EDIETS COM INC
Form 10-Q
May 15, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2012.

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: 000-30559

eDiets.com, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**56-0952883**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
1000 Corporate Drive, Suite 600	
Fort Lauderdale, Florida	**33334**
(Address of principal executive offices)	**(Zip Code)**

(954) 360-9022

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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	x

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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the registrant s classes of common stock, as of May 10, 2012:

Common Stock, $.001 par value per share	14,310,534 shares

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

EDIETS.COM, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(unaudited)

	March 31, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 327	$ 603
Accounts receivable, net	80	145
Inventory	59	70
Prepaid expenses and other current assets	264	345
Total current assets	730	1,163
Restricted cash	994	884
Property and office equipment, net	527	598
Intangible assets, net	3	4
Other assets	44	47
Total assets	$ 2,298	$ 2,696
LIABILITIES AND STOCKHOLDERS DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$ 2,095	$ 1,481
Accrued liabilities	999	940
Current portion of capital lease obligations	17	23
Deferred revenue	469	598
Related party debt - current	1,000	1,000
Total current liabilities	4,580	4,042
Commitments and contingencies		
STOCKHOLDERS DEFICIT:		
Common stock	14	14
Additional paid-in capital	106,550	106,410
Accumulated deficit	(108,850)	(107,780)
Accumulated other comprehensive income (loss)	4	10
Total stockholders deficit	(2,282)	(1,346)
Total liabilities and stockholders deficit	$ 2,298	$ 2,696

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

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EDIETS.COM, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three months ended March 31, 2012	Three months ended March 31, 2011
REVENUE		
Meal delivery	$ 6,343	$ 5,546
Digital plans	447	771
Business-to-business	176	394
Other	157	219
TOTAL REVENUE	7,123	6,930
COSTS AND EXPENSES:		
Cost of revenue		
Meal delivery	3,333	3,151
Digital plans	45	87
Business-to-business	28	33
Other	34	50
Total cost of revenue	3,440	3,321
Technology and development	212	317
Sales, marketing and support	3,658	2,760
General and administrative	867	898
Amortization of intangible assets	3	4
Total costs and expenses	8,180	7,300
Loss from operations	(1,057)	(370)
Interest expense, net	(13)	(13)
Loss before income tax benefit (provision)	(1,070)	(383)
Income tax benefit (provision)		
Net loss	$ (1,070)	$ (383)
Loss per common share:		
Basic and diluted	$ (0.07)	$ (0.03)
Weighted average common and common equivalent shares outstanding:		
Basic and diluted	14,311	11,925

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

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EDIETS.COM, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands, except per share data)

(Unaudited)

	Three months ended March 31, 2012	Three months ended March 31, 2011
Net loss	$ (1,070)	$ (383)
Other comprehensive loss:		
Foreign currency translation adjustments	(6)	(50)
Comprehensive loss	$ (1,076)	$ (433)

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

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EDIETS.COM, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,070)	$ (383)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	74	265
Amortization of intangibles and other assets	3	4
Provision for (recovery of) bad debt	4	(1)
Stock-based compensation	140	282
Non-cash severance charges		55
Changes in operating assets and liabilities:		
Accounts receivable	62	152
Inventory, prepaid expenses and other assets	92	129
Accounts payable and accrued liabilities	671	(163)
Restricted cash	(110)	(80)
Deferred revenue	(135)	(256)
Net cash (used in) provided by operating activities	(269)	4
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and office equipment	(2)	(5)
Net cash used in investing activities	(2)	(5)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock under private placement		1,572
Common stock issuance costs		(184)
Repayment of capital lease obligations	(5)	(5)
Net cash used in financing activities	(5)	1,383
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(276)	1,382
Cash and cash equivalents, beginning of period	603	468
Cash and cash equivalents, end of period	$ 327	$ 1,850
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$	$

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

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EDIETS.COM, INC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012

(Unaudited)

1. ORGANIZATION

eDiets.com, Inc. (the Company) was incorporated in the State of Delaware on March 18, 1996 for the purpose of developing and marketing Internet-based diet and fitness programs. The Company markets its products both to consumers and to businesses primarily in North America.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to those rules and regulations. The Company believes that the disclosures made are adequate to make the information presented not misleading. All the adjustments which, in the opinion of management, are considered necessary for a fair presentation of the results of operations for the periods shown are of a normal recurring nature and have been reflected in the unaudited condensed consolidated financial statements. Results of operations for the three months ended March 31, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. The information included in these unaudited condensed consolidated financial statements should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations contained in this report and the consolidated financial statements and accompanying notes included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. While the Company believes that such estimates are fair when considered in conjunction with the condensed consolidated financial position and results of operations taken as a whole, the actual amount of such estimates, when known, may vary from these estimates.

Going Concern

The Company s condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern. For the three months ended March 31, 2012, the Company had a net loss of approximately $1.1 million, and for the three months ended March 31, 2012, the Company used approximately $0.3 million of cash in its operating activities. As of March 31, 2012, the Company has an accumulated deficit of approximately $108.9 million and total stockholders deficit of approximately $2.3 million. As of March 31, 2012, the Company s unrestricted cash balance was approximately $0.3 million.

Due to uncertainty about the Company s ability to meet its current operating expenses, debt obligations and capital expenditures, the Company s independent registered public accounting firm included an explanatory paragraph regarding the Company s ability to continue as a going concern in their report on our annual financial statements for the year ended December 31, 2011. The Company s debt consists of $1.0 million of principal of related party promissory notes (the Director Notes) as of March 31, 2012. The entire outstanding principal balance of the Director Notes, together with all accrued and unpaid interest, is due and payable on December 31, 2012.

The continuation of the Company s business is dependent upon raising additional financial support. In light of the Company s results of operations, management has and intends to continue to evaluate various possibilities. These possibilities include: raising additional capital through the issuance of common or preferred stock, securities convertible into common stock, or secured or unsecured debt, selling one or more lines of business, or all or a portion of the Company s assets, entering into a business combination, reducing or eliminating operations, liquidating assets, or seeking relief through a filing under the U.S. Bankruptcy Code. These possibilities, to the extent available, may be on terms that result in significant dilution to the Company s existing stockholders or that result in the Company s existing stockholders losing all of their investment in the Company.

