NUTRACEUTICAL INTERNATIONAL CORPORATION

ANNUAL REPORT
ON
FORM 10-K

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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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 September 30, 2016

or

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

for the transition period from to

Commission file number: 000-23731

NUTRACEUTICAL INTERNATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**87-0515089**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification Number)

1400 Kearns Boulevard, 2nd Floor
Park City, Utah 84060
(Address of principal executive offices including zip code)

Registrant's telephone number, including area code: **(435) 655-6106**

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

Common Stock, par value $.01 per share	**The NASDAQ Stock Market LLC**
(Title of class)	(Name of exchange on which registered)

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically 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 (§232.405 of this chapter) 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 (§229.405 of this chapter) is not contained herein and will not be contained, to the best of the 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 ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

The aggregate market value of voting stock held by non-affiliates of the Registrant as of March 31, 2016 at a closing sale price of $24.35 as reported by the NASDAQ Stock Market was approximately $198.7 million. Shares of common stock held by each officer and director and by each person who owns or may be deemed to own 10% or more of the outstanding common stock have been excluded since such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of November 15, 2016, the Registrant had 9,204,266 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement to be used in connection with the solicitation of proxies for the Registrant's 2017 Annual Meeting of Stockholders are incorporated by reference in Part III of this Annual Report on Form 10-K.

Special Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to our financial condition, results of operations and business. These forward-looking statements can be identified by the use of terms such as "believe," "expects," "plan," "intend," "may," "will," "should," "can" or "anticipates," or the negative thereof, or variations thereon, or comparable terminology, or by discussions of strategy. Important factors that may cause our results to differ from these forward-looking statements include, but are not limited to:

- *changes in or new government regulations or increased enforcement of the same, including adverse determinations by regulators,*
- *unavailability of desirable acquisitions, inability to complete them or inability to integrate them,*
- *increased costs, including from increased raw material or energy prices,*
- *changes in general worldwide economic or political conditions,*
- *adverse publicity or negative consumer perception regarding nutritional supplements,*
- *issues with obtaining raw materials of adequate quality or quantity,*
- *litigation and claims, including product liability, intellectual property and other types,*
- *disruptions from or following acquisitions, including the loss of customers,*
- *increased competition,*
- *slow or negative growth in the nutritional supplement industry or the healthy foods channel,*
- *the loss of key personnel or the inability to manage our operations efficiently,*
- *problems with information management systems, manufacturing efficiencies and operations, including system interruptions and security/cybersecurity breaches,*
- *insurance coverage issues,*
- *the volatility of the stock market generally and of our stock specifically,*
- *increases in the cost of borrowings or unavailability of additional debt or equity capital, or both, or fluctuations in foreign currencies,*
- *interruption of business or negative impact on sales and earnings due to acts of God, acts of war, terrorism, bio-terrorism, civil unrest and other factors outside of our control, and*
- *other factors disclosed in this Report.*

These statements involve known and unknown risks, uncertainties and other factors that may cause industry trends or our actual results to be materially different from any future results expressed or implied by these statements. For a detailed discussion of these risks and uncertainties, see "Risk Factors" in Item 1A of this Annual Report on Form 10-K. We undertake no obligation to update or revise publicly any forward-looking statements to reflect new information, events or circumstances occurring after the date of this Annual Report on Form 10-K.

Industry data used throughout this report was obtained from industry publications and internal company estimates. While we believe such information to be reliable, its accuracy has not been independently verified and cannot be guaranteed.

NUTRACEUTICAL INTERNATIONAL CORPORATION
ANNUAL REPORT ON FORM 10-K
For The Fiscal Year Ended September 30, 2016

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PART I

Item 1. Business

We were incorporated in Delaware in 1993 and maintain our principal executive offices at 1400 Kearns Boulevard, 2nd Floor, Park City, Utah 84060. For convenience in this report, the terms "Company," "Nutraceutical," "we" and "us" may be used to refer to Nutraceutical International Corporation and/or its subsidiaries, except where indicated otherwise. Our telephone number is (435) 655-6106.

General

We are an integrated manufacturer, marketer, distributor and retailer of branded nutritional supplements and other natural products sold primarily to and through domestic health and natural food stores. Internationally, we market and distribute branded nutritional supplements and other natural products to and through health and natural product distributors and retailers. Our core business strategy is to acquire, integrate and operate businesses in the natural products industry that manufacture, market and distribute branded nutritional supplements. We believe that the consolidation and integration of these acquired businesses provides ongoing financial synergies through increased scale and market penetration, as well as strengthened customer relationships.

We manufacture and sell nutritional supplements and other natural products under numerous brands, including *Solaray*®, *KAL*®, *Dynamic Health*®, *Nature's Life*®, *LifeTime*®, *Natural Balance*®, *NaturalCare*®, *Health from the Sun*®, *Pioneer*®, *Nutra BioGenesis*®, *Life-flo*®, *Organix South*®, *Heritage Store*® and *Monarch Nutraceuticals*®.

We own neighborhood natural food markets, which operate under the trade names *The Real Food Company*™, *Thom's Natural Foods*™, *Cornucopia Community Market*™ and *Granola's*™. We also own health food stores, which operate under various trade names, including *Fresh Vitamins*™ and *Peachtree Natural Foods*®.

We manufacture and/or distribute one of the broadest branded product lines in the industry, with approximately 7,500 individual stock keeping units ("SKUs"), including approximately 750 SKUs exclusively sold internationally. We believe that, as a result of our emphasis on innovation, quality, loyalty, education and customer service, our brands are widely recognized in health and natural food stores and among their customers.

We were formed in 1993 to effect a consolidation strategy in the fragmented vitamin, mineral, herbal and other nutritional supplements industry (the "VMS Industry"). Since our formation, we have completed numerous acquisitions of businesses in the VMS Industry. As a result of these acquisitions, internal growth and cost management, we believe that we are well positioned to continue to capitalize on the consolidation that we believe is occurring in the VMS Industry.

Business Strategy

We target consumers searching for high quality nutritional and other natural products. We believe many of these consumers shop in sales channels that offer meaningful education, service and support to their customers.

The primary channel that offers this type of support to consumers in the United States has been health and natural food stores (the "Healthy Foods Channel"). Our primary focus has been and remains on this channel. This strategy has enabled us to benefit from the growth of the Healthy Foods Channel. The Healthy Foods Channel consists of approximately 17,000 retailers, including (i) independent health and natural food stores, (ii) health and natural food stores affiliated with local, regional and national health and natural food chains (including health and natural food store chains, such as Whole Foods Market, and vitamin store chains, such as Vitamin Shoppe and Vitamin World) and (iii) GNC stores. The Healthy Foods Channel principally caters to our primary target consumers: those who desire product education, service and high quality nutritional supplements and other natural products. We believe there are significant differences between mass market retailers (such as supermarkets, drugstores and warehouse clubs) that typically offer a limited selection of discounted natural products and lower-potency nutritional supplements and the Healthy Foods Channel, where natural ingredients, quality, potency, selection and customer support are emphasized. The growth rate of the Healthy Foods Channel is not at (and may not return to) levels achieved in the mid-1990s.

We believe we are among the largest suppliers of nutritional supplements to the Healthy Foods Channel that develop, manufacture, market and directly distribute a majority of their own products. We manufactured approximately 80% of our branded products in fiscal 2016 and believe that the quality of our products is among the highest in the industry. We market our branded products through one of the industry's largest sales forces dedicated to the Healthy Foods Channel. We seek to be a market leader in the development of new and innovative products, introducing approximately 200 new SKUs in fiscal 2016. We believe that we benefit from greater customer and product diversification than most of our larger competitors.

We believe that consumers seeking high quality products are also purchasing them through other channels, such as products available through health care practitioners and direct to consumer channels and we continue to seek opportunities through acquisitions to explore reaching our target consumers through these and additional channels.

Industry

According to *Nutrition Business Journal*, the retail natural products market (the "Natural Products Market") is comprised of the following submarkets: (i) personal care, (ii) natural and organic foods, (iii) functional foods, and (iv) vitamins, minerals and supplements. Historically, our primary focus has been on vitamins, minerals and supplements (the "VMS Market"), but recently we have increased our effort in other areas within the Natural Products Market.

Products

We primarily manufacture and market nutritional supplements and also sell certain other natural products. As of September 30, 2016, we sold approximately 7,500 SKUs, including approximately 750 SKUs exclusively sold internationally, under more than 60 different brands. Our products include: (i) vitamins and minerals, (ii) herbs, (iii) specialty formulas, (iv) personal care products, (v) liquid nutritional products, (vi) homeopathics, (vii) functional foods and (viii) other products. To accommodate consumer preferences, our products come in various formulations and delivery forms, including capsules, tablets, softgels, chewables, liquids, creams, sprays, powders and whole herbs.

We currently market our products through a multiple brand strategy to offer more customer choice and to encourage retailers to allocate additional shelf space to our brands. We have worked to enhance the strength of our brands by instituting business strategies that have included (i) consolidating or expanding our sales force in certain areas, as appropriate, to maximize each brand's geographic coverage, (ii) performance and growth-based incentives for sales representatives, (iii) introducing more sophisticated management information systems and (iv) periodic updating to brand packaging.

We also act as a distributor to the Healthy Foods Channel and to certain international markets for certain third-party brands.

Research and Development; Quality Control

We have a commitment to research and development and to introducing innovative products to correspond with consumer trends and scientific research. We believe that product quality and innovation are fundamental to our long-term growth and success. Through our research and development efforts, we seek to (i) test the safety, purity and potency of products, (ii) develop more effective and efficient means of producing ingredients for use in products, (iii) develop testing methods for ensuring and verifying the consistency of the dosage of ingredients included in our products, (iv) develop new, more effective product delivery forms and (v) develop new products either by combining existing ingredients used in nutritional supplements or identifying new ingredients that can be used in nutritional supplements. Our efforts are designed to lead not only to the development of new and improved products, but also to ensure effective manufacturing quality control measures. For the years ended September 30, 2016, 2015 and 2014, we incurred $3.7 million, $3.6 million and $3.8 million, respectively, in research and development expenses.

We conduct research and development in our own facilities. We currently employ various professionals in research and development and quality control with degrees in, among other things, chemistry, microbiology and engineering and, in many cases, these professionals have also received training in natural health food products. In addition, we retain the services of outside laboratories from time to time to validate our product standards and manufacturing protocols.

Our quality control program seeks to ensure the superior quality of our products and that they are manufactured in accordance with current Good Manufacturing Practices ("GMPs"). Our processing methods are monitored closely to ensure that only quality ingredients are used and to ensure product purity.

Marketing and Sales

We believe our marketing and sales efforts help to promote demand for our products by educating retailers, who in turn educate their customers, as to the quality and attributes of our natural nutritional supplements and other products. Our branded products are currently sold in the United States primarily in the Healthy Foods Channel. We believe that our products are attractive to retailers in the Healthy Foods Channel due to factors such as the strength of our brand names, the breadth of our product offerings, the quality and potency of our products and the availability of service, sales support and educational materials. We have developed various Internet sites (including *http://www.nutraceutical.com*) that provide information about our branded lines and the various products within each brand. *We have included our Internet site here and elsewhere only as an inactive textual reference. The information contained on the Internet site is not incorporated by reference into this Annual Report on Form 10-K.*

We employ a sales force dedicated to the Healthy Foods Channel. Our sales representatives periodically visit or otherwise contact health and natural food stores in their respective areas to assist in the solicitation of orders for products and provide related product sales assistance. We monitor and periodically update our payment structure for our sales force in order to ensure that appropriate incentives are provided for sales growth. We also sell products directly to certain retailers through our telephone customer service organization and certain products to both retailers and distributors and others directly to consumers. We have organized the majority of our marketing and sales efforts under a subsidiary company, NutraBrands, Inc.

Our marketing efforts are focused on product development, in-store marketing support and educating retailers to enhance their knowledge and awareness of our products and to enable them to then educate their customers about our products. Our marketing efforts are designed to foster relationships with our customers in the Healthy Foods Channel and to increase retailer and consumer awareness of our products.

Au Naturel, Inc., a subsidiary of Nutraceutical, was formed in fiscal 1995 for the purpose of marketing and/or selling our branded products internationally. During fiscal 2016, Au Naturel marketed products to distributors and other customers in approximately 70 countries. Au Naturel markets domestic branded products as well as custom-labeled versions of its domestic branded products internationally; however, many of its products must be modified to meet the specific labeling or formulation requirements of the relevant foreign country. In most foreign markets, Au Naturel sells to local distributors. However, in certain foreign markets (including the United Kingdom, the Netherlands, Norway and Sweden), Au Naturel markets and sells its products directly to retailers.

Monarch Nutraceuticals, Inc., a subsidiary of Nutraceutical, markets branded bulk products and custom blends. Monarch conducts marketing and sales for bulk materials domestically through a separate sales force and internationally directly to manufacturers and through distributors.

Manufacturing

Our manufacturing process generally consists of the following operations: (i) sourcing ingredients for products, (ii) warehousing raw ingredients, (iii) measuring ingredients for inclusion in products, (iv) blending, grinding, and chilsonating ingredients into a mixture with a homogeneous consistency and (v) encapsulating, tableting, pouring, pouching, bagging or boxing the blended mixture into the appropriate dosage form using either automatic or semiautomatic equipment. The next step, bottling and packaging, involves placing the product in packaging with appropriate tamper-evident features and sending the packaged product to a distribution point for delivery to retailers. We place special emphasis on quality control, including raw material verification, homogeneity testing, weight deviation measurements and quality sampling. See "Research and Development; Quality Control."

We manufactured approximately 80% of our branded products in fiscal 2016, based on net sales. By manufacturing the majority of our own products, we believe that we maintain better control over product quality and availability while also reducing production costs. Our manufacturing operations are performed primarily in our facilities located in the greater Ogden, Utah area, although we also have a cream manufacturing operation in Phoenix, Arizona, liquid manufacturing operations in Brooklyn, New York and Tulsa, Oklahoma and personal care manufacturing operations in Tampa and Bowling Green, Florida and Sebastopol, California. We have a working relationship with numerous outside manufacturers, including softgel manufacturers and packagers and utilize these outside sources from time to time. Manufacturing backlogs, to the extent they may exist from time to time, do not have a material impact on delivery time to the customer. We have organized our manufacturing operations under various subsidiary companies.

Management Information and Communication Systems

We use customized computer software systems, as well as commercially-packaged software, for handling order entry and invoicing, manufacturing, inventory management, shipping, warehouse operations, customer service inquiries, accounting operations and management information. We believe that these systems have improved operating efficiencies and customer service.

Materials and Suppliers

We employ a purchasing staff that works with marketing, product development, formulations and quality control personnel to source raw materials for products as well as other items purchased by us. Raw materials are sourced principally from the United States, Europe and China. Raw materials used by us are available from a variety of suppliers and no one supplier accounted for more than 6% of our total raw material purchases in fiscal 2016. We seek to mitigate the risk of a shortage of raw materials through our relationships with our principal suppliers, including identification of alternative suppliers for the same, or similar, raw materials where available. We also manufacture bulk branded products to allow more extensive vertical integration and to improve the quality and consistency of raw materials.

Government Regulation

The formulation, manufacturing, packaging, labeling, advertising, distribution and sale (hereafter, "sale" or "sold" may be used to signify all of these activities) of our products are subject to regulation by one or more federal agencies, primarily the Food and Drug Administration ("FDA") and the Federal Trade Commission ("FTC"), and to a lesser extent the Consumer Product Safety Commission ("CPSC"), the United States Department of Agriculture, and the Environmental Protection Agency. Our activities are also regulated by various governmental agencies for the states and localities in which our products are sold, as well as by governmental agencies in certain countries outside the United States in which our products are sold. Among other matters, regulation by the FDA and the FTC is concerned with product safety and claims made with respect to a product's ability to provide health-related benefits. Specifically, the FDA, under the Federal Food, Drug, and Cosmetic Act ("FDCA"), regulates the formulation, manufacturing, packaging, labeling, distribution, and sale of food, including dietary supplements and over-the-counter ("OTC") drugs. The FTC regulates the advertising of these products. The National Advertising Division ("NAD") of the Council of Better Business Bureaus oversees an industry-sponsored, self-regulatory system that permits competitors to resolve disputes over advertising claims. The NAD has no enforcement authority of its own, but may refer matters that appear to violate the FTC Act or the FDCA to the FTC or the FDA for further action, as appropriate.

Federal agencies, primarily the FDA and the FTC, have a variety of procedures and enforcement remedies available to them, including initiating investigations, issuing warning letters and cease-and-desist orders, requiring corrective labeling or advertising, requiring consumer redress (for example, requiring that a company offer to repurchase products previously sold to consumers), seeking injunctive relief or product seizures, imposing civil penalties or commencing criminal prosecution. In addition, certain state agencies have similar authority. These federal and state agencies have in the past used these remedies in regulating participants in the food, dietary supplement and over-the-counter drug industries, including the imposition of civil penalties in the millions of dollars against a few industry participants.

Some of our products are regulated as conventional foods under the Nutrition Labeling and Education Act of 1990 ("NLEA"). The NLEA amended the FDCA to establish additional requirements for ingredient and nutrition labeling and labeling claims for conventional foods. In May 2016, the FDA issued a final rule to significantly revise the nutrition labeling requirements for conventional foods. As a result, we will need to revise all our conventional food product labels by July 2018. Most of our products are classified as dietary supplements. The FDA's revision of nutrition labeling requirements also affects the nutrition labeling of certain dietary supplements. We will also have to revise the label for a significant number of our dietary supplements in the next two years. Moreover, we may need to reformulate products to maintain eligibility for certain marketing claims.

The Dietary Supplement Health and Education Act ("DSHEA") was enacted in 1994, amending the FDCA. Among other things, DSHEA prevents the FDA from regulating dietary ingredients in dietary supplements as "food additives" and allows the use of statements of nutritional support on product labels and in labeling. DSHEA establishes a statutory class of "dietary supplements," which includes vitamins, minerals, herbs, amino acids and other dietary ingredients for human use to supplement the diet. Dietary ingredients marketed in the United States before October 15, 1994 may be marketed without the submission of a "new dietary ingredient" ("NDI") premarket notification to the FDA. Dietary ingredients not marketed in the United States before October 15, 1994 may require the submission, at least 75 days before marketing, of an NDI notification containing information establishing that the ingredient is reasonably expected to be safe for its intended use. The FDA has issued final regulations under DSHEA.

