cash flow from operations for the nine-months ended September 30, 2011 was a use of $7.2 million compared to a source of $3.9 million in the prior year nine-month period. Included in the 2011 nine-month amount were payments related to settlement of the derivative lawsuit, equity capitalization issue, strategic review, proxy solicitation, and severance paid to the former Chief Executive Officer and Chief Marketing Officer. These amounts were partially offset by refunds of the Company's estimated 2010 tax payments and certain freight charges. The Company does not expect the same level of these payments to continue going forward. The net effect of these items reduced cash flow from operations for the nine months ended September 30, 2011, by approximately $7.7 million.

E-Commerce Metrics

A copy of historical e-commerce metrics is available on the Company's website at http://investor.vitacost.com/events.cfm.

Conference Call Information

The Company will host a conference call to discuss these results and will provide additional comments and details at that time. Participating on the call will be Jeff Horowitz, the Company's Chief Executive Officer and Steve Markert, interim Chief Financial Officer.

The conference call is scheduled to begin at 10:00 a.m. EDT on November 8, 2011. The call will be broadcast live over the Internet hosted on the Investor Relations section of Vitacost.com's website at http://investor.vitacost.com/events.cfm, and will be archived online through November 22, 2011. In addition, you may dial (877) 705-6003 to listen to the live broadcast.

A telephonic playback will be available from 1:00 p.m. EDT, November 8, 2011, through November 22, 2011. Participants can dial (877) 870-5176 to hear the playback. The pass code is 382440.

About Vitacost.com, Inc.

Vitacost.com, Inc. (NASDAQ: VITC) is a leading online retailer and direct marketer of health and wellness products, including dietary supplements such as vitamins, minerals, herbs or other botanicals, amino acids and metabolites, as well as cosmetics, organic body and personal care products, sports nutrition and health foods. Vitacost.com, Inc. sells these products directly to consumers through its website, www.vitacost.com. Vitacost.com, Inc. strives to offer its customers the broadest product selection of healthy living products, while providing superior customer service and timely and accurate delivery.

Forward-Looking Statements

Except for historical information contained herein, the statements in this release are forward-looking and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements made herein, which include statements regarding the Company's future growth prospects, infrastructure investment plans, long term growth strategy, expectations regarding freight margins, expectations regarding product mix, future financial performance, expectations regarding improvements in fulfillment expenses, promotional and product introduction plans, plans to increase brand awareness, plans to convert the NSI line to a new Vitacost label, sales expectations, expectations regarding advertising expenditures, customer acquisition strategy and expectations regarding the pace of customer growth, plans to launch new SKUs, expectations regarding general and administrative expenses, expectations regarding further hiring in the marketing department and initiatives to improve efficiencies through increased scale and leverage, involve known and unknown risks and uncertainties, which may cause the Company's actual results in current or future periods to differ materially from those anticipated or projected herein. Those risks and uncertainties include, among other things, the current global economic downturn or recession; difficulty expanding the Company's manufacturing and distribution facilities; significant competition in the Company's industry; unfavorable publicity or consumer perception of the Company's products on the Internet; the incurrence of material product liability and product recall costs; inability to defend intellectual property claims; costs of compliance and the Company's failure to comply with government regulations; the Company's failure to keep pace with the demands of customers for new products; disruptions in the Company's manufacturing system, including information technology systems, or losses of manufacturing certifications; or the lack of long-term experience with human consumption of some of the Company's products with innovative ingredients. Those and other risks are more fully described in the Company's filings with the Securities and Exchange Commission, including the Company's Form 10-K for the full year ended December 31, 2010 and in the Company's subsequent filings with the Securities and Exchange Commission made prior to or after the date hereof.

Non-GAAP Measures

To supplement the consolidated financial statements presented in accordance with GAAP, Vitacost.com uses the non-GAAP measure of adjusted EBITDA, defined as earnings before interest, taxes, depreciation, and amortization of intangible assets. To adjust for the impact of certain matters in 2010 and 2011, the Company has further adjusted the EBITDA calculation to exclude the impact of stock-based compensation expense and expenses from certain legal actions, settlements and related costs, severance costs, and certain other charges and credits. These non-GAAP measures are provided to enhance the user's overall understanding of the Company's current financial performance. Management believes that adjusted EBITDA provides useful information to the Company and to investors by excluding certain items that may not be indicative of the Company's core operating results. However, adjusted EBITDA should not be considered in isolation, or as a substitute for, or as superior to, net income/loss, cash flows, or other consolidated income/loss or cash flow data prepared in accordance with GAAP, or as a measure of the Company's profitability or liquidity. Although adjusted EBITDA is frequently used as a measure of operating performance, it is not necessarily comparable to other similarly titled captions of other companies due to differences in methods of calculation. Operating income (loss) is the closest financial measure prepared by the Company in accordance with GAAP in terms of comparability to adjusted EBITDA. Attached at the end of this release is a reconciliation of reported operating income (loss) determined under GAAP to the presentation of adjusted EBITDA.

