

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington D. C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934
For the quarterly period ended September 30, 2014

Transition report pursuant to Section 13 or 15(d) of the Exchange Act
For the transition period from _____ to _____.

Commission File Number: 0-9376

INNOVATIVE FOOD HOLDINGS, INC.

(Exact Name of Registrant as Specified in its Charter)

Florida

(State or Other Jurisdiction of Incorporation or Organization)

20-1167761

(IRS Employer I.D. No.)

28411 Race Track Rd.

Bonita Springs, Florida 34135

(Address of Principal Executive Offices)

(239) 596-0204

(Registrant's Telephone Number, Including Area Code)

(Former name, former address and former fiscal year, if changed since last report)

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 o**

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **YES x NO o**

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.

(Check One):

Large Accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Regulation 12b-2 of the Exchange Act): **YES o NO x**

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date 20,673,326 shares of common stock outstanding and 21,373,989 shares issued as of November 16, 2014.

INNOVATIVE FOOD HOLDINGS, INC.
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PART I. FINANCIAL INFORMATION**ITEM 1 - CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Innovative Food Holdings, Inc.
Condensed Consolidated Balance Sheet

	September 30, 2014	December 31, 2013
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,079,213	\$ 2,073,605
Accounts receivable net	1,165,410	771,205
Inventory	1,231,299	839,979
Other current assets	351,024	11,316
Due from related parties	462,626	-
Total current assets	<u>7,289,572</u>	<u>3,696,105</u>
Property and equipment, net	1,933,251	954,068
Investments	104,000	-
Intangible assets, net	23,688,611	887,442
Total assets	<u>\$ 33,015,434</u>	<u>\$ 5,537,615</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,496,724	\$ 1,285,149
Deferred revenue	3,961,634	-
Accrued liabilities - related parties	178,150	523,110
Accrued interest	617,038	671,481
Accrued interest - related parties	53,621	48,708
Revolving credit facilities	897,222	-
Notes payable, current portion, net of discount	209,339	1,150,253
Notes payable - related parties, current portion	110,500	110,500
Contingent liabilities	448,750	80,881
Total current liabilities	<u>10,972,978</u>	<u>3,870,082</u>
Note payable - long term portion, net of discount	1,883,324	727,328
Notes payable - related parties, long term portion	2,199,970	-
Total liabilities	<u>15,056,272</u>	<u>4,597,410</u>
Equity		
Common stock, \$0.0001 par value; 500,000,000 shares authorized; 21,023,989 and 7,732,456 shares issued and 20,323,326 and 7,117,743 shares outstanding at September 30, 2014 and December 31, 2013, respectively	2,102	774
Additional paid-in capital	24,528,736	7,702,893
Common stock subscribed	250,000	-
Treasury stock, 486,254 and 400,304 shares outstanding at September 30, 2014 and December 31, 2013, respectively	(160,099)	(100,099)
Accumulated deficit	(6,701,140)	(6,663,363)
Total Innovative Food Holdings, Inc.'s stockholders' equity	<u>17,919,599</u>	<u>940,205</u>
Noncontrolling interest in variable interest entity	39,563	-
Total equity	<u>17,959,162</u>	<u>940,205</u>
Total liabilities and equity	<u>\$ 33,015,434</u>	<u>\$ 5,537,615</u>

See notes to these unaudited condensed consolidated financial statements.

Innovative Food Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(UNAUDITED)

	For the Three Months Ended Sept 30, 2014	For the Three Months Ended Sept 30, 2013	For the Nine Months Ended Sept 30, 2014	For the Nine Months Ended Sept 30, 2013
Revenue	\$ 8,757,934	\$ 5,840,283	\$ 20,760,427	\$ 16,400,258
Cost of goods sold	6,577,167	4,161,765	14,771,298	11,660,860
Gross margin	2,180,767	1,678,518	5,989,129	4,739,398
Selling, general and administrative expenses	2,673,836	1,282,722	5,345,053	3,691,679
Total operating expenses	2,673,836	1,282,722	5,345,053	3,691,679
Operating income	(493,069)	395,796	644,076	1,047,719
Other (income) expense:				
Other (income)	(25,495)	-	(45,495)	-
Interest expense	146,487	733,554	687,785	1,448,111
Total other (income) expense	120,992	733,554	642,290	1,448,111
Net (loss) income before taxes	(614,061)	(337,758)	1,786	(400,392)
Income tax expense	-	-	-	-
Net (loss) income	<u>\$ (614,061)</u>	<u>\$ (337,758)</u>	<u>\$ 1,786</u>	<u>\$ (400,392)</u>
Less net income attributable to noncontrolling interest in variable interest entities	39,563	-	39,563	-
Net (loss) attributable to Innovative Food Holdings, Inc.	<u>\$ (653,624)</u>	<u>\$ (337,758)</u>	<u>\$ (37,777)</u>	<u>\$ (400,392)</u>
Net (loss) per share - basic	<u>\$ (0.077)</u>	<u>\$ (0.052)</u>	<u>\$ (0.005)</u>	<u>\$ (0.063)</u>
Net (loss) per share - diluted	<u>\$ (0.077)</u>	<u>\$ (0.052)</u>	<u>\$ (0.005)</u>	<u>\$ (0.063)</u>
Weighted average shares outstanding - basic	<u>9,374,203</u>	<u>6,479,385</u>	<u>8,249,469</u>	<u>6,405,756</u>
Weighted average shares outstanding - diluted	<u>9,374,203</u>	<u>6,479,385</u>	<u>8,249,469</u>	<u>6,405,756</u>

See notes to these unaudited condensed consolidated financial statements.

Innovative Food Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(UNAUDITED)

	For the Nine Months Ended Sept 30, 2014	For the Nine Months Ended Sept 30, 2013
Cash flows from operating activities:		
Net income (loss)	\$ 1,786	\$ (400,392)
Gain on disposition of property and equipment	(24,495)	-
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Increase in allowance for doubtful accounts	25,316	93,112
Depreciation and amortization	503,650	196,058
Non-cash compensation	160,855	35,662
Amortization of discount on notes payable	608,541	1,337,934
Changes in assets and liabilities:		
Accounts receivable, net	(417,181)	120,463
Deferred revenue	139,446	-
Inventory and other current assets, net	(108,779)	(285,623)
Accounts payable and accrued expenses - related party	(269,212)	(260,987)
Accounts payable and accrued expenses	545,406	(8,913)
Contingent liability	(107,131)	-
Net cash provided by operating activities	1,058,202	827,314
Cash flows from investing activities:		
Investments in companies	(104,000)	-
Acquisition of Organic Food Brokers	(100,000)	-
Cash received in acquisition of The Fresh Diet	277,885	-
Cash received from sale of property and equipment	51,933	-
Acquisition of property and equipment	(3,519)	(338,140)
Net cash provided by (used in) investing activities	122,299	(338,140)
Cash flows from financing activities:		
Purchase of treasury stock	(60,000)	(100,000)
Common stock sold for cash	1,835,000	0
Net principal payments on notes and capital leases	(949,893)	(361,411)
Net cash provided by (used in) financing activities	825,107	(461,411)
Increase in cash and cash equivalents	2,005,608	27,763
Cash and cash equivalents at beginning of period	2,073,605	1,347,029
Cash and cash equivalents at end of period	<u>\$ 4,079,213</u>	<u>\$ 1,374,792</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 44,367	\$ 43,154
Taxes	\$ -	\$ -
Issuance of 279,310 shares of common stock previously subscribed	\$ -	\$ 68,336
Issuance of 341,794 shares of common stock for conversion of notes payable and accrued interest	\$ -	\$ 85,448
Mortgage and purchase of land and building	\$ -	\$ 546,000
Issuance of 10,000,000 shares of common stock for acquisition of The Fresh Diet	\$ 14,000,000	\$ -
Issuance of 846,266 shares of common stock for conversion of notes payable and accrued interest	\$ 211,482	\$ -
Discount on notes payable due to extension of term	\$ 732,565	\$ -
Acquisition note and options issued for the purchase of Organic Food Brokers	\$ 271,349	\$ -

See notes to these unaudited condensed consolidated financial statements.

INNOVATIVE FOOD HOLDINGS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2014
(Unaudited)

1. BASIS OF PRESENTATION

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements of Innovative Food Holdings, Inc., and its wholly owned subsidiaries, some of which are non-operating, Artisan Specialty Foods, Inc. (“Artisan”), Food Innovations, Inc. (“FII”), Food New Media Group, Inc. (“FNM”), Organic Food Brokers (“OFB”), Gourmet Foodservice Group, Inc. (“GFG”), Gourmet Foodservice Warehouse, Inc., Gourmating Inc., The Fresh Diet, Inc., (“The Fresh Diet”), The Haley Group, Inc., (“Haley”), and 4 The Gourmet, Inc. (d/b/a For The Gourmet, Inc.) (“Gourmet” and collectively with IVFH and the other subsidiaries, the “Company, or “IVFH”), have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. All material intercompany transactions have been eliminated upon consolidation of these entities.

Consolidation of Variable Interest Entity

The Company consolidates the financial statements of a variable interest entity (“VIE”) in which it is the primary beneficiary. In determining whether the Company is the primary beneficiary of a variable interest entity, consideration is given to a number of factors, including the ability to direct the activities that most significantly affect the entity’s economic success as well as the Company’s exposure to absorb the losses and obligations of such entities. Late Night Express Courier Service, Inc., an independent company providing delivery services to The Fresh Diet customers, was determined to be a VIE that was required to be consolidated under Accounting Standards Codification (“ASC”) 810, Consolidation, as set forth by the Financial Accounting Standards Board (“FASB”) and accordingly, was included in the accompanying unaudited condensed consolidated financial statements as of and for the period ended September 30, 2014. All material inter-company transactions and balances of the Company’s wholly owned subsidiaries and VIE have been eliminated in consolidation.

The accompanying unaudited interim condensed consolidated financial statements have been prepared by the Company, in accordance with generally accepted accounting principles pursuant to Regulation S-X of the Securities and Exchange Commission and with the instructions to Form 10-Q. Certain information and footnote disclosures normally included in audited consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Accordingly, these interim financial statements should be read in conjunction with the Company’s audited financial statements and related notes as contained in Form 10-K for the year ended December 31, 2013. In the opinion of management, the interim unaudited condensed consolidated financial statements reflect all adjustments, including normal recurring adjustments, necessary for fair presentation of the interim periods presented. The results of the operations for the three and nine months ended September 30, 2014 are not necessarily indicative of the results of operations to be expected for the full year. The results of The Fresh Diet have been included since its acquisition on August 15, 2014.

2. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Business Activity

FII, Artisan, GFG are in the business of providing premium foodservice establishments, including white tablecloth restaurants, with the freshest origin-specific perishables and specialty food products direct from its warehouses and from a network of vendors, to the end users (restaurants, hotels, country clubs, national chain accounts, casinos, and catering houses) across the United States within 24 - 72 hours. For The Gourmet Inc., through its website www.forthegourmet.com, and through additional sales channels, provides the highest quality gourmet food products to the direct to consumer market. FNM currently holds the Company’s intellectual property rights including all rights related to its Artistre® private label brand. Haley is a food manufacturer representative that manages food manufacturing foodservice relationships at a food distributor’s corporate level. OFB works closely with emerging food brands to develop and execute sales, marketing and distribution plans via its nationwide network of retail-related food broker relationships while providing emerging food brands distribution and shelf placement access in all of the major metro markets in the food retail industry.

The Fresh Diet is in the business of providing freshly prepared gourmet specialty meals, using the finest specialty, artisanal, direct from source ingredients, delivered daily, directly to consumers using The Fresh Diet® platform. The Fresh Diet’s platform includes a company managed and owned preparation and logistics infrastructure, including a comprehensive company owned network of same day and next day last mile food delivery capabilities.

We have historically sold the majority of our products (72% and 76% of total sales in the years ended December 31, 2013 and 2012, respectively) through a distributor relationship between FII and Next Day Gourmet, L.P., a subsidiary of U.S. Foods (“USF”), a \$20 billion broad line distributor. On May 18, 2012, the Company executed a Stock Purchase Agreement (the “Artisan Acquisition Agreement”) to acquire all of the issued and outstanding shares of Artisan Specialty Foods, Inc., an Illinois corporation (“ASF”). ASF was previously a supplier to the Company. Artisan is a supplier of over 1,500 niche gourmet products to over 500 customers in the Greater Chicago area. On November 2, 2012, the Company, through its wholly-owned subsidiary Haley, entered into an asset purchase agreement (the “Haley Acquisition”) with The Haley Group, LLC whereby the Company acquired all existing contracts between The Haley Group, LLC and its customers. Pursuant to a purchase agreement (the “Organic Food Brokers Purchase Agreement”), effective June 30, 2014, the Company purchased 100% of the membership interest of Organic Food Brokers, LLC, a Colorado limited liability company (“OFB”). Also, pursuant to a purchase agreement (the “The Fresh Diet Purchase Agreement”), effective August 15, 2014, the Company purchased 100% of the common stock of The Fresh Diet, Inc.

Use of Estimates

The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. These estimates include, for example, certain assumptions related to doubtful accounts receivable, stock-based services, valuation of financial instruments, contingent liabilities and income taxes. On an on-going basis, we evaluate these estimates, including those related to revenue recognition and concentration of credit risk. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe our estimates have not been materially inaccurate in past years, and our assumptions are not likely to change in the foreseeable future.

Reclassifications and Corrections

Certain reclassifications have been made to conform prior period data to the current presentation. In addition, the Company identified an error and revised its financial statements for the three and six months ended September 30, 2013 related to the elimination of certain intercompany revenues. Management concluded that the errors had no material impact on any of the Company’s previously issued financial statements, are immaterial to the Company’s results for the second quarter of 2013 and full year 2013 results, and had no material effect on the trend of the Company’s financial results. As a result of the immaterial errors discussed above, the unaudited condensed consolidated financial statements reflect the following adjustments: a reduction in cost of goods sold and an offsetting reduction in revenue of \$164,808 and \$731,013 for the three and nine months ended September 30, 2013, respectively. The effect of the reclassifications and immaterial errors had no effect on reported net income.

Revenue Recognition

The Company recognizes revenue upon product delivery. All of our products are shipped either same day, overnight or through longer shipping terms to the customer and the customer takes title to product and assumes risk and ownership of the product when it is delivered. Shipping charges to customers and sales taxes collectible from customers, if any, are included in revenues.

For revenue from product sales, the Company recognizes revenue in accordance with Financial Accounting Standards Board “FASB” Accounting Standards Codification “ASC” 605-15-05. ASC 605-15-05 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management’s judgments regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company defers any revenue for which the product has not been delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or no refund will be required.

Revenue from the sale of meals is recognized when the earnings process is complete, which is upon the delivery of the product to the Company’s customers. Meal programs are sold weekly, bi-weekly and monthly. Meal programs are non-returnable and non-refundable if not cancelled within 3 days of initial delivery. Refunds of cancelled meal plans are recorded at the time of cancellation.

Cost of Goods Sold

Costs recorded in Cost of Goods Sold in the condensed consolidated statement of operations include the costs of raw materials, packaging, product conversion, and delivery.

Deferred Revenue

Deferred revenue consists of cash received for meals that have not yet been delivered to the customer.

Advertising Costs

The Company's policy is to report advertising costs as expenses in the periods in which the costs are incurred. The total amounts charged to advertising expense were approximately \$67,660 and \$82,711, respectively, for the three and nine months ended September 30, 2014.

Basic and Diluted Earnings Per Share

Basic net earnings per share is based on the weighted average number of shares outstanding during the period, while fully-diluted net earnings per share is based on the weighted average number of shares of common stock and potentially dilutive securities assumed to be outstanding during the period using the treasury stock method. Potentially dilutive securities consist of options and warrants to purchase common stock, and convertible debt. Basic and diluted net loss per share is computed based on the weighted average number of shares of common stock outstanding during the period.

The Company uses the treasury stock method to calculate the impact of outstanding stock options and warrants. Stock options and warrants for which the exercise price exceeds the average market price over the period have an anti-dilutive effect on earnings per common share and, accordingly, are excluded from the calculation.

Anti-dilutive shares at September 30, 2014:

For the three and nine months ended September 30, 2014, the Company excluded from the calculation of fully-diluted earnings per share because the effect would have been anti-dilutive: warrants to purchase 3,040,124 shares of common stock at exercise prices from \$0.01 to \$0.575 per share; options to purchase 1,576,389 shares of common stock at exercise prices from \$0.35 to \$0.57 per share; and conversion options to purchase 5,772,206 shares of common stock at \$0.25 per share. The Company also excluded 210,520 shares committed to be issued because the effect would have been anti-dilutive.

Anti-dilutive shares at September 30, 2013:

For the three months ended September 30, 2013, the Company excluded from the calculation of fully-diluted earnings per share warrants to purchase 6,964,000 shares of common stock at exercise prices of \$0.01 to \$0.575 per share, and options to purchase 2,480,000 shares of common stock issuable at exercise prices of \$0.35 to \$1.60 per share. The Company also excluded 10,269,844 shares issuable upon the conversion of a note payable and accrued interest an exercise price of \$0.25 per share.

For the nine months ended September 30, 2013, the Company excluded from the calculation of fully-diluted earnings per share warrants to purchase 6,964,000 shares of common stock at exercise prices of \$0.01 to \$0.575 per share, and options to purchase 2,480,000 shares of common stock issuable at exercise prices of \$0.35 to \$1.60 per share. The Company also excluded 10,269,844 shares issuable upon the conversion of a note payable and accrued interest an exercise price of \$0.25 per share.

Diluted earnings per share was computed as follows for the three and nine months ended September 30, 2014:

	<u>Loss (Numerator)</u>	<u>Shares (Denominator)</u>	<u>Per-Share Amount</u>
Basic loss per share	\$ (653,624)	9,374,203	\$ (0.077)
Effect of Dilutive Securities:			
Exercise of in-the-money warrants	-	-	-
Exercise of in-the-money options	-	-	-
Conversion of notes payable and accrued interest	-	-	-
Shares accrued, not yet issued	-	-	-
Diluted earnings per share	<u>\$ (653,624)</u>	<u>9,374,203</u>	<u>\$ (0.077)</u>

	<u>Income (Numerator)</u>	<u>Shares (Denominator)</u>	<u>Per-Share Amount</u>
Basic earnings per share	\$ (37,777)	8,249,469	\$ (0.005)
Effect of Dilutive Securities:			
Exercise of in-the-money warrants	-	-	-
Exercise of in-the-money options	-	-	-
Shares accrued, not yet issued	-	-	-
Diluted earnings per share	<u>\$ (37,777)</u>	<u>8,249,469</u>	<u>\$ (0.005)</u>

Significant Recent Accounting Pronouncements

Management does not believe that any recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying unaudited condensed consolidated financial statements.

3. ACQUISITIONSThe Fresh Diet

The Fresh Diet Merger was accounted for as an acquisition of an ongoing business in accordance with ASC Topic 805 - Business Combinations ("ASC 805"), where the Company was treated as the acquirer and the acquired assets and assumed liabilities were recorded by the Company at their preliminary estimated fair values. The total purchase price of the assets acquired and assumed liabilities included; cash, inventory, accounts receivable, fixed assets, deposits and trade names and, accounts payable and notes payable.

The acquisition date estimated fair value of the consideration transferred totaled \$14.0 million, which consisted of the following:

Common Stock - 10,000,000 shares	\$ 14,000,000
Total purchase price	<u>\$ 14,000,000</u>
Tangible assets acquired	\$ 2,462,952
Liabilities assumed	<u>11,076,672</u>
Net tangible assets	(8,613,720)
Customer relationships	13,505,669
Tradenames	104,271
Goodwill	<u>9,003,780</u>
Total purchase price	<u>\$ 14,000,000</u>

The Company has presented its preliminary estimates of the fair values of the assets acquired and liabilities assumed in the Fresh Diet Merger as of September 30, 2014. The Company is in the process of finalizing its review and evaluation of the appraisal and related valuation assumptions supporting its fair value estimates for all of the assets acquired and liabilities assumed in the Fresh Diet Merger and, therefore, the estimates used herein are subject to change. This may result in adjustments to the values presented above for assets and liabilities and a corresponding adjustment to goodwill. As such, the Company has not completed the assignment of goodwill to reporting units or its determination of the amount of goodwill that is expected to be deductible for tax purposes at this time.

Pro forma results

The following tables set forth the unaudited pro forma results of the Company as if the acquisition of FD had taken place on the first day of the periods presented. These combined results are not necessarily indicative of the results that may have been achieved had the companies always been combined.

