

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

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In re : **Chapter 11**
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VITAMIN WORLD, INC., et al., : **Case No. 17-11933 (KJC)**
: **Jointly Administered**
:

Debtors.¹ : **Related to Docket No. 2**
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**SUPPLEMENT TO DECLARATION OF FRANK CONLEY IN SUPPORT OF
DEBTORS’ CHAPTER 11 PETITIONS AND FIRST DAY MOTIONS**

I, Frank Conley, hereby declare under penalty of perjury,

1. I am the Chief Financial Officer of Vitamin World, Inc. (“**Retail**”), VW Online, Inc. (“**Online**”), Precision Engineered Limited (UBS) (“**Precision Engineered**”), Vitamin World (V.I.), Inc. (“**VW Virgin Islands**”), Vitamin Depot, LLC (“**Vitamin Depot**”), Vitamin World of Guam, LLC (“**VW Guam**”), and Nutrition Warehouse, Inc. (“**Nutrition Warehouse**”) and have knowledge from such positions regarding VWRE Holdings, Inc. (“**RE Holdings**”) and VW Interholdings, Inc. (“**Interholdings**”) and together with Retail, Online, Precision Engineered, VW Virgin Islands, Vitamin Depot, VW Guam, Nutrition Warehouse, and RE Holdings, “**Debtors**”).² I am generally familiar with Debtors’ day-to-day operations, business affairs, and books and records.

2. On September 11, 2017 (the “**Petition Date**”), Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”).

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Vitamin World, Inc. (2283); VWRE Holdings, Inc. (8915); VW Interholdings, Inc. (4744); VW Online, Inc. (8763); Precision Engineered Limited (USA) (0916); Vitamin World (V.I.), Inc. (9839); Vitamin Depot, LLC (6747); Vitamin World of Guam, LLC (2056); and Nutrition Warehouse, Inc. (5095). The Debtors’ mailing address is 4320 Veterans Highway, Holbrook, NY 11741.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motion (as hereinafter defined).

Debtors are operating their business and managing their property as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

3. I submit this declaration (this “**Supplemental Declaration**”) as a supplement to the *Declaration of Frank Conley in Support of Debtors’ Chapter 11 Petitions and First Day Motions* [Docket No. 2] (the “**First Day Declaration**”) to provide certain additional information regarding the Debtors and to correct and clarify certain statements made in the First Day Declaration.

4. Except as otherwise indicated, all facts set forth in this Supplemental Declaration are based on my personal knowledge, on information supplied to me by other members of Debtors’ management teams and/or professionals retained by Debtors, on information learned from my review of relevant documents, or on my opinion based upon my experience and knowledge of Debtors’ operations, financial condition, and present liquidity needs. If I were called upon to testify, I could and would testify competently to the facts set forth herein. I am authorized to submit this Declaration on behalf of each Debtor.

A. Cash Management

5. On the Petition Date, the Debtors filed a number of motions, including the *Motion for Interim and Final Orders (i) Authorizing (A) Continuation of Existing Cash Management System, (B) Maintenance of Existing Business Forms and Bank Accounts, (C) Continuation of Intercompany Transactions, and (D) Payment of Related Prepetition Obligations Pursuant to Sections 105(a), 363(b), and 363(c) of Bankruptcy Code and Bankruptcy Rules 6003 and 6004 and (ii) Waiving Requirements of Section 345(b) of Bankruptcy Code* [Docket No. 5] (the “**Cash Management Motion**”). In support thereof, the Debtors also submitted the First Day Declaration.

6. On September 14, 2017, the Court entered the *Interim Order (i) Authorizing (A) Continuation of Existing Cash Management System, (B) Maintenance of Existing Business Forms and Bank Accounts, (C) Continuation of Intercompany Transactions, and (D) Payment of Related Prepetition Obligations Pursuant to Sections 105(a), 363(b), and 363(c) of Bankruptcy Code and Bankruptcy Rule 6003 and 6004 and (ii) Waiving Requirements of Section 345(b) of Bankruptcy Code* [Docket No. 70] (the “**Interim Cash Management Order**”).

7. Following the entry of the Interim Cash Management Order, it came to the attention of the Debtors that, due to an oversight in gathering information crucial to the Cash Management Motion and the relief requested therein, the Cash Management Motion failed to disclose the Debtors’ obligations to certain credit card companies for fees associated with the Debtors’ acceptance of its customers’ credit cards (the “**Credit Card Fees**”).

8. In the ordinary course of business, both in-store and online customers use personal credit cards to fund purchases made in the Debtors’ retail and online stores.

9. To enable the Debtors to accept credit card transactions, the Debtors have entered into certain agreements with credit card companies, including but not limited to Chase Paymentech, American Express, and Discover, pursuant to which the credit card companies transfer funds into certain of the Debtors’ deposit accounts following a customer’s credit card purchase. These agreements also authorize the credit card companies to automatically deduct the Credit Card Fees from the funds they are holding before making such transfers, as compensation for the services of the credit card companies. Debtors estimate that they pay approximately \$210,000 in Credit Card fees each month.

10. Based on the previous three calendar months, Debtors' credit card sales average approximately \$9,560,000.00 each month and are therefore extremely important to the Debtors' business.

11. The Credit Card Fees represent a small fraction of the Debtors' total expenses but are crucial to the effective operation of the Debtors' business. If unable to pay the Credit Card Fees, Debtors would be unable to accept customer's personal credit cards for purchases, which would result in a tremendous loss of sales and would have a material adverse impact on the Debtors' operations.

12. On September 26, 2017, the Debtors filed their *Emergency Motion for Entry of an Order Authorizing Payment of Accrued Prepetition Credit Card Fees Pursuant to Sections 105(a), 363(b), and 363(c) of Bankruptcy Code and Bankruptcy Rules 6003 and 6004* (the "**Emergency Motion**"). I am familiar with the contents of the Emergency Motion, and I believe that the relief sought in the Emergency Motion (i) is necessary to enable Debtors to operate in chapter 11 with minimum disruption or loss of productivity or value; (ii) constitutes a critical element in achieving a successful bankruptcy process; and (iii) is in the best interests of Debtors, their estates and creditors.

13. The failure to account for payment of Credit Card Fees in the original Cash Management Motion was an oversight. The proposed increased amount is already accounted for in the budget accompanying the DIP Credit Agreement.

B. Business Operations

14. In the First Day Declaration and at the Initial Debtor Interview on September 19, 2017, I represented that Debtor Nutrition Warehouse owns and operates certain factory stores located in Sparks, Nevada and Bohemia, New York.

15. Upon review, it has been determined that said factory stores are instead owned and operated by Debtor Retail. Nutrition Warehouse does not perform any operations.

16. I also previously represented that Debtor Vitamin Depot manages the Debtors' wholesale distribution operations.

17. However, upon review, it has been determined that Debtors' wholesale distribution operations are managed instead by Debtor Retail. Vitamin Depot does not perform any operations.

18. To the best of my belief, any incorrect information provided in the First Day Declaration or at the Initial Debtor Interview was due to inadvertence and oversight, and has been corrected by this Supplemental Declaration. This Supplemental Declaration therefore amends any conflicting statements set forth in the First Day Declaration or made at the Initial Debtor Interview.

I declare under penalty of perjury that the forgoing is true and correct.

Dated: September 26, 2017

/s/ Frank Conley
Frank Conley
Authorized Representative