VITACOST.COM, INC. BALANCE SHEET

Vitacost.com, Inc.
Consolidated Balance Sheets
September 30, 2011 and December 31, 2010

Assets	September 30, 2011 (unaudited)	December 31, 2010
Current Assets		
Cash and cash equivalents	$ 12,763,275	$ 11,951,643
Securities available for sale	-	10,912,392
Accounts receivable	1,088,318	440,033
Other receivables	132,902	1,087,311
Inventory, net	31,907,920	29,827,929
Prepaid expenses	1,703,027	1,361,230
Other assets	2,418,015	3,553,089
Total current assets	50,013,457	59,133,627
Property and equipment, net	36,021,736	38,011,314
Goodwill	2,200,000	2,200,000
Intangible assets, net	1,573	4,946
Deposits	110,243	114,308
Restricted cash and cash equivalents	225,000	-
	2,536,816	2,319,254
Total assets	$ 88,572,009	$ 99,464,195
Liability and Stockholders' Equity		
Current Liabilities		
Line of credit	$ -	$ -
Current maturities of notes payable	-	58,888
Current maturities of capital lease obligations	-	-
Accounts payable	26,089,851	23,892,044
Deferred revenue	3,303,465	2,134,305
Accrued expenses	6,476,774	10,671,865
Income taxes payable	-	-
Total current liabilities	35,870,090	36,757,102
Notes payable, less current maturities	-	-
Interest rate swap liability	-	-
Deferred tax liability	560,822	521,389
Total liabilities	$ 36,430,912	$ 37,278,491
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, par value $.00001 per share; authorized 25,000,000; no shares issued and outstanding at September 30, 2011, and December 31, 2010, respectively		
Common stock, par value $.00001 per share; authorized 100,000,000; 27,855,553, and 27,780,453 shares issued and outstanding at September 30, 2011, and December 31, 2010, respectively	279	278
Additional paid-in capital	76,027,916	74,829,972
Accumulated other comprehensive loss	-	(20,207)
Retained earnings/(Accumulated Deficit)	(23,887,098)	(12,624,339)
Total stockholders' equity	52,141,097	62,185,704

Total liabilities and stockholders' equity	$ 88,572,009	$ 99,464,195

Source: Vitacost.com

VITACOST.COM, INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS – For the Three Months Ended September 30, 2011 and September 30, 2010

Vitacost.com, Inc.
Income Statement ($ in 000s)
(Unaudited)

	Quarter Ended					
	September 30, 2011			September 30, 2010		
	As Reported	Adjustments	Excluding Adjustments	As Reported	Adjustments	Excluding Adjustments
Net Sales	$ 63,456.1		$ 63,456.1	$ 50,312.0		$ 50,312.0
Cost of Goods Sold	49,023.5		49,023.5	37,794.4		37,794.4
Gross Profit	14,432.5		14,432.5	12,517.6		12,517.6
Fulfillment	5,603.1	93.9	5,509.2	4,378.2		4,378.2
Sales & Marketing	6,391.0	892.4	5,498.6	5,218.0		5,218.0
General & Administrative	7,831.7	807.1	7,024.6	11,798.4	6,142.9	5,655.5
Total Operating Expenses	19,825.8		18,032.4	21,394.6		15,251.7
Operating Income	(5,393.3)		(3,599.9)	(8,877.0)		(2,734.1)
Interest Income	1.7		1.7	33.0		33.0
Interest Expense	(0.2)		(0.2)	(104.5)		(104.5)
Other Income (Expense)	9.2		9.2	8.2		8.2
Income (loss) before taxes	(5,382.6)		(3,589.2)	(8,940.3)		(2,797.4)
Income tax (expense) benefit	42.1	-	42.1	3,310.7	2,274.8	1,035.9
Net Income (loss)	$ (5,340.5)		$ (3,547.2)	$ (5,629.6)		$ (1,761.5)
EPS						
Basic	$ (0.19)		$ (0.13)	$ (0.20)		$ (0.06)
Fully Diluted*	$ (0.19)		$ (0.13)	$ (0.20)		$ (0.06)
Basic Shares Outstanding	27,836.1		27,836.1	27,755.5		27,755.5
Fully Diluted Shares Outstanding*	27,836.1		27,836.1	27,755.5		27,755.5

*The inclusion of common stock equivalents in the calculation of dilluted earnings per share during the periods was anti-dilutive.