	Three months ended September 30,	
	2014	2013
Total revenues	\$ 11,779,846	\$ 12,423,569
Net income attributable to Innovative Food Holdings, Inc.	(643,698)	(1,204,273)
Basic net income (loss) per common share	\$ (0.033)	\$ (0.068)
Diluted net income (loss) per common share	\$ (0.033)	\$ (0.068)
Weighted average shares - basic	19,362,464	17,714,385
Weighted average shares - diluted	19,362,464	17,714,385

	Nine months ended September 30,	
	2014	2013
Total revenues	\$ 34,667,747	\$ 40,088,938
Net income attributable to Innovative Food Holdings, Inc.	(1,325,617)	(3,944,397)
Basic net income (loss) per common share	\$ (0.070)	\$ (0.223)
Diluted net income (loss) per common share	\$ (0.070)	\$ (0.224)
Weighted average shares - basic	19,064,323	17,714,385
Weighted average shares - diluted	19,064,323	17,640,756

Organic Food Brokers

Pursuant to the Organic Food Brokers Purchase Agreement, effective June 30, 2014, the Company purchased 100% of the membership interest of Organic Food Brokers, LLC, a Colorado limited liability company ("OFB"). OFB works closely with emerging food brands to develop and execute sales, marketing and distribution plans via its nationwide network of retail-related food broker relationships while providing emerging food brands distribution and shelf placement access in all of the major metro markets in the food retail industry.

The purchase price consisted of (i) One Hundred Thousand (\$100,000) Dollars in cash, (ii) a Convertible Promissory Note in the face amount of Two Hundred Thousand (\$200,000) Dollars, and (iii) stock options issued by the Company to acquire one hundred thousand (100,000) shares of its common stock over the four year period following the closing date at an exercise price per share of \$1.46. The Note is secured by the Company's grant of a second priority secured interest in the assets of OFB. In addition, the company is contingently liable for certain performance-based payments over the twenty-four months following the acquisition date. The Company believes it is likely that these payments will be made, and accordingly has recorded the entire amount of \$225,000 as a contingent liability on its balance sheet at September 30, 2014. The entire cost of the acquisition was \$596,349. The amount of \$200,000 was allocated to Trade Name, and intangible assets with an indefinite life; the balance of \$396,349 was allocated to customer list, an intangible asset with a useful life of 36 months. \$29,817 of this amount was amortized during the three months ended September 30, 2014.

4. ACCOUNTS RECEIVABLE

At September 30, 2014 and December 31, 2013, accounts receivable consists of:

	September 30,	December 31,
	2014	2013
Accounts receivable from customers	\$ 1,198,436	\$ 827,945
Allowance for doubtful accounts	(33,026)	(56,740)
Accounts receivable, net	<u>\$ 1,165,410</u>	<u>\$ 771,205</u>

5. INVENTORY

Inventory consists primarily of (a) specialty food products (b) operating materials and supplies, principally food trays and bags that are used to package and deliver meals to customers . At September 30, 2014 and December 31, 2013, inventory consisted of the following:

	September 30, 2014	December 31, 2013
Specialty food products	\$ 981,905	\$ 839,979
Operating materials and supplies	249,394	
Total	\$ 1,231,299	\$ 839,979

6. PROPERTY AND EQUIPMENT

The Company owns a building and property located at 28411 Race Track Road, Bonita Springs, Florida 34135 and with respect thereto has entered into each of a Loan Agreement, Mortgage, Security Agreement and Note with Fifth Third Bank, each with an effective date of February 26, 2013. The property consists of approximately 1.1 acres of land and close to 10,000 square feet of combined office and warehouse space and was purchased as part of a bank short sale. The Company moved its operations to these premises on July 15, 2013. The purchase price of the property was \$792,758 and was financed in part by a five year mortgage in the amount of \$546,000 carrying an annual interest rate of 3% above LIBOR Rate, as such term is defined in the Note.

A summary of property and equipment at September 30, 2014 and December 31, 2013, was as follows:

	September 30, 2014	December 31, 2013
Land	\$ 177,383	\$ 177,383
Building	619,955	619,955
Computer and Office Equipment	502,278	462,508
Kitchen and Warehouse Equipment	440,167	7,733
Furniture, Fixtures, and Leasehold Improvements	373,359	162,128
Vehicles	423,971	33,239
Total before accumulated depreciation	2,537,113	1,462,946
Less: accumulated depreciation	(603,862)	(508,878)
Total	\$ 1,933,251	\$ 954,068

Depreciation and amortization expense for property and equipment amounted to \$51,622 and \$22,402 for the three months ended September 30, 2014 and 2013, respectively. Depreciation and amortization expense for property and equipment amounted to \$94,985 and \$58,148 for the nine months ended September 30, 2014 and 2013, respectively.

7. INVESTMENTS

The Company has made investments in certain early stage food related companies which can benefit from various synergies within the Company's various operating businesses . As of September 30, 2014, the Company had made investments in two such companies in the aggregate amount of \$104,000.

8. INTANGIBLE ASSETS

The Company acquired certain intangible assets pursuant to the acquisition of The Fresh Diet, Artisan Specialty Foods, and the acquisition of certain assets of The Haley Group, LLC, and OFB (see note 2). The following is the net book value of these assets:

	September 30, 2014		
	Gross	Accumulated Amortization	Net
Trade Name	\$ 321,271	\$ -	\$ 321,271
Non-Compete Agreement	244,000	(137,250)	106,750
Customer Relationships	14,636,663	(530,853)	14,105,810
Goodwill	9,154,780	-	9,154,780
Total	\$ 24,356,714	\$ (668,103)	\$ 23,688,611

	December 31, 2013		
	Gross	Accumulated Amortization	Net
Trade Name	\$ 217,000	\$ -	\$ 217,000
Non-Compete Agreement	244,000	(91,500)	152,500
Customer Relationships	534,645	(167,703)	366,942
Goodwill	151,000	-	151,000
Total	\$ 1,146,645	\$ (259,203)	\$ 887,442

Total amortization expense charged to operations for the three months ended September 30, 2014 and 2013 was \$309,351 and \$45,970, respectively. Total amortization expense charged to operations for the nine months ended September 30, 2014 and 2013 was \$401,293 and \$91,940, respectively.

The trade name is not considered a finite-lived asset, and is not being amortized. The non-compete agreement is being amortized over a period of 48 months. The customer relationships acquired are being amortized over the following periods: in The Fresh Diet, 84 months; in the Artisan transaction, 60 months; in the Haley transaction, 36 months; and in the OFB transaction, 60 months.

As detailed in ASC 350, the Company tests for goodwill impairment in the fourth quarter of each year and whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its fair value and may not be recoverable. As detailed in ASC 350-20-35-3A, in performing its testing for goodwill impairment, management has completed a qualitative analysis to determine whether it was more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. To complete this review, management followed the steps in ASC 350-20-35-3C to evaluate the fair value of goodwill and considered all known events and circumstances that might trigger an impairment of goodwill. The analysis completed in 2013 and 2012 determined that there was no impairment to goodwill assets.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at September 30, 2014 and December 31, 2013 are as follows:

	September 30, 2014	December 31, 2013
Trade payables	\$ 3,863,604	\$ 1,252,746
Accrued payroll and commissions	633,120	32,403
Total accounts payable and accrued liabilities - non-related parties	\$ 4,496,724	\$ 1,285,149

At September 30, 2014 and December 31, 2013, accrued liabilities to related parties of \$178,150 and \$523,110, respectively, consisted of accrued payroll, accrued bonus, and payroll related benefits.

10. ACCRUED INTEREST

Accrued interest on the Company's convertible notes payable is convertible at the option of the note holders into the Company's common stock a price of \$0.25 per share. At September 30, 2014, convertible accrued interest was \$653,019 (including \$53,621 to a related party), which was convertible into 2,612,076 shares of common stock; at December 31, 2013, convertible accrued interest was \$720,189 (including \$48,708 to a related party) which was convertible into 2,880,756 shares of common stock.

11. REVOLVING CREDIT FACILITIES

	September 30, 2014	December 31, 2013
Business loan of \$500,000 from a credit card merchant, with a loan fee of 0.5% and repayment rate of 100% of the sum of charge volume during the loan period, maturing no later than April 19, 2015, renewable annually unless terminated, and secured by the assets of The Fresh Diet. During the period from the date of The Fresh Diet acquisition (August 15, 2014) through September 30, 2014, net payments of principal in the amount of \$260,068 on this loan.	\$ 239,932	\$ -
Business loan of \$1,000,000 from a credit card merchant, with a loan fee of 20% and repayment rate of 12% of the sum of charge volume until all amounts have been paid, and guaranteed by certain shareholders of the Company. During the period from the date of The Fresh Diet acquisition (August 15, 2014) through September 30, 2014, net payments of principal in the amount of \$144,653 were made on this loan.	657,290	-
Total	\$ 897,222	\$ -

12. NOTES PAYABLE AND NOTES PAYABLE TO RELATED PARTIES

	September 30, 2014	December 31, 2013
Secured mortgage note payable for the acquisition of land and building in Bonita Springs, Florida in the amount of \$546,000. Principal payments of \$4,550 and interest at the rate of Libor plus 3% are due monthly. The balance of the principal amount will be due March 2018. During the three months ended September 30, 2014, the Company made payments of principal and interest in the amounts of \$13,650 and \$3,949, respectively; during the nine months ended September 30, 2014, the Company made payments of principal and interest in the amounts of \$40,950 and \$7,922, respectively.	\$ 459,550	\$ 500,500
Term loan from Fifth Third Bank in the original amount of \$1,000,000; \$660,439 of this amount was used to pay a note payable; \$339,561 was used for working capital. This loan is secured by first priority perfected security interest in all personal property of the Company, bears interest at the rate of Libor plus 4.75%, with principal monthly principal payments of \$55,556 plus accrued interest. The note is due May 26, 2015. During the three months ended September 30, 2014, the Company made payments of principal and interest in the amounts of \$166,667 and \$9,228, respectively; During the nine months ended September 30, 2014, the Company made payments of principal and interest in the amounts of \$500,000 and \$20,370, respectively	444,444	944,444