As required by Section 113(b) of the Food Safety Modernization Act, the FDA published in July 2011 a draft guidance document clarifying when the FDA believes a dietary ingredient is an NDI, when a manufacturer or distributor must submit an NDI premarket notification to the FDA, the evidence necessary to document the safety of an NDI and the methods for establishing the identity of an NDI. Industry strongly objected to several aspects of the draft guidance. In 2016, the FDA issued revised draft guidance on what constitutes an NDI and NDI notification requirements. Regardless of whether the FDA finalizes this draft guidance, the FDA has recently acted more aggressively to remove ingredients from the market that the FDA views as unlawful dietary ingredients. This trend, if it continues, may limit the dietary supplement market. Several bills to amend DSHEA in ways that would make this law less favorable to consumers and industry have been proposed in Congress.

The FDA issued a Final Rule on GMPs for dietary supplements on June 22, 2007. The GMPs cover manufacturers and holders of finished dietary supplement products, including dietary supplement products manufactured outside the United States that are imported for sale into the United States. Among other things, the new GMPs: (a) require identity testing on all incoming dietary ingredients, (b) call for a "scientifically valid system" for ensuring finished products meet all specifications, (c) include requirements related to process controls, including statistical sampling of finished batches for testing and requirements for written procedures and (d) require extensive recordkeeping. We have reviewed the GMPs and have taken steps to ensure compliance. While we believe we are in compliance, there can be no assurance that our operations or those of our suppliers will

be in compliance in all respects at all times. Additionally, there is a potential risk of increased audits as the FDA and other regulators seek to ensure compliance with the GMPs.

On December 22, 2006, Congress passed the Dietary Supplement and Nonprescription Drug Consumer Protection Act, which went into effect on December 22, 2007. The law requires, among other things, that companies that manufacture or distribute nonprescription drugs or dietary supplements report serious adverse events allegedly associated with their products to the FDA and institute recordkeeping requirements for all adverse events (serious and non-serious). There is a risk that consumers, the press and government regulators could misinterpret reported serious adverse events as evidence of causation by the ingredient or product complained of, which could lead to additional regulations, banned ingredients or products, increased insurance costs and a potential increase in product liability litigation, among other things.

The Food and Drug Administration Amendments Act of 2007 amended the FDCA to prohibit, with certain exceptions, the marketing of foods to which a drug or biological product has been added. The meaning of this provision remains unclear. Although the FDA has requested comments on the interpretation of this provision, it has not taken any further actions. This provision could have an impact on the marketing of some of our products.

The Consumer Product Safety Improvement Act of 2008 ("CPSIA") primarily addresses children's product safety but also improves the administrative process of the CPSC. Among other things, the CPSIA requires testing and certification of certain products and enhances the CPSC's authority to order recalls.

The FDA Food Safety Modernization Act ("FSMA"), enacted January 4, 2011, amended the FDCA to significantly enhance the FDA's authority over various aspects of food regulation. The FSMA granted the FDA mandatory recall authority when the FDA determines there is a reasonable probability that a food is adulterated or misbranded and that the use of, or exposure to, the food will cause serious adverse health consequences or death to humans or animals. Other changes include the FDA's expanded access to records; the authority to suspend food facility registrations and require high risk imported food to be accompanied by a certification; stronger authority to administratively detain food; the authority to refuse admission of an imported food if it is from a foreign establishment to which a U.S. inspector is refused entry for an inspection; and the requirement that importers verify that the foods they import meet domestic standards.

One of the FSMA's more significant changes is the requirement of preventive controls for food facilities required to register with the FDA, except dietary supplement facilities in compliance with GMPs and with the serious adverse event reporting requirements. Although dietary supplement facilities are exempt from the preventative controls requirements, dietary ingredient facilities do not qualify for the exemption. The FDA issued a final rule regarding the preventative controls and good manufacturing practice regulations on September 17, 2015. The rules require that facilities develop and implement preventive controls (including supplier controls) to assure that identified hazards are significantly minimized or prevented, monitor the effectiveness of the preventive controls, and maintain numerous records related to those controls. With some exceptions, the compliance date for our company was September 19, 2016. The preventative controls requirements may increase the costs of dietary ingredients and affect our ability to obtain dietary ingredients. Another significant change related to FSMA is the requirement that importers implement a foreign supplier verification program ("FSVP"). Once implemented, the FSVP requirements may affect the cost and the availability of dietary supplements and dietary ingredients.

The new FSMA requirements, as well as potential FDA enforcement actions based on the NDI draft guidance as written, could require us to incur additional expenses, which could be significant, and negatively impact our business in several ways, including, but not limited to, the detention and refusal of admission of imported products, the injunction of manufacturing of any dietary ingredients or dietary supplements until the FDA determines that such ingredients or products are in compliance and the potential imposition of fees for reinspection of noncompliant facilities. Each of these events would increase our liability and could have a material adverse effect on our financial condition, results of operations or cash flows.

The FTC and the FDA have pursued a coordinated effort to challenge what they consider to be unsubstantiated and unsafe weight-loss products, and have also coordinated enforcement against dietary supplement claims in other areas, including children's products. Their efforts to date have focused on manufacturers and marketers as well as media outlets, and have resulted in a significant number of investigations and enforcement actions, some resulting in civil penalties under the FTC Act of several million dollars. We expect that the FTC and the FDA will continue to focus on health-related claims for dietary supplements and foods, and our products could be the subject of an FTC/FDA inquiry.

We market various OTC homeopathic drug products. Homeopathic drugs have a unique status under the FDCA because, unlike other drugs, the FDA does not evaluate homeopathic drugs for safety or efficacy prior to marketing. Instead, homeopathic drugs must meet the standards of strength, quality, and purity set forth in the Homeopathic Pharmacopeia of the United States ("HPUS"). The FDA has established a policy addressing the lawful sale of homeopathic drugs under the FDC Act. *See* Compliance Policy Guide ("CPG") 7132.15, "Conditions Under Which Homeopathic Drugs May Be Marketed," CPG Manual § 400.400 (revised March 1995). Under this compliance policy, the FDA generally exempts a homeopathic drug from

regulation as a new drug if: the active ingredient is the subject of a HPUS monograph; the product does not include non-homeopathic active ingredients; the product is homeopathically prepared; the claims (indications) are consistent with homeopathic usage for the active ingredient(s) in the product, as described in a recognized "materia medica" and the OTC homeopathic drug product is intended solely for self-limiting diseases amenable to self-diagnosis and treatment by consumers. CPG 7132.15. In 2015, homeopathic products received increased regulatory scrutiny. In March 2015, the FDA solicited comments about the current use of human drug and biological products labeled as homeopathic, and the FDA's regulatory framework for such products. The FDA announced that it is evaluating its current enforcement policies for these homeopathic products from scientific, risk, and process perspectives. In contrast to the FDA, the FTC treats homeopathic drugs similar to other OTC drugs. The FTC also is evaluating advertising for homeopathic products and held a workshop in 2015 to address potential issues regarding the FDA's and the FTC's requirements for homeopathic products. The potential impacts of the FDA and the FTC efforts are unclear, but it is possible that these products may be held to a higher standard of substantiation than has traditionally been the case. Such a change could significantly impact the ability to market these products in the United States.

In recent years, state courts have concluded that, because homeopathic drugs are not approved or marketed pursuant to an FDA regulation, claims against a manufacturer of a homeopathic drug are not preempted by the FDCA. Consequently, plaintiff's actions under state consumer protection laws for lack of substantiation have been allowed to proceed. Ignoring the unique character of homeopathic drug products, plaintiff's claims in these actions have been based on the evidence standard applied to conventional drugs. Generally, these actions involve claims for significant monetary damages.

We market various dietary supplements and personal care products with organic claims. It is unclear whether these products and the organic claims on their labels are subject to the requirement of the Organic Food Production Act of 1990 and the National Organic Program ("NOP") implementing regulations. The NOP has made contradictory assertions. If the NOP asserts jurisdiction in the future, this would have a material impact on our ability to market these products.

All states regulate foods and drugs under laws that generally parallel federal statutes. We are also subject to state consumer health and safety regulations, such as the California Safe Drinking Water and Toxic Enforcement Act of 1986 ("Proposition 65"). Violation of Proposition 65 may result in substantial monetary penalties and compliance with Proposition 65 is a major focus. Contemplated changes in the Proposition 65 labeling requirements could potentially lead to substantial costs. Current legislation in Massachusetts regarding restrictions on weight loss and sports nutrition products could also impact the marketing of dietary supplements generally. Further, state attorneys general have pressured industry to adopt DNA testing for herbal-based products to assure plant identity, and have taken other actions relating to dietary ingredient status. It is uncertain whether these efforts will have a material impact on the dietary supplement market.

In the past years, there have been several proposals to amend the FDCA to include additional requirements for personal care products and to include requirements for Good Manufacturing Practices, registration, safety review, adverse event reporting and mandatory recall provisions for personal care products. If successful, any of these bills could have a material impact on the personal care market.

In July 2016, the National Bioengineered Food Disclosure Standard was enacted. This law mandates that the Agricultural Marketing Service of the USDA develop regulations for the labeling of foods that contain ingredients that have been genetically engineered. Implications and applicability of this law to our products are not clear and impact of this law on our business is uncertain.

The sale of our products in countries outside the United States is regulated by the governments of those countries. Our plans to commence or expand sales in those countries may be prevented or delayed or even suspended by such regulations or by regulators in those countries. In countries in which we have distributors, compliance with such regulations is generally undertaken by our distributors, but even in these cases we assist with such compliance and in many cases may be liable if a distributor fails to comply. These distributors are independent contractors over whom we have limited control. In certain countries, we distribute our products through our own subsidiary or branch; in these countries we retain responsibility for compliance with all applicable regulations. These countries currently include the United Kingdom, the Netherlands, Norway, Sweden, and certain Caribbean Islands.

In some countries or areas, including those in which we operate or into which we sell, there are new regulations or proposed regulations that may or will prohibit the sale of certain products or certain combination products (such as products containing both vitamins and botanicals) or the use of certain common ingredients, or levels above certain established limits.

As a result of our efforts to comply with applicable statutes and regulations, we have from time to time reformulated, eliminated or relabeled certain of our products and revised certain provisions of our marketing and sales program. We have also suspended or halted sales in certain cases.

Concerns over weather patterns have led to the threat of increased United States and international regulations being imposed on companies to limit greenhouse gas emissions. Increased regulations regarding greenhouse gas emissions could

impose increased energy, shipping and raw material costs on us. Until the timing, scope and extent of such regulations becomes known, we cannot predict their effect on our results of operations.

Competition

The Natural Products Market and the VMS Market are highly competitive. Our principal competitors in the VMS Market that sell to the Healthy Foods Channel include a number of large, nationally-known brands (such as Bluebonnet, Country Life, Garden of Life, Jarrow Formulas, Natural Factors, Nature's Plus, Nature's Way, Nordic Naturals, Now Foods, New Chapter and Solgar) and many smaller brands, manufacturers and distributors of nutritional supplements. Within the broader Natural Products Market, there are a number of large, nationally-known competitors, such as Hain Celestial, GNC, Nature's Bounty and Vitamin Shoppe. The sale of products through internet stores continues to expand in accounts like Vitacost, Vitamin Shoppe, iHerb, Lucky Vitamin and Amazon. Many of these internet stores also sell competitive private label products. Because both the Natural Products Market and the VMS Market generally have low barriers to entry, additional competitors enter the market regularly.

Private label products of our customers also provide competition to our products. Whole Foods Market, Vitamin Shoppe, Sprouts Farmers Market, Natural Grocers and many health and natural food stores also sell a portion of their offerings under their own private labels. Private label products are often sold at a discount to branded products. We have positioned certain of our brands to meet the needs of our customers in this area of the VMS Market.

We believe that health and natural food stores are increasingly likely to align themselves with those companies that offer a wide variety of high-quality products, have a loyal consumer base, support their brands with strong marketing and education programs and provide consistently high levels of customer service. We believe that we compete favorably with other nutritional supplement companies because of our comprehensive line of products and brands, premium brand names, commitment to quality, ability to rapidly introduce innovative products, competitive pricing, strong and effective sales force and distribution strategy and sophisticated marketing and promotional support. The wide variety and diversity of the forms, potencies and categories of our products are important points of differentiation between us and many of our competitors.

With regard to the mass market retail channel of distribution, our sales are focused primarily in limited SKUs in the *Body Gold*® and *Natural Balance*® lines. These lines were selling to the mass market channel when acquired. We do not consider this channel to be an area of primary focus. It is possible that as increasing numbers of companies (or brands of companies) sell nutritional supplement products and other natural products in the mass market channels (such as Pharmavite (Nature Made), Carlyle Group (Nature's Bounty), Reckitt Benckiser (Schiff), Hain Celestial and Church & Dwight), these product offerings may affect sales in the Healthy Foods Channel.

We also compete with distributors that sell products to the Healthy Foods Channel as well as the mass market retail channel (such as United Natural Foods, Select Nutrition and KeHE Distributors). In addition, several major pharmaceutical companies continue to offer nutritional supplement lines in the mass market, including Pfizer (Centrum) and Bayer (One-A-Day). Some of these nutritional supplements purport to use proprietary manufacturing techniques or delivery forms. Moreover, pharmaceutical companies offer prescription and over-the-counter products that are or may be competitive with nutritional supplements, particularly with regard to certain categories of products.

Intellectual Property

We own more than 350 trademarks that have been registered with the United States Patent and Trademark Office and have filed applications to register additional trademarks. In addition, we claim domestic trademark and service mark rights in numerous additional marks that we use. We own a number of trademark registrations in countries outside the United States. Federally registered trademarks in the United States have a perpetual life, as long as they are maintained and renewed on a timely basis and used properly as trademarks, subject to the rights of third parties to seek cancellation of the trademarks if they claim priority or confusion of usage. Most foreign trademark offices use similar trademark renewal processes. We regard our trademarks and other proprietary rights as valuable assets and believe they make a significant positive contribution to the marketing of our products.

We protect our legal rights concerning our trademarks by appropriate measures, which may include legal action. We possess a portfolio of both registered and unregistered (i.e., common law) trademarks. In certain circumstances, we seek and obtain registrations for our trademarks, which may confer certain advantages, and the decision to register a trademark is made on a case by case basis. We have registered and intend to register certain trademarks in certain limited jurisdictions outside the United States where our products are sold, but we may not register all or even some of our trademarks in every country in which we conduct business or intend to conduct business.

We own eight U.S. patents and have filed four additional patent applications but generally do not seek patent protection for our products. Our patents expire between July 2017 and December 2026. We sell a number of products that include patented

ingredients. We purchase these ingredients from parties that we believe have the right to manufacture and sell those ingredients to us. However, there are a large number of patents that have been granted or applied for in the dietary supplement industry, and there may be an increased possibility that third parties will seek to compel us and our competitors to purchase their patented ingredients or file infringement actions. The cost of these patented ingredients is typically higher than the cost of non-patented ingredients.

We are currently involved in various patent and trademark cases that have arisen in the ordinary course of business. See "Legal Proceedings."

Employees

At September 30, 2016, we employed approximately 810 full-time and approximately 80 part-time employees. None of our employees is represented by a collective bargaining unit. We believe that we have a good relationship with our employees.

Available Information

The SEC maintains an Internet site (*http://www.sec.gov*) that contains reports, proxy and information statements and other information regarding us. Our Annual Report on Form 10-K filed with the SEC includes all exhibits required to be filed with the SEC. We make available, free of charge, on our website (*http://www.nutraceutical.com*), our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such reports are available as soon as is reasonably practicable after we electronically file such materials with the SEC. Additionally, copies of this Annual Report on Form 10-K are available without charge upon request. Please contact us to request copies of this Annual Report on Form 10-K at (435) 655-6106.

Executive Officers

The following table sets forth certain information concerning our executive officers:

Name	Age	Position
Frank W. Gay II.	70	Director, Chairman of the Board and Chief Executive Officer
Bruce R. Hough.	62	President
Jeffrey A. Hinrichs	59	Director, Executive Vice President, Chief Operating Officer and Secretary
Gary M. Hume	67	Executive Vice President
Stanley E. Soper	53	Vice President, Legal Affairs and Assistant Secretary
Cory J. McQueen	47	Vice President and Chief Financial Officer
Christopher B. Neuberger	49	Vice President, Marketing and Sales
Daren P. Peterson	54	Vice President, Operations
Jason D. Jones	46	Vice President, Corporate Strategy
Matthew A. Vance.	45	Vice President and Chief Information Officer
Andrew W. Seelos.	49	Assistant Vice President and Controller

Frank W. Gay II has served as the Chairman of our Board of Directors since our inception and as Chief Executive Officer since 1994. Mr. Gay received a master's degree in business administration from Harvard Business School.

Bruce R. Hough was made our President in 1994. Prior to joining Nutraceutical, Mr. Hough acted as a consultant from 1991 to 1993 and as President of Keystone Communications, a telecommunications firm, from 1987 to 1991. Mr. Hough received a bachelor of science degree from the Marriott School of Management at Brigham Young University.

Jeffrey A. Hinrichs has served as our Executive Vice President and Chief Operating Officer since 1994 and as a member of our Board of Directors since 1998. Prior to joining Nutraceutical, Mr. Hinrichs served as President of Solaray from 1993 to 1994 and as Chief Financial Officer, and in other management positions, with Solaray from 1984 to 1993. Mr. Hinrichs received a bachelor of science degree from Weber State University.

Gary M. Hume has served as our Executive Vice President since September 1999. Prior to joining Nutraceutical, Mr. Hume was President and CEO of Murdock Madaus Schwabe (Nature's Way) from 1995 to 1999. Prior to joining Nature's Way, Mr. Hume was President of Tree of Life's Southwest Division for over twenty years. Mr. Hume received a bachelor of arts degree from Southwestern Union College.

Stanley E. Soper joined Nutraceutical in 1997 as Vice President, Legal Affairs. From September 1999 until March 2001, Mr. Soper founded and was employed at a technology startup. He rejoined Nutraceutical in his previous position in March 2001. Mr. Soper was in private law practice from 1991 to 1997, most recently with Holland & Hart LLP. Mr. Soper received a J.D. from Yale Law School.