Source: Vitacost.com

QUARTERLY NET SALES BY PRODUCT LINE – For the Three and Nine Months Ended September 30, 2011 and September 30, 2010

Vitacost.com - Revenue by Product Line ($ in 000s)

	Three Months Ended September 30, 2011 (unaudited)		$	%
	2011	2010	Increase	Increase
Third-party product (1)	$ 46,753	$ 34,296	$ 12,457	36.3%
Proprietary products	14,679	13,416	1,263	9.4%
Freight	2,024	2,600	(576)	-22.1%
Net sales	63,456	50,312	13,144	26.1%

(1) Third-party product sales include advertising and fees earned from affiliate programs of $0 in 3Q11 and $138,466 in 3Q10.

	Nine Months Ended September 30, 2011 (unaudited)		$	%
	2011	2010	Increase	Increase
Third-party product (1)	$ 139,854	$ 106,647	$ 33,207	31.1%
Proprietary products	46,650	44,312	2,338	5.3%
Freight	6,605	10,481	(3,875)	-37.0%
Net sales	193,109	161,440	31,669	19.6%

(1) Third-party product sales include advertising and fees earned from affiliate programs of $724 for the nine months ended September 30, 2011 and were $667,792 for the nine months ended September 30, 2010.

VITACOST.COM, INC. RECONCILIATION OF GAAP OPERATING INCOME TO ADJUSTED EBITDA

To supplement the consolidated financial statements presented in accordance with GAAP, Vitacost.com uses the non-GAAP measure of adjusted EBITDA, defined as earnings before interest, taxes, depreciation, and amortization of intangible assets. To adjust for the impact of certain matters in 2010 and 2011, the Company has further adjusted the EBITDA calculation to exclude the impact of stock-based compensation expense and expenses from certain legal actions, settlements and related costs, severance costs, and certain other charges and credits. These non-GAAP measures are provided to enhance the user's overall understanding of the Company's current financial performance. Management believes that adjusted EBITDA provides useful information to the Company and to investors by excluding certain items that may not be indicative of the Company's core operating results. However, adjusted EBITDA should not be considered in isolation, or as a substitute for, or as superior to, net income/loss, cash flows, or other consolidated income/loss or cash flow data prepared in accordance with GAAP, or as a measure of the Company's profitability or liquidity. Although adjusted EBITDA is frequently used as a measure of operating performance, it is not necessarily comparable to other similarly titled captions of other companies due to differences in methods of calculation. Operating income (loss) is the closest financial measure prepared by the Company in accordance with GAAP in terms of comparability to adjusted EBITDA. Below is a reconciliation of reported operating income (loss) determined under GAAP to the presentation of adjusted EBITDA.

Adjusted EBITDA Calculation ($ in 000s)
(Unaudited)

	3Q11	**3Q10**
Reported operating (loss) income	(5,393.3)	(8,877.0)
Depreciation and amortization	1,543.5	1,347.7
Stock Based Compensation Expense	769.6	536.5
Adjusted EBITDA	(3,080.2)	(6,992.7)
Adjustments:		
- Settlement of derivative lawsuits		3,500.0
- Proxy reimbursement expenses to GHP		700.0
- Executive recruiting fees	260.6	
- Severance to former executives	864.3	1,153.1
- Additional proxy/legal/consulting expenses	668.5	789.8
Total	1,793.4	6,142.9
Adjusted EBITDA	**$(1,286.8)**	**$ (849.9)**

Source: Vitacost.com

EXHIBIT D

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Category
- Shops (26)
- Beauty & Personal Care (24)
- Diet Products (2)
- Sports & Fitness (2)

More...

Specialties
- Hypoallergenic (22)
- Non-GMO (22)
- Paraben Free (22)
- Fragrance Free (20)

More...

Brand

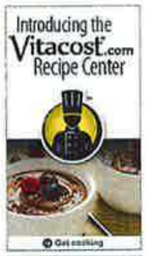
Search our Brands
- Cosmeceutical Sciences Institute (CSI) (24)
- Bio Science Institute (2)

Form
- Capsules (4)
- Cream (10)
- Kit (1)
- Liquid (10)

Servings
- 60 (2)
- 30 (2)

Rating
- 4 Stars (21)
- 3 Stars (2)
- 2 Stars (1)
- No Reviews (2)

Product Type
- Clearance (2)
- Women (3)



Vitacost

Compare
CSI Vitamin C + 12% Youth Serum - Non-GMO – 1.5 oz
Rating:
Vitacost price: $18.00
Add to cart
Spend $25 or more on CSI brand products and get FREE SHIPPING!

Compare
CSI Super Hyaluronic Moisturizing Cream - Non-GMO – 1 oz
Rating:
Vitacost price: $15.40
Add to cart
Spend $25 or more on CSI brand products and get FREE SHIPPING!