	September 30, 2014	December 31, 2013
A total of 18 convertible notes payable (the “Convertible Notes Payable”). Certain of the Convertible Notes Payable contain cross default provisions, and are secured by subordinated interest in a majority of the Company’s assets. The Convertible Notes Payable bear interest at the rate of 1.9% per annum; principal and accrued interest are convertible into common stock of the Company at a conversion price of \$0.25 per share. During the three months ended September 30, 2014 no principal was converted to shares of common stock, and accrued interest in the amount of \$10,357 was converted to 41,428 shares of common stock. During the nine months ended September 30, 2014, principal in the amount of \$120,583 was converted to 482,332 shares of common stock, and accrued interest in the amount of \$90,984 was converted to 363,936 shares of common stock. Also during the three and nine months ended September 30, 2014, principal payments in the amount of \$5,000 and \$10,000, respectively, was paid in cash. Effective May 13, 2014, the due date of these notes was extended from May 15, 2014 to December 31, 2015. A discount to the notes in the aggregate amount of \$732,565 was recorded to recognize the value of the beneficial conversion feature embedded in the extension of the term of the notes. During the three and nine months ended September 30, 2014, \$115,765 and \$236,730, respectively, of this discount was charged to operations; in addition, the amount of \$111,776 representing a previous discount to these notes was also charge to operations during the period.	\$ 647,565	\$ 788,148
Secured vehicle leases payable at an effective interest rate of 9.96% for purchase of truck, payable in monthly installments (including principal and interest) of \$614 through January 2015. During the three months ended September 30, 2014, the Company made payments in the aggregate amount of \$1,842 on this lease, consisting of \$1,753 of principal and \$89 of interest. During the nine months ended September 30, 2014, the Company made payments in the aggregate amount of \$5,526 on this lease, consisting of \$5,131 of principal and \$395 of interest.	2,406	7,537
Twenty-nine convertible notes payable in the amount of \$4,500 each to Sam Klepfish, the Company’s CEO and a related party, dated the first of the month beginning on November 1, 2006, issued pursuant to the Company’s then employment agreement with Mr. Klepfish, which provided that the amount of \$4,500 in salary is accrued each month to a note payable. These notes are unsecured and may not be prepaid without Mr. Klepfish’s consent. These notes bear interest at the rate of 8% per annum and have no due date. As of July 1, 2014, the notes bear an interest rate of 1.9% and as of November 17, 2014 the interest rate was reduced to 0%. These notes and accrued interest are convertible into common stock of the Company at a conversion price of \$0.25 per share. During the nine months ended September 30, 2014, Mr. Klepfish gifted three notes to an unrelated third parties. During the three and nine months ended September 30, 2014, the Company accrued interest in the amount of \$529 and \$4,913, respectively, on these notes.	110,500	110,500
Promissory note in the amount of \$200,000 bearing interest at the rate of 1% per annum. Principal in the amount of \$100,000 is due June 30, 2015; principal in the amount of \$100,000 is due June 30, 2016. The note is convertible into shares of the Company’s common stock at the conversion price of \$1.54 per share. During the three and nine months ended September 30, 2014, the Company accrued interest in the amount of \$500 on this note.	200,000	-
Four notes payable to shareholders in the aggregate amount of \$1,500,000. These notes are unsecured, bear no interest and mature on August 15, 2017. In the event the notes are not paid when due, amounts not paid under the notes shall bear interest at a rate of 21% per annum until paid in full.	1,500,000	-
Two notes payable to shareholders in the aggregate amount of \$699,970. These notes are unsecured, and bear interest at the rate of 4% per annum. These notes are due on August 17, 2017. In the event the notes are not paid when due, amounts not paid under the notes shall bear interest at a rate of 21% per annum until paid in full. During the three and nine months ended September 30, 2014, the interest in the amount of \$8,720 accrued on these notes.	699,970	-
Note payable in monthly installments, including interest at the rate of 2% over prime (5.25% as of September 30, 2014), due October 1, 2019, and secured by all assets of The Fresh Diet, the life insurance policies maintained on two of the shareholders of the Company, and personally guaranteed by these shareholders. During the three and nine months ended September 30, 2014, the principal payments in the aggregate amount of \$1,802 were made on this note, and interest expense in the amount of \$585 was recorded.	129,419	-
The Company has a \$75,000 line of credit which bears monthly interest at the variable interest rate of 2% over prime rate. The line of credit is secured by all corporate assets and by a condominium owned by one of the shareholders.	75,000	-
Note payable in monthly installments, including interest at the rate of 1.75% over prime adjusted quarterly (5% as of September 30, 2014), due on December 20, 2017, and secured by all assets of The Fresh Diet and personally guaranteed by the spouse of one of its officers. During the three and nine months ended September 30, 2014, principal payments in the aggregate amount of \$7,766 were made on this note, and interest expense in the amount of \$1,476 was recorded.	339,925	-

	September 30, 2014	December 31, 2013
Note payable issued for acquisition of Diet at Your Doorstep's customer lists due on May 1, 2015, and with quarterly payments in the form of 10% of revenue attributed to sales to customers who transition to the Fresh Diet's meal plans. Total payments capped at \$40,000. During the three and nine months ended September 30, 2014, no payments were made on this loan.	18,094	-
Unsecured note payable for purchase of website domain bearing 0% interest rate and due on November 20, 2017, with monthly payments of \$1,065. During the three and nine months ended September 30, 2014, principal payments in the amount of \$1,065 were made on this loan.	33,005	-
Capital lease obligations under a master lease agreement for vehicles payable in monthly installments, including interest rate ranging from 2.32% to at 7.5%, due on various dates through December 1, 2015, and collateralized by the vehicles. During the three and nine months ended September 30, 2014, principal payments in the aggregate amount of \$38,720 were made on these capital leases, and interest expense in the amount of \$1,685 was recorded.	222,135	-
Capital lease obligation for equipment payable in monthly installments, including interest at the rate of 20.35%, due on November 9, 2014, and collateralized by the equipment. During the three and nine months ended September 30, 2014, principal payments in the aggregate amount of \$6,036 were made on interest expense in the amount of \$817 was recorded.	12,438	-
Secured vehicle lease payable at an effective interest rate of 8.26% for purchase of truck payable in monthly installments (including principal and interest) of \$519 through June 2015. During the three months ended September 30, 2014, the Company made payments in the aggregate amount of \$1,558 on this lease, consisting of \$1,445 of principal and \$113 of interest. During the nine months ended September 30, 2014, the Company made payments in the aggregate amount of \$4,674 on this note, consisting of \$4,247 of principal and \$427 of interest.	4,517	8,764
Total	\$ 4,898,968	\$ 2,359,893
Less: Discount	(495,835)	(371,812)
Net	<u>\$ 4,403,133</u>	<u>\$ 1,988,081</u>

During the three and nine months ended September 30, 2014, the Company amortized discounts to notes payable in the amounts of \$115,765 and \$608,541, respectively. During the three and nine months ended September 30, 2013, the Company amortized discounts to notes payable the amounts of \$175,271 and \$1,337,934, respectively.

The Company calculates the fair value of any beneficial conversion features embedded in its convertible notes via the Black-Scholes valuation method. The Company also calculates the fair value of any detachable warrants offered with its convertible notes via the Black-Scholes valuation method. The instruments are considered discounts to the notes, to the extent the aggregate value of the warrants and conversion features do not exceed the face value of the notes. These discounts are amortized to interest expense over the term of the notes.

During the three months ended September 30, 2014, the Company issued its note payable in the amount of \$200,000 pursuant to the acquisition of Organic Food Brokers (see Note 3). Also during the three months ended September 30, 2014, the Company assumed notes payable and capital leases in the aggregate amount of \$4,306,774, including \$2,199,970 due to related parties, pursuant to the acquisition of The Fresh Diet (see Note 3).

13. RELATED PARTY TRANSACTIONS

For the nine months ended September 30, 2014:

The Company issued 75,000 shares and 100,000 shares of common stock to its Chief Executive Officer and its President, respectively, for compensation previously owed.

Effective August 13, 2014, the Company amended the terms of the employment agreements of its CEO and President to, among other things, extend the agreements for one year through 2016, provide for salary increases of 10%, removal of rights to certain bonuses as currently provided for 2014 and 2015 and added a simplified EBITDA driven performance based bonus structure for 2014. The amended terms also provide that the executives may elect to take any part of the cash portion of salary or bonus in cash or stock, but the stock portion may only be taken in stock.

14. COMMITMENT AND CONTINGENT LIABILITIES

Pursuant to the Artisan acquisition, the Company was obligated to pay up to an additional \$300,000, plus interest, in the event certain financial milestones are met by April 30, 2014. This obligation had a fair value of \$131,000 at the time of the Artisan acquisition. During the three and six months ended June 30, 2014, the Company made payments in the aggregate amount of \$38,536 and \$77,581, respectively, against this liability. During the three months ended June 30, 2014, the Company reversed an accrual in the amount of \$3,300 related to this liability. At September 30, 2014, there is no further balance due under this obligation.

Pursuant to the OFB acquisition, the Company is obligated to pay up to an additional \$225,000 in the event certain financial milestones are met over the twelve months following the acquisition date. The Company made payments in the aggregate amount of \$26,250 against this liability during the three months ended September 30, 2014, and the amount on the Company's balance at September 30, 2014 representing this liability is \$198,750.

Litigation

From time to time, the Company may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

On June 1, 2012, nine persons, on behalf of themselves and others similarly situated, filed a Collective and Collective and Class Action Complaint against The Fresh Diet Inc. and certain individuals and on or about October 26, 2012, Plaintiffs filed an Amended Complaint adding additional defendants seeking to recover unpaid wages on behalf of drivers for The Fresh Diet and/or Late Night Express who delivered meals in New York Tristate area. In an Opinion dated September 29, 2014 the Plaintiff's motion for summary Judgment was denied as was our cross motion for Summary Judgment; the Plaintiff's motion to certify a class of 109 drivers as an increase from the 29 in the case was denied; and our motion to decertify the case from 29 down to the 8 named defendants was granted. The Company has recorded a contingent liability of \$250,000 representing the estimated potential amounts payable pursuant to this litigation, but believes the actual amount may be much less.

On September 3, 2014 the registrant's subsidiary was served a complaint by Monolith Ventures, Ltd., in the Circuit Court of the Eleventh Judicial Circuit in and for Miami-Dade County, Florida (the "Complaint"). The plaintiff listed in the Complaint, which was brought by a shareholder of less than 24% of the outstanding shares of The Fresh Diet, Inc., seeks to attack the registrant's recently concluded acquisition of The Fresh Diet, Inc., which was approved by a majority of the Fresh Diet shareholders. In the Complaint, the plaintiff asks the court to set aside the transaction. The registrant believes the Complaint is without merit, contains numerous factual errors, and the registrant is confident that it will prevail.

15. EQUITY

Common Stock

At September 30, 2014 and December 31, 2013, 214,409 shares are deemed issued but not outstanding by the Company.

Nine months ended September 30, 2014:

The Company completed an equity financing whereby 1,585,000 shares of common stock were sold at a price of \$1.00 per share for a total of \$1,585,000. The financing was an exempt private placement under Regulation D with offers and sales made only to "accredited investors" without the use of public advertising. At September 30, 2014, 1,235,000 of these shares have been issued, and an additional 250,000 have been subscribed for \$250,000 cash, which is carried on the Company's balance sheet as Common Stock Subscribed. An additional 100,000 shares were sold for \$100,000 cash subsequent to September 30, 2014.

The Company issued 16,202 shares of common stock for the cashless exercise of warrants.

The Company issued 17,248 shares of common stock with a fair value of \$17,593 to a service provider.

The Company issued 1,001,819 shares of common stock for the exercise of warrants for an aggregate exercise price of \$350,000.

The Company issued 846,266 shares of common stock upon conversion of \$120,583 of principal and \$90,984 of accrued interest on notes payable.

The Company issued 175,000 shares of common stock to officers for shares owed and previously accrued at \$65,835

Pursuant to the acquisition of The Fresh Diet, the Company issued 6,889,937 shares of common stock with a fair value of \$1.40 for a total cost of \$9,645,912. The Company also recorded the issuance of an additional 3,110,063 shares of common stock with a fair value of \$1.40 per share to shareholders of The Fresh Diet who have not yet submitted their shares of The Fresh Diet to the Company (see Note 3).

The Company purchased 85,950 shares of the Company's outstanding common stock. The purchase price was \$60,000 and the Company recorded the transaction at cost to Treasury Stock. In addition, the Company has an additional 400,304 shares of common stock which are held in treasury stock at a cost of \$100,099.

Warrants

The following table summarizes the significant terms of warrants outstanding at September 30, 2014. These warrants may be settled in cash and, unless the underlying shares are registered, via cashless conversion, into shares of the Company's common stock at the request of the warrant holder. These warrants were granted as part of a financing agreement:

Range of exercise Prices	Number of warrants Outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price of outstanding Warrants	Number of warrants Exercisable	Weighted average exercise price of exercisable Warrants
\$ 0.010	700,000	5.63	\$ 0.010	700,000	\$ 0.010
\$ 0.250	94,783	1.34	\$ 0.250	94,783	\$ 0.250
\$ 0.550	1,175,281	2.34	\$ 0.550	1,175,281	\$ 0.550
\$ 0.575	2,828,405	2.34	\$ 0.575	2,828,405	\$ 0.575
	<u>4,798,469</u>	<u>2.80</u>	<u>\$ 0.480</u>	<u>4,798,469</u>	<u>\$ 0.480</u>

Transactions involving warrants are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding at December 31, 2013	5,819,129	\$ 0.457
Granted	-	-
Exercised	(1,020,660)	0.348
Cancelled / Expired	-	-
Warrants outstanding at September 30, 2014	<u>4,798,469</u>	<u>\$ 0.480</u>

During the three months ended September 30, 2014, warrants to purchase a total of 18,841 shares of common stock at a price of \$0.25 were exercised in cashless conversion transactions; this resulted in the net issuance of 16,602 shares of common stock. During the nine months ended September 30, 2014, warrants to purchase 670,000 shares of common stock were exercised at price of \$0.25 per share for a total of \$167,500, and warrants to purchase 331,819 shares of common stock were exercised at a price of \$0.55 per share for a total of \$182,500. There were no warrants issued during the period.

Options

The following table summarizes the changes outstanding and the related prices for the options to purchase shares of the Company's common stock issued by the Company:

Range of exercise Prices	Number of options Outstanding	Weighted average Remaining contractual life (years)	Weighted average exercise price of outstanding Options	Number of options Exercisable	Weighted average exercise price of exercisable Options
\$ 0.350	1,240,000	1.00	\$ 0.350	1,240,000	\$ 0.350
\$ 0.380	132,500	0.19	\$ 0.380	132,500	\$ 0.380
\$ 0.400	275,000	2.13	\$ 0.400	25,000	\$ 0.400
\$ 0.450	132,500	0.34	\$ 0.450	132,500	\$ 0.450
\$ 0.474	132,500	0.47	\$ 0.474	132,500	\$ 0.474
\$ 0.480	132,500	0.60	\$ 0.480	132,500	\$ 0.480
\$ 0.570	225,000	3.26	\$ 0.570	-	\$ N/A
\$ 1.310	75,000	3.92	\$ 1.310	-	\$ N/A
\$ 1.440	15,000	3.01	\$ 1.440	15,000	\$ 1.440
\$ 1.460	100,000	3.75	\$ 1.460	100,000	\$ 1.460
\$ 1.600	310,000	4.23	\$ 1.600	155,000	\$ 1.600
\$ 1.900	15,000	5.87	\$ 1.900	15,000	\$ 1.900
	<u>2,785,000</u>	<u>1.75</u>	<u>\$ 0.594</u>	<u>2,080,000</u>	<u>\$ 0.519</u>

Transactions involving stock options are summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Options outstanding at December 31, 2013	2,580,000	\$ 0.544
Granted	205,000	\$ 1.44
Exercised	-	-
Cancelled / Expired	-	\$ -
Options outstanding at September 30, 2014	<u>2,785,000</u>	<u>\$ 0.594</u>

Aggregate intrinsic value of options outstanding and exercisable at September 30, 2014 and 2013 was \$2,124,120 and \$1,247,370, respectively. Aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of the fiscal period, which was \$1.42 and \$1.05 as of September 30, 2014 and 2013, respectively, and the exercise price multiplied by the number of options outstanding.

During the nine months ended September 30, 2014, the Company issued options to purchase 75,000 shares of common stock at a price of \$1.31 per share with the following terms: four-year options to purchase 12,500 shares vest on December 31, 2014; four-year options to purchase 12,500 shares vest on December 31, 2015; and five-year options to purchase 50,000 shares vest on December 31, 2016. The Company also issued 100,000 stock options at a price of \$1.46 per share valued at \$71,349 in connection with the acquisition, 15,000 stock options at a price of \$1.44 per share, and 15,000 stock options at a price of \$1.90 per share, all of which vested up issuance.

During the three and nine months ended September 30, 2014, the Company charged a total of \$95,304 and \$143,262, respectively, to operations related to recognized stock-based compensation expense for employee stock options; during the three and nine months ended September 30, 2013, the Company charged a total of \$0 and \$35,662, respectively, to operations related to recognized stock-based compensation expense for employee stock options.

Accounting for warrants and stock options

The Company valued warrants and options using the Black-Scholes valuation model utilizing the following variables:

	<u>September 30,</u> <u>2014</u>	<u>September 30,</u> <u>2013</u>
Volatility	89.42 - 189.71%	186.46 - 189.28%
Dividends	\$ -	\$ -
Risk-free interest rates	0.37%	0.04 - 0.37%
Term (years)	4.00	0.45 - 4.00

16. NONCONTROLLING INTEREST

The carrying value and ending balance of the noncontrolling interest at September 30, 2014 was calculated as follows:

Carrying value of noncontrolling interest acquired with the Fresh Diet Merger	\$ 674
Loss attributable to noncontrolling interest	39,563
Ending balance of noncontrolling interest at September 30, 2014	<u>\$ 40,237</u>

17. SUBSEQUENT EVENTS

The employment agreements for each of Sam Klepfish and Justin Wiernasz, the Corporation's CEO and President, respectively, were amended effective November 17, 2014 to provide upon a change of control for acceleration of equity awards and removal of restrictions thereon and a payment in the event of a termination without Cause. Messrs. Klepfish and Wiernasz were also each awarded, to further retention of qualified management, to further incentivize management, and to further align management with the new capital structure post the acquisition of The Fresh Diet, Restricted Stock Units (RSU) effective November 17, 2014, in the following amounts: 300,000 restricted stock units ("RSU") which vest between July 31, 2015 and December 31, 2015, 300,000 RSUs which vest December 31, 2016 and 400,000 RSUs which vest July 1, 2017, subject to performance and customary vesting conditions.

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

FORWARD LOOKING STATEMENTS

The following discussion should be read in conjunction with the consolidated financial statements and the related notes thereto, as well as all other related notes, and financial and operational references, appearing elsewhere in this document.

Certain information contained in this discussion and elsewhere in this report may include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, and is subject to the safe harbor created by that act. The safe harbor created by the Private Securities Litigation Reform Act will not apply to certain "forward looking statements" because we issued "penny stock" (as defined in Section 3(a)(51) of the Securities Exchange Act of 1934 and Rule 3a51-1 under the Exchange Act) during the three year period preceding the date(s) on which those forward looking statements were first made, except to the extent otherwise specifically provided by rule, regulation or order of the Securities and Exchange Commission. We caution readers that certain important factors may affect our actual results and could cause such results to differ materially from any forward-looking statements which may be deemed to have been made in this Report or which are otherwise made by or on our behalf. For this purpose, any statements contained in this report that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as "may", "will", "expect", "believe", "explore", "consider", "anticipate", "intend", "could", "estimate", "plan", "propose" or "continue" or the negative variations of those words or comparable terminology are intended to identify forward-looking statements. Factors that may affect our results include, but are not limited to, the risks and uncertainties associated with:

- Our ability to raise capital necessary to sustain our anticipated operations and implement our business plan,
- Our ability to implement our business plan,
- Our ability to generate sufficient cash to pay our lenders and other creditors,
- Our dependence on one major customer, our contract with whom ends in December 2014, and while we are negotiating a multi-year extension, no assurance can be given that the negotiations will be successful,
- Our ability to employ and retain qualified management and employees,
- Our dependence on the efforts and abilities of our current employees and executive officers,
- Changes in government regulations that are applicable to our current or anticipated business,
- Changes in the demand for our services,
- The degree and nature of our competition,
- The lack of diversification of our business plan,
- Our ability to integrate new acquisitions into our existing operations,
- The general volatility of the capital markets and the establishment of a market for our shares, and
- Disruption in the economic and financial conditions primarily from the impact of past terrorist attacks in the United States, threats of future attacks, police and military activities overseas and other disruptive worldwide political and economic events and weather conditions.

We are also subject to other risks detailed from time to time in our other Securities and Exchange Commission filings and elsewhere in this report. Any one or more of these uncertainties, risks and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. Our actual results, performance and achievements could differ materially from those expressed or implied in these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise.

Critical Accounting Policy and Estimates**Use of Estimates in the Preparation of Financial Statements**

The preparation of the financial statements included in this report requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. These estimates include certain assumptions related to doubtful accounts receivable, stock-based services, valuation of financial instruments, and income taxes. On an on-going basis, we evaluate these estimates, including those related to revenue recognition and concentration of credit risk. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe our estimates have not been materially inaccurate in past years, and our assumptions are not likely to change in the foreseeable future.

Stock options:

The Company accounts for options in accordance FASB ASC 718-40. Options are valued upon issuance utilizing the Black-Scholes valuation model. Option expense is recognized over the requisite service period of the related option award. The following table illustrates certain key information regarding our options and option assumptions during the nine months ended September 30, 2014 and 2013:

	September 30,	
	2014	2013
Number of vested options outstanding	2,080,000	2,480,000
Number of options issued during the period	205,000	
Number of options vested during the period	160,000	
Value of options vested during the period	\$ 114,136	-
Black-Scholes model variables:		
Volatility	89.42 - 189.71%	186.46%
Dividends	\$ -	\$ -
Risk-free interest rates	0.37%	0.42 - 0.82%
Term (years)	4.00	0.04 - 6.74

Background

We were initially formed in June 1979 as Alpha Solarco Inc., a Colorado corporation. From June 1979 through February 2003, we were either inactive or involved in discontinued business ventures. In February 2003 we changed our name to Fiber Application Systems Technology, Ltd.

In January 2004, we changed our state of incorporation by merging into Innovative Food Holdings, Inc. ("IVFH"), a Florida shell corporation. As a result of the merger we changed our name to that of Innovative Food Holdings, Inc. In February 2004 we also acquired Food Innovations, Inc. ("FII") and through FII and our other subsidiaries we are in the business of national food distribution and sales using third-party shippers.

On May 18, 2012, the Company executed a Stock Purchase Agreement to acquire all of the issued and outstanding shares of Artisan Specialty Foods, Inc., an Illinois corporation ("Artisan"), from its owner, Mr. David Vohaska. The purchase price was \$1.2 million, with up to another \$300,000 (with a fair value of \$131,000) payable in the event certain financial milestones are met by April 30, 2014. The purchase price was primarily financed via a loan from Alpha Capital in the principal amount of \$1,200,000. Prior to the acquisition, Artisan was a vendor and had sold products to the Company. Pursuant to a purchase agreement, effective June 30, 2014, the Company purchased 100% of the membership interest of Organic Food Brokers, LLC, a Colorado limited liability company ("OFB").

On August 15, 2014, pursuant to a merger agreement (the “Fresh Diet Merger Agreement”), the Company acquired The Fresh Diet, Inc. (“FD”) through a reverse triangular merger as the registrant created a subsidiary corporation (FD Acquisition Corp) that merged with and into FD with FD being the surviving corporation and becoming a wholly-owned subsidiary of the registrant. FD is the nationwide leader in freshly prepared gourmet specialty meals, using the finest specialty, artisanal, direct from source ingredients, delivered daily, directly to consumers using The Fresh Diet® platform. The Fresh Diet’s platform includes a company managed and owned preparation and logistics infrastructure, including a comprehensive company owned network of same day and next day last mile food delivery capabilities. The purchase price consisted of 10,000,000 shares of the registrant’s common stock valued at \$14,000,000. The majority of FD’s current liabilities consist of approximately \$3.8 million of deferred revenues and approximately \$2.1 million in short term commercial loans and there are additional ordinary course of business expenses such as trade payables, payroll and sales taxes which varies from month to month. In addition, it has some long term obligations the bulk of which consist of interest free loans from FD’s shareholders in the amount of approximately \$2.2 million which are not due for three years. Prior to the merger FD had purchased an immaterial amount of product from the registrant. It is anticipated that FD will operate as an independent subsidiary subject to oversight of its board of directors and the registrant’s President and CEO and that two of FD’s executive officers will be appointed to the registrant’s board of directors.

Transactions With a Major Customer

Transactions with a major customer and related economic dependence information is set forth immediately below and above in Note 2 to the Condensed Consolidated Financial Statements and also in our Annual Report on Form 10-K for the year ended December 31, 2013 (1) following our discussion of Liquidity and Capital Resources, (2) Concentrations of Credit Risk in Note 2 to the Condensed Consolidated Financial Statements, and (3) as the fourth item under Risk Factors.

Relationship with U.S. Foods

In February 2010, one of our subsidiaries, Food Innovations, signed a new contract with U.S. Foods (“USF”). This contract with USF expired on December 31, 2012. However, the contract provides that it automatically renews for an additional 12-month term unless either party notifies the other in writing 30 days prior to the end date of its intent not to renew. Inasmuch as neither party gave the requisite notice, the agreement was automatically extended through December 31, 2013 and again through December 31, 2014. Discussions are currently ongoing with respect to entering into a new multi-year agreement. We believe that although a significant portion of our sales occurs through the USF sales force, the success of the program is less contingent on a contract than on the actual performance and quality of our products. Other than our business arrangements with USF, we are not affiliated with either USF or its subsidiary, Next Day Gourmet, L.P. (“Next Day Gourmet”). During the three months ended September 30, 2014 and 2013, sales to USF accounted for 57% and 72% of total sales, respectively. During the nine months ended September 30, 2014 and 2013, sales to USF accounted for 68% and 70% of total sales, respectively.

RESULTS OF OPERATIONS

The following is a discussion of our financial condition and results of operations for the three and nine months ended September 30, 2014 and 2013.

This discussion may contain forward looking-statements that involve risks and uncertainties. Our future results could differ materially from the forward looking-statements discussed in this report. This discussion should be read in conjunction with our unaudited condensed consolidated financial statements, the notes thereto and other financial information included elsewhere in the report.

Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

Revenue

Revenue increased by \$2,917,651, or approximately 50.0%, to \$8,757,934 for the three months ended September 30, 2014 from \$5,840,283 in the prior year. \$2,182,219, or 74.8% of the increase was attributable to acquisitions the Company made during the period. The balance of the increase, or \$735,432, was due to year-over-year organic sales growth.

We continue to assess the potential of new revenue sources from the manufacture and sale of proprietary food products and additional sales channel opportunities and will implement that strategy if, based on our analysis, we deem it beneficial to us.

Any changes in the food distribution operating landscape that materially hinders our current ability and/or cost to deliver our products to our customers could potentially cause a material impact on our net revenue and gross margin and, therefore, our profitability and cash flows could be adversely affected.

Currently, a small portion of our revenues comes from imported products or international sales. Our current sales from such segments may be hampered and negatively impacted by any economic tariffs that may be imposed in the United States or in foreign countries.

See "Transactions with Major Customers" and the Securities and Exchange Commission's ("SEC") mandated FR-60 disclosures following the "Liquidity and Capital Resources" section for a further discussion of the significant customer concentrations, loss of significant customer, critical accounting policies and estimates, and other factors that could affect future results.

Cost of goods sold

Our cost of goods sold for the three months ended September 30, 2014 was \$6,577,167, an increase of \$2,415,402 or approximately 58.0% compared to cost of goods sold of \$4,161,765 for the three months ended September 30, 2013. \$1,769,379 or 73.2% of the increase was attributable to acquisitions the Company made during the period. Cost of goods sold is primarily made up of the following expenses for the three months ended September 30, 2014: cost of goods of specialty, meat, game, cheese poultry, prepared meals and other sales categories in the amount of \$3,551,746; and shipping, packaging, and delivery expenses in the amount of \$3,025,421. Total gross margin was approximately 24.9% of sales in the third quarter of 2014, compared to approximately 28.7% of sales in the third quarter of 2013.

In 2014, we continued to price our products in order to gain market share and increase the number of our end users. We were successful in both increasing sales and increasing market share. We currently expect, if market conditions and our product revenue mix remain constant, that our cost of goods sold will likely remain stable.

Selling, general and administrative expenses

Selling, general, and administrative expenses increased by \$1,391,114 or approximately 108.5% to \$2,673,836 during the three months ended September 30, 2014 compared to \$1,282,722 for the three months ended September 30, 2013. \$1,061,524 or 76.3% of the increase was attributable to acquisitions the Company made during the period. Selling, general and administrative expenses were primarily made up of the following for the three months ended September 30, 2014: payroll and related expenses, including employee benefits, in the amount of \$1,390,827; facilities and office expense in the amount of \$152,986; consulting and professional fees in the amount of \$271,378; amortization and depreciation in the amount of \$338,712; travel and entertainment expenses in the amount of \$49,344; insurance expense in the amount of \$92,271; computer support expenses in the amount of \$48,055; banking and credit card fees expenses in the amount of \$92,146; taxes in the amount of \$81,346; vehicle expense in the amount of \$21,016; marketing costs in the amount of \$18,365; advertising in the amount of \$67,660; and bad debt expense in the amount of \$31,041.

Other Income

Other income increased by \$25,495 to \$25,495 during the three months ended September 30, 2014 compared to \$0 for the three months ended September 30, 2013. The increase in other income was due to gains on the sale of property and equipment in the amount of \$24,495. There were no comparable transactions during the three months ended September 30, 2013.

Interest expense

Interest expense, net of interest income, decreased by \$587,067 or approximately 80.0% to \$146,487 during the three months ended September 30, 2014, compared to \$733,554 during the three months ended September 30, 2013. Approximately 21.0% or \$30,722 of the interest expense was accrued or paid interest on the company's notes payable; approximately 79.0% or \$115,765 of the interest expense was non-cash interest expense associated with the amortization of the discounts on the Company's notes payable.

Net income attributable to variable interest entities

During the three months ended September 30, 2014, the Company recognized income of \$39,563 from a variable interest entity acquired as part of the acquisition of The Fresh Diet during the current period. There was no such income or loss in the comparable period of the prior year.

Net Income attributable to Innovative Food Holdings, Inc.

For the reasons above, the Company had a net loss for the three months ended September 30, 2014 of \$653,624, which is an increase of \$315,866 or approximately 93.5% compared to a net loss of \$337,758 during the three months ended September 30, 2013.

Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Revenue

Revenue increased by \$4,360,169 or approximately 26.6% to \$20,760,427 for the nine months ended September 30, 2014 from \$16,400,258 in the prior year. \$2,182,219 or 50.5% of the increase was attributable to acquisitions the Company made during the period. The balance of the increase, or \$2,177,950, was due to year-over-year organic sales growth.

We continue to assess the potential of new revenue sources from the production and sale of proprietary food products, additional product lines, additional direct to consumer markets and additional sales channel opportunities and will implement that strategy if, based on our analysis, we deem it beneficial to us.

Any changes in the food distribution and food production operating landscape that materially hinders our current ability and/or cost to deliver our products to our customers could potentially cause a material impact on our net revenue and gross margin and, therefore, our profitability and cash flows could be adversely affected.

Currently, a small portion of our revenues comes from imported products or international sales. Our current sales from such segments may be hampered and negatively impacted by any economic tariffs that may be imposed in the United States or in foreign countries.

See "Transactions with Major Customers" and the Securities and Exchange Commission's ("SEC") mandated FR-60 disclosures following the "Liquidity and Capital Resources" section for a further discussion of the significant customer concentrations, loss of significant customer, critical accounting policies and estimates, and other factors that could affect future results.

Cost of goods sold

Our cost of goods sold for the nine months ended September 30, 2014 was \$14,771,298, an increase of \$3,110,438 or approximately 26.7% compared to cost of goods sold of \$11,660,860 for the nine months ended September 30, 2013. \$1,769,379 or 56.9% of the increase was attributable to acquisitions the Company made during the period. Cost of goods sold is primarily made up of the following expenses for the nine months ended September 30, 2014: cost of goods of specialty, meat, game, cheese poultry, prepared meals and other sales categories in the amount of \$9,574,719; and shipping, packaging, and delivery expenses in the amount of \$5,196,579. Total gross margin was approximately 28.8% of sales in the first three quarters of 2014, compared to approximately 28.9% of sales in the first three quarters of 2013.

In 2014, we continued to price our products in order to gain market share and increase the number of our end users. We were successful in both increasing sales and increasing market share. We currently expect, if market conditions and our product revenue mix remain constant, that our cost of goods sold will likely remain stable. We currently expect, if market conditions remain constant and revenues increase, that our cost of goods sold as a percentage of revenues will improve.

Selling, general and administrative expenses

Selling, general, and administrative expenses increased by \$1,653,374 or approximately 44.8% to \$5,345,053 during the nine months ended September 30, 2014 compared to \$3,691,679 for the nine months ended September 30, 2013. \$1,061,524 or 64.2% of the increase was attributable to acquisitions the Company made during the period. Selling, general and administrative expenses were primarily made up of the following for the nine months ended September 30, 2014: payroll and related expenses, including employee benefits, in the amount of \$3,195,556; facilities and office expense in the amount of \$364,137; consulting and professional fees in the amount of \$467,053; amortization and depreciation in the amount of \$472,015; travel and entertainment expenses in the amount of \$126,917; insurance expense in the amount of \$161,457; computer support expenses in the amount of \$126,011; banking and credit card fees expenses in the amount of \$137,340; taxes in the amount of \$81,821; vehicle expense in the amount of \$47,502; marketing costs in the amount of \$37,795; advertising in the amount of \$82,711; and bad debt expense in the amount of \$25,316. We expect our selling, general, and administrative expenses to increase for the remainder of 2014 compared to the prior year due to the acquisitions the Company has completed.

Other Income

Other income increased by \$45,495 to \$45,495 during the nine months ended September 30, 2014 compared to \$0 for the nine months ended September 30, 2013. The increase in other income was due to gains on the sale of property and equipment in the amount of \$24,495, and the adjustment of the contingent liability due to The Haley Group, LLC pursuant to the terms of the Haley acquisition. There were no comparable transactions during the nine months ended September 30, 2013.

Interest expense

Interest expense, net of interest income, decreased by \$760,326 or approximately 52.5% to \$687,785 during the nine months ended September 30, 2014, compared to \$1,448,111 during the nine months ended September 30, 2013. Approximately 11.5% or \$79,244 of the interest expense was accrued or paid interest on the company's notes payable; approximately 88.5% or \$608,541 of the interest expense was non-cash interest expense associated with the amortization of the discounts on the Company's notes payable.

Net income attributable to variable interest entities

During the three months ended September 30, 2014, the Company recognized income of \$39,653 from a variable interest entity acquired in the acquisition of The Fresh Diet during the current period. There was no such income or loss in the comparable period of the prior year.

Net Income attributable to Innovative Food Holdings, Inc.

For the reasons above, the Company had a net income for the nine months ended September 30, 2014 of \$1,786, which is an increase of \$402,178 compared to a net loss of \$400,392 during the nine months ended September 30, 2013.

Liquidity and Capital Resources

As of September 30, 2014, the Company had current assets of \$7,289,572 consisting of cash and cash equivalents of \$4,079,213, accounts receivable of \$1,165,410, inventory of \$1,231,299, other current assets of \$351,024, and amounts due from related parties of \$462,626. Also at September 30, 2014, the Company had current liabilities of \$10,972,978, consisting of accounts payable of \$2,845,962; accrued liabilities of \$1,650,762 (of which \$178,150 is payable to related parties); deferred revenue of \$3,961,634, revolving credit facilities of \$897,222; accrued interest of \$670,659 (of which \$53,621 is payable to related parties); current portion of notes payable, net of discounts, of \$209,339, contingent liabilities of \$448,750; and current portion of notes payable to related parties, of \$110,500.

During the nine months ended September 30, 2014, the Company generated cash from operating activities in the amount of \$1,058,202. This consisted of the Company's net income of \$1,786, offset by non-cash charges for the amortization of discount on notes payable of \$608,541; depreciation and amortization of \$503,650; non-cash compensation in the amount of \$160,855; and increase in allowance for doubtful accounts of \$25,316.

The Company had cash generated by investing activities of \$122,299 for the nine months ended September 30, 2014, which consisted primarily of \$277,885 cash received in the acquisition of The Fresh Diet and \$51,933 cash from the sale of property and equipment, offset by \$104,000 for the purchase of investments, \$100,000 for the acquisition of Organic Food Brokers, and \$3,519 for the acquisition of equipment.

The Company had cash generated by financing activities of \$825,107 for the nine months ended September 30, 2014, which consisted of \$1,835,000 in cash received from the sale of common stock, offset by \$949,893 principal payments on notes payable and capital leases and \$60,000 for the purchase of treasury stock.

The Company had net working capital of (\$3,683,406) as of September 30, 2014. We have generated positive cash flow from operations during the years ended December 31, 2013 and 2012. The Company intends to continue to focus on increasing market share and cash flow from operations by focusing its sales activities on specific market segments and new product lines. Currently, we do not have any material long-term obligations other than those described in Note 12 to the financial statements included in this report. As we seek to increase our sales of new items and enter new markets, acquire new businesses as well as identify new and other consumer and food service oriented products and services, we may use existing cash reserves, long-term financing, or other means to finance such diversification.

If the Company's cash flow from operations is insufficient, the Company may require additional financing in order to execute its operating plan and continue its growth. The Company cannot predict whether this additional financing will be in the form of equity or debt, or be in another form. The Company may not be able to obtain the necessary additional capital on a timely basis, on acceptable terms, or at all. The Company expects that any sale of additional equity securities or convertible debt will result in additional dilution to our stockholders.

In any of these events, the Company may be unable to implement its current plans for expansion, repay its debt obligations as they become due or respond to competitive pressures, any of which circumstances would have a material adverse effect on its business, prospects, financial condition and results of operations.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues, or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Inflation

In the opinion of management, inflation has not had a material effect on the Company's financial condition or results of its operations.

RISK FACTORS

The Company's business and success is subject to numerous risk factors as detailed in its Annual Report on Form 10-K for the year ended December 31, 2013 which is available at no cost at www.sec.gov.

ITEM 4 - CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit pursuant to the requirements of the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, among other things, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure.

(a) Evaluation of disclosure controls and procedures

Our Principal Executive Officer and Principal Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report, have concluded that as of that date, our disclosure controls and procedures were adequate and effective to ensure that information required to be disclosed by us in the reports we file or submit with the Securities and Exchange Commission is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. The conclusions notwithstanding, you are advised that no system is foolproof.

(b) Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Exchange Act Rules 13a-15(d) and 15d-15 that occurred during the period covered by this Quarterly Report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

[10.1 Agreement and Plan of Merger Among Innovative Food Holdings, Inc., The Fresh Diet, Inc., and FD Acquisition Corp](#)

[10.2 Summary of amended terms of Employment Agreement for certain Executive Officers](#)

[31.1 Section 302 Certification](#)

[31.2 Section 302 Certification](#)

[32.1 Section 906 Certification](#)

[32.2 Section 906 Certification](#)

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema

101.CAL XBRL Taxonomy Extension Calculation Linkbase

101.DEF XBRL Taxonomy Extension Definition Linkbase

101.LAB XBRL Taxonomy Extension Label Linkbase

101.PRE XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

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.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ Sam Klepfish</u> Sam Klepfish	Chief Executive Officer	November 18, 2014
<u>/s/ John McDonald</u> John McDonald	Principal Financial Officer	November 18, 2014

**AGREEMENT AND PLAN OF MERGER
AMONG
INNOVATIVE FOOD HOLDINGS, INC., THE FRESH DIET, INC., AND
FD ACQUISITION CORP.**

This **AGREEMENT AND PLAN OF MERGER** (this "Agreement") is made and entered into as of August 15, 2014, among Innovative Food Holdings, Inc., a Florida corporation ("Parent"), The Fresh Diet, Inc., a Florida corporation ("FD"), and FD Acquisition Corp., a Florida corporation and a wholly-owned subsidiary of Parent ("Merger Sub") in connection with the transactions contemplated hereby.

RECITALS

WHEREAS, the respective Boards of Directors of Parent, FD and Merger Sub have (i) determined that it is in the best interest of such corporations and their respective stockholders to consummate the Merger (as hereinafter defined), and (ii) approved and declared advisable this Agreement, the Merger and the other transactions contemplated by this Agreement;

WHEREAS, the Parent, as the sole stockholder of Merger Sub, has approved this Agreement, the Merger and the other transactions contemplated by this Agreement pursuant to action taken by written consent in accordance with the requirements of the Florida Business Corporation Act (the "FBCA") and the Bylaws of the Merger Sub;

WHEREAS, a sufficient number of stockholders of FD have approved this Agreement, the Merger and the other transactions contemplated by this Agreement pursuant to action taken by written consent in accordance with the requirements of the FBCA and the Bylaws of FD;

WHEREAS, pursuant to the Merger, among other things, the outstanding shares of common stock of FD shall be converted into the right to receive upon Closing (as hereinafter defined) and thereafter, the Merger Consideration (as hereinafter defined) in the event the shareholders follow the procedures described herein;

WHEREAS, the parties to this Agreement intend to adopt this Agreement as a plan of reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder, and intend that the Merger and the other transactions contemplated by this Agreement be undertaken pursuant to such plan; and

WHEREAS, the parties to this Agreement intend that the Merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Code, and that the Parent, FD and the Merger Sub will each be a "party to a reorganization" within the meaning of Section 368(b) of the Code with respect to the Merger.

NOW, THEREFORE, in consideration of the covenants, promises and representations set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**ARTICLE I
THE MERGER**

1.1 **The Merger.** At the Effective Time (as defined below) and subject to and upon the terms and conditions of this Agreement and the applicable provisions of the FBCA, Merger Sub shall be merged with and into FD (the "Merger"), the separate corporate existence of Merger Sub shall cease and FD shall continue as the surviving corporation and shall become a wholly-owned subsidiary of Parent (the "Surviving Corporation").

1.2 **Effective Time.** The closing of the Merger and the other transactions contemplated by this Agreement (the "Closing") will take place virtually (i.e., through electronic transmission of signature pages) at a time and date to be specified by the parties, but in no event later than two (2) business days following the satisfaction or waiver of the conditions set forth in Article VI hereof. The date upon which the Closing actually occurs is herein referred to as the "Closing Date." On the Closing Date, the parties hereto shall cause the Merger to be consummated by filing a Certificate of Merger or like instrument (a "Certificate of Merger") with the Secretary of State of the State of Florida, in accordance with the relevant provisions of the FBCA (the time at which the Merger has become fully effective is referred to herein as the "Effective Time").

1.3 **Effect of the Merger.**

(a) At the Effective Time, the effect of the Merger shall be as provided in the applicable provisions of the FBCA. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, except as provided herein, all the property, rights, privileges, powers and franchises of FD and Merger Sub shall vest in the Surviving Corporation, and all debts, liabilities and duties of FD and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation and the Shareholders Agreement (as defined below) shall terminate.

(b) Immediately prior to or at the Effective Time, the properties and assets of Merger Sub will be free and clear of any and all encumbrances, charges, claims, equitable interests, liens, options, pledges, security interests, mortgages, rights of first refusal or restrictions of any kind and nature (collectively, the "Encumbrances"), other than those Encumbrances set forth in the Parent Financial Statements (as defined below) or, as to Parent, which would not reasonably be expected to have a Parent Material Adverse Effect (as defined below).

(c) Immediately prior to or at the Effective Time, the properties and assets of FD will be free and clear of any and all Encumbrances, other than those Encumbrances set forth in the FD Financial Statements (as defined below) or which would not reasonably be expected to have a FD Material Adverse Effect (as defined below). Immediately prior to the Effective Time any rights of various FD shareholders to receive portions of FD's EBITDA shall be completely transferred to the Parent.

(d) At the Effective Time, the certificate of incorporation of FD as in effect immediately prior to the Effective Time shall be the certificate of incorporation of the Surviving Corporation at and after the Effective Time until thereafter amended in accordance with the FBCA and the terms of such certificate of incorporation.

(e) The bylaws of Merger Sub as in effect immediately prior to the Effective Time shall be the bylaws of the Surviving Corporation at and after the Effective Time, until thereafter amended in accordance with the FBCA and the terms of the certificate of incorporation of the Surviving Corporation and such bylaws, provided however that such certificate of incorporation and bylaws shall also provide for director and officer indemnification to the broadest extent allowed under Florida law.

(f) The directors of Merger Sub immediately prior to the Effective Time shall be the directors of the Surviving Corporation at and after the Effective Time, each to hold the office of a director of the Surviving Corporation in accordance with the provisions of the FBCA and the certificate of incorporation and bylaws of the Surviving Corporation until their successors are duly elected and qualified.

(g) The officers of FD immediately prior to the Effective Time shall be the officers of the Surviving Corporation at and after the Effective Time, each to hold office in accordance with the provisions of the bylaws of the Surviving Corporation.

(h) Each of the shareholders and/or members of FD Management (consisting of Raj Rawal, Vojkan Dimitrijevic, Asif Syed, Zalmi Duchman and Roy Heggland) believe that the terms of the Shareholders Agreement shall not be an impediment to the Closing of the Merger and the related transactions described herein. All of the facts described in the Letter from Tandem Legal Group LLC dated July 18, 2014 and addressed to FD's Board of Directors (referenced in Schedule 2.3) are true and correct in all respects.

1.4 Effect on Capital Stock. Subject to the terms and conditions of this Agreement, at the Effective Time, by virtue of the Merger and without any action on the part of Parent, FD and Merger Sub or the holders of any of the following securities, the following shall occur:

(a) Capital Stock of Merger Sub. Each issued and outstanding share of capital stock of Merger Sub shall be automatically converted into and become one fully paid and non-assessable share of common stock, par value \$0.001 per share, of the Surviving Corporation.

(b) Conversion of FD Capital Stock. Each share of common stock, no par value per share, of FD (the "FD Common Stock") issued and outstanding immediately prior to the Effective Time will be automatically converted, subject to the terms hereof, including without limitation, compliance with the submission of the required paperwork described in Section 1.5 below, into a number of shares of common stock, par value \$0.0001 per share, of Parent (the "Parent Common Stock") equal to the Merger Ratio (as defined below) (the aggregate shares of Parent Common Stock is also hereinafter referred to as the "Merger Consideration"). The term "Merger Ratio" shall mean that ratio equal to 10,000,000 divided by the number of shares of FD Capital Stock (as defined below) (which, for purposes of calculating the Merger Ratio, the FD Capital Stock shall include all of FD's outstanding warrants, options and other securities that are exercisable or exchangeable for, or convertible into, shares of FD Capital Stock). This provision shall not apply to Appraisal Shares (as defined below).

(c) *Appraisal Rights.* Notwithstanding anything in this Agreement to the contrary, shares (“Appraisal Shares”) of FD Common Stock that are outstanding immediately prior to the Effective Time and that are held by any Person (as defined below) who is entitled to demand and properly demands appraisal of such Appraisal Shares pursuant to, and who complies in all respects with, Section 607.1302 of the FBCA (“Section 1302”) shall not be converted into Merger Consideration as provided in Section 1.4(b), but rather the holders of Appraisal Shares shall be entitled to seek payment of the fair market value of such Appraisal Shares in accordance with Section 1302; provided, however, that if any such holder shall fail to perfect or otherwise shall waive, withdraw or lose the right to appraisal under Section 1302, then the right of such holder to be paid the fair value of such holder’s Appraisal Shares shall cease and such Appraisal Shares shall be treated as if they had been converted as of the Effective Time into the right to receive the Merger Consideration as provided in Sections 1.4(b) and 1.5. The Merger Ratio shall be adjusted to reflect any Appraisal Shares by reducing the aggregate Merger Consideration by the number of shares of Parent Common Stock otherwise allocated to the Appraisal Shares. For purposes hereof, “Person” means an individual, a corporation, a limited liability company, a partnership, an association, a trust or any other entity, including any Governmental Entity (as defined below).

(d) *Fractional Shares.* No fraction of a share of Parent Common Stock will be issued by virtue of the Merger. In lieu thereof any fractional share will be rounded to the nearest whole share of Parent Common Stock (with 0.5 being rounded up).

1.5 Surrender of Certificates.

(a) Subject to the procedures described below, promptly after the Effective Time, Parent shall make available in accordance with this Article I, the shares of Parent Common Stock issuable pursuant to Section 1.4(b) in exchange for outstanding shares of FD Common Stock.

(b) Promptly after the Effective Time, Parent shall mail, or cause the transfer agent and registrar for the Parent Common Stock to mail, to each holder of record as of the Effective Time of a certificate or certificates, which immediately prior to the Effective Time represented outstanding shares of FD Common Stock (the “Certificates”) (i) a letter of transmittal in customary form, which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Parent, and the acknowledgment of the holder that such holder has approved all of the terms of the Merger contained herein, as well as the structure of the Merger described herein, as a shareholder of FD and where applicable, also as a director of FD, and (ii) instructions for use in effecting the surrender of the Certificates in exchange for certificates representing shares of Parent Common Stock pursuant to Section 1.4(b). Upon surrender of Certificates for cancellation to the Parent, together with such letter of transmittal and the Proxy (as defined below), each duly completed and validly executed in accordance with the instructions thereto, the holders of such Certificates shall be entitled to receive in exchange therefor certificates representing the number of whole shares of Parent Common Stock into which their shares of FD Common Stock were convertible pursuant to Section 1.4(b), and the Certificates so surrendered shall forthwith be canceled. Until so surrendered, outstanding Certificates will be deemed, from and after the Effective Time, to evidence only the potential right to ownership of the number of whole shares of Parent Common Stock into which such shares of FD Common Stock are convertible (including no voting, notice or other rights associated with the ownership of such shares of Parent Common Stock under the articles or certificate of incorporation or bylaws of Parent or under the FBCA).

(c) If certificates representing shares of Parent Common Stock are to be issued in a name other than that in which the Certificates surrendered in exchange therefor are registered, it will be a condition of the issuance thereof that the Certificates so surrendered will be properly endorsed and otherwise in proper form for transfer and that the persons requesting such exchange will have (i) paid to Parent or any agent designated by it any transfer or other taxes required by reason of the issuance of certificates representing shares of Parent Common Stock in any name other than that of the registered holder of the Certificates surrendered, or (ii) established to the satisfaction of Parent or any agent designated by it that such tax has been paid or is not payable. In addition, such transferring stockholder shall acknowledge that upon such transfer neither the Surviving Corporation nor IVFH shall have any obligations to it or the transferee arising from the prior ownership of the FD Common Stock and neither the transferring owner or transferee of the FD Common Stock shall have any further rights with respect to such FD Common Stock except delivery of the appropriate number of shares of Parent Common Stock to the transferee upon the submission of the appropriate paperwork pursuant to this Section 1.5.

(d) Notwithstanding anything to the contrary in this Section, neither the Parent nor the Surviving Corporation nor any party hereto shall be liable to a holder of shares of Parent Common Stock or FD Common Stock for any amount properly paid to a public official pursuant to any applicable abandoned property, escheat or similar law.

1.6 No Further Ownership Rights in FD Common Stock. All shares of Parent Common Stock issued in accordance with the terms hereof shall be deemed to have been issued in full satisfaction of all rights pertaining to such shares of FD Common Stock, and all rights, duties and obligations with respect to such shares of FD Common Stock shall be extinguished (other than appraisal rights as provided by the FBCA) including without limitation those arising from the Shareholders Agreement of FD dated as of September 26, 2013 (the "Shareholders Agreement"). After the Effective Time, there shall be no further registration of transfers on the records of Surviving Corporation of shares of FD Common Stock which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to Surviving Corporation for any reason, they shall be canceled and exchanged as provided herein, provided the terms of Section 1.5 have been complied with.

1.7 Lost, Stolen or Destroyed Certificates. In the event that any Certificates shall