Cory J. McQueen joined Nutraceutical in March 1995 as Assistant Controller. Mr. McQueen became Controller in October 1997 and was appointed Vice President in February 2001. In April 2007, Mr. McQueen became Chief Financial Officer. Prior to joining Nutraceutical, he was employed by Price Waterhouse LLP. Mr. McQueen received a master's degree in accounting from the University of Utah and is a Certified Public Accountant.

Christopher B. Neuberger joined Nutraceutical in August 1995 as Director of Marketing for the Premier One brand. Mr. Neuberger left Nutraceutical from March 1997 to December 1997 while he was employed by Weider Nutrition International, Inc. Mr. Neuberger became President of NutraBrands, our marketing and sales subsidiary in March 1999 and was appointed as our Vice President, Marketing and Sales in April 2005. Mr. Neuberger was previously employed by Melaleuca, Inc. Mr. Neuberger received his master's degree in business administration from Thunderbird, The Garvin School of International Management.

Daren P. Peterson joined Nutraceutical in 1994 as Controller. Mr. Peterson served in other management positions prior to his appointment as Vice President, Operations in March 2009. Prior to joining Nutraceutical, Mr. Peterson served in various positions with Solaray from 1985 to 1994. Mr. Peterson received a master's degree in accounting from Weber State University.

Jason D. Jones joined Nutraceutical in July 1998 as Director of Sales and subsequently as Vice President of Sales from 2000 to 2005. Mr. Jones left Nutraceutical from February 2005 to March 2009 to work as President of Ken Garff Sports & Entertainment. He rejoined Nutraceutical as Group Vice President of Strategic Development and was appointed Vice President, Corporate Strategy in January 2015. Mr. Jones received his master's degree in business administration from Brigham Young University.

Matthew A. Vance joined Nutraceutical in 2007 as Chief Information Officer. In January 2015, Mr. Vance was appointed Vice President and Chief Information Officer. Prior to joining Nutraceutical, Mr. Vance worked for Kirby Corporation and as a consultant in software development. Mr. Vance received a master's degree in business administration from The University of Texas at Austin.

Andrew W. Seelos joined Nutraceutical in March 1997 as Assistant Controller. Mr. Seelos was appointed Assistant Vice President and Controller in April 2007. Prior to joining Nutraceutical, he was employed by Price Waterhouse LLP. Mr. Seelos received a master's degree in accounting from Brigham Young University and is a Certified Public Accountant.

Item 1A. Risk Factors

Our business routinely encounters and addresses risks, some of which may cause our future results to be different than we currently anticipate. The risk factors described below represent our current view of some of the most important risks facing our businesses and are important to understanding our business. The following information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included in this Annual Report on Form 10-K. This discussion includes a number of forward-looking statements. You should refer to the description of the qualifications and limitations of forward-looking statements under "Special Note Regarding Forward-Looking Statements" above.

Regulatory, Legal and Insurance Risks

Our products are subject to government regulation, both in the United States and abroad, which could increase our costs significantly and limit or prevent the sale of our products. The manufacture, packaging, labeling, advertising, promotion, distribution, and sale of our products are subject to regulation by numerous national and local governmental agencies in the United States and other countries. The primary regulatory bodies in the United States are the FDA and the FTC, and we are also subject to similar regulators in other countries. Failure to comply with these regulatory requirements may result in various types of penalties or fines. These include injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. Individual states also regulate nutritional supplements. A state may interpret claims or products presumptively valid under federal law as illegal under that state's regulations. In markets outside the United States, we are usually required to obtain approvals, licenses, or certifications from a country's ministry of health or comparable agency, and comply with local labeling and packaging regulations, all of which vary from country to country. Approvals or licensing may be conditioned on reformulation of products or may be unavailable with respect to certain products or product ingredients. Any of these government agencies, as well as legislative bodies, can change existing regulations, or impose new ones, or could take aggressive measures, causing or contributing to a variety of negative consequences, including:

- requirements for the reformulation of certain or all products to meet new standards,
- the recall or discontinuance of certain or all products,
- additional record keeping,
- expanded documentation of the properties of certain or all products,
- expanded or different labeling,
- adverse event tracking and reporting, and
- additional scientific substantiation.

Any or all of these requirements could have a material adverse effect on us. There can be no assurance that the regulatory environment in which we operate will not change or that such regulatory environment, or any specific action taken against us, will not result in a material adverse effect on us.

If we experience product recalls, we may incur significant and unexpected costs, and our business reputation could be adversely affected. We may be exposed to product recalls and adverse public relations if our products are alleged to cause injury or illness, or if we are alleged to have violated governmental regulations. A product recall could result in substantial and unexpected expenditures, which would reduce operating profit and cash flow. In addition, a product recall may require significant management attention. Product recalls may hurt the value of our brands and lead to decreased demand for our products. Product recalls also may lead to increased scrutiny by federal, state or international regulatory agencies of our operations and increased litigation and could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We may experience product liability claims and litigation to prosecute such claims, and although we maintain product liability insurance, which we believe to be adequate for our needs, there can be no assurance that our insurance coverage will be adequate or that we will be able to maintain adequate insurance coverage. As a manufacturer and a distributor of products for human consumption, we experience product liability claims and litigation to prosecute such claims. Additionally, the manufacture and sale of these products involves the risk of injury to consumers as a result of tampering by unauthorized third parties or product contamination. We carry insurance coverage in the types and amounts that we consider reasonably adequate to cover the risks we face. If insurance coverage is inadequate or unavailable or premium costs continue to rise, we may face additional claims not covered by insurance, and claims that exceed coverage limits or that are not covered could have a material adverse effect on us.

We are party to a number of lawsuits that arise in the ordinary course of business and may become party to others in the future. We are party to a number of lawsuits that arise in the ordinary course of business and may become party to others in the future. The possibility of such litigation, and its timing, is in large part outside our control. Some of these lawsuits may involve class action claims, which by virtue of involving a large number of potential class members, may require increased costs of defense and risk. While none of the current individual lawsuits in which we are involved are reasonably estimable to be material as of the date of this filing, it is possible that future litigation could arise, or developments could occur in existing litigation, that could have material adverse effects on us.

We are subject to environmental laws and regulations relating to hazardous materials, substances and waste used in or resulting from our operations. Liabilities or claims with respect to environmental matters could have a significant negative impact on our business. As with other companies engaged in similar businesses, the nature of our operations exposes us to the risk of liabilities and claims with respect to environmental matters, including those relating to the disposal and release of hazardous substances. Furthermore, our operations are governed by laws and regulations relating to workplace safety and worker health which, among other things, regulate employee exposure to hazardous chemicals in the workplace. Any material costs incurred in connection with such liabilities or claims could have a material adverse effect on our business, financial condition, results of operations or cash flows. Any environmental or health and safety legislation or regulations enacted in the future, or any changes in how existing or future laws or regulations will be enforced, administered or interpreted may lead to an increase in compliance costs or expose us to additional risk of liabilities and claims, which could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Market and Channel Risks

Our success is linked to the size and growth rate of the vitamin, mineral and supplement market and an adverse change in the size or growth rate of that market could have a material adverse effect on us. An adverse change in size or growth rate of the vitamin, mineral and supplement market could have a material adverse effect on us. Underlying market conditions are subject to change based on economic conditions, consumer preferences and other factors that are beyond our control, including media attention and scientific research, which may be positive or negative.

Because a substantial majority of our sales are to or through health food stores, we are dependent to a large degree upon the success of this channel as well as the success of specific retailers in the channel. Approximately 85% of our sales are in the United States. In this market, we sell our products primarily to or through health food stores. Because of this, we are dependent to a large degree upon the success of this channel as well as the success of specific retailers in the channel. There are some large chains of health food stores, such as Whole Foods Market and Vitamin Shoppe, but most health food stores are individual stores or very small chains. We rely on these health food stores to purchase, market, and sell our products. Our success is dependent, to a large degree, on the growth and success of the Healthy Foods Channel, which is outside our control. There can be no assurance that the Healthy Foods Channel will be able to grow or prosper as it faces price and service pressure from other channels, including the mass market. There can be no assurance that retailers in the Healthy Foods Channel, in the aggregate, will respond or continue to respond to our stated loyalty to this channel.

We are highly dependent upon consumers' perception of the safety and quality of our products as well as similar products distributed by other companies in our industry, and adverse publicity and negative public perception regarding particular ingredients or products or our industry in general could limit our ability to increase revenue and grow our business. Decisions about purchasing made by consumers of our products may be affected by adverse publicity or negative public perception regarding particular ingredients or products or our industry in general. This negative public perception may include publicity regarding the legality or quality of particular ingredients or products in general or of other companies or our products or ingredients specifically. Negative public perception may also arise from regulatory investigations, regardless of whether those investigations involve us. We are highly dependent upon consumers' perception of the safety and quality of our products as well as similar products distributed by other companies. Thus, the mere publication of reports asserting that such products may be harmful could have a material adverse effect on us, regardless of whether these reports are scientifically supported. Publicity related to nutritional supplements may also result in increased regulatory scrutiny of our industry and/or the healthy foods channel. Adverse publicity may have a material adverse effect on our business, financial condition, results of operations and cash flows. There can be no assurance of future favorable scientific results and media attention or of the absence of unfavorable or inconsistent findings.

We face intense competition from competitors that are larger, more established and that possess greater resources than we do, and if we are unable to compete effectively, we may be unable to maintain sufficient market share to sustain profitability. Numerous manufacturers and retailers compete actively for consumers. There can be no assurance that we will be able to compete in this intensely competitive environment. In addition, nutritional supplements can be purchased in a wide variety of channels of distribution. These channels include mass market retail stores and the Internet. Because these markets generally have low barriers to entry, additional competitors could enter the market at any time. Private label products of our customers also provide competition to our products. Additional national or international companies may seek in the future to enter or to increase their presence in the healthy foods channel or the vitamin, mineral supplement market. Increased competition in either or both could have a material adverse effect on us.

The nutritional supplement industry increasingly relies on intellectual property rights and although we seek to ensure that we do not infringe the intellectual property rights of others, there can be no assurance that third parties will not assert intellectual property infringement claims against us, which claims may result in substantial costs and diversion of management and other resources and could have a material adverse effect on our business, financial condition and operating results. Recently it has become more and more common for suppliers and competitors to apply for patents or develop proprietary technologies and processes. We seek to ensure that we do not infringe the intellectual property rights of others, but there can be no assurance that third parties will not assert intellectual property infringement claims against us. These developments could prevent us from offering or supplying competitive products or ingredients in the marketplace. They could also result in litigation or threatened litigation against us related to alleged or actual infringement of third-party rights. If an infringement claim is asserted or litigation is pursued, we may be required to obtain a license of rights, pay royalties on a retrospective or prospective basis or terminate the manufacturing and marketing of our products that are alleged to have infringed. Litigation with respect to such matters could result in substantial costs and diversion of management and other resources and could have a material adverse effect on our business, financial condition and operating results.

We may be affected adversely by increased utility and fuel costs. Increasing fuel costs may affect our results of operations adversely in that consumer traffic to health and natural food stores may be reduced and the costs of our sales may increase as we incur fuel costs in connection with our manufacturing operations and the transportation of goods from our warehouse and distribution facilities to health and natural food stores. Also, high oil costs can affect the cost of our raw materials and components and the competitive environment in which we operate may limit our ability to recover higher costs resulting from rising fuel prices.

Adverse economic conditions may harm our business. Inflation or other changes in economic conditions that affect demand for nutritional supplements could adversely affect our revenue. Uncertainty about current global economic conditions poses a risk as consumers and businesses may postpone spending in response to tighter credit markets, negative financial news

and/or declines in income or asset values, each of which could have a material negative effect on the demand for our products. Other factors that could influence demand include conditions in the residential real estate and mortgage markets, labor and healthcare costs, access to credit, consumer confidence and other macroeconomic factors affecting consumer spending behavior. These and other economic factors could have a material adverse effect on demand for our products and on our financial condition and operating results.

Business Strategy and Operational Risks

If we are unable to retain key personnel, our ability to manage our business effectively and continue our growth could be negatively impacted. Key management employees include Frank W. Gay II, Bruce R. Hough, Jeffrey A. Hinrichs, Gary M. Hume, Stanley E. Soper, Cory J. McQueen, Christopher B. Neuberger, Daren P. Peterson, Jason D. Jones, Matthew A. Vance, Andrew W. Seelos and certain other employees. These key management employees are primarily responsible for our day-to-day operations, and we believe our success depends in part on our ability to retain them and to continue to attract additional qualified individuals to our management team. We do not have employment agreements with any of our key management employees. The loss or limitation of the services of any of our key management employees or the inability to attract additional qualified management personnel could have a material adverse effect on our business, financial condition and results of operations.

As a part of our business strategy, we have made and expect to continue to make acquisitions. These acquisitions could disrupt our operations and harm our operating results. An element of our strategy includes expanding our product offerings, gaining shelf-space and gaining access to new skills and other resources through strategic acquisitions when attractive opportunities arise. Acquiring additional businesses and the implementation of other elements of our business strategy are subject to various risks and uncertainties. Some of these factors are within our control and some are outside our control. These risks and uncertainties include, but are not limited to, the following:

- any acquisition may result in significant expenditures of cash, stock and/or management resources,
- acquired businesses may not perform in accordance with expectations,
- we may encounter difficulties and costs with the integration of the acquired businesses,
- management's attention may be diverted from other aspects of our business,
- we may face unexpected problems entering geographic and product markets in which we have limited or no direct prior experience,
- we may lose key employees of acquired or existing businesses,
- we may incur liabilities and claims arising out of acquired businesses,
- we may be unable to obtain financing, and
- we may incur indebtedness or issue additional capital stock, which could be dilutive to holders of our common stock.

There can be no assurance that attractive acquisition opportunities will be available to us, that we will be able to obtain financing for or otherwise consummate any acquisitions or that any acquisitions which are consummated will prove to be successful. There can be no assurance that we can successfully execute all aspects of our business strategy.

Because we depend on outside suppliers with whom we do not have long-term agreements for raw materials, we may be unable to obtain adequate supplies of raw materials for our products at favorable prices or at all, which could result in product shortages and back orders for our products, with a resulting loss of sales and profitability. We acquire all of our raw materials for the manufacture of our products from third-party suppliers. We also rely on third-party co-packers for some of our products. We have few agreements for the continued supply of these materials and products. A number of our products contain one or more ingredients that may only be available from a single source or supplier. Any of our suppliers could discontinue selling to us at any time. Our suppliers or government regulators may interpret new regulations (including GMP regulations) in such a way as to cause a disruption in our supply chain as these parties undertake increased scrutiny of raw materials and components of raw materials and products, causing certain suppliers or us to discontinue, change or suspend the sale of certain ingredients or components. Although we believe that we could establish alternate sources for most of these materials, any delay in locating and establishing relationships with other sources could result in product shortages and back orders for the products, with a resulting loss of net sales and profitability. We are also subject to delays associated with raw materials. These can be caused by conditions not within our control, including, but not limited to, the following:

- weather,
- crop conditions,

- transportation interruptions,
- strikes by supplier employees, and
- natural disasters or other catastrophic events.

We acquire many ingredients from suppliers outside the United States. Purchasing these ingredients is subject to the risks generally associated with importing raw materials from other countries, including, among other factors, delays in shipments, changes in economic and political conditions, quality assurance, tariffs, trade disputes and foreign currency fluctuations. These factors could result in a delay in or disruption of the supply of certain raw materials. Any significant delay in or disruption of the supply of raw materials could have a material adverse effect upon us.

We must continuously monitor our inventory and product mix against forecasted demand or risk having inadequate supplies to meet consumer demand as well as having too much inventory on hand that may reach its expiration date and become unsaleable. If we are unable to manage our supply chain efficiently and ensure that our products are available to meet consumer demand or if we accumulate excess inventory, our operating costs could increase and our profit margins could decrease.

Our success is dependent on the accuracy, reliability, and proper use of sophisticated and dependable information processing systems and management information technology and any interruption in these systems could have a material adverse effect on our business, financial condition and results of operations. Our success is dependent on the accuracy, reliability and proper use of sophisticated and dependable information processing systems and management information technology. Our information technology systems are designed and selected in order to facilitate order entry and customer billing, maintain customer records, accurately track purchases and incentive payments, manage accounting, finance and manufacturing operations, generate reports, and provide customer service and technical support. Any interruption in these systems could have a material adverse effect on our business, financial condition and results of operations. Like other companies, our information technology systems may be vulnerable to a variety of interruptions due to events beyond our control, including, but not limited to, natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers, cybersecurity breaches and other security issues. Although we have implemented backup and disaster recovery systems including hardware and software redundancies and physical and electronic security systems, it is impossible to foresee and protect against all possible failure or breach scenarios whether malicious or accidental. A security breach or interruption could occur due to the actions of outside parties, employee error, hardware or software failures, malfeasance or a combination of these and other actions. Such a breach or interruption in information technology equipment or systems could result in a loss of competitive sensitive business information, disruptions to business operations, damage to our reputation, financial exposure in connection with remediation efforts, investigations, legal proceedings and additional expenses required to mitigate the exposed risk to the systems.

Because we manufacture approximately 80% of our products, we are dependent upon the uninterrupted and efficient operation of our manufacturing facilities, which are subject to power failures, the breakdown, failure or substandard performance of equipment, the improper installation or operation of equipment, natural or other disasters and the need to comply with the requirements or directives of government agencies, including the FDA. We are dependent upon the uninterrupted and efficient operation of our manufacturing facilities in Ogden, Utah as well as Phoenix, Arizona, Brooklyn, New York, Tulsa, Oklahoma, Tampa and Bowling Green, Florida and Sebastopol, California. Those operations are subject to power failures, the breakdown, failure or substandard performance of equipment, the improper installation or operation of equipment, natural or other disasters and the need to comply with the requirements or directives of government agencies, including the FDA. There can be no assurance that the occurrence of these or any other operational problems at our facilities would not have a material adverse effect on our business, financial condition and results of operations.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud, which could harm our business reputation and cause our stock price to decline. Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. Any failure to maintain internal controls or to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

If our goodwill, intangible assets or long-lived assets become impaired, we may be required to record a significant charge to earnings. Under generally accepted accounting principles, we review our amortizable intangible assets and long-lived assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is tested for impairment at least annually. Factors that may indicate that the carrying value of our goodwill, intangible assets or long-lived assets may not be recoverable include a decline in stock price and market capitalization, reduced future cash flow estimates and slower growth rates in our industry. Our results of operations may be materially impacted if we are required to record a significant charge due to an impairment of our goodwill, intangible assets or long-lived assets.