Compare
50
CSI Recovery Eye Cream with Vitamin K & Arnica - Non-GMO – 0.5 oz
Rating:
Vitacost price: $17.40
Add to cart
Spend $25 or more on CSI brand products and get FREE SHIPPING!

Compare
CSI DMAE, Alpha Lipoic Acid Hydrating Cream - Non-GMO – 2 oz (60 g)
Rating:
Vitacost price: $13.59
Add to cart
Spend $25 or more on CSI brand products and get FREE SHIPPING!

Compare
CSI Anti-Aging Fruit Stem Cell Serum with Hyaluronic Acid (HA) - Non-GMO – 1 fl oz
Rating:
Vitacost price: $20.00
Add to cart
Spend $25 or more on CSI brand products and get FREE SHIPPING!

Compare
50
CSI CoQ10 Toner - Non-GMO – 1.75 fl oz
Rating:
Vitacost price: $9.60
Add to cart
Spend $25 or more on CSI brand products and get FREE SHIPPING!

Compare
50
CSI Alpha Lipoic Acid Facial Complex with BioPerine® – 60 Capsules
Rating:
Vitacost price: $4.99
Add to cart
Spend $25 or more on CSI brand products and get FREE SHIPPING!

Compare
CSI Vivid Eyes Cucumber Eye Cream - Non-GMO – 0.5 oz
Rating:
Vitacost price: $9.90
Add to cart
Spend $25 or more on CSI brand products and get FREE SHIPPING!

Compare
CSI Rose Hip Facial Cleanser - Non-GMO – 4 fl oz
Rating:
Vitacost price: $7.00
Add to cart
Spend $25 or more on CSI brand products and get FREE SHIPPING!

Compare
CSI Multipeptide Anti-Wrinkle Serum - Non-GMO – 1 oz
Rating:
Vitacost price: $16.00
Add to cart
Spend $25 or more on CSI brand products and get FREE SHIPPING!

Compare
CSI Telomere Fine Line Cream - Non-GMO – 1 oz
Rating:
Vitacost price: $12.00
Add to cart
Spend $25 or more on CSI brand products and get FREE SHIPPING!

Compare
CSI Amber Honey Exfoliating Scrub - Cream - Non-GMO – 1 oz
Rating:
Vitacost price: $22.80
Add to cart
Spend $25 or more on CSI brand products and get FREE SHIPPING!

Compare
CSI Rich Night Cream - Non-GMO – 0.5 oz
Rating:
Vitacost price: $13.60
Add to cart
Spend $25 or more on CSI brand products and get FREE SHIPPING!

Compare
CSI 4 Step Skin Care System - Non-GMO – 1 Kit
Rating:
20% off
Retail price: $45.40
Vitacost price: $36.31
Add to cart
Spend $25 or more on CSI brand products and get FREE SHIPPING!

Compare
50
CSI SkinBalm Blemish Drying Lotion - Non-GMO – 1 fl oz
Rating:
Vitacost price: $16.00
Add to cart
Spend $25 or more on CSI brand products and get FREE SHIPPING!

Compare
50
CSI Hyaluronic and Pycnogenol® Eye Cream - Non GMO – 0.5 oz
Rating:
Vitacost price: $11.99
Add to cart
Spend $25 or more on CSI brand products and get FREE SHIPPING!

Compare
50
CSI Wheat Milk Natural Cleanser - Non-GMO – 4 fl oz
Rating:
Vitacost price: $8.60
Add to cart
Spend $25 or more on CSI brand products and get FREE SHIPPING!

Compare
CSI CoQ10 Anti-Wrinkle Cream - Non-GMO – 1 fl oz
Rating:
Vitacost price: $14.99
Add to cart
Spend $25 or more on CSI brand products and get FREE SHIPPING!

Compare
Bio Science Institute Absolute Fuel – 120 Capsules
41% off
Retail price: $59.99
Vitacost price: $39.99
Sale price: $34.99
Add to cart

Compare
Bio Science Institute Absolute Fuel Xtreme – 120 Capsules
35% off
Retail price: $64.99
Vitacost price: $46.79
Sale price: $42.00
Add to cart

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EXHIBIT E

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

FORM 10-K

(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, 2013

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: 001-34468

VITACOST.COM, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**37-1333024** (I.R.S. Employer Identification Number)
5400 Broken Sound Blvd., NW, Suite 500 **Boca Raton, Florida** (Address of principal executive offices)	**33487** (Zip Code))

Registrant's telephone number, including area code: **(561) 982-4180**

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

Title of Each Class:	Name of Each Exchange on Which Registered
Common Stock, $0.00001 par value	The NASDAQ Stock Market LLC (NASDAQ Global Market)