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EDIETS.COM, INC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

There can be no assurances that the Company will be successful in raising adequate additional financial support. If not, the Company will be required to reduce operations and/or liquidate assets and/or seek relief through a filing under the U.S. Bankruptcy Code. The Company s condensed consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

Significant Accounting Policies

Meal delivery revenue is recognized when the earnings process is complete, which is upon transfer of title of the product. This transfer occurs upon shipment from the Company s fulfillment center to the end-customer. Meal delivery revenue includes amounts billed for shipping. In accordance with ASC 605-45, the Company recognizes gross meal delivery revenues based on the relevant fact that the Company is the primary obligor and has assumed asset risk when the customers place orders. Beginning in January 2008, the Company began offering two promotions: a) buy seven weeks of meal delivery and get the 8 week for free and b) buy a meal delivery program and get a free non-cash gift. For the first promotion and in accordance with ASC 605-50 (formerly EITF 01-09), *Revenue Recognition Customer Payments and Incentives*, the Company recognizes the cost of the free offer as cost of revenue proportionally over the term of the meal delivery subscription or until the customer cancels and no longer is entitled to the free offer. For the second promotion and in accordance with ASC 605-50, the Company recognizes meal delivery revenue when the meals are shipped and the cost of the free non-cash gift as cost of sales when the non-cash gift is shipped. In addition, during 2011, the Company began offering various free offer promotions whereby in accordance with ASC 605-50, the Company recognizes the cost of the free offer as cost of revenue proportionally over the term of the meal delivery subscription or until the customer cancels and is no longer entitled to the free offer.

Digital plan revenue is generated by the Company offering membership subscriptions to the proprietary content contained in its websites. Subscriptions to the Company s digital plans are paid in advance, mainly via credit/debit cards and cash receipts are deferred and recognized as revenue on a straight-line basis over the period of the digital plan subscription. Beginning in January 2008, the Company began to offer a guarantee to all customers, under which if a customer did not meet their weight loss goal upon completion of six consecutive months of digital subscription and met the guarantee requirements they would receive the next six months of digital subscription for free. Consequently, the Company recognizes digital subscription revenue over the potential term of twelve months of digital subscription or until the subscriber no longer meets the guarantee requirements, whichever comes first.

In accordance with Accounting Standards Codification (ASC) 605-45 (formerly Emerging Issues Task Force (EITF) 99-19), *Revenue Recognition Principal Agent Considerations,* the Company recognizes gross digital subscription revenues associated with licensed diet and fitness plans based on the relevant facts of the related license agreements, while the license fee incurred to the licensor is included in cost of revenues.

Business-to-business revenue relates to the Company s Nutrio subsidiary, also known as eDiets Corporate Services. eDiets Corporate Services generates three types of business-to-business revenue. Licensing and development revenues are accounted for in accordance with (ASU) 2009-13, *Multiple-Deliverable Revenue Arrangements* (amendments to FASB ASC 605, *Revenue Recognition*). Development revenue relates to the planning, design and development of websites for customers. Both licensing and development revenues are recognized on a straight-line basis over the license period once the website is launched. Consulting revenue relates to consulting services provided to customers and revenue is recognized when services and/or deliverables are completed and collection is probable.

Other revenue relates primarily to royalty revenue and also includes advertising revenue and ecommerce revenue. Royalty revenue is derived from the exclusive technology licensing agreement related to the Company s operations in the United Kingdom and Ireland and is being recognized on a straight-line basis. On July 31, 2009 the Company terminated the 15-year exclusive licensing agreement with Tesco Ireland Limited (Tesco) which provided Tesco with exclusive rights to use the Company s personalized diet technology in the United Kingdom and Ireland, with an effective date of July 1, 2009. The termination agreement provides Tesco with certain continuing rights in the Company technology used by or incorporated into Tesco s diet website prior to termination, including a three-year non-exclusive right to use such technology and, thereafter, an assignment of certain intellectual property rights relating to such technology.

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EDIETS.COM, INC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Unless otherwise disclosed in the notes to the condensed consolidated financial statements, the estimated fair value of financial assets and liabilities approximates carrying value. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value due to the short-term nature of these instruments.

The Company adopted ASC 820 (formerly SFAS 157), *Fair Value Measurements and Disclosures,* as of January 1, 2008. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company s debt consists of $1.0 million of principal of the Director Notes. During November 2010, the Company issued the Director Notes, consisting of (i) a promissory note to Kevin A. Richardson II, chairman of the Company s board of directors, (ii) a promissory note to Lee S. Isgur, one of the Company s directors and (iii) a promissory note to Kevin N. McGrath, who at that time was one of the Company s directors and the Company s President and Chief Executive Officer. Mr. Richardson is also controlling member of Prides Capital Partners, LLC, the general partner of Prides Capital Fund, LP, the Company s largest stockholder (collectively, Prides). Interest accrues on the Director Notes at a rate of five percent (5%) per annum. These Director Notes are not traded in an active market. As a result of the volatility of substantially all domestic credit markets that currently exist and the difficulty of the Company obtaining similar financing from an unrelated party, the Company is unable, as of March 31, 2012, to determine the fair value of such debt.

The Company establishes a reserve for refunds for meal delivery and digital plan sales. Meal delivery refunds mainly result from late shipments or packaging issues. Based on historical experience, a range of between approximately 1%-3% of prior month s meal delivery sales will result in a refund, accordingly the Company estimates a reserve based on that assumption for future refunds. Since all digital plan subscriber payments are deferred upon receipt, at the end of each month a portion of the deferred revenue is reclassified as a reserve for refunds. Based on historical experience, a range of between approximately 1%-3% of digital plan subscriber sales will result in a refund issued in the subsequent month after sale. All other refunds issued relate to current month digital plan subscriber sales. Because the revenue has not been recognized, refunds do not result in a reversal of digital plan subscription revenue. Instead, refunds result in a decrease to the amounts maintained in deferred revenue.