We are dependent upon our lenders for financing to execute our business strategy and meet our liquidity needs, and the lack of adequate financing could negatively impact our business. There is risk that any of our lenders, even those with strong balance sheets and sound lending practices, could fail or refuse to honor their legal commitments and obligations under existing credit commitments, including, but not limited to: extending credit up to the maximum permitted by a credit facility, allowing access to additional credit features and otherwise accessing capital and/or honoring loan commitments. The lenders on our credit facility are Rabobank International and Wells Fargo. If our lenders failed to honor their legal commitments under our credit facility, it is not certain we could replace our credit facility on similar terms, if at all.

Stock Market Risks

The market price for our common stock may be particularly volatile, and our stockholders may be unable to resell their shares at a profit. The trading price of our common stock has been subject to wide fluctuations and may continue to fluctuate in the future in response to a variety of factors, including, but not limited to, the following:

- quarter-to-quarter variations in operating results,
- material announcements by us or our competitors,
- governmental regulatory action,
- negative or positive publicity involving us or the nutritional supplement industry generally,
- general economic downturns,
- announcements by official or unofficial health and medical authorities,
- consumer preferences generally, or
- other events or factors, many of which are beyond our control.

In addition, the stock market has historically experienced significant price and volume fluctuations, which have particularly affected the market prices of many nutritional supplement companies and which have, in certain cases, not had a strong correlation to the operating performance of these companies. Stock markets experienced unprecedented volatility in connection with the credit crisis of 2008-2009. General economic conditions, such as recession or interest rate or currency rate fluctuations in the United States or abroad, could negatively affect the market price of our common stock in the future. In addition, our operating results in future quarters may be below the expectations of securities analysts and investors. If that were to occur, the price of our common stock would likely decline, perhaps substantially. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against that company. Such litigation could result in substantial cost and a diversion of management's attention and resources.

Item 1B. Unresolved Staff Comments

We do not have any unresolved comments from the SEC staff.

Item 2. Properties

The following table describes our principal properties as of November 15, 2016:

Purpose	Location	Square Footage
Rapid Response Center(1)(2)	Ogden, UT	516,455
Transitional warehouse(3)	Ogden, UT	106,450
Product manufacturing(2)	Tulsa, OK	76,733
Product manufacturing (2)	Tampa, FL	43,253
Product manufacturing	Brooklyn, NY	40,000
Product manufacturing(2)	Ogden, UT	31,230
Corporate office(2)	Park City, UT	21,065
Product manufacturing	Ogden, UT	17,900
Marketing and sales offices	Park City, UT	15,905
Product manufacturing(2)	Bowling Green, FL	8,210
Product manufacturing	Sebastopol, CA	7,872
Product manufacturing	Phoenix, AZ	7,248
Executive offices	Park City, UT	6,103
Product manufacturing	Ogden, UT	5,000

(1) The Rapid Response Center is the central facility where we are, and have been, consolidating operations. The Rapid Response Center currently includes raw materials, manufacturing, packaging, distribution and offices.
(2) We own these properties. We lease all other properties identified above.
(3) The lease for this transitional warehouse expires in May 2017, although we can terminate early on 6 months' notice.

In addition to these principal properties, we own or lease various other properties used in our operations.

Item 3. Legal Proceedings

As discussed in other filings and elsewhere in this Annual Report on Form 10-K, we are subject to regulation by a number of federal, state and foreign agencies and are involved in various legal matters arising in the ordinary course of business.

We carry insurance coverage in the types and amounts that we consider reasonably adequate to cover the risks we face in the industry in which we compete. See "Business—Risk Factors."

In the opinion of management, the losses related to individual regulatory and legal matters in which we are presently involved are not probable and no estimate can be made of the range of potential gains or losses. While incapable of estimation, in the opinion of management, none of the regulatory and legal matters in which we are involved are individually expected to have a material adverse effect on our financial position, results of operations or cash flows. However, our aggregate liability arising from regulatory and legal proceedings related to these matters or future matters could have a material effect on our financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is traded on the NASDAQ Stock Market under the symbol "NUTR." The common stock commenced trading on the NASDAQ Stock Market on February 20, 1998 upon completion of our initial public offering. The following table sets forth the high and low closing prices per share for the common stock:

	High	Low
Fiscal 2015:		
First Quarter	$ 22.97	$ 20.18
Second Quarter	21.09	16.38
Third Quarter	25.03	18.27
Fourth Quarter	24.89	22.27
Fiscal 2016:		
First Quarter	26.50	22.81
Second Quarter	25.06	21.72
Third Quarter	24.89	22.12
Fourth Quarter	31.65	22.71
Fiscal 2017:		
First Quarter (through November 15, 2016)	31.45	28.15

Holders

As of the close of business on November 15, 2016, there were approximately 170 holders of record of common stock and approximately 2,000 beneficial holders. The closing price of our common stock on November 15, 2016, as reported by the NASDAQ Stock Market, was $31.30.

Dividends

In December 2012, our Board of Directors declared a special cash dividend of $1.00 per share for all shares of common stock. This special cash dividend totaled $9.8 million and was paid on December 28, 2012 to stockholders of record on December 21, 2012.

Any future determination by us to pay dividends will be at the discretion of our Board of Directors and will depend upon, among other factors, our results of operations, financial condition, capital requirements and contractual restrictions, including restrictions specified in our current credit agreement.

Purchase of Equity Securities

Prior to fiscal 2016, our Board of Directors approved a share purchase program authorizing us to buy up to 4,500,000 shares of our common stock. On July 26, 2016, our Board of Directors approved the addition of 1,000,000 shares to our previously approved share purchase program. As of September 30, 2016, 1,171,170 shares may yet be purchased under this program. Purchases under this program during the fiscal 2016 fourth quarter occurred in July and August as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Number of Shares that May Yet Be Purchased Under the Plan
July 1 - 31, 2016	37,130	$ 23.76	37,130	
August 1 - 31, 2016	7,500	25.44	7,500	
	44,630	24.05	44,630	1,171,170

All shares purchased during the fiscal 2016 fourth quarter were retired prior to September 30, 2016.

Under this approved share purchase program, we may purchase common stock from time to time on the open market and in individually negotiated transactions. The amount and timing of any purchases will be dependent upon a number of factors, including the price and availability of our shares and general market conditions.

Securities Authorized for Issuance under Equity Compensation Plans

As of September 30, 2016, there were no outstanding options under any equity compensation plan.

On January 28, 2013, stockholders approved the Nutraceutical International Corporation 2013 Long-Term Equity Incentive Plan (the "2013 Plan") and the reservation of 800,000 shares of our common stock for issuance under the 2013 Plan. Equity awards available under the 2013 Plan include stock options, stock appreciation rights and restricted stock awards. The 2013 Plan provides a means through which we may attract and retain key personnel, including non-executive directors, and provides a means for directors, officers, employees, consultants and advisors to acquire and maintain an equity interest in our Company. The 2013 Plan will be administered by the Compensation Committee of our Board of Directors, which has the authority to determine the terms of the awards, determine the number of shares of our common stock to be covered by the awards and make such other determinations as necessary in administering the 2013 Plan. The 2013 Plan will terminate on the tenth anniversary of its effective date. In conjunction with our fiscal 2015, fiscal 2014 and fiscal 2013 incentive compensation (bonus) payments, 22,664, 24,827 and 31,788 shares of our common stock were issued, respectively. These non-cash stock awards were granted on December 11, 2015, December 11, 2014 and December 11, 2013 at a fair value of $0.6 million, $0.5 million and $0.8 million, respectively, with fair value being determined by the closing price of our common stock on the grant date. These stock awards were registered, unrestricted and fully vested on the grant date. As of September 30, 2016, 720,721 shares of our common stock were available for issuance under the 2013 Plan.

Item 6. Selected Financial Data

The selected financial data presented below were derived from our consolidated financial statements included in this Annual Report on Form 10-K. This selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes thereto.

	Year Ended September 30,				
	2016	2015	2014	2013	2012
	(dollars in thousands, except for share data)				
Consolidated Statements of Operations Data:					
Net sales	$ 232,988	$ 216,479	$ 214,474	$ 208,397	$ 200,367
Cost of sales	114,939	110,255	108,169	105,518	100,413
Gross profit	118,049	106,224	106,305	102,879	99,954
Operating expenses:					
Selling, general and administrative	84,945	77,256	76,874	72,413	71,425
Amortization of intangible assets	3,927	2,869	2,667	2,209	2,007
Impairment of intangible assets(1)	—	1,810	267	124	850
Income from operations	29,177	24,289	26,497	28,133	25,672
Interest and other expense, net	1,252	1,051	1,421	1,360	1,497
Income before provision for income taxes	27,925	23,238	25,076	26,773	24,175
Provision for income taxes	9,267	7,967	9,187	9,765	8,408
Net income	$ 18,658	$ 15,271	$ 15,889	$ 17,008	$ 15,767
Net income per common share:					
Basic	$ 2.00	$ 1.59	$ 1.62	$ 1.74	$ 1.59
Diluted	$ 2.00	$ 1.59	$ 1.62	$ 1.73	$ 1.59
Weighted average common shares outstanding:					
Basic	9,345,754	9,588,838	9,792,276	9,783,300	9,916,603
Diluted	9,345,754	9,592,734	9,801,080	9,807,858	9,933,997
Other Financial Data:					
Adjusted EBITDA(2)	$ 43,385	$ 38,864	$ 38,232	$ 38,048	$ 35,299
Capital expenditures (excluding acquisitions)	8,950	8,557	11,298	8,347	9,953
Cash flows provided by (used in):					
Operating activities	32,777	25,046	20,038	26,770	27,162
Investing activities	(35,185)	(9,823)	(27,675)	(11,729)	(22,201)
Financing activities	4,580	(16,603)	5,695	(11,551)	(2,598)
Balance Sheet Data (at period end):					
Cash	$ 6,803	$ 4,615	$ 6,232	$ 8,235	$ 4,824
Working capital	73,701	65,687	62,141	53,252	47,598
Total assets	235,855	212,449	214,778	192,310	185,918
Total debt	43,500	31,500	43,000	32,500	34,000
Stockholders' equity	171,990	160,247	149,613	137,876	131,056

(1) During the year ended September 30, 2015, we recorded non-cash intangible asset impairment charges of $1,810 ($1,112 after tax, or $0.12 per diluted share) related to certain tradenames. During the year ended September 30, 2014, we recorded a non-cash intangible asset impairment charge of $267 ($168 after tax, or $0.02 per diluted share) related to a tradename. During the year ended September 30, 2013, we recorded non-cash intangible asset impairment charges of $124 ($78 after tax, or $0.01 per diluted share) related to certain tradenames. During the year ended September 30, 2012, we recorded a non-cash intangible asset impairment charge of $850 ($551 after tax, or $0.06 per diluted share) related to the consolidation of certain tradenames.

(2) "Adjusted EBITDA" (a non-GAAP measure) is defined in our performance measures as earnings before net interest and other expense, taxes, depreciation, amortization and goodwill and intangible asset impairments. Adjusted EBITDA has some inherent limitations in measuring operating performance due to the exclusion of certain financial elements such as depreciation and amortization and is not necessarily comparable to other similarly-titled captions of other companies due to potential inconsistencies in the method of calculation. Furthermore, Adjusted EBITDA is not intended to be a substitute for cash flows from operating activities, as a measure of liquidity or an alternative to net income in determining our operating performance in accordance with United States generally accepted accounting principles. Our use of an EBITDA-based metric should be considered within the following context:

- We acknowledge that plant and equipment (while less important in our line of business due to outsourcing alternatives) are necessary to earn revenue based on our current business model.
- Our use of an EBITDA-based measure of operating performance is not based on any belief about the reasonableness of excluding depreciation and amortization when measuring financial performance.
- Our use of an EBITDA-based measure is supported by its importance to the following key stakeholders:
    - **Analysts**—who estimate our projected Adjusted EBITDA and other EBITDA-based metrics in their independently-developed financial models for investors;
    - **Creditors**—who evaluate our operating performance based on compliance with certain EBITDA-based debt covenants;
    - **Investment Bankers**—who use EBITDA-based metrics in their written evaluations and comparisons of companies within our industry; and
    - **Board of Directors and Executive Management**—who use EBITDA-based metrics for evaluating management performance relative to our operating budget and bank covenant compliance, as well as our ability to service debt and raise capital for growth opportunities, including acquisitions, which are a critical component of our stated strategy. Generally, we have recorded a monthly accrual for incentive compensation as a percentage of Adjusted EBITDA, which has been paid out to executive management, as well as other employees, upon completion of our annual audit.

The following table sets forth a reconciliation of net income to Adjusted EBITDA for each period included herein:

	Year Ended September 30,				
	2016	2015	2014	2013	2012
	(dollars in thousands)				
Net income	$ 18,658	$ 15,271	$ 15,889	$ 17,008	$ 15,767
Provision for income taxes	9,267	7,967	9,187	9,765	8,408
Interest and other expense, net(1)	1,252	1,051	1,421	1,360	1,497
Depreciation and amortization	14,208	12,765	11,468	9,791	8,777
Impairment of intangible assets	—	1,810	267	124	850
Adjusted EBITDA	$ 43,385	$ 38,864	$ 38,232	$ 38,048	$ 35,299
Percentage of net sales	18.6%	18.0%	17.8%	18.3%	17.6%

(1) Includes amortization of deferred financing fees.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and accompanying notes thereto included elsewhere in this Annual Report on Form 10-K.

Overview

We are an integrated manufacturer, marketer, distributor and retailer of branded nutritional supplements and other natural products sold primarily to and through domestic health and natural food stores. Internationally, we market and distribute branded nutritional supplements and other natural products to and through health and natural product distributors and retailers. Our core business strategy is to acquire, integrate and operate businesses in the natural products industry that manufacture, market and distribute branded nutritional supplements. We believe that the consolidation and integration of these acquired

businesses provides ongoing financial synergies through increased scale and market penetration, as well as strengthened customer relationships.

We manufacture and sell nutritional supplements and other natural products under numerous brands, including *Solaray*®, *KAL*®, *Dynamic Health*®, *Nature's Life*®, *LifeTime*®, *Natural Balance*®, *NaturalCare*®, *Health from the Sun*®, *Pioneer*®, *Nutra BioGenesis*®, *Life-flo*®, *Organix South*®, *Heritage Store*® and *Monarch Nutraceuticals*®.

We own neighborhood natural food markets, which operate under the trade names *The Real Food Company*™, *Thom's Natural Foods*™, *Cornucopia Community Market*™ and *Granola's*™. We also own health food stores, which operate under various trade names, including *Fresh Vitamins*™ and *Peachtree Natural Foods*®.

We manufacture and/or distribute one of the broadest branded product lines in the industry, with approximately 7,500 SKUs, including approximately 750 SKUs exclusively sold internationally. We believe that, as a result of our emphasis on innovation, quality, loyalty, education and customer service, our brands are widely recognized in health and natural food stores and among their customers.

We were formed in 1993 to effect a consolidation strategy in the fragmented VMS Industry. Since our formation, we have completed numerous acquisitions of businesses in the VMS Industry. We believe that Nutraceutical is well positioned to continue to capitalize on the consolidation we believe is occurring in the VMS Industry.

Critical Accounting Policies and Estimates

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America required us to make estimates and assumptions that affected the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of net sales and expenses during the reported periods. Significant estimates included values and lives assigned to acquired intangible assets, reserves for customer returns and allowances, uncollectible accounts receivable, valuation adjustments for slow-moving, obsolete and/or damaged inventory and valuation and recoverability of long-lived assets. Actual results may differ from these estimates.

Our critical accounting policies and estimates include the following:

Accounts Receivable—Provision is made for estimated bad debts based on a periodic analysis of individual customer balances, including an evaluation of days sales outstanding, payment history, recent payment trends and perceived creditworthiness. If general economic conditions and/or customer financial conditions were to change, additional provisions for bad debts may be required, which could have a material impact on the consolidated financial statements.

Inventories—Valuation adjustments are made for slow moving, obsolete and/or damaged inventory based on a periodic analysis of individual inventory items, including an evaluation of historical usage and/or movement, age, expiration date and general condition. If market demand and/or consumer preferences are less favorable than historical trends or future expectations, additional valuation adjustments for slow moving, obsolete and/or damaged inventory may be required, which could have a material impact on the consolidated financial statements.

Property, Plant and Equipment—Depreciation and amortization expense is impacted by our judgments regarding the estimated useful lives of assets placed in service. If the estimated lives of assets are significantly less than expected, depreciation and amortization expense would be accelerated, which could have a material impact on the consolidated financial statements.

We evaluate the recoverability of property, plant and equipment whenever events or circumstances indicate that the carrying amount of an asset group may not be recoverable. We measure recoverability of an asset group by comparison of its carrying amount to the future undiscounted cash flows the asset group is expected to generate. If an asset group is considered to be impaired, the difference between the carrying amount and the fair value of the impaired asset group is recognized as an impairment charge.

Goodwill and Intangible Assets—Goodwill and intangible assets require estimates and judgments in determining the initial recognition and measurement, including factors and assumptions used in determining fair value and useful lives. Intangible assets with finite useful lives are amortized and are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is tested annually for impairment and when events or changes in circumstances indicate the carrying value may not be recoverable. We perform our annual impairment testing as of September 30 each year, which is the last day of our fiscal year.

A two-step process is used to test for goodwill impairment. The first step is to determine if there is an indication of impairment by comparing the estimated fair value of each reporting unit to its carrying value, including existing goodwill.

Reporting unit fair values are estimated using market data as well as other factors. Goodwill is considered impaired if the carrying value of a reporting unit exceeds the estimated fair value. Upon an indication of impairment, a second step is performed to measure the amount of the impairment by comparing the implied fair value of the reporting unit's goodwill with its carrying value.

Amortizable intangible assets are reviewed for recoverability by comparing an asset group's carrying amount to the future undiscounted cash flows the asset group is expected to generate. If an asset group is considered to be impaired, the difference between the carrying amount and the fair value of the impaired asset group is recorded as an impairment charge.