Securities registered pursuant to Section 12(g) of the Act:

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 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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐	Accelerated Filer ☒	Non-Accelerated Filer ☐	Smaller Reporting Company ☐

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

As of June 28, 2013, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of voting and non-voting equity held by non-affiliates of the registrant was approximately $189.4 million. Shares of the registrant's common stock held by each executive officer and director have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 28, 2014, the registrant has 34,050,191 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be delivered to stockholders in connection with the registrant's 2014 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

VITACOST.COM, INC. FORM 10-K

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CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K contains trends, analyses and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenue or performance, capital expenditures, financing needs and other information that is not historical information. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expect," "plan," "anticipate," "believe," "estimate," "predict," "intend," "potential," "continue," "seek" or the negative of these terms or other comparable terminology or by discussions of strategy.

All forward-looking statements are based upon our current expectations and various assumptions and we do not assume any obligation to update any of these statements. We believe there is a reasonable basis for our expectations and beliefs, but they are inherently uncertain. We may not realize our expectations and our beliefs may not prove correct. Actual results could differ materially from those described or implied by such forward-looking statements and are subject to change due to the inherent risks and uncertainties, such as those disclosed or incorporated by reference in our filings with the SEC. Important factors that could cause our actual results, performance and achievements, or industry results to differ materially from the forward-looking statements are set forth in this Annual Report on Form 10-K under Part I, Item 1 — Business, Item 1A — Risk Factors and Part II, Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operation and include, among others:

- significant competition in our industry;
- unfavorable publicity or consumer perception of our products on the Internet;
- the incurrence of material product liability and product recall costs;
- costs of compliance and our failure to comply with government regulations;
- our inability to successfully defend intellectual property claims;
- our failure to keep pace with the changing demands and preferences of our customers for new products;
- the current global economic climate;
- disruptions in our information technology systems; and
- the lack of long-term experience with human consumption of some of our products with innovative ingredients.

Forward-looking statements in this Annual Report on Form 10-K speak only as of the date hereof, and forward-looking statements in documents attached that are incorporated by reference speak only as of the date of those documents. We do not undertake any obligations to update or release any revisions to any forward-looking statement or to report any events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

PART I

Item 1. Business.

Vitacost.com, Inc.

We are a leading online retailer of health and wellness products, including dietary supplements such as vitamins, minerals, herbs and other botanicals (which we refer to as "vitamins and dietary supplements"), as well as cosmetics, natural personal care products, pet products, sports nutrition and health foods. We sell these products directly to consumers primarily through our website, *www.vitacost.com*. We strive to offer our customers the broadest selection of healthy living products at extremely competitive prices, while providing superior customer service and timely delivery.

We offer our customers a broad selection of approximately 46,000 Stock Keeping Units ("SKUs"), from over 2,500 third-party brands, such as Garden of Life, New Chapter, Nature's Way, Nature's Plus, Source Naturals, Jarrow Formulas, Bob's Red Mill, Kind, Eden Foods, Avalon Organics, Jason, Desert Essence, BSN, Optimum Nutrition, USP Labs and MuscleTech in addition to our own proprietary brands: Vitacost, ARO, Glonaturals, Cosmeceutical Sciences Institute ("CSI"), Best of All and Smart Basics. We support our operations through our customer service center and our two distribution centers, delivering what we believe are industry-leading customer satisfaction results. Our website allows customers to easily browse and purchase products at prices typically significantly lower than manufacturers' suggested retail prices. Our website also serves as an educational resource for consumers seeking information on healthy living and the attributes of health and wellness supplements.

Our growth is driven primarily by our ability to expand our customer base and grow our product offerings. Our customers are typically individuals seeking value in their purchases of health and wellness products. Our active customer base, which we define as customers who have purchased from us within the last twelve months, has steadily increased from approximately 270,000 at the end of 2005 to approximately 2.2 million as of December 31, 2013. On average, our customers make purchases from us two to three times a year and during 2013, approximately 76% of our orders were placed by repeat customers.

Corporate Information

We were incorporated in Delaware in May 1994 and began operations as a catalog retailer of third-party vitamins and supplements under the name Nature's Wealth Company. In 1999, we launched Vitacost.com and introduced our proprietary vitamins and supplements. In 2000, we began operating under the name Vitacost.com, Inc. (the "Company", "Vitacost", or "Vitacost.com"). In September 2009, the Company completed its Initial Public Offering. On September 28, 2011, Vitacost.com, Inc. completed a restructuring whereby it merged with and into Vitacost Merger Corporation, a wholly owned subsidiary of Vitacost.com, Inc., with Vitacost Merger Corporation surviving the merger. The surviving company continues to operate the business under the name Vitacost.com, Inc.