The Company does not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions used to calculate the reserve for refunds. However, if actual results are not consistent with the estimates or assumptions stated above, the Company may be exposed to income or losses that could be material to the condensed consolidated financial statements.

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued an amendment to ASC 220, *Comprehensive Income,* which requires companies to present net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. The Company adopted this guidance effective January 1, 2012.

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EDIETS.COM, INC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. REVENUE RECOGNITION

Revenue by type is as follows (in thousands):

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Meal delivery	$ 6,343	$ 5,546
Digital plans	447	771
Business-to-business	176	394
Royalties	141	147
Advertising and Ecommerce	16	72
	$ 7,123	$ 6,930

4. DEFERRED REVENUE

Deferred revenue consists of the following at March 31, 2012 and December 31, 2011 (in thousands):

	March 31, 2012	December 31, 2011
Deferred revenue		
Unearned meal delivery revenue and digital plans revenue	$ 256	$ 261
Unearned development revenue	56	36
Unearned licensing and maintenance fee revenue	14	23
Deferred royalty	143	278
Total deferred revenue	$ 469	$ 598

5. WARRANTS

During February 2011, the Company issued warrants in connection with private placement subscription agreements, entitling the investors in the private placement to acquire a total of 381,183 shares of common stock at an exercise price of $1.7675 per share (the 2011 Private Placement Warrants). Each warrant has a three-year expiration date and is exercisable beginning immediately.

During 2009, the Company issued warrants (the 2009 Prides Warrants) to Prides and issued warrants (the 2009 Private Placement Warrants) to Mr. Richardson, Mr. Isgur and Mr. McGrath in connection with a private placement transaction. The 2009 Prides Warrants and the 2009 Private Placement Warrants all have a 10-year expiration date and are exercisable immediately.

Warrants outstanding as of March 31, 2012 are as follows:

	Warrants to Purchase Shares of Common Stock	Exercise Price
2009 Prides Warrants	241,931	$ 6.00
2009 Private Placement Warrants	95,944	$ 6.00
2011 Private Placement Warrants	381,183	$ 1.7675
Total warrants outstanding	719,058	

Warrants issued to related parties as of March 31, 2012 totaled 628,605 of the total 719,058 warrants outstanding in the table above.

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EDIETS.COM, INC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. STOCK-BASED COMPENSATION

The Company grants stock options, restricted stock units and restricted stock awards to its employees, officers, directors and consultants. In November 2004, the Company adopted the eDiets.com, Inc. 2004 Equity Incentive Plan, as amended and restated in May 2010 (as subsequently amended, the Incentive Plan). The Incentive Plan provides for the grant of incentive stock options or ISOs , non-qualified stock options or NSOs , stock appreciation rights or SARs , restricted stock, restricted stock units (RSUs), performance awards, deferred stock and unrestricted stock. The Incentive Plan is administered by the Compensation Committee of the Board of Directors (the Committee). A maximum of 4,000,000 shares of common stock may be delivered in satisfaction of awards made under the Incentive Plan. The maximum number of shares subject to performance awards granted under the Incentive Plan in any calendar year is 800,000 shares. The term of any ISO granted under the Incentive Plan may not exceed ten years, or five years if granted to a person that owns common stock representing more than 10% of the voting power of all class of stock of the Company. Options granted under the Incentive Plan generally vest ratably over a three-year period. SARs may be granted either in tandem with or independent of stock options. The Incentive Plan also provides for awards of fully vested unrestricted stock, but no more than 360,000 shares in the aggregate may be granted at less than fair market value unless granted in lieu of cash compensation equal to such fair market value. The Incentive Plan also provides for deferred grants entitling the recipient to receive common stock upon satisfaction of conditions determined by the Committee in its discretion. The Incentive Plan provides for performance award grants which may be linked to the market value, book value, net profits or other measure of the value of common stock or other specific performance criteria determined appropriate by the Committee, or may be based upon the appreciation in the market value, book value, net profits or other measure of the value of a specified number of shares of common stock over a fixed period or periods determined by the Committee.

As of March 31, 2012 and December 31, 2011, there were 2,785,819 and 1,857,135 options outstanding, respectively, under the Incentive Plan.

In November 1999, the Company adopted the eDiets.com, Inc. Stock Option Plan (as subsequently amended, the Plan). The Plan terminated in November 2009 pursuant to the Plan provisions and therefore, the Company will not grant any additional shares or options under the Plan. The Plan provided for the grant of ISOs and NSOs to purchase up to 1,000,000 shares of the Company s common stock to employees, directors and consultants to the Company. Options granted to employees under the Plan generally vest ratably over a two- or three-year period and expire five or ten years from the date of grant. Such options generally have an exercise price equal to the fair market value of the underlying common stock at the grant date and are fully exercisable on the date of grant for a period of up to five to ten years.

As of March 31, 2012 and December 31, 2011, 51,978 and 52,250 options, respectively, were outstanding under the Plan.

The Company accounts for its stock-based compensation plans in accordance with ASC 718-10 (formerly SFAS 123R), *Compensation Stock Compensation*. Under the provisions of ASC 718-10, the Company estimates the fair value of each stock option on the date of grant using a Black-Scholes-Merton (BSM) option-pricing formula, applying the following assumptions, and amortizes that value to expense over the option s vesting period using the straight-line attribution method.

	Three Months Ended March 31,	
	2012	**2011**
Expected term (in years)	3.3	3.8
Risk-free interest rate	0.55%	1.4%
Expected volatility	1.18	.723
Expected dividend yield	%	%

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EDIETS.COM, INC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Expected Term: The expected term represents the period over which the share-based awards are expected to be outstanding for employees, officers and directors. The Company uses the historical exercise experience in determining the expected term. For consultants, the expected term is equal to the remaining contractual term of the share-based awards.