General and economic conditions may impact retail and consumer demand, as well as the market price of our common stock, and could negatively impact our future operating performance, cash flow and/or stock price and could result in additional goodwill and/or intangible asset impairment charges being recorded in future periods. Also, we periodically review our brands to achieve marketing, sales and operational synergies. These reviews could result in additional brands being consolidated or discontinued and could result in additional intangible asset impairment charges being recorded in future periods. Additional goodwill and/or intangible asset impairment charges could materially impact our consolidated financial statements. The valuation of goodwill and intangible assets is subject to a high degree of judgment, uncertainty and complexity.

Revenue Recognition—Revenue is recognized when the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) the product has been shipped and the customer takes ownership and assumes the risk of loss; (3) the selling price is fixed or determinable; and (4) collection of the resulting receivable is reasonably assured. We believe that these criteria are satisfied upon shipment from our facilities or, in the case of our neighborhood natural food markets and health food stores, at the point of sale within these stores. Revenue is reduced by provisions for estimated customer returns and allowances, which are based on historical averages that have not varied significantly for the periods presented, as well as specific known claims, if any. No other significant deductions from revenue must be estimated at the point in time that revenue is recognized.

Our estimates and judgments related to our critical accounting policies, including factors and assumptions considered in making these estimates and judgments, did not vary significantly for the periods presented and had no material impact on the consolidated financial statements as reported.

For additional information on our accounting policies, see Note 2 of the accompanying consolidated financial statements.

Results of Operations

The following table sets forth certain Consolidated Statements of Comprehensive Income data as a percentage of net sales for the periods indicated:

	Year Ended September 30,		
	2016	2015	2014
Net sales	100.0%	100.0%	100.0%
Cost of sales	49.3	50.9	50.4
Gross profit	50.7	49.1	49.6
Selling, general and administrative	36.5	35.7	35.8
Amortization of intangible assets	1.7	1.3	1.3
Impairment of intangible assets	—	0.8	0.1
Income from operations	12.5	11.3	12.4
Interest and other expense, net	0.5	0.5	0.7
Income before provision for income taxes	12.0	10.8	11.7
Provision for income taxes	4.0	3.7	4.3
Net income	8.0%	7.1%	7.4%

Comparison of Fiscal 2016 to Fiscal 2015

Net Sales. Net sales increased by $16.5 million, or 7.6%, to $233.0 million for fiscal 2016 from $216.5 million for fiscal 2015. Net sales of branded nutritional supplements and other natural products increased by $18.3 million, or 9.5%, to $211.1 million for fiscal 2016, compared to $192.8 million for fiscal 2015. The increase in net sales of branded nutritional supplements and other natural products was primarily related to the net sales contributions of the fiscal 2015 and fiscal 2016

acquisitions and, to a lesser extent, price increases of $4.0 million, partially offset by a decrease in sales volume of branded products to certain customers. Other net sales were $21.9 million for fiscal 2016 and $23.7 million for fiscal 2015.

Gross Profit. Gross profit increased by $11.8 million, or 11.1%, to $118.0 million for fiscal 2016 from $106.2 million for fiscal 2015. As a percentage of net sales, gross profit increased to 50.7% for fiscal 2016 from 49.1% for fiscal 2015. This increase in gross profit was primarily related to the increase in net sales and, to a lesser extent, a decrease in certain manufacturing overhead costs.

Selling, General and Administrative. Selling, general and administrative expenses increased $7.6 million, or 10.0%, to $84.9 million for fiscal 2016 from $77.3 million for fiscal 2015. As a percentage of net sales, selling, general and administrative expenses were 36.5% for fiscal 2016 and 35.7% for fiscal 2015. This increase in selling, general and administrative expenses was primarily attributable to operational and transition costs related to the fiscal 2015 and fiscal 2016 acquisitions as well as an increase in certain administrative costs.

Amortization of Intangible Assets. Amortization of intangible assets was $3.9 million for fiscal 2016 and $2.9 million for fiscal 2015. For each period, amortization expense was primarily related to intangible assets recorded in connection with acquisitions.

Impairment of Intangible Assets. In September 2015, we made a decision to expand our brand consolidation plan in an effort to simplify our brand offerings and facilitate the customer ordering process. Based on this decision, we no longer expect that the economic benefit of any of our indefinite-lived tradenames extends beyond the foreseeable future. As a result, as of September 30, 2015, we determined these tradenames with an aggregate carrying value of $8.7 million should be assigned finite useful lives. In accordance with Accounting Standards Codification ("ASC") 350, "*Intangibles—Goodwill and Other*," these tradenames were first tested for impairment as indefinite-lived intangible assets resulting in non-cash intangible asset impairment charges of $1.8 million ($1.1 million after tax, or $0.12 per diluted share). The remaining $6.9 million was reclassified to amortizable intangible assets as of September 30, 2015 with a weighted-average amortization period of 10 years. There was no impairment of intangible assets for fiscal 2016.

Interest and Other Expense, Net. Net interest and other expense was $1.3 million for fiscal 2016 and $1.1 million for fiscal 2015 and primarily consisted of interest expense on indebtedness under our revolving credit facility.

Provision for Income Taxes. Our effective tax rate was 33.2% for fiscal 2016 and 34.3% for fiscal 2015. The decrease in the effective tax rate was primarily related to increases in the domestic manufacturing deduction and the credit for increasing research activities.

Comparison of Fiscal 2015 to Fiscal 2014

Net Sales. Net sales increased by $2.0 million, or 0.9%, to $216.5 million for fiscal 2015 from $214.5 million for fiscal 2014. Net sales of branded nutritional supplements and other natural products increased by $2.7 million, or 1.4%, to $192.8 million for fiscal 2015, compared to $190.1 million for fiscal 2014. The increase in net sales of branded nutritional supplements and other natural products was primarily related to price increases of $4.5 million and the net sales contributions of the fiscal 2014 and fiscal 2015 acquisitions, partially offset by a decrease in sales volume of branded products to certain customers. Other net sales were $23.7 million for fiscal 2015 and $24.4 million for fiscal 2014.

Gross Profit. Gross profit was $106.2 million for fiscal 2015 and $106.3 million for fiscal 2014. As a percentage of net sales, gross profit decreased to 49.1% for fiscal 2015 from 49.6% for fiscal 2014. This decrease in gross profit as a percentage of net sales was primarily related to an increase in manufacturing overhead costs, partially offset by a reduction in material costs as a percentage of net sales.

Selling, General and Administrative. Selling, general and administrative expenses were $77.3 million for fiscal 2015 and $76.9 million for fiscal 2014. This increase in selling, general and administrative expenses was primarily attributable to operational and transition costs related to the fiscal 2014 and fiscal 2015 acquisitions, partially offset by year-over-year cost improvements in many selling, general and administrative expense areas. As a percentage of net sales, selling, general and administrative expenses were 35.7% for fiscal 2015 and 35.8% for fiscal 2014.

Amortization of Intangible Assets. Amortization of intangible assets was $2.9 million for fiscal 2015 and $2.7 million for fiscal 2014. For each period, amortization expense was primarily related to intangible assets recorded in connection with acquisitions.

Impairment of Intangible Assets. In September 2015, we made a decision to expand our brand consolidation plan in an effort to simplify our brand offerings and facilitate the customer ordering process. Based on this decision, we no longer expect that the economic benefit of any of our indefinite-lived tradenames extends beyond the foreseeable future. As a result, as of

September 30, 2015, we determined these tradenames with an aggregate carrying value of $8.7 million should be assigned finite useful lives. In accordance with ASC 350, these tradenames were first tested for impairment as indefinite-lived intangible assets resulting in non-cash intangible asset impairment charges of $1.8 million ($1.1 million after tax, or $0.12 per diluted share). The remaining $6.9 million was reclassified to amortizable intangible assets as of September 30, 2015 with a weighted-average amortization period of 10 years.

In performing our annual impairment testing as of September 30, 2014, we determined that there had been an increase in the probability that certain of our indefinite-lived tradenames could be consolidated with other existing tradenames in the future. As a result, we determined these tradenames with an aggregate carrying value of $1.1 million should be assigned finite useful lives. In accordance with ASC 350, these tradenames were first tested for impairment as indefinite-lived intangible assets resulting in a non-cash intangible asset impairment charge of $0.3 million ($0.2 million after tax, or $0.02 per diluted share). The remaining $0.8 million was reclassified to amortizable intangible assets as of September 30, 2014 with a weighted-average amortization period of 15 years.

Interest and Other Expense, Net. Net interest and other expense was $1.1 million for fiscal 2015 and $1.4 million for fiscal 2014 and primarily consisted of interest expense on indebtedness under our revolving credit facility.

Provision for Income Taxes. Our effective tax rate was 34.3% for fiscal 2015 and 36.6% for fiscal 2014. The decrease in the effective tax rate was primarily related to a decrease in the valuation allowance for foreign tax credits of $0.3 million as we determined we would be able to utilize the foreign tax credits.

Selected Quarterly Financial Data; Seasonality

The following table sets forth certain quarterly financial data for fiscal 2016 and fiscal 2015. This quarterly information is unaudited, has been prepared on the same basis as the annual financial statements and, in our opinion, reflects all normally recurring adjustments necessary for fair statement of the information for the periods presented. Operating results for any quarter are not necessarily indicative of results for any future period.

	Fiscal 2016				Fiscal 2015			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(dollars in thousands, except per share data: unaudited)							
Net sales	$ 55,959	$ 59,492	$ 60,836	$ 56,701	$ 53,044	$ 55,404	$ 54,382	$ 53,649
Gross profit	28,108	30,329	31,420	28,192	25,855	27,255	26,427	26,687
Net income	4,241	4,618	6,029	3,770	3,351	4,096	4,450	3,374
Net income per common share:								
Basic	$ 0.45	$ 0.49	$ 0.65	$ 0.41	$ 0.35	$ 0.43	$ 0.47	$ 0.35
Diluted	$ 0.45	$ 0.49	$ 0.65	$ 0.41	$ 0.35	$ 0.43	$ 0.47	$ 0.35

We believe that our business is characterized by minor seasonality. However, sales to any particular customer can vary substantially from one quarter to the next based on such factors as industry trends, timing of promotional discounts, international economic conditions and acquisition-related activities. Excluding the effect of acquisitions, we have historically recorded higher branded products sales volume during the second fiscal quarter due to increased interest in health-related products among consumers following the holiday season. The fiscal 2016 acquisitions were completed during the first and second quarters and the fiscal 2015 acquisitions were completed during the first and third quarters.

Liquidity and Capital Resources

As of September 30, 2016, we had cash of $6.8 million. Net cash provided by operating activities was $32.8 million, $25.0 million and $20.0 million for the years ended September 30, 2016, 2015 and 2014, respectively.

Net cash used in investing activities was $35.2 million, $9.8 million and $27.7 million for the years ended September 30, 2016, 2015 and 2014, respectively. Our investing activities during these periods consisted of acquisitions of businesses and capital expenditures.

During the year ended September 30, 2016, we made two acquisitions of businesses. On October 6, 2015, we acquired certain operating assets of Dynamic Health Laboratories, Inc. On February 18, 2016, we acquired certain operating assets of Aubrey Organics, Inc. The aggregate purchase price of these acquisitions was $26.2 million in cash.

During the year ended September 30, 2015, we made two acquisitions of businesses. On November 18, 2014, we acquired certain operating assets of Agape Health Products. On June 4, 2015, we acquired certain operating assets of ProClay, LLC. The aggregate purchase price of these acquisitions was $1.3 million in cash.

During the year ended September 30, 2014, we made seven acquisitions of businesses. On October 16, 2013, we acquired certain operating assets of TCCD International, Inc. On November 25, 2013, we acquired certain operating assets of Green Luxury Brands, Inc. On December 19, 2013, we acquired certain operating assets of Twinlab Corporation. On January 15, 2014, we acquired certain operating assets of Peachtree Natural Foods, Inc. On April 11, 2014, we acquired certain operating assets of Northwest Health Foods, Inc. On April 17, 2014, we acquired certain operating assets of Bio-Genesis Nutraceuticals, Inc. On August 26, 2014, we acquired certain operating assets of Cooper Nutrition, Inc. The aggregate purchase price of these acquisitions was $16.4 million in cash.

The fiscal 2016, 2015 and 2014 acquisitions were financed primarily using borrowings under our revolving credit facility, as well as cash provided by operating activities. These acquisitions are in keeping with our business strategy of consolidating the fragmented industry where we compete and acquiring nutritional brands with products we currently do not sell. The expected long-term sales and expense synergies of acquired businesses are generally not realized immediately following acquisition as certain transition and integration matters must be completed.

Capital expenditures during the years ended September 30, 2016, 2015 and 2014 related primarily to buildings, building improvements, distribution and manufacturing equipment and information systems.

Net cash provided by (used in) financing activities was $4.6 million, ($16.6) million and $5.7 million for the years ended September 30, 2016, 2015 and 2014, respectively. Our financing activities during these periods consisted primarily of borrowings and repayments under our revolving credit facility, purchases of common stock for treasury and proceeds from the issuance of common stock.

In October 2007, we registered a direct stock purchase plan with the Securities and Exchange Commission. The purpose of this direct stock purchase plan is to provide a convenient way for existing stockholders, as well as new investors, to purchase shares of our common stock. A total of 1,500,000 shares of our common stock were registered under the plan with 3,343 and 4,291 shares purchased during the years ended September 30, 2016 and 2015, respectively. As of September 30, 2016, there were 1,374,101 shares of common stock available for purchase under this plan.

On November 4, 2014, we amended our revolving credit facility (the "Credit Agreement"). The Credit Agreement extends the term of the credit facility to November 2019, increases the available credit borrowings to $100.0 million with no automatic reductions and provides an accordion feature which can increase the available credit borrowings to $130.0 million subject to approval by the lenders and compliance with certain covenants and conditions. The lenders under the Credit Agreement continue to be Rabobank International and Wells Fargo. To date, we have not experienced any difficulties in accessing the available funds under the Credit Agreement. Deferred financing fees of $0.4 million related to the Credit Agreement are being amortized over the term of the Credit Agreement.

At September 30, 2016, we had outstanding revolving credit borrowings of $43.5 million under the Credit Agreement. Borrowings under the Credit Agreement are collateralized by substantially all of our assets. At our election, borrowings bear interest at the applicable Eurodollar Rate plus a variable margin or at a Base Rate plus a variable margin. Base Rate is the higher of: (i) the Prime Lending Rate, (ii) the Federal Funds Rate plus 0.5% or (iii) the one-month Eurodollar Rate multiplied by the Statutory Reserve Rate plus 1.0% (capitalized terms are defined in the Credit Agreement, a copy of which was filed with the Securities and Exchange Commission on November 5, 2014). At September 30, 2016, the applicable weighted-average interest rate for outstanding borrowings was 2.24%. We are also required to pay a variable quarterly fee on the unused balance under the Credit Agreement. At September 30, 2016, the applicable rate was 0.25%. Accrued interest on Eurodollar Rate borrowings is payable based on elected intervals of one, two or three months. Accrued interest on Base Rate borrowings is payable quarterly. The Credit Agreement matures on November 4, 2019, and we are required to repay all principal and interest outstanding under the Credit Agreement on such date.

The Credit Agreement contains restrictive covenants, including restrictions on incurring other indebtedness and requirements that we maintain certain financial ratios. As of September 30, 2016, we were in compliance with these restrictive covenants. Upon the occurrence of a default, the lender has various remedies or rights, which may include proceeding against the collateral or requiring us to repay all amounts outstanding under the Credit Agreement.

A key component of our business strategy is to seek to make additional acquisitions, which may require that we obtain additional financing, which could include the incurrence of substantial additional indebtedness. We believe that borrowings under our current credit facility, together with cash flows from operations, will be sufficient to make required payments under

the current credit facility or any such replacement facility, and to make anticipated capital expenditures and fund working capital needs for fiscal 2017.

Our significant non-cancelable contractual obligations and other commitments as of September 30, 2016 were as follows:

Contractual Obligations and Other Commitments	Payments Due By Period				
	Total	Less Than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
	(dollars in thousands)				
Debt	$ 43,500	$ —	$ —	$ 43,500	$ —
Interest on debt(a)	3,551	1,147	2,294	110	—
Operating leases	6,561	3,864	2,234	453	10
Total	$ 53,612	$ 5,011	$ 4,528	$ 44,063	$ 10

(a) Represents estimated interest obligations associated with our outstanding revolving credit facility balance of $43.5 million at September 30, 2016, assuming no principal payments are made before maturity, a weighted-average interest rate of 2.24% and an underutilization fee rate of 0.25%.

New Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued authoritative guidance, which is included in ASC 842, "*Leases*." This guidance requires lessees to recognize most leases on the balance sheet by recording a right-of-use asset and a lease liability. This guidance is effective for us as of October 1, 2019. We are currently evaluating the impact this standard will have on our consolidated financial statements.

In November 2015, the FASB issued authoritative guidance, which is included in ASC 740, "*Income Taxes*." This guidance simplifies the presentation of deferred income taxes and requires that deferred tax assets and liabilities be classified as noncurrent in the classified statement of financial position. This guidance is effective for us as of October 1, 2017 and is not expected to have a material impact on our consolidated financial statements as the guidance only changes the classification of deferred income taxes.

In September 2015, the FASB issued authoritative guidance, which is included in ASC 805, "*Business Combinations*." This guidance simplifies the accounting for measurement-period adjustments and is effective for us as of October 1, 2016. This guidance is not expected to have a material impact on our consolidated financial statements.

In July 2015, the FASB issued authoritative guidance, which is included in ASC 330, "*Inventory*." This guidance simplifies the accounting for measuring inventory at the lower of cost and net realizable value and is effective for us as of October 1, 2017. This guidance is not expected to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued authoritative guidance, which is included in ASC 606, "*Revenue from Contracts with Customers*." This guidance provides a single, comprehensive revenue recognition model for all contracts with customers and requires that a company recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In July 2015, the FASB delayed the effective date of this guidance by one year. As a result, this guidance is effective for us as of October 1, 2018 and shall be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. We are currently evaluating the impact this standard may have on our consolidated financial statements.

We periodically review new accounting standards that are issued. Although some of these accounting standards may be applicable to us, we have not identified any other new standards that we believe merit further discussion, and we expect that none would have a significant impact on our consolidated financial statements.

Inflation

Inflation affects the cost of raw materials, goods and services we use. In recent years, inflation has been modest. The competitive environment somewhat limits our ability to recover higher costs resulting from inflation by raising prices. We seek to mitigate the adverse effects of inflation primarily through improved productivity and cost containment programs. We do not believe that inflation has had a material impact on our results of operations for the periods presented, except with respect to increased costs in manufacturing, packaging and distribution resulting from increased fuel and other petrochemical costs, as well as payroll-related costs, insurance premiums, and other costs arising from or related to government-imposed regulations.

Off-Balance Sheet Arrangements

Our operating lease commitments are disclosed in the Contractual Obligations and Other Commitments table. As of September 30, 2016, we had not entered into any off-balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

At our election, borrowings under the Credit Agreement bear interest at the applicable Eurodollar Rate plus a variable margin or at a Base Rate plus a variable margin. Base Rate is the higher of: (i) the Prime Lending Rate, (ii) the Federal Funds Rate plus 0.5% or (iii) the one-month Eurodollar Rate multiplied by the Statutory Reserve Rate plus 1.0%. At September 30, 2016, the applicable weighted-average interest rate for borrowings was 2.24% and we had total borrowings outstanding of $43.5 million. A hypothetical 100 basis point change in interest rates would not have had a material impact on our reported net income or cash flows in fiscal 2016, 2015 or 2014.

With respect to our international operations, we are subject to currency fluctuations; however, we do not believe that these fluctuations would have a material adverse impact on our financial position or results of operations because the majority of our net sales to foreign customers are transacted in U.S. dollars. Net sales to foreign customers not transacted in U.S. dollars included sales to customers in Barbados, Canada, Dominica, Japan, the Netherlands, Norway, St. Kitts, St. Lucia, St. Vincent, Sweden and the United Kingdom. To date, we have not hedged any of our potential foreign currency exposures.

Item 8. Financial Statements and Supplementary Data

The information required by Item 8 is set forth on pages F-1 through F-18 of this Annual Report on Form 10-K. The supplemental financial information required by Item 302 of Regulation S-K is set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Selected Quarterly Financial Data; Seasonality."

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

There have been no changes in our independent registered public accounting firm, PricewaterhouseCoopers LLP, or disagreements with our accountants on matters of accounting and financial disclosure.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate, to allow for timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and we are required to apply our judgment in evaluating the cost-benefit relationship with respect to possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation under the supervision of and with the participation of our management, including our principal executive and principal financial officers, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2016. Based on this evaluation, our principal executive and financial officers have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2016.

Management's Report on Internal Control over Financial Reporting. We are responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rule 13a-15(f). In order to evaluate the effectiveness of internal control over financial reporting, we conducted an assessment as of September 30, 2016, based on the criteria in *Internal Control—Integrated Framework (2013),* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Our internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, and effected by our board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Based on our assessment, we have concluded that, as of September 30, 2016, we did maintain effective internal controls over financial reporting based on the criteria in *Internal Control—Integrated Framework (2013)* issued by the COSO. The effectiveness of our internal control over financial reporting as of September 30, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control over Financial Reporting. There were no changes in our internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this item with respect to our directors, our audit committee, our audit committee financial expert and procedures by which stockholders may recommend nominees to the board of directors is set forth under the heading "The Board of Directors" in our definitive Proxy Statement for the 2017 Annual Meeting of Stockholders (the "Proxy Statement"), to be filed with the SEC within 120 days of the end of our fiscal year, which information is incorporated herein by reference. Information required by this item regarding our executive officers is included in Part I of this Annual Report on Form 10-K under the heading "Business—Executive Officers." Information required by this item with respect to Section 16(a) beneficial ownership reporting compliance is set forth in the Proxy Statement under the heading "Section 16(a) Beneficial Ownership Reporting Compliance," which information is incorporated herein by reference.

Code of Ethics

We have adopted a Code of Ethics within the meaning of Item 406(b) of Regulation S-K under the Exchange Act. This Code of Ethics applies to all our directors, officers and employees. The Code of Ethics is available on our website: *www.nutraceutical.com.* Additionally, we will provide to any person, without charge, upon request, a copy of the Code of Ethics. A person may request a copy by writing to Nutraceutical International Corporation, Attn.: Investor Relations, 1500 Kearns Boulevard, Suite B-200, Park City, Utah 84060 or by telephoning us at (435) 655-6106.

Item 11. Executive Compensation

Information required by this item is set forth in the Proxy Statement under the heading "Executive Compensation," which information is incorporated herein by reference (except for the Compensation Committee Report).

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required by this item is set forth in the Proxy Statement under the heading "Principal Stockholders," which information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required by this item is set forth in the Proxy Statement under the headings "The Board of Directors—Compensation Committee Interlocks and Insider Participation" and "The Board of Directors—Certain Relationships, Related Transactions and Director Independence," which information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information required by this item appears in the Proxy Statement under the heading "Fees Paid to PricewaterhouseCoopers LLP" and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. All Financial Statements:

   Consolidated Financial Statements, as set forth on the attached Index to Consolidated Financial Statements.

2. Financial Statement Schedules:

   Schedule II—Valuation and Qualifying Accounts.

3. Exhibits:

   Reference is made to the attached Exhibit Index.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 17th day of November 2016.

NUTRACEUTICAL INTERNATIONAL CORPORATION

By:

/s/ FRANK W. GAY II

Frank W. Gay II
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated on this 17th day of November 2016.

Signature	**Capacity**
/s/ FRANK W. GAY II Frank W. Gay II	Director, Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
/s/ JEFFREY A. HINRICHS Jeffrey A. Hinrichs	Director, Executive Vice President, Chief Operating Officer and Secretary
/s/ CORY J. MCQUEEN Cory J. McQueen	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ GREGORY M. BENSON Gregory M. Benson	Director
/s/ MICHAEL D. BURKE Michael D. Burke	Director
/s/ J. KIMO ESPLIN J. Kimo Esplin	Director
/s/ JAMES D. STICE James D. Stice	Director

Nutraceutical International Corporation

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
of Nutraceutical International Corporation:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Nutraceutical International Corporation and its subsidiaries at September 30, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2016, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Salt Lake City, UT
November 17, 2016

NUTRACEUTICAL INTERNATIONAL CORPORATION

CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share data)

	September 30,	
	2016	2015
Assets		
Current assets:		
Cash	$ 6,803	$ 4,615
Accounts receivable, net	17,680	16,798
Inventories	63,923	59,440
Prepaid expenses and other current assets	4,217	4,195
Deferred income taxes	1,243	1,167
Total current assets	93,866	86,215
Property, plant and equipment, net	83,048	77,645
Goodwill	30,925	24,384
Intangible assets, net	22,277	17,605
Deferred income taxes	4,310	4,932
Other non-current assets	1,429	1,668
Total assets	$ 235,855	$ 212,449
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 12,696	$ 14,023
Accrued expenses	7,469	6,505
Total current liabilities	20,165	20,528
Long-term debt	43,500	31,500
Other non-current liabilities	200	174
Total liabilities	63,865	52,202
Commitments and contingencies (Notes 10, 14 and 16)		
Stockholders' equity:		
Preferred stock, $0.01 par value, 5,000,000 shares authorized; issued and outstanding—none	—	—
Common stock, $0.01 par value, 50,000,000 shares authorized; 9,203,790 shares issued and outstanding at September 30, 2016: 9,489,874 shares issued and 9,487,874 shares outstanding at September 30, 2015	92	95
Additional paid-in capital	52	6,961
Retained earnings	172,276	153,618
Accumulated other comprehensive income	(430)	(379)
Treasury stock	—	(48)
Total stockholders' equity	171,990	160,247
Total liabilities and stockholders' equity	$ 235,855	$ 212,449

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

NUTRACEUTICAL INTERNATIONAL CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(dollars in thousands, except per share data)

	Years ended September 30,		
	2016	**2015**	**2014**
Net sales	$ 232,988	$ 216,479	$ 214,474
Cost of sales	114,939	110,255	108,169
Gross profit	118,049	106,224	106,305
Operating expenses:			
Selling, general and administrative	84,945	77,256	76,874
Amortization of intangible assets	3,927	2,869	2,667
Impairment of intangible assets	—	1,810	267
	88,872	81,935	79,808
Income from operations	29,177	24,289	26,497
Interest and other expense, net	1,252	1,051	1,421
Income before provision for income taxes	27,925	23,238	25,076
Provision for income taxes	9,267	7,967	9,187
Net income	$ 18,658	$ 15,271	$ 15,889
Other comprehensive loss:			
Foreign currency translation adjustment, net of tax	(51)	(458)	(122)
Comprehensive income	$ 18,607	$ 14,813	$ 15,767
Net income per common share:			
Basic	$ 2.00	$ 1.59	$ 1.62
Diluted	2.00	1.59	1.62
Weighted average common shares outstanding:			
Basic	9,345,754	9,588,838	9,792,276
Dilutive effect of stock options	—	3,896	8,804
Diluted	9,345,754	9,592,734	9,801,080

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

NUTRACEUTICAL INTERNATIONAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

	Years ended September 30,		
	2016	**2015**	**2014**
Cash flows from operating activities:			
Net income	$ 18,658	$ 15,271	$ 15,889
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	14,208	12,765	11,468
Amortization of deferred financing fees	125	130	184
Impairment of intangible assets	—	1,810	267
Losses on disposals of property, plant and equipment	9	13	3
Tax benefit from stock option exercises	—	(84)	(51)
Deferred income taxes	546	17	112
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts receivable, net	458	(1,648)	(758)
Inventories	(1,661)	(1,462)	(6,691)
Prepaid expenses and other current assets	392	(816)	(704)
Other non-current assets	(15)	(101)	(90)
Accounts payable	(1,422)	(604)	9
Accrued expenses	1,453	(267)	386
Other non-current liabilities	26	22	14
Net cash provided by operating activities	32,777	25,046	20,038
Cash flows from investing activities:			
Purchases of property, plant and equipment	(8,950)	(8,557)	(11,298)
Acquisitions of businesses	(26,235)	(1,266)	(16,377)
Net cash used in investing activities	(35,185)	(9,823)	(27,675)
Cash flows from financing activities:			
Proceeds from debt	27,000	4,500	23,500
Payments on debt	(15,000)	(16,000)	(13,000)
Payments of deferred financing fees	—	(420)	—
Proceeds from issuances of common stock	81	552	211
Purchases of common stock for treasury	(7,501)	(5,319)	(5,067)
Tax benefit from stock option exercises	—	84	51
Net cash provided by (used in) financing activities	4,580	(16,603)	5,695
Effect of exchange rate changes on cash	16	(237)	(61)
Net increase (decrease) in cash	2,188	(1,617)	(2,003)
Cash at beginning of year	4,615	6,232	8,235
Cash at end of year	$ 6,803	$ 4,615	$ 6,232

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

NUTRACEUTICAL INTERNATIONAL CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(dollars in thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholders' Equity
	Shares	Amount					
Balance at October 1, 2013	**9,842,602**	**$ 98**	**$ 15,126**	**$ 122,458**	**$ 201**	**$ (7)**	**$ 137,876**
Net income	—	—	—	15,889	—	—	15,889
Other comprehensive loss	—	—	—	—	(122)	—	(122)
Issuances of common stock	13,770	—	211	—	—	—	211
Equity compensation payments	31,788	1	774	—	—	—	775
Tax benefit from stock option exercises	—	—	51	—	—	—	51
Purchases of common stock for treasury	—	—	—	—	—	(5,067)	(5,067)
Retirement of common stock in treasury	(210,141)	(2)	(5,050)	—	—	5,052	—
Balance at September 30, 2014	**9,678,019**	**97**	**11,112**	**138,347**	**79**	**(22)**	**149,613**
Net income	—	—	—	15,271	—	—	15,271
Other comprehensive loss	—	—	—	—	(458)	—	(458)
Issuances of common stock	36,791	—	552	—	—	—	552
Equity compensation payments	24,827	—	504	—	—	—	504
Tax benefit from stock option exercises	—	—	84	—	—	—	84
Purchases of common stock for treasury	—	—	—	—	—	(5,319)	(5,319)
Retirement of common stock in treasury	(249,763)	(2)	(5,291)	—	—	5,293	—
Balance at September 30, 2015	**9,489,874**	**95**	**6,961**	**153,618**	**(379)**	**(48)**	**160,247**
Net income	—	—	—	18,658	—	—	18,658
Other comprehensive loss	—	—	—	—	(51)	—	(51)
Issuances of common stock	3,343	—	81	—	—	—	81
Equity compensation payments	22,664	—	556	—	—	—	556
Purchases of common stock for treasury	—	—	—	—	—	(7,501)	(7,501)
Retirement of common stock in treasury	(312,091)	(3)	(7,546)	—	—	7,549	—
Balance at September 30, 2016	**9,203,790**	**$ 92**	**$ 52**	**$ 172,276**	**$ (430)**	**$ —**	**$ 171,990**

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

1. Description of Business

Nutraceutical International Corporation and its subsidiaries (the "Company") is an integrated manufacturer, marketer, distributor and retailer of branded nutritional supplements and other natural products sold primarily to and through domestic health and natural food stores. Internationally, the Company markets and distributes branded nutritional supplements and other natural products to and through health and natural product distributors and retailers. The Company's core business strategy is to acquire, integrate and operate businesses in the natural products industry that manufacture, market and distribute branded nutritional supplements. The Company believes that the consolidation and integration of these acquired businesses provides ongoing financial synergies through increased scale and market penetration, as well as strengthened customer relationships.

The Company manufactures and sells nutritional supplements and other natural products under numerous brands, including *Solaray*®, *KAL*®, *Dynamic Health*®, *Nature's Life*®, *LifeTime*®, *Natural Balance*®, *NaturalCare*®, *Health from the Sun*®, *Pioneer*®, *Nutra BioGenesis*®, *Life-flo*®, *Organix South*®, *Heritage Store*® and *Monarch Nutraceuticals*®.

The Company owns neighborhood natural food markets, which operate under the trade names *The Real Food Company*™, *Thom's Natural Foods*™, *Cornucopia Community Market*™ and *Granola's*™. The Company also owns health food stores, which operate under various trade names, including *Fresh Vitamins*™ and *Peachtree Natural Foods*®.

2. Summary of Significant Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances were eliminated.

Use of Estimates—The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America required management to make estimates and assumptions that affected the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of net sales and expenses during the reported periods. Significant estimates included values and lives assigned to acquired intangible assets, reserves for customer returns and allowances, uncollectible accounts receivable, valuation adjustments for slow-moving, obsolete and/or damaged inventory and valuation and recoverability of long-lived assets. Actual results may differ from these estimates.

Fair Value of Financial Instruments—The Company believes that the fair values of financial instruments, including cash, accounts receivable, accounts payable and debt, approximated their respective book values at September 30, 2016 and 2015. The book values of cash, accounts receivable and accounts payable approximated their fair values based on their short-term nature. Estimated fair values for debt have been determined based on borrowing rates currently available to the Company for bank loans with similar terms and maturities and are classified as Level 2 (significant observable inputs other than quoted prices) in the Financial Accounting Standards Board's ("FASB") fair value hierarchy.

Cash—The majority of the Company's cash was held by one bank at September 30, 2016. As a result of this concentration, the Company's cash balances frequently exceed federally insured limits. The Company does not believe it is subject to any other unusual risks as a result of this concentration other than those normally associated with commercial banking relationships.

Accounts Receivable—Provision is made for estimated bad debts based on a periodic analysis of individual customer balances, including an evaluation of days sales outstanding, payment history, recent payment trends and perceived creditworthiness.

Inventories—Branded inventories included freight-in, materials, labor and overhead costs and were stated at the lower of cost or market, cost being determined by a moving weighted average. Neighborhood natural food markets and health food stores inventories were accounted for using the retail method. Valuation adjustments are made for slow-moving, obsolete and/or damaged inventory based on a periodic analysis of individual inventory items, including an evaluation of historical usage and/or movement, age, expiration date and general condition.

Property, Plant and Equipment—Property, plant and equipment were stated at cost, less accumulated depreciation and amortization. Depreciation and amortization were provided using the straight-line method over the estimated useful lives of the respective assets. Expenditures for renewals and betterments were capitalized, while maintenance and repairs were charged to operations in the periods incurred. Upon sale or disposal of an asset, the historical cost and related accumulated depreciation or

amortization of such asset were removed from their respective accounts and any gain or loss was recorded in the Consolidated Statements of Comprehensive Income.

The Company evaluates the recoverability of property, plant and equipment whenever events or circumstances indicate that the carrying amount of an asset group may not be recoverable. The Company measures recoverability of an asset group by comparison of its carrying amount to the future undiscounted cash flows the asset group is expected to generate. If an asset group is considered to be impaired, the difference between the carrying amount and the fair value of the impaired asset group is recognized as an impairment charge.

Goodwill and Intangible Assets—The excess of purchase price over fair value of assets acquired in business combinations was classified as goodwill. Intangible assets with finite useful lives are amortized and are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is tested annually for impairment and when events or changes in circumstances indicate the carrying value may not be recoverable. The Company performs its annual impairment testing as of September 30 each year, which is the last day of the Company's fiscal year.

A two-step process is used to test for goodwill impairment. The first step is to determine if there is an indication of impairment by comparing the estimated fair value of each reporting unit to its carrying value, including existing goodwill. Reporting unit fair values are estimated using market data as well as other factors. Goodwill is considered impaired if the carrying value of a reporting unit exceeds the estimated fair value. Upon an indication of impairment, a second step is performed to measure the amount of the impairment by comparing the implied fair value of the reporting unit's goodwill with its carrying value.

Amortizable intangible assets are reviewed for recoverability by comparing an asset group's carrying amount to the future undiscounted cash flows the asset group is expected to generate. If an asset group is considered to be impaired, the difference between the carrying amount and the fair value of the impaired asset group is recorded as an impairment charge.

Deferred Financing Fees—The Company deferred certain debt issuance costs, including bank, legal and other fees, related to the establishment and subsequent amendment of its credit agreement (Note 9). These costs are being amortized using the straight-line method.

Foreign Currency Translation—The functional currency of each of the Company's foreign subsidiaries and branches is the local currency. All assets and liabilities of foreign subsidiaries and branches were translated into U.S. Dollars at fiscal year-end exchange rates. Income and expense items were translated at exchange rates prevailing during the year. The resulting translation adjustments, net of income taxes, were recorded in accumulated other comprehensive income, which is a component of stockholders' equity.

Revenue Recognition—Revenue is recognized when the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) the product has been shipped and the customer takes ownership and assumes the risk of loss; (3) the selling price is fixed or determinable; and (4) collection of the resulting receivable is reasonably assured. The Company believes that these criteria are satisfied upon shipment from its facilities or, in the case of the Company's neighborhood natural food markets and health food stores, at the point of sale within these stores. Revenue is reduced by provisions for estimated customer returns and allowances, which are based on historical averages that have not varied significantly for the periods presented, as well as specific known claims, if any.

Shipping and Handling Costs—The Company incurred shipping and handling costs related to third party freight charges, as well as internal warehousing and order fulfillment costs. These costs were classified as selling, general and administrative expenses and totaled $15,567, $14,863 and $15,073 for the years ended September 30, 2016, 2015 and 2014, respectively.

Research and Development—The Company expensed research and development costs as incurred. For the years ended September 30, 2016, 2015 and 2014, the Company incurred $3,715, $3,624 and $3,806, respectively, in research and development expenditures primarily related to product development.

Advertising—The Company expensed advertising costs as incurred. These costs were included in selling, general and administrative expenses.

Income Taxes—The Company accounted for income taxes using the asset and liability method which required the Company to record deferred tax assets and liabilities for the differences between the financial statement and tax bases of assets and liabilities using the expected applicable future tax rates. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be ultimately realized.

The Company evaluated its uncertain tax positions taken or expected to be taken in a tax return including the related financial statement recognition, measurement, reporting and disclosure (Note 11).

Concentrations of Credit Risk—In the normal course of business, the Company provided credit terms to its customers; however, collateral was not required. Accordingly, the Company performed credit evaluations of its customers and maintained allowances for possible losses which, when realized, were within the range of management's expectations. From time to time, a higher concentration of credit risk existed on outstanding accounts receivable for a select number of customers due to individual buying patterns.

New Accounting Standards—In February 2016, the FASB issued authoritative guidance, which is included in Accounting Standards Codification ("ASC") 842, "*Leases*." This guidance requires lessees to recognize most leases on the balance sheet by recording a right-of-use asset and a lease liability. This guidance is effective for the Company as of October 1, 2019. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In November 2015, the FASB issued authoritative guidance, which is included in ASC 740, "*Income Taxes*." This guidance simplifies the presentation of deferred income taxes and requires that deferred tax assets and liabilities be classified as noncurrent in the classified statement of financial position. This guidance is effective for the Company as of October 1, 2017 and is not expected to have a material impact on the consolidated financial statements as the guidance only changes the classification of deferred income taxes.

In September 2015 the FASB issued authoritative guidance, which is included in ASC 805, "*Business Combinations.*" This guidance simplifies the accounting for measurement-period adjustments and is effective for the Company as of October 1, 2016. This guidance is not expected to have a material impact on the consolidated financial statements.

In July 2015, the FASB issued authoritative guidance, which is included in ASC 330, "*Inventory.*" This guidance simplifies the accounting for measuring inventory at the lower of cost and net realizable value and is effective for the Company as of October 1, 2017. This guidance is not expected to have a material impact on the consolidated financial statements.

In May 2014, the FASB issued authoritative guidance, which is included in ASC 606, "*Revenue from Contracts with Customers*." This guidance provides a single, comprehensive revenue recognition model for all contracts with customers and requires that a company recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In July 2015, the FASB delayed the effective date of this guidance by one year. As a result, this guidance is effective for the Company as of October 1, 2018 and shall be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is currently evaluating the impact this standard may have on its consolidated financial statements.

The Company periodically reviews new accounting standards that are issued. Although some of these accounting standards may be applicable to the Company, the Company has not identified any other new standards that it believes merit further discussion, and the Company expects that none would have a significant impact on its consolidated financial statements.

3. Acquisitions

During the year ended September 30, 2016, the Company made two acquisitions of businesses. On October 6, 2015, the Company acquired certain operating assets of Dynamic Health Laboratories, Inc. ("Dynamic Health"). On February 18, 2016, the Company acquired certain operating assets of Aubrey Organics, Inc. ("Aubrey Organics"). The aggregate purchase price of these acquisitions was $26,235 in cash.

During the year ended September 30, 2015, the Company made two acquisitions of businesses. On November 18, 2014, the Company acquired certain operating assets of Agape Health Products. On June 4, 2015, the Company acquired certain operating assets of ProClay, LLC. The aggregate purchase price of these acquisitions was $1,266 in cash.

During the year ended September 30, 2014, the Company made seven acquisitions of businesses. On October 16, 2013, the Company acquired certain operating assets of TCCD International, Inc. On November 25, 2013, the Company acquired certain operating assets of Green Luxury Brands, Inc. On December 19, 2013, the Company acquired certain operating assets of Twinlab Corporation. On January 15, 2014, the Company acquired certain operating assets of Peachtree Natural Foods, Inc. On April 11, 2014, the Company acquired certain operating assets of Northwest Health Foods, Inc. On April 17, 2014, the Company acquired certain operating assets of Bio-Genesis Nutraceuticals, Inc. On August 26, 2014, the Company acquired certain operating assets of Cooper Nutrition, Inc. The aggregate purchase price of these acquisitions was $16,377 in cash.

(dollars in thousands, except per share data)

These acquisitions are in keeping with the Company's business strategy of consolidating the fragmented industry where it competes. These acquisitions were accounted for using the acquisition method of accounting. Accordingly, the aggregate purchase price was assigned to the assets acquired based on their fair values at the respective dates of acquisition. The excess of aggregate purchase price over the fair values of the assets acquired was classified as goodwill (Note 7). The goodwill relates to expected synergies from these acquisitions. The Consolidated Statements of Comprehensive Income and Consolidated Statements of Cash Flows presented herein include the activities of these acquired businesses from their respective dates of acquisition. The following reflects the final allocation of the aggregate purchase prices for the fiscal 2016, 2015 and 2014 acquisitions to the aggregate assets acquired:

	Fiscal 2016 Acquisition - Dynamic Health	Fiscal 2016 Acquisition - Aubrey Organics	Fiscal 2015 Acquisitions	Fiscal 2014 Acquisitions
Aggregate assets acquired:				
Current assets	$ 3,821	$ 755	$ 111	$ 2,773
Property, plant and equipment	644	6,004	—	—
Goodwill	6,541	—	762	7,801
Intangible assets	8,020	450	393	5,803
	$ 19,026	$ 7,209	$ 1,266	$ 16,377

The fiscal 2016, 2015 and 2014 acquired intangible assets totaling $8,470, $393 and $5,803, respectively, related to trademarks, tradenames and customer relationships, and are being amortized over periods of two to fifteen years for financial statement purposes. The fiscal 2016, 2015 and 2014 acquired intangible assets are expected to be deductible for tax purposes over fifteen years. Goodwill, which is not subject to amortization for financial statement purposes, of $6,541 for fiscal 2016, $762 for fiscal 2015 and $7,801 for fiscal 2014, is expected to be deductible for tax purposes over fifteen years.

Since the date of acquisition (October 6, 2015), net sales of $17,393 and gross profit of $6,802 for Dynamic Health were included in the Consolidated Statements of Comprehensive Income for the year ended September 30, 2016. The Company tracks selling, general and administrative expenses on a consolidated basis, not on a brand-by-brand basis. As a result, the disclosure of any results after gross profit is impracticable. The following table provides unaudited pro forma information for the year ended September 30, 2015 as if the acquisition of Dynamic Health had been completed on October 1, 2014. Pro forma information was not provided for the year ended September 30, 2016 since the acquisition was completed near the beginning of the year and the pro forma results are not materially different than actual results. The information has been provided for illustrative purposes only and is not necessarily indicative of the actual results that would have been achieved by the Company for the period presented or that will be achieved in the future. The pro forma information has been adjusted to give effect to items directly attributable to the Dynamic Health acquisition. These adjustments include acquisition costs, amortization expense associated with acquired intangible assets, interest expense associated with borrowings on the Company's revolving credit facility to fund the acquisition, application of the Company's depreciable lives policy for property, plant and equipment, elimination of intercompany transactions and any consequential tax effects.

	For the Year Ended September 30, 2015 (unaudited)
Net sales	$ 233,440
Net income	$ 15,117

This information has not been adjusted to reflect any changes in the operations of the business subsequent to acquisition. Changes in the operations of the acquired business may include, but are not limited to, discontinuation of certain customers and/or products, application of the Company's pricing and credit policies, integration of systems and personnel, changes in manufacturing processes, relocation of facilities, potential cost synergies and changes in marketing and sales programs. Due to these changes, future results could be materially different than the pro forma information provided.

The actual and pro forma net sales and earnings related to the Aubrey Organics acquisition were not material.

(dollars in thousands, except per share data)

4. Accounts Receivable

Accounts receivable, net of allowances for sales returns and doubtful accounts, consisted of the following:

	September 30,	
	2016	2015
Accounts receivable	$ 18,732	$ 17,882
Less allowances	(1,052)	(1,084)
	$ 17,680	$ 16,798

5. Inventories

Inventories were comprised of the following:

	September 30,	
	2016	2015
Raw materials	$ 25,792	$ 23,106
Work-in-process	11,711	9,755
Finished goods	26,420	26,579
	$ 63,923	$ 59,440

6. Property, Plant and Equipment

Property, plant and equipment, net of accumulated depreciation and amortization, were comprised of the following:

	Estimated Useful Life in Years	September 30,	
		2016	2015
Land	-	$ 10,080	$ 8,987
Buildings	30	81,004	74,214
Leasehold improvements	1 - 5	3,507	3,326
Furniture, fixtures and equipment	2 - 7	69,134	64,831
		163,725	151,358
Less accumulated depreciation and amortization		(80,677)	(73,713)
		$ 83,048	$ 77,645

At September 30, 2016 and 2015, the Company had no equipment under capital leases. Substantially all property, plant and equipment of the Company collateralized its debt obligations (Note 9).

Depreciation and amortization of property, plant and equipment totaled $10,281, $9,896 and $8,801 for the years ended September 30, 2016, 2015 and 2014, respectively.

(dollars in thousands, except per share data)

7. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for the years ended September 30, 2015 and 2016 were as follows:

	Goodwill	Accumulated Impairment	Net
Balance as of October 1, 2014	$ 64,016	$ (40,394)	$ 23,622
Goodwill attributable to fiscal 2015 acquisitions	762	—	762
Balance as of September 30, 2015	64,778	(40,394)	24,384
Goodwill attributable to fiscal 2016 acquisitions	6,541	—	6,541
Balance as of September 30, 2016	$ 71,319	$ (40,394)	$ 30,925

The carrying amounts of intangible assets at September 30, 2016 and 2015 were as follows:

	September 30, 2016			September 30, 2015			Weighted-Average Amortization Period (Years)
	Gross Carrying Amount(1)	Accumulated Amortization (1)	Net Carrying Amount	Gross Carrying Amount(1)	Accumulated Amortization (1)	Net Carrying Amount	
Intangible assets subject to amortization:							
Trademarks/trade names/ licenses	$ 13,904	$ (3,137)	$ 10,767	$ 12,470	$ (1,966)	$ 10,504	11
Customer relationships/non-compete agreements	23,867	(12,357)	11,510	16,836	(9,773)	7,063	7
Developed software and technology	772	(772)	—	772	(772)	—	5
	38,543	(16,266)	22,277	30,078	(12,511)	17,567	
Intangible assets not subject to amortization:							
Licenses	—	—	—	38	—	38	
	$ 38,543	$ (16,266)	$ 22,277	$ 30,116	$ (12,511)	$ 17,605	

(1) Amounts include the impact of foreign currency translation adjustments.

Aggregate amortization expense related to intangible assets subject to amortization totaled $3,927, $2,869 and $2,667 for the years ended September 30, 2016, 2015 and 2014, respectively.

Estimated amortization expense related to intangible assets subject to amortization is as follows:

Year Ending September 30,	Estimated Amortization Expense
2017	$ 3,598
2018	3,406
2019	2,979
2020	2,890
2021	2,472
Thereafter	6,932
	$ 22,277

In September 2015, the Company made a decision to expand its brand consolidation plan in an effort to simplify its brand offerings and facilitate the customer ordering process. Based on this decision, the Company no longer expects that the economic benefit of any of its indefinite-lived tradenames extends beyond the foreseeable future. As a result, as of

(dollars in thousands, except per share data)

September 30, 2015, the Company determined these tradenames with an aggregate carrying value of $8,727 should be assigned finite useful lives. In accordance with ASC 350, "*Intangibles—Goodwill and Other,*" these tradenames were first tested for impairment as indefinite-lived intangible assets resulting in non-cash intangible asset impairment charges of $1,810 ($1,112 after tax, or $0.12 per diluted share). The remaining $6,917 was reclassified to amortizable intangible assets as of September 30, 2015 with a weighted-average amortization period of 10 years.

In performing its annual impairment testing as of September 30, 2014, the Company determined that there had been an increase in the probability that certain of its indefinite-lived tradenames could be consolidated with other existing tradenames in the future. As a result, the Company determined these tradenames with an aggregate carrying value of $1,093 should be assigned finite useful lives. In accordance with ASC 350, these tradenames were first tested for impairment as indefinite-lived intangible assets resulting in a non-cash intangible asset impairment charge of $267 ($168 after tax, or $0.02 per diluted share). The remaining $826 was reclassified to amortizable intangible assets as of September 30, 2014 with a weighted-average amortization period of 15 years.

General and economic conditions may impact retail and consumer demand, as well as the market price of the Company's common stock, and could negatively impact the Company's future operating performance, cash flow and/or stock price and could result in additional goodwill and/or intangible asset impairment charges being recorded in future periods. Also, the Company periodically reviews its brands to achieve marketing, sales and operational synergies. These reviews could result in additional brands being consolidated or discontinued and could result in additional intangible asset impairment charges being recorded in future periods. Additional goodwill and/or intangible asset impairment charges could materially impact the Company's consolidated financial statements. The valuation of goodwill and intangible assets is subject to a high degree of judgment, uncertainty and complexity.

8. Accrued Expenses

Accrued expenses were comprised of the following:

	September 30,	
	2016	2015
Employee payroll, taxes, benefits and performance incentives	$ 6,298	$ 5,270
Other accrued expenses	1,171	1,235
	$ 7,469	$ 6,505

9. Debt

Debt was comprised of the following:

	September 30,	
	2016	2015
Long-term debt—revolving credit facility	$ 43,500	$ 31,500

On November 4, 2014, the Company amended its revolving credit facility (the "Credit Agreement"). The Credit Agreement extends the term of the credit facility to November 2019, increases the available credit borrowings to $100,000 with no automatic reductions and provides an accordion feature that can increase the available credit borrowings to $130,000 subject to approval by the lenders and compliance with certain covenants and conditions. The lenders under the Credit Agreement continue to be Rabobank International and Wells Fargo. To date, the Company has not experienced any difficulties in accessing the available funds under the Credit Agreement. Deferred financing fees of $420 related to the Credit Agreement are being amortized over the term of the Credit Agreement.

At September 30, 2016, the Company had outstanding revolving credit borrowings of $43,500 under the Credit Agreement. Borrowings under the Credit Agreement are collateralized by substantially all assets of the Company. At the Company's election, borrowings bear interest at the applicable Eurodollar Rate plus a variable margin or at a Base Rate plus a variable margin. Base Rate is the higher of: (i) the Prime Lending Rate, (ii) the Federal Funds Rate plus 0.5% or (iii) the one-month Eurodollar Rate multiplied by the Statutory Reserve Rate plus 1.0% (capitalized terms are defined in the Credit Agreement, a copy of which was filed with the Securities and Exchange Commission on November 5, 2014). At September 30, 2016, the applicable weighted-average interest rate for outstanding borrowings was 2.24%. The Company is also required to

(dollars in thousands, except per share data)

pay a variable quarterly fee on the unused balance under the Credit Agreement. At September 30, 2016, the applicable rate was 0.25%. Accrued interest on Eurodollar Rate borrowings is payable based on elected intervals of one, two or three months. Accrued interest on Base Rate borrowings is payable quarterly. The Credit Agreement matures on November 4, 2019, and the Company is required to repay all principal and interest outstanding under the Credit Agreement on such date.

The Credit Agreement contains restrictive covenants, including restrictions on incurring other indebtedness and requirements that the Company maintain certain financial ratios. As of September 30, 2016, the Company was in compliance with the restrictive covenants. Upon the occurrence of a default, the lender has various remedies or rights, which may include proceeding against the collateral or requiring the Company to repay all amounts outstanding under the Credit Agreement.

10. Lease Commitments and Obligations

The Company leases retail, office, storage and warehouse space under non-cancelable operating leases, the last of which expires during fiscal 2022; however, the Company has negotiated extension options in many cases. These operating leases require the Company to pay all taxes, insurance and maintenance.

The following summarizes future minimum lease payments required under the Company's significant non-cancelable operating leases:

Year Ending September 30,	Minimum Lease Payments
2017	$ 3,864
2018	1,455
2019	779
2020	318
2021	135
Thereafter	10
	$ 6,561

Total rent expense incurred by the Company under significant non-cancelable operating leases was $3,813, $3,141 and $2,905 for the years ended September 30, 2016, 2015 and 2014, respectively.

11. Income Taxes

The provision for income taxes was comprised of the following:

	Years Ended September 30,		
	2016	2015	2014
Current:			
Federal	$ 7,790	$ 6,516	$ 7,797
State	843	973	1,084
Foreign	88	210	213
Total current	8,721	7,699	9,094
Deferred:			
Federal	446	220	69
State	100	48	24
Total deferred	546	268	93
	$ 9,267	$ 7,967	$ 9,187

(dollars in thousands, except per share data)

The differences between income taxes at the statutory federal income tax rate and income taxes reported in the Consolidated Statements of Comprehensive Income were as follows:

	Years Ended September 30,		
	2016	2015	2014
Federal tax at statutory rate	$ 9,774	$ 8,133	$ 8,777
State taxes, net of federal benefit	613	664	721
Non-deductible expenses	269	192	195
Manufacturing benefit	(847)	(613)	(586)
Credit for increasing research activities	(439)	(103)	(30)
Change in valuation allowance	—	(334)	163
Other	(103)	28	(53)
	$ 9,267	$ 7,967	$ 9,187

A summary of the composition of deferred income tax assets and liabilities was as follows:

	September 30,	
	2016	2015
Current Deferred Income Tax Assets and Liabilities		
Accounts receivable reserves	$ 409	$ 370
Inventory valuation adjustments	874	816
Accrued liabilities	(40)	(19)
	$ 1,243	$ 1,167
Non-Current Deferred Income Tax Assets		
Goodwill and other intangible assets	$ 2,264	$ 3,376
Property, plant and equipment	1,725	1,372
Foreign net operating loss carryforwards	2,103	1,881
Foreign tax credit carryforwards	321	184
	6,413	6,813
Less valuation allowance	(2,103)	(1,881)
	$ 4,310	$ 4,932

As of September 30, 2016 and 2015, the Company had foreign net operating loss carryforwards of $8,988 and $8,038, respectively. If not used, loss carryforwards of $3,653 will expire between 2017 and 2026 while $5,335 do not expire. As of September 30, 2016 and 2015, full valuation allowances were recorded of $2,103 and $1,881, respectively, as the Company believed it was not likely it would be able to utilize the loss carryforwards.

As of September 30, 2014, the Company recorded a valuation allowance of $334 against its non-current deferred tax asset resulting from foreign tax credit carryforwards. As of September 30, 2015, the Company released this valuation allowance as the Company believed it would be able to utilize the credit carryforwards.

As of September 30, 2016 and 2015, the Company had no uncertain tax positions that required recognition or disclosure in its Consolidated Statements of Comprehensive Income.

The Company files income tax returns in the United States federal jurisdiction, various U.S. state jurisdictions and certain foreign jurisdictions. The Company is no longer subject to U.S. federal tax examinations for fiscal years before 2013. The Company is no longer subject to examination in any U.S. state jurisdiction or foreign jurisdiction for fiscal years prior to 2011.

(dollars in thousands, except per share data)

12. Capital Stock

Description of Capital Stock—At September 30, 2016 and 2015, the Company had two authorized classes of stock: Common stock and preferred stock, each with a par value of $0.01 per share.

Stock Option Plans—During the year ended September 30, 1998, the Company's Board of Directors adopted the 1998 Stock Incentive Plan. This plan provided for granting options to purchase common stock to executives, employees and consultants of the Company and its subsidiaries. Grants under this plan vested over a period of two to four years and expire no later than the tenth anniversary of the date of grant. In aggregate, 1,050,000 shares of common stock were reserved for issuance under this plan. As of September 30, 2016, no options to purchase shares of common stock were issued, outstanding or exercisable under this plan.

During the year ended September 30, 1998, the Company's Board of Directors adopted the 1998 Non-Employee Director Stock Option Plan. This plan provided for granting options to purchase common stock to non-employee directors of the Company. Grants under this plan vested over a period of three years and expire no later than the tenth anniversary of the date of grant. In aggregate, 150,000 shares of common stock were reserved for issuance under this plan. As of September 30, 2016, no options to purchase shares of common stock were issued, outstanding or exercisable under this plan.

On September 30, 2005, the Company terminated the 1998 Stock Incentive Plan and the 1998 Non-Employee Director Stock Option Plan. After September 30, 2005, no new awards of any kind were granted under any of these plans. However, the termination of these plans did not have any effect on outstanding options. As of September 30, 2016, there were no outstanding, vested options under either of these plans.

On January 28, 2013, stockholders approved the Nutraceutical International Corporation 2013 Long-Term Equity Incentive Plan (the "2013 Plan") and the reservation of 800,000 shares of the Company's common stock for issuance under the 2013 Plan. Equity awards available under the 2013 Plan include stock options, stock appreciation rights and restricted stock awards. The 2013 Plan provides a means through which the Company may attract and retain key personnel, including non-executive directors, and provides a means for directors, officers, employees, consultants and advisors to acquire and maintain an equity interest in the Company. The 2013 Plan will be administered by the Compensation Committee of the Board of Directors of the Company, which has the authority to determine the terms of the awards, determine the number of shares of the Company's common stock to be covered by the awards and make such other determinations as necessary in administering the 2013 Plan. The 2013 Plan will terminate on the tenth anniversary of its effective date. In conjunction with the Company's fiscal 2015, fiscal 2014 and fiscal 2013 incentive compensation (bonus) payments, 22,664, 24,827 and 31,788 shares of the Company's common stock were issued, respectively. These non-cash stock awards were granted on December 11, 2015, December 11, 2014 and December 11, 2013 at a fair value of $556, $504 and $775, respectively, with fair value being determined by the closing price of the Company's common stock on the grant date. These stock awards were registered, unrestricted and fully vested on the grant date. As of September 30, 2016, 720,721 shares of the Company's common stock were available for issuance under the 2013 Plan.

As of September 30, 2016, no options to purchase shares of common stock were issued, outstanding or exercisable.

The following table sets forth option activity under the 1998 Stock Incentive Plan and the 1998 Non-Employee Director Stock Option Plan for the years ended September 30, 2014 and 2015.

	Number of Options	Average Price Per Share	Aggregate Option Price
Outstanding at October 1, 2013	42,500	$ 13.59	$ 577
Exercised	(10,000)	11.53	(115)
Outstanding at September 30, 2014	32,500	14.22	462
Exercised	(32,500)	14.22	(462)
Outstanding at September 30, 2015	—		$ —

Options granted were issued at exercise prices that represented the quoted market price of common stock at the respective grant dates.

During the years ended September 30, 2015 and 2014, the Company received proceeds of $462 and $115, respectively, related to the exercise of stock options. During these same periods, the Company recorded tax benefits of $84 and $51, respectively, and optionees realized aggregate pre-tax gains of $219 and $133, respectively, from these stock option exercises.

(dollars in thousands, except per share data)

Share Purchase Program—Prior to fiscal 2016, the Company's Board of Directors approved a share purchase program authorizing the Company to buy up to 4,500,000 shares of common stock of the Company. On July 26, 2016, the Company's Board of Directors approved the addition of 1,000,000 shares to the Company's previously approved share purchase program. During fiscal 2016, the Company purchased 310,091 shares at an aggregate price of $7,501. During fiscal 2015, the Company purchased 250,763 shares at an aggregate price of $5,319. During fiscal 2014, the Company purchased 210,841 shares at an aggregate price of $5,067. All shares of common stock held in treasury were retired prior to September 30 in the respective fiscal year of purchase except at September 30, 2015 and 2014 the Company held 2,000 and 1,000 shares of common stock in treasury, respectively. As of September 30, 2016, the Company was permitted to purchase up to 1,171,170 additional shares under its approved share purchase program. The shares available for repurchase at September 30, 2016 have no expiration date. The Company accounts for treasury shares using the cost method.

Direct Stock Purchase Plan—In October 2007, the Company registered a direct stock purchase plan with the Securities and Exchange Commission. The purpose of this direct stock purchase plan is to provide a convenient way for existing stockholders, as well as new investors, to purchase shares of the Company's common stock. A total of 1,500,000 shares of the Company's common stock were registered under the plan with 3,343 and 4,291 shares purchased for the years ended September 30, 2016 and 2015, respectively. As of September 30, 2016, there were 1,374,101 shares of common stock available for purchase under this plan.

13. Segments

Segment identification and selection is consistent with the management structure used by the Company's chief operating decision maker to evaluate performance and make decisions regarding resource allocation, as well as the materiality of financial results consistent with that structure. Based on the Company's management structure and method of internal reporting, the Company has one operating segment. The Company's chief operating decision maker does not review operating results on a disaggregated basis; rather, the chief operating decision maker reviews operating results on an aggregate basis.

Net sales attributed to customers in the United States and foreign countries for the years ended September 30, 2016, 2015 and 2014 were as follows:

	Year Ended September 30,		
	2016	2015	2014
United States	$ 202,931	$ 189,505	$ 185,729
Foreign countries	30,057	26,974	28,745
	$ 232,988	$ 216,479	$ 214,474

Certain net sales attributed to customers in the United States are sold to customers who in turn may sell such products to customers in foreign countries while certain net sales attributed to customers in foreign countries are sold to customers who in turn may sell such products to customers in the United States.

The Company's net sales by product group for the years ended September 30, 2016, 2015 and 2014 were as follows:

	Year Ended September 30,		
	2016	2015	2014
Branded nutritional supplements and other natural products	$ 211,145	$ 192,832	$ 190,105
Other(1)	21,843	23,647	24,369
	$ 232,988	$ 216,479	$ 214,474

(1) Net sales for any other product or group of similar products are less than 10% of consolidated net sales.

In October 2015, the Company made a decision to classify certain net sales in the other product group that were previously included in the branded nutritional supplements and other natural products group. As a result of this decision, the other product group net sales amount for the years ended September 30, 2015 and 2014 has been increased by $3,065 and $3,732, respectively, from the prior year's presentation.

14. Employee Benefit Plans

401(k) Plan—The Company has a 401(k) defined contribution profit sharing plan that covers substantially all employees. Under the plan, employees may contribute up to 75% of their compensation subject to certain exceptions and limitations. In addition, employees who meet certain age requirements may contribute additional amounts permitted by law under the plan. The Company makes matching contributions to the plan up to the first 4% of employee contributions and is permitted to make discretionary contributions under the plan. The amounts contributed to the plan by the Company were $1,014, $936 and $890 for the years ended September 30, 2016, 2015 and 2014, respectively.

15. Supplemental Disclosure of Cash Flow Items

Cash paid by the Company for interest was $1,029, $966 and $1,163 for the years ended September 30, 2016, 2015 and 2014, respectively. Cash paid by the Company for income taxes was $9,764, $7,172 and $8,966 for the years ended September 30, 2016, 2015 and 2014, respectively.

In conjunction with the Company's fiscal 2015, 2014 and 2013 incentive compensation (bonus) payments, non-cash stock awards of 22,664, 24,827 and 31,788 shares of the Company's common stock were issued, respectively. These non-cash stock awards were granted on December 11, 2015, December 11, 2014 and December 11, 2013 at an aggregate fair value of $556, $504 and $775, respectively.

16. Commitments and Contingencies

The formulation, manufacturing, processing, packaging, labeling, advertising, distribution and sale of nutritional supplements (including vitamins, amino acids, minerals, herbs, other botanicals and other dietary ingredients), such as those sold by the Company, are subject to regulation by one or more federal agencies, principally the Food and Drug Administration (the "FDA") and the Federal Trade Commission and, to a lesser extent, the Consumer Product Safety Commission and the United States Department of Agriculture. These activities are also regulated by various governmental agencies for the states and localities in which the Company's products are sold, as well as by governmental agencies in certain countries in which the Company's products are sold outside the United States.

Although management believes that the Company is in material compliance with the statutes, laws, rules and regulations of every jurisdiction in which it operates, from time to time one or more government agencies have asserted or may assert that some particular aspect or facility is not in compliance with a specific provision or law. No assurance can be given that the Company's compliance with applicable statutes, laws, rules and regulations will not be challenged by governing authorities or private parties or that the Company's response to any such challenge will be successful or that such challenges will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

The Company, like any other retailer, distributor or manufacturer of products that are designed to be ingested, also faces inherent risk of exposure to product liability claims in the event that the use of its products results in injury. With respect to product liability claims, the Company has liability insurance; however, liability policies contain deductibles and exclusions (such as those related to specific ingredients or types of claims) and there can be no assurance that such insurance will be adequate to cover all potential liabilities. In the event that the Company does not have adequate insurance (or any insurance) or contractual indemnification from parties supplying raw materials or marketing its products, product liability related to defective products could have a material adverse effect on the Company.

The Company is involved in various legal matters arising in the normal course of business. In the opinion of management, the losses related to individual regulatory and legal matters in which the Company is presently involved are not probable and no estimate can be made of the range of potential gains or losses. While incapable of estimation, in the opinion of management, the individual regulatory and legal matters in which the Company is presently involved are not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows. However, the aggregate liability of the Company arising from regulatory and legal proceedings related to these matters or future matters could have a material effect on the Company's financial position, results of operations or cash flows.

NUTRACEUTICAL INTERNATIONAL CORPORATION

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
			(dollars in thousands)		
September 30, 2016					
Deducted from related asset account:					
Allowance for sales returns	$ 751	$ 4,475	$ —	$ 4,458	$ 768
Allowance for doubtful accounts	333	60	—	109	284
Allowance for deferred tax assets	1,881	222	—	—	2,103
September 30, 2015					
Deducted from related asset account:					
Allowance for sales returns	763	4,033	—	4,045	751
Allowance for doubtful accounts	471	45	—	183	333
Allowance for deferred tax assets	1,981	(100)	—	—	1,881
September 30, 2014					
Deducted from related asset account:					
Allowance for sales returns	788	4,151	—	4,176	763
Allowance for doubtful accounts	864	(250)	—	143	471
Allowance for deferred tax assets	1,653	328	—	—	1,981

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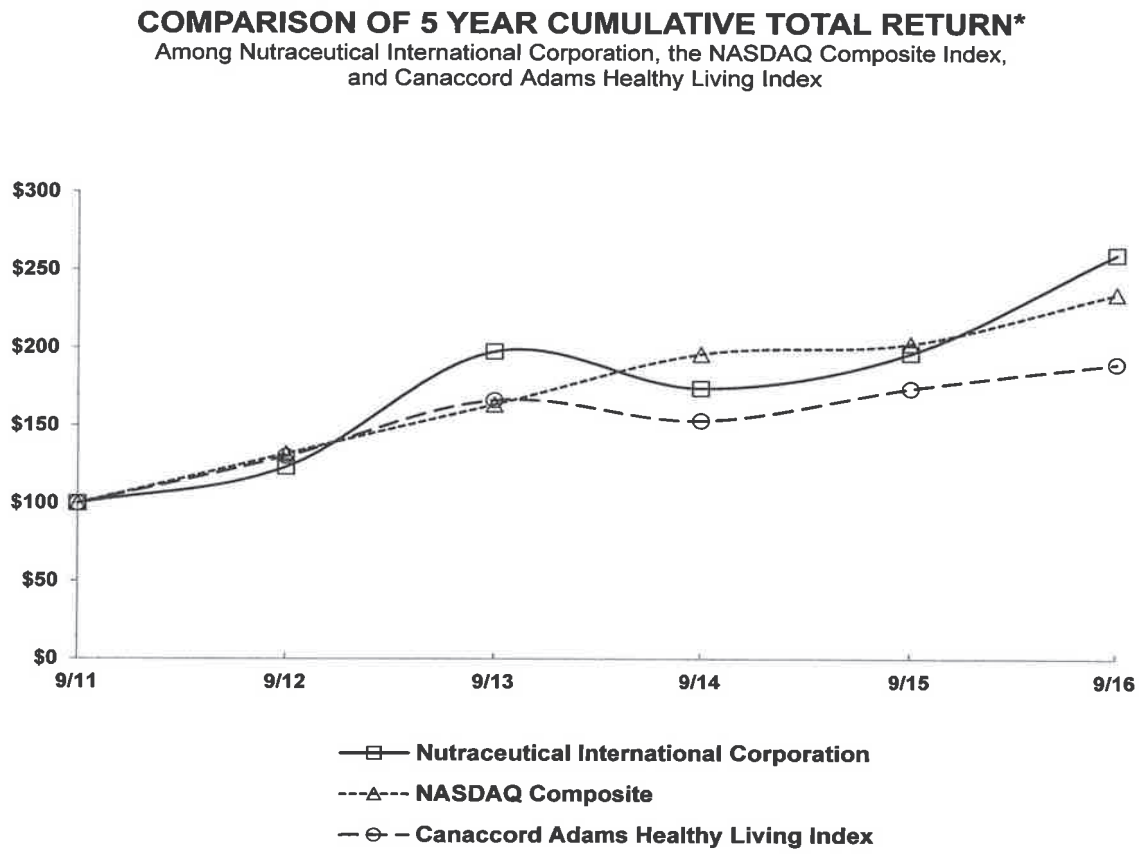
Performance Graph

The following graph compares the cumulative total stockholder return on our common stock for the five fiscal years ended September 30, 2016 with the Canaccord Adams Healthy Living Index and the NASDAQ Composite Index. The graph assumes that the value of the investment in our common stock and each index was $100 on September 30, 2011.



* $100 invested on 09/30/11 in stock or index, including reinvestment of dividends. Fiscal year ending September 30.

Company Name/Index	Base Period Sep11	INDEXED RETURNS Years Ending Sep12	Sep13	Sep14	Sep15	Sep16
Nutraceutical International Corporation(1).	100.00	123.32	197.52	173.98	196.44	259.93
NASDAQ Composite	100.00	131.89	163.47	195.96	202.60	234.66
Canaccord Adams Healthy Living Index	100.00	130.18	166.24	152.92	173.59	189.56

(1) The closing price of our common stock on September 30, 2016 was $31.24 per share, as reported by NASDAQ.

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EXECUTIVE OFFICERS

Frank W. Gay II
Chairman of the Board
and Chief Executive Officer

Bruce R. Hough
President

Jeffrey A. Hinrichs
Executive Vice President
and Chief Operating Officer

Gary M. Hume
Executive Vice President

Stanley E. Soper
Vice President, Legal Affairs

Cory J. McQueen
Vice President and Chief Financial Officer

Christopher B. Neuberger
Vice President, Marketing and Sales

Daren P. Peterson
Vice President, Operations

Jason D. Jones
Vice President, Corporate Strategy

Matthew A. Vance
Chief Information Officer

Andrew W. Seelos
Assistant Vice President and Controller

BOARD OF DIRECTORS

Frank W. Gay II, Chairman
Gregory M. Benson[2, 3]
Michael D. Burke[1, 3]
J. Kimo Esplin[1, 3]
Jeffrey A. Hinrichs
James D. Stice[1, 2, 3]

[1] Audit Committee
[2] Compensation Committee
[3] Nominating Committee

CORPORATE INFORMATION

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New York, New York 10019

Registrar and Transfer Agent
American Stock Transfer and Trust Company
40 Wall Street
New York, NY 10005

Common Stock
The Company's common stock is traded on
NASDAQ (Symbol: NUTR)