Industry Overview

The expansion of the Internet has benefited online retailers by improving methods of communication, delivery of content and ease of commerce. At the same time, consumers are leveraging online resources to make informed healthcare, dietary and nutritional choices and related purchasing decisions.

U.S. Nutrition Industry. According to the Nutrition Business Journal ("NBJ"), total U.S. sales for the nutrition industry (including natural & organic food, functional foods, supplements and natural/organic personal care & household products) were estimated at $149.9 billion in 2013. The NBJ is forecasting U.S. sales for the total nutrition industry to grow at an 8.6% compound annual growth rate ("CAGR") over the next seven years, reaching $266.6 billion in 2020. Steady growth reflects an overall health and wellness trend in the U.S. with an increased focus by consumers on their diet, exercise and overall health. Products targeting weight management, sports nutrition, chemical-free cleaners, and specialty diets, such as gluten-free, are becoming mainstay purchases made by today's consumers. U.S. sales for the total nutrition industry through the Internet were estimated at $4.4 billion in 2013 and are forecast by the NBJ to grow significantly faster than the overall category, increasing at a 12.6% CAGR over the next seven years, reaching $10.1 billion by 2020.

U.S. Dietary Supplement Market. According to the NBJ, U.S. sales of dietary supplements (including vitamins, herbs, meal supplements and sports nutrition and specialty supplements) were estimated at $34.9 billion in 2013. The NBJ is forecasting U.S. sales of dietary supplements to grow at a 7.1% CAGR over the next seven years reaching $56.4 billion in 2020. The projected steady growth reflects customers' purchases of these natural products to protect their health and ward off more expensive medical visits and prescription drugs. The dietary supplement industry is highly fragmented with products sold through multiple channels including retailers such as mass merchants, grocery stores, drug stores and specialty retailers, as well as through direct mail, catalogs, multi-level marketers and the Internet. U.S. sales of dietary supplements through the Internet were estimated at $2.0 billion in 2013 and are forecast by the NBJ to grow significantly faster than the overall category increasing at an 11.4% CAGR over the next seven years, reaching $4.3 billion by 2020.

Our Value Proposition

We strive to offer our customers the broadest product selection of healthy living products at the best value, while providing superior customer service.

Broad Third-Party and Proprietary Product Selection. We offer approximately 46,000 SKUs representing over 2,500 brands, including nationally-recognized third-party brands and our proprietary brands. Our product selection is designed to appeal to a variety of demographic groups, including those seeking health maintenance and general well-being, individuals making household purchasing decisions for the family, baby boomers, the elderly and those with specific health concerns or goals. Our product selection regularly evolves as consumer preferences change.

Consistently Superior Value. We offer products at savings to our customers with prices typically significantly lower than manufacturers' suggested retail prices. We provide even greater savings to our customers through our proprietary product lines.

Superior Customer Services. Our website is designed to attract natural search traffic while providing a convenient, educational, secure and efficient shopping experience. Products are cross-indexed to allow consumers to easily locate and compare products when searching by brand, ingredient or keyword. In addition, we maintain a customer service center which provides customers with answers to product and technical questions as well as processes customer orders. Finally, customer orders are quickly and accurately processed in our fulfillment centers.

Growth Initiatives

Our growth strategy is based on the following key initiatives:

- *Expand Customer Base:* We are focused on acquiring new customers in an effort to expand our customer base. Historically, our customers have had high repeat order rates and lifetime values, as we primarily sell consumable products. We believe future top-line growth will stem from an expanded customer base and increasing our touch points on the internet to target customers directly where and how they shop. Our marketing activities are primarily focused on online initiatives such as search engine marketing, search engine optimization and developing a network of affiliates. In addition, we are leveraging our existing customer base to attract new customers through our "Refer a Friend" program, which rewards existing customers for signing up new customers.

- *Increase Brand and Company Awareness:* Our marketing strategy is designed to increase brand awareness and company awareness and drive highly targeted new and repeat customers to our website. To date, the majority of our advertising spending has been online through the use of keyword buys and developing a network of affiliates. As only a small percentage of US nutrition and supplement purchases are made through the online channel, we seek to target a wider audience of consumers through the use of offline advertising and introducing them to our value proposition and the Vitacost brand.

- *Expand Product Offerings:* We continue to increase our product offerings of both third party and proprietary products to drive traffic to our site and increase basket size as we strive to become the leading online destination for health and wellness products. We continue to add brands and line extensions in our core Vitamins, Minerals, Herbs and Supplements ("VMHS") category as well as in faster growing healthy living categories such as food, beauty, and sports nutrition. During 2013, we added nearly 6,000 net new SKUs, ending the year with approximately 46,000 SKUs live on our website.