Risk-Free Interest Rate: The Company bases the risk-free interest rate used in its assumptions on the implied yield currently available on U.S. Treasury zero-coupon issues with a remaining term equivalent to the stock option award s expected term.

Expected Volatility: The volatility factor used in the Company s assumptions is based on the historical price of its stock from 2001 to the current period because the Company believes that this extended period reflects the true Company history.

Expected Dividend Yield: The Company does not intend to pay dividends on its common stock for the foreseeable future. Accordingly, the Company uses a dividend yield of zero in its assumptions.

As required by ASC 718-10, the Company estimates forfeitures of employee stock options, RSUs and restricted stock awards and recognizes compensation cost only for those awards expected to vest. Forfeiture rates are determined for three groups (employees, officers and directors) based on historical experience. Estimated forfeitures are adjusted to the actual forfeiture experience as needed.

During the quarters ended March 31, 2012 and 2011, the Company recognized stock-based compensation expense under ASC 718-10 (related to stock options, RSUs and restricted stock awards) of $0.1 million and $0.3 million, respectively.

The breakdown of stock-based compensation expense per line item on the accompanying condensed consolidated statements of operations for the three months ended March 31, 2012 and 2011 is as follows (in thousands):

	Three Months Ended March 31,	
	2012	2011
Cost of revenue	$ 5	$ 7
Technology and development	18	46
Sales, marketing and support	62	94
General and administrative	55	135
	$ 140	$ 282

EDIETS.COM, INC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

A summary of option activity under the Company s stock plans for the three months ended March 31, 2012 is as follows (shares in thousands):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (yrs)	Aggregate Intrinsic Value ($000)
Outstanding at December 31, 2011	1,909	$ 5.62	7.90	$ 11
Granted	936	0.54		
Exercised				
Forfeited	(8)	4.40		
Expired				
Outstanding at March 31, 2012	2,838	$ 3.94	8.39	$ 88
Vested or expected to vest at March 31, 2012	2,359	$ 4.06	8.38	$ 55
Exercisable at March 31, 2012	1,251	$ 7.93	6.74	$

The weighted-average fair value of stock options granted during the quarters ended March 31, 2012 and 2011 was $0.38 and $1.30, respectively.

There were no stock option exercises during 2012 and 2011. As of March 31, 2012, there was $0.4 million of total unrecognized compensation cost related to the stock options granted under the Company s stock plans. That cost is expected to be recognized over a weighted-average period of 1.4 years.

7. DEBT

On November 12, 2010, the Company issued the following Director Notes: (i) a promissory note to Kevin A. Richardson II, chairman of the Company s board of directors and controlling manager of Prides, pursuant to which the Company borrowed $600,000, (ii) a promissory note to Lee S. Isgur, one of the Company s directors, pursuant to which the Company borrowed $200,000 and (iii) a promissory note to Kevin N. McGrath, who at that time was one of the Company s directors and the Company s President and Chief Executive Officer, pursuant to which the Company borrowed $200,000. The entire outstanding principal balance of the Director Notes, together with all accrued and unpaid interest, is due and payable on December 31, 2012. Interest accrues on the Director Notes at a rate of five percent (5%) per annum. In the event the principal is not paid in full within three business days of the due date, or any other default occurs thereunder, then interest shall accrue on the outstanding principal balance of the Director Notes at a rate of ten percent (10%) per annum.

8. LOSS PER COMMON SHARE

Basic loss per common share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share is computed using the weighted average number of common and dilutive potential common shares outstanding during the period. Dilutive potential common shares consist of the incremental common shares issuable upon exercise of stock options and warrants (using the treasury stock method), which were not included in diluted loss per share as they would have been anti-dilutive and were approximately 35,000 and 159,000, respectively, for the three months ended March 31, 2012 and 2011. The Company did not have any dilutive potential common shares related to convertible debt.

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9. SEGMENT INFORMATION

ASC 280 (formerly SFAS 131), *Segment Reporting*, designates the internal reporting that is used by management for making operating decisions and assessing performance as the source of the Company s reportable segments.

The Company operates in a single market consisting of the sale of services, information and products (ecommerce and meal delivery) related to nutrition, fitness and motivation. The Company has three reportable segments: the U.S. business-to-consumer segment, the U.S. business-to-business segment and the European business segment. Meal delivery and Digital plans operations are included in the U.S. business-to-consumer segment.

The Company does not engage in inter-company revenue transfers between segments. The Company s management evaluates performance based primarily on business segment. Accounting policies of the reportable segments are the same as the Company s consolidated accounting policies.

Net revenues and segment loss of the Company s three reportable segments are as follows (in thousands):

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Net revenues:		
U.S. business-to-consumer	$ 6,806	$ 6,389
U.S. business-to-business	176	394
Total U.S.	6,982	6,783
Europe	141	147
Consolidated net revenues	$ 7,123	$ 6,930
Segment (loss) income:		
U.S. business-to-consumer	$ (1,210)	$ (788)
U.S. business-to-business	12	250
Total U.S.	(1,198)	(538)
Europe	141	168
Consolidated loss from operations	$ (1,057)	$ (370)

10. LEGAL PROCEEDINGS

In the ordinary course of business, the Company and/or its subsidiaries may be parties to legal proceedings and regulatory inquiries, the outcome of which, either singly or in the aggregate, is not expected to have a material adverse effect on the Company s financial condition or results of operations.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OUR BUSINESS

Products and Services

eDiets.com, Inc. (eDiets , the Company or we) leverages the power of technology to bring weight loss solutions to both consumers and businesses. We generate revenue primarily in three ways.

- We offer a nationwide weight-loss oriented meal delivery service.

- We sell digital weight-loss programs.

- We derive licensing revenues for the use of our intellectual property and development revenues related to the planning, design and development of private-label nutrition websites.