- *Increase Lifetime Value by Increasing Frequency of Purchases and Improving Customer Retention:* As we continue to diversify our product offerings in the healthy living space, there is a renewed effort to educate customers on the breadth of our product offerings to increase total basket size and the frequency of purchases in order to drive greater lifetime value. We are also focused on increasing lifetime value per customer by improving customer retention through the use of automatic reordering programs along with targeted, personalized emails and promotional offers as well as continuing to improve the customer experience.

- *Expand our Mobile Business:* Our mobile sales continue to grow nicely and account for a larger percentage of our total business. Mobile sales increased nearly 100% year-over-year to 10% of total company sales in 2013. During 2013, we were named to Internet Retailer's 2014 Mobile 500, which profiles the leading mobile commerce retail leaders worldwide ranked according to estimated 2013 mobile web sales. Vitacost.com ranked #93 in the current report, moving up substantially from its #203 ranking in the prior year. Separately, we ranked #45 in the 2013 Mobile Commerce Conversion Index (MCCI), a report published by LightningBuy, a technology company specializing in creating mobile monetization platforms for its customers.

- *Expand our International Business*: Our international business also experienced high growth during 2013 with sales increasing over 50% year-over-year to 8% of total company sales, despite limited marketing efforts outside the United States. We currently ship products internationally to over 160 countries with our largest foreign markets being China, Australia, Brazil and Canada. We are now beginning to focus on improving the overall web and shipping experience for international customers. We believe continuing to grow our mobile and international businesses represents a significant long-term opportunity.

- *Expand and Optimize Distribution:* We believe that processing customer orders on a timely basis is a key component of customer satisfaction. Our long-term initiatives are to reduce processing time, while increasing our fulfillment capacity and driving efficiency in the cost of processing orders. In addition, we are also focused on reducing the time in transit for customers to receive their orders. During 2013, we implemented new regional carriers for deliveries on the east and west coasts and as of December 31, 2013 nearly 50% of all orders shipped were delivered in 2 business days or less. We believe fast transit times further add to our strong value proposition and overall customer satisfaction levels.

- *Improve Operating Efficiencies:* We are focused on improving operating efficiencies across our organization by reducing costs at our existing fulfillment centers primarily through improved labor productivity as well as gaining efficiency in our sales and marketing spend. We also seek to gain sales leverage on our fixed cost structure as we expand our overall sales.

Products

We provide online shoppers with one of the broadest selections of high-quality health and wellness products, including dietary supplements such as vitamins, minerals, herbs and other botanicals, as well as cosmetics, natural personal care products, pet products, sports nutrition and health foods. We offer products in a wide range of potency levels and dosage forms for our dietary supplements such as tablets, capsules, vegi-capsules, softgels, gelcaps, liquids, gummies, pill packets and powders. Our focus on providing a broad selection enables our customers to purchase products from preferred, trusted brands through a single, comprehensive source.

We offer products that encompass four main categories: Vitamins, Minerals, Herbs and Supplements (VMHS); Natural and Organic Food; Beauty and Sports Nutrition. As we have continued to diversify our product mix into non-VMHS categories, the percentage of revenue from the sale of VMHS products has declined. In 2013, sales of VMHS products accounted for 60.0% of total company sales compared to 65.0% of total company sales in 2012.

Vitamins, Minerals, Herbs and Supplements. VMHS products are generally taken to maintain or improve health and address specific health conditions. The Food and Drug Administration ("FDA") classifies these products under the term "dietary supplements." In this category, we offer our Vitacost branded products as well as third-party brands such as Garden of Life, New Chapter, Nature's Way, Nature's Plus, Source Naturals and Jarrow Formulas. Vitamin and mineral products include multi-vitamins, lettered vitamins, such as Vitamin A, C, D, E and B-complex, along with minerals such as calcium, magnesium, chromium and zinc. These products help prevent deficiencies that can occur when diet alone does not provide all of the necessary vitamins and minerals. Herbal products include whole herbs, standardized extracts, herb combination formulas and teas. Herbs offer a natural solution to address specific health concerns. Supplements include essential fatty acids, probiotics, anti-oxidants, phytonutrients and condition-specific formulas.

Sports Nutrition. Sports nutrition products are used in conjunction with cardiovascular conditioning, weight training and sports activities. Major categories in sports nutrition include protein and weight gain powders, meal replacements, nutrition bars, sports drinks and pre- and post-workout supplements to either increase energy or enhance recovery after exercise. We offer bodybuilding and sports products from third parties such as BSN, Optimum Nutrition, and MuscleTech as well as our ARO line of proprietary products.

Beauty. Our beauty category consists of a variety of natural products for skin, body, hair and oral health. We offer hundreds of natural personal care products from category leaders such as Avalon Organics, Jason and Desert Essence, as well as our Glonaturals and CSI proprietary products. These products appeal to allergen conscious, environmentally conscious, or socially conscious consumers seeking products that are made without harsh chemicals and additives or are not tested on animals.

Natural and Organic Food. Natural and organic food consists of organic and specialty products such as organic peanut butter, gluten free foods and low mercury tuna and salmon. We offer third-party brands such as Bob's Red Mill, Kind and Eden, as well as our Best of All proprietary products.

In 2013 and 2012, our proprietary brands accounted for approximately 20% and 22% of our net sales, respectively. Our proprietary brands include:

- *Vitacost:* Our Vitacost brand is our largest proprietary brand. Under the Vitacost brand, we offer nearly 900 products including multivitamins, minerals, herbs, amino acids, anti-oxidants and others, including a separate Whole Food line of non-GMO supplements and a Targeted Wellness line which provides specific ingredients to support healthy cholesterol levels, improve cognitive function, and reduce stress levels.

- *ARO*: We launched a new proprietary line of sports nutrition products in April of this year under the ARO label which stands for Attack, Recover and Optimize. The new ARO line includes pre- and post - workout formulas, protein powder, creatine, BCAAs, glutamine and other supplements designed to support and enhance athletic performance. We also launched a new line of diet shakes – called ARO Lean.

- *Glonaturals:* During 2013, we launched a new beauty line called Glonaturals which includes BB crèmes, argan oil and skincare; these botanically based products are infused with natural anti-aging ingredients including hyaluronic acid and coconut.

- *Cosmeceutical Sciences Institute:* Under our CSI brand, we market and sell health and beauty products such as facial cleanser, facial and body moisturizing creams and lotions, and other skincare products.

- *Best of All:* Under our Best of All brand, we market and sell organic food products such as banana chips, trail mix, almonds, cashews and more. We are in the process of rebranding and expanding our healthy snacks line with innovative, environmentally friendly packaging featuring water-based ink and BPA-free materials.

- *Smart Basics:* Under our Smart Basics brand, we market and sell organic fruit juices and extracts and related dietary supplements.

- *Walker Diet:* Under our Walker Diet brand, we market and sell low carb powders used to assist in weight loss and management.

Merchandising & New Product Development

We believe we carry most major domestic brands of VMHS products as well as many smaller specialty brands. We sell most of our suppliers' most popular product lines. We also offer our proprietary brands based on our own formulations. We currently stock approximately 46,000 SKUs at both of our fulfillment centers. Currently, no single SKU represents more than 2% of our net sales. In developing new proprietary products, we review our sales and cost data and customer feedback along with evaluating new industry trends.

Marketing

Our marketing strategy is designed to increase brand awareness and drive highly targeted new and repeat customers to our website. While we primarily use online advertising as our primary vehicle to reach consumers, we also employ email campaigns, customer referral and affiliate programs to acquire and retain our customer base. We are also actively embracing mobile technology and upgrading our mobile platform as we believe mobile will be a key source of new customers going forward given the rapid growth and increased acceptance of mobile shopping.

Online Marketing. We make our website available via keywords and shopping feeds on internet search engines including but not limited to: Google, Bing, Nextag and Shopzilla. Banner advertisements on display networks are also used to drive traffic to our website. In addition, we sell our products through Amazon.com while operating an affiliate program aimed at creating brand awareness through websites that participate in the LinkShare network.

Email Campaigns. Our email marketing campaigns distribute information on new arrivals, promotional discounts and product information to customers.

Direct Mail and Promotional Inserts. Direct mail is used on a limited basis to increase awareness of our proprietary brands and to target market to certain customer segments. We more commonly use promotional inserts included with customer orders.

Customer referrals. We operate a "Refer-A-Friend' program to further drive customers to our site. Any existing customer can "refer' a new customer to Vitacost and both are rewarded with a $10 credit to apply to an order of $30 or more on our Vitacost.com website.

Manufacturing

All of our manufacturing is provided by third party manufacturers. Each of our contract manufacturers is required to maintain high standards of quality control consistent with federal regulatory guidelines and manufacture our products according to our strict specifications. We have implemented vendor qualification programs for all of our suppliers and manufacturers, including full analytical testing of the products we purchase.

Customer Service

We strive to offer outstanding customer service with each customer's complete satisfaction as our goal. To achieve this goal, we maintain a fully staffed customer service center to respond to customers via incoming calls, e-mails and live-chat while providing accurate and timely shipping, all driven by our 5-Star Guarantee. We believe our customer service initiatives allow us to establish and maintain long-term customer relationships and facilitate repeat visits and purchases.