Subscription Business (includes our meal delivery plans and our digital subscription-based plans)

We offer a subscription-based nationwide weight-loss oriented meal delivery service. We also have been offering digital subscription-based plans in the United States since 1998, when we launched our first diet plan. Our digital diet plans are personalized according to an individual s weight goals, food and cooking preferences and include the related shopping lists and recipes. eDiets offers a variety of different digital diet plans, some of which we have developed and some of which we have licensed from third parties under exclusive arrangements.

Subscribers to our meal delivery and digital diet plans are acquired through our own advertising or through co-marketing arrangements with third parties. In addition to a meal delivery product or a digital diet plan, they receive access to support offerings including interactive online information, communities and education as well as telephone and online support. eDiets offers message boards on various topics of interest to our subscribers, online meetings presented by registered dietitians and the resources of approximately 45 customer service representatives and nutritionists.

Meal delivery subscribers purchase a full week or five days of prepared breakfasts, lunches, and dinners, supplemented by snacks that are generally shipped to arrive within two or three days.

Digital subscription programs ranging from four weeks to 52 weeks are billed in advance in varying increments of time. Substantially all of our digital subscribers purchase programs via credit/debit cards, with renewals billed automatically, until cancellation.

License Business (includes business-to-business and royalty revenue)

Our eDiets Corporate Services subsidiary is engaged in providing private label online nutrition, fitness and wellness programs to companies mainly in the health insurance, pharmaceutical and food industries.

We also recognize royalty revenue as a result of having licensed to Tesco plc (Tesco) the exclusive rights to use eDiets brand and diet plan technology in the UK and Ireland. Effective July 31, 2009, we terminated this exclusive licensing agreement with Tesco. The termination agreement provides Tesco with certain continuing rights in the Company technology used by or incorporated into Tesco s diet website prior to termination, including a three-year non-exclusive right to use such technology and, thereafter, an assignment of certain intellectual property rights relating to such technology.

CRITICAL ACCOUNTING POLICIES

We have identified the policies outlined below as critical to our business operations and an understanding of our results of operations. The listing is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States, with no need for management s judgment in their application. The impact and any associated risks related to these policies on our business operations is discussed throughout Management s Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our reported

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and expected financial results. For a detailed discussion on the application of these and other accounting policies, see the Notes to the Consolidated Financial Statements in our 2011 Form 10-K. Note that our preparation of the financial statements requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. There can be no assurance that actual results will not differ from those estimates.

REVENUE RECOGNITION:

Meal delivery revenue is recognized when the earnings process is complete, which is upon transfer of title of the product. This transfer occurs upon shipment from our fulfillment center to the end-customer. Meal delivery revenue includes amounts billed for shipping. In accordance with ASC 605-45, we recognize gross meal delivery revenues based on the relevant fact that we are the primary obligor and have assumed asset risk when the customers place orders. Beginning in January 2008, the Company began offering two promotions: a) buy seven weeks of meal delivery and get the 8 week for free and b) buy a meal delivery program and get a free non-cash gift. For the first promotion and in accordance with ASC 605-50 (formerly EITF 01-09), *Revenue Recognition Customer Payments and Incentives*, the Company recognizes the cost of the free offer as cost of revenue proportionally over the term of the meal delivery subscription or until the customer cancels and no longer is entitled to the free offer. For the second promotion and in accordance with ASC 605-50, the Company recognizes meal delivery revenue when the meals are shipped and the cost of the free non-cash gift as cost of sales when the non-cash gift is shipped. In addition, during 2011, the Company began offering various free offer promotions whereby in accordance with ASC 605-50, the Company recognizes the cost of the free offer as cost of revenue proportionally over the term of the meal delivery subscription or until the customer cancels and is no longer entitled to the free offer.

We offer memberships to the proprietary content contained in our websites. Revenues from customer subscriptions are paid in advance mainly via credit/debit cards. Subscriptions to the digital plans are paid in advance and cash receipts are deferred and recognized as revenue on a straight-line basis over the period of the digital plan subscription. Beginning in January 2008, we began to offer a guarantee to all customers, under which if a customer did not meet their weight loss goal upon completion of consecutive six months of digital subscription and met the guarantee requirements they would receive the next six months of digital subscription for free. Consequently, we recognize digital subscription revenue over the potential term of twelve months of digital subscription or until the subscriber no longer meets the guarantee requirements, whichever comes first.

In accordance with Accounting Standards Codification (ASC) 605-45 (formerly Emerging Issues Task Force (EITF) 99-19), *Revenue Recognition Principal Agent Considerations*, we recognize gross digital subscription revenues associated with licensed diet and fitness plans based on the relevant facts of the related license agreements, while the license fee incurred to the licensor is included in cost of revenues.

Business-to-business revenue relates to our Nutrio subsidiary, also known as eDiets Corporate Services. eDiets Corporate Services generates three primary types of business-to-business revenue. Licensing and development revenues are accounted for in accordance with (ASU) 2009-13, *Multiple-Deliverable Revenue Arrangements,* (amendments to FASB ASC 605, *Revenue Recognition*). Development revenue relates to the planning, design and development of websites for customers. Both licensing and development revenues are recognized on a straight line basis over the license period once the website is launched. Consulting revenue relates to consulting services provided to customers and revenue is recognized when services and/or deliverables are completed and collection is probable.

Other revenue relates primarily to royalty revenue and also includes advertising revenue and ecommerce revenue. Royalty revenue is derived from the exclusive technology licensing agreement related to our previous operations in the United Kingdom and Ireland and is being recognized on a straight-line basis.

Our most significant accounting estimate is our reserve for refunds for meal delivery and digital plan sales. Meal delivery refunds mainly result from late shipments or packaging issues. Based on historical experience, a range of between approximately 1%-3% of prior month s meal delivery sales will result in a refund, accordingly we estimate a reserve based on that assumption for future refunds. Since digital plan subscriber payments are deferred upon receipt, at the end of each month we reclassify a portion of our deferred revenue to reserve for refunds. Based on historical experience, a range of between approximately 1%-3% of digital plan subscriber sales will result in a refund issued in the subsequent month after sale. All other refunds issued relate to current month digital plan subscriber sales. Because the revenue has not been recognized, refunds do not result in a reversal of digital plan subscription revenue. Instead, refunds result in a decrease to the amounts maintained in deferred revenue. We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to calculate the reserve for refunds. However, if actual results are not consistent with our estimates or assumptions stated above, we may be exposed to income or losses that could be material to our condensed consolidated financial statements.

RESULTS OF OPERATIONS

Going concern and continuing operations

Our condensed consolidated financial statements have been prepared assuming we will continue as a going concern. For the three months ended March 31, 2012, we had a net loss of approximately $1.1 million. We used approximately $0.3 million of cash in our operating activities during the three months ended March 31, 2012. As of March 31, 2012, we had an accumulated deficit of $108.9 million, total stockholders deficit of $2.3 million and our unrestricted cash balance was approximately $0.3 million.

Due to uncertainty about our ability to meet our current operating expenses, debt obligations and capital expenditures, our independent registered public accounting firm included an explanatory paragraph regarding our ability to continue as a going concern in their report on our annual financial statements for the year ended December 31, 2011. Our debt consists of $1.0 million of principal of related party promissory notes, the Director Notes, as of March 31, 2012. The entire outstanding principal balance of the Director Notes, together with all accrued and unpaid interest, is due and payable on December 31, 2012.

The continuation of our business is dependent upon raising additional financial support. In light of the Company s results of operations, management has and intends to continue to evaluate various possibilities. These possibilities include: raising additional capital through the issuance of common or preferred stock, securities convertible into common stock, or secured or unsecured debt, selling one or more lines of business, or all or a portion of the Company s assets, entering into a business combination, reducing or eliminating operations, liquidating assets, or seeking relief through a filing under the U.S. Bankruptcy Code. These possibilities, to the extent available, may be on terms that result in significant dilution to the Company s existing stockholders or that result in the Company s existing stockholders losing all of their investment in the Company.

There can be no assurances that the Company will be successful in raising adequate additional financial support. If not, the Company will be required to reduce operations and/or liquidate assets and/or seek relief through a filing under the U.S. Bankruptcy Code. Our condensed consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should we be unable to continue as a going concern. Our condensed consolidated financial statements have been prepared assuming we will continue as a going concern.

The following table sets forth our consolidated results of operations expressed as a percentage of total revenue:

	Three Months Ended March 31,	
	2012	**2011**
Revenue	100%	100%
Cost of revenue	48	48
Technology and development	3	5
Sales, marketing and support	51	40
General and administrative	12	13
Amortization of intangible assets	*	*
Interest expense, net	*	*
Income tax provision	*	*
Net loss	(14)%	(6)%

* Less than 1%

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COMPARISON OF THE THREE MONTHS ENDED MARCH 31, 2012 TO THE THREE MONTHS ENDED MARCH 31, 2011

Revenue: Total revenue for the three months ended March 31, 2012 was approximately $7.1 million, an increase of approximately 2.8% versus the $6.9 million recorded in the corresponding prior year period.

Revenue by type is as follows (in thousands):

	Three Months Ended March 31,	
	2012	2011
Meal delivery	$ 6,343	$ 5,546
Digital plans	447	771
Business-to-business	176	394
Royalties	141	147
Advertising and Ecommerce	16	72
Total revenue	$ 7,123	$ 6,930

Meal delivery had revenues of approximately $6.3 million, including shipping revenue, for the three months ended March 31, 2012 compared to $5.5 million for the corresponding prior year period. The 14% increase in meal delivery revenue for the first three months of 2012 as compared to the first three months of 2011 is directly related to an approximately 8% increase in meals shipped during the three months ended March 31, 2012 as compared to the same period of the prior year, combined with our higher priced meal delivery programs being the sales focus in our call center during the three months ended March 31, 2012 as compared to the same period of the prior year. We have expanded our meal delivery promotional offerings and are always adjusting the mix of our meal delivery promotional offerings. We maintained higher levels of advertising spend in order to achieve a higher volume of shipments compared to the corresponding prior year period.

Digital plans revenue was approximately $0.4 million for the three months ended March 31, 2012 compared to approximately $0.8 million in the corresponding prior year period. Digital plans revenue is driven by the following two factors: the average number of digital plans subscribers and the average weekly fee paid by digital plan subscribers. For the three months ended March 31, 2012, the average paying subscribers was approximately 35% lower than the corresponding prior year period, and the average weekly fees were approximately 1% lower than the corresponding prior year period. The number of overall active subscribers continues to decline. Due to cash constraints and uncertain returns from online advertising, we target more of our advertising investments in general to meal delivery. Increased competition, the growth of similar services that are offered for free, economic conditions, and our overall reduction in online advertising expenditures have all contributed to the decline in digital subscribers during the last several reporting periods. Our advertising is now targeted primarily on driving potential customers to our call center rather than to our website. As a result of these factors and to offset further decreases in the liquidity of the digital business, we have diversified from a digital subscription-only model to an integrated business model that focuses on the sale of our meal delivery service which we believe permits us to better capture cross-selling opportunities and leverage our existing customer relationships.

Business-to-business revenues, comprising application development and license-related revenues, were approximately $0.2 million for the three months ended March 31, 2012 compared to $0.4 million in the corresponding prior year period. Development revenue and licensing revenue decreased during the three months ended March 31, 2012 as a result of a lack of new contract awards over the last several reporting periods and previous contracts not being renewed upon expiration. Our current Corporate Services customers are also using less of our consulting and support services compared to prior reporting periods, contributing to the continued business-to-business revenue decline.

Royalty revenues related to our licensing agreement with Tesco were approximately $141,000 for the three months ended March 31, 2012 compared to $147,000 in the corresponding prior year period.

Advertising revenue from our website and our newsletter and Ecommerce revenue was approximately $16,000 for the three months ended March 31, 2012 compared to $72,000 during the three months ended March 31 2011.

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In the future we expect that revenue streams from meal delivery will continue to be a larger share of total revenue.

Cost of Revenue: Total cost of revenue for the three months ended March 31, 2012 was $3.4 million, as compared to $3.3 million for the corresponding prior year period.

Cost of revenue by type is as follows (in thousands):

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Meal delivery	$ 3,333	$ 3,151
Digital plans	45	87
Business-to-business	28	33
Other	34	50
Total cost of revenue	$ 3,440	$ 3,321

Consolidated gross margin was approximately 52% for both the three months ended March 31, 2012 and the three months ended March 31, 2011. Meal delivery gross margin increased to approximately 48% for the three months ended March 31, 2012 compared to approximately 43% for the corresponding prior year period. This is the result of continued cost reductions from stabilizing our technology platform, a reduction in product costs and food production efficiencies realized with our primary food vendor, and a reduction in our shipping costs. We anticipate our total gross margin will continue to improve in the future as our efforts to improve the meal delivery margin through reduced food costs and increased shipping efficiencies continue to be realized. Gross margin for digital plans increased to approximately 90% for the three months ended March 31, 2012 compared to approximately 89% for the corresponding prior year period. This increase is primarily the result of a decrease in the amount included within digital plans cost of sales relating to our call center and depreciation. Business-to-business gross margin decreased to 84% during the three months ended March 31, 2012 from 92% during the corresponding prior year period, resulting from the 55% reduction in business-to-business revenue while business-to-business costs only decreased by 15%.

Cost of meal delivery revenue consists primarily of variable costs such as credit card fees, product costs, fulfillment and shipping costs, as well as costs associated with revenue share arrangements, depreciation and promotional costs. Cost of meal delivery revenue increased to $3.3 million for the three months ended March 31, 2012 compared to $3.2 million in the corresponding prior year period. As a result of the increased revenue levels mentioned above, the variable costs of meal delivery revenue increased accordingly during the three months ended March 31, 2012.

Cost of digital plans revenue consists primarily of variable costs such as credit card fees and revenue sharing or royalty costs related to the exclusive license agreements with third party nutrition and fitness companies. Other costs include Internet access fees, compensation for nutritional and consulting professionals and depreciation. Cost of digital plans revenue was below $0.1 million for both the three months ended March 31, 2012 and 2011 primarily because variable costs declined in conjunction with the decline in digital plan subscribers mentioned above.

Cost of business-to-business revenue consists primarily of Internet access fees to support the various Corporate Services customers. Cost of business-to-business revenue was less than $0.1 million for the both the three months ended March 31, 2012 and 2011.

Cost of other revenue consists primarily of Internet serving fees, product and fulfillment cost for ecommerce sales and credit card fees. Cost of other revenue was less than $0.1 million for both the three months ended March 31, 2012 and 2011.

Technology and Development: Technology and development expenses consist of payroll and related expenses we incur related to testing, maintaining and modifying our websites, telecommunication systems and infrastructure and other internal-use software systems. Technology and development expenses also include depreciation of the computer hardware and capitalized software we use to run our website and store our data. These expenses were approximately $0.2 million for the three months ended March 31, 2012 and approximately $0.3 million for the three months ended March 31, 2011. Technology and development compensation expenses were lower during 2012 due to a reduction in headcount.

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Sales, Marketing and Support Expense: Sales, marketing and support expenses consist primarily of advertising expenses and compensation for employees in those departments related to promoting our meal delivery and digital subscription plans. Sales, marketing and support expenses were approximately $3.7 million for the three months ended March 31, 2012 compared to $2.8 million for the corresponding prior year period and represent mainly advertising media expense and compensation expense. The increase is the result of an increase in television and print advertising expense. In total, advertising media expense (television, print and online advertising) was $2.1 million for the three months ended March 31, 2012 and $1.7 million for the three months ended March 31, 2011. Additionally, costs of producing our advertisements, such as production costs relating to new television commercials or print advertisements, totaled approximately $0.2 million during the three months ended March 31, 2012 and less than $0.1 million during the corresponding prior year period. The expenses associated with another component of our sales process, our call center, increased during 2012 as we added staff and incentives to drive higher sales.

General and Administrative Expenses: General and administrative expenses consist primarily of salaries and benefits, overhead and related costs for general corporate functions, including professional fees. General and administrative expenses were $0.9 million for the three months ended March 31, 2012 compared to $0.9 million in the corresponding prior year period. General and administrative expenses were higher during 2012 due to severance and an acceleration of vested stock options during the first quarter of 2012 relating to two former officers of the Company.

Amortization of Intangible Assets: Amortization expense was less than $0.1 million for the three months ended March 31, 2012 and 2011.

Interest Expense, Net: Interest expense was approximately $13,000 for both the three months ended March 31, 2012 and 2011. Interest expense relates to the interest costs in connection with $1.0 million of principal of the Director Notes.

Net Loss: As a result of the factors discussed above, we recorded a net loss of approximately $1.1 million for the three months ended March 31, 2012 and a net loss of $0.4 million for the corresponding prior year period.

LIQUIDITY AND CAPITAL RESOURCES

The Company s principal use of cash in its operating activities for the three months ended March 31, 2012 was for advertising media expense (television, print and internet advertising) promoting meal delivery and digital diet programs to potential subscribers. Advertising expense in the first half of the year usually exceeds advertising in the second half of the year due to seasonality in the weight-loss business. As a result, we have historically experienced proportionally lower or negative cash flows from operating activities in the first six months of each year. The amount of advertising and its effectiveness is a significant driver of our operations. Our advertising commitments are typically short term in nature with most of it purchased on the spot market.

During November 2010, the Company issued the Director Notes, consisting of (i) a promissory note to Kevin A. Richardson II, chairman of the Company s board of directors and controlling member of Prides Capital Partners, LLC, the general partner of Prides Capital Fund L.P., the Company s largest stockholder, pursuant to which the Company borrowed $600,000, (ii) a promissory note to Lee S. Isgur, one of the Company s directors, pursuant to which the Company borrowed $200,000 and (iii) a promissory note to Kevin N. McGrath, who at that time was one of the Company s directors and the Company s President and Chief Executive Officer, pursuant to which the Company borrowed $200,000. The entire outstanding principal balance of the Director Notes, together with all accrued and unpaid interest, is due and payable on December 31, 2012. Interest accrues on the Director Notes at a rate of five percent (5%) per annum. In the event the principal is not paid in full within three business days of the due date, or any other default occurs thereunder, then interest shall accrue on the outstanding principal balance of the Director Notes at a rate of ten percent (10%) per annum.

At March 31, 2012, we had a net working capital deficit of approximately $3.9 million, compared to a net working capital deficit of approximately $2.9 million at December 31, 2011. Cash and cash equivalents at March 31, 2012 were approximately $0.3 million, a decrease of approximately $0.3 million from the balance of $0.6 million at December 31, 2011. Our accumulated deficit amounts to approximately $108.9 million as of March 31, 2012.

We have never declared a dividend or paid a cash dividend. We currently intend to retain any earnings for use in the business and do not anticipate paying any cash dividends on our common stock in the foreseeable future.

Cash Flows from Operating Activities: For the three months ended March 31, 2012, we used approximately $0.3 million of cash in operating activities. Our cash flow related to our net loss of approximately $1.1 million, adjusted for, among other things, certain non-cash items including approximately $0.1 million of depreciation, $0.1 million of stock-based compensation, as well as an aggregate increase in cash flows from our operating assets and liabilities of $0.6 million.

Cash Flows from Investing Activities: For the three months ended March 31, 2012, we used a small amount of cash relating to capital expenditures during the three months ended March 31, 2012.

Cash Flows from Financing Activities: For the three months ended March 31, 2012, we repaid a small amount of capital lease obligations.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Words such as may , will , expect , intend , anticipate , believe , estimate continue , plan and similar expressions in this report identify forward-looking statements. The forward-looking statements are based on current views with respect to future events and financial performance. Specifically, this quarterly report contains forward-looking statements regarding:

- our expectation that we will seek additional financial support and that management will continue to evaluate various possibilities, including a private placement or public offering of our common stock or securities convertible into our common stock, selling one or more lines of business, or all or a portion of the Company s assets, entering into a business combination, reducing or eliminating operations, liquidating assets, or seeking relief through a filing under the U.S. Bankruptcy Code;
- our belief regarding market demand for our products;
- our expectation that our total gross margins will continue to improve in the future as our continued efforts to improve meal delivery margin are realized;
- our expectation that revenue streams from meal delivery will continue to be the largest share of total revenues;
- our expectation regarding the effect of any legal proceedings or legal inquiries on our financial condition or results of operations; and
- our estimates regarding certain accounting and tax matters, including the adoption of certain accounting pronouncements.

These forward-looking statements reflect our current views about future events and are subject to risks, uncertainties and assumptions. We wish to caution readers that certain important factors may have affected and could in the future affect our actual results and could cause actual results to differ significantly from those expressed in any forward-looking statement. The most important factors that could prevent us from achieving our goals, and cause the assumptions underlying forward-looking statements and the actual results to differ materially from those expressed in or implied by those forward-looking statements include, but are not limited to, the following:

- our ability to raise additional financial support from one or more sources;
- our ability to maintain compliance with applicable regulatory requirements;

our ability to attract and retain customers at an acceptable cost;

the success of our marketing and advertising programs;

our ability to recruit and retain key executive officers;

our ability to accurately assess market demand for our products and remain competitive in the weight management industry;

- our ability to enhance our existing products and services and continue to develop innovative new services and products that respond to new and evolving customer demands and achieve market acceptance;
- our ability to improve our meal delivery margin, including through controlling increases in the cost of food and food services;
- our ability to rapidly secure alternate technology infrastructure vendors if we experience website or call center service interruption;
- our ability to successfully implement programs designed to enhance the privacy protection of our visitors to our website;
- our ability to meet our debt service obligations and repay the Director Notes at maturity;
- our ability to sufficiently increase our revenues and maintain expenses and cash capital expenditures at appropriate levels;
- the state of the credit markets and capital markets, including the level of volatility, illiquidity and interest rates; and
- our ability to successfully estimate certain accounting and tax matters, including the effect on our Company of adopting certain accounting pronouncements.

All forward-looking statements are current only as of the date on which such statements are made. We do not undertake any obligation to release publicly the result of any revisions to these forward-looking statements, which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

In order to ensure that the information we must disclose in our filings with the SEC is recorded, processed, summarized and reported on a timely basis, we have formalized our disclosure controls and procedures. Our principal executive officer and principal financial officer have reviewed and evaluated the effectiveness of our disclosure controls and procedures, as defined in Securities and Exchange Act Rules 13a-15(e) or 15d-15(e), as of March 31, 2012. Based on such evaluation, such officers have concluded that, as of March 31, 2012, our disclosure controls and procedures were effective.

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Changes in Internal Controls over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position, results of operations, or liquidity.

Item 6. Exhibits

The following exhibits are included herein:

31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) (17 CFR 240.13a-14(a)).
31.2	Certification of Principal Financial and Accounting Officer Pursuant to Rule 13a-14(a) (17 CFR 240.13a-14(a)).
32.1	Section 1350 Certification of Chief Executive Officer of the Company.
32.2	Section 1350 Certification of Principal Financial and Accounting Officer of the Company.
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase*
101.LAB	XBRL Taxonomy Extension Label Linkbase*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase*

* Furnished herewith.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

eDiets.com, Inc.

/s/ Kevin A. Richardson, II
Kevin A. Richardson, II
Principal Financial and Accounting Officer
(Duly Authorized Officer)

DATE: May 15, 2012

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Exhibit Index

Exhibit No.	Description
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) (17 CFR 240.13a-14(a)).
31.2	Certification of Principal Financial and Accounting Officer Pursuant to Rule 13a-14(a) (17 CFR 240.13a-14(a)).
32.1	Section 1350 Certification of Chief Executive Officer of the Company.
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101.PRE	XBRL Taxonomy Extension Presentation Linkbase*

* Furnished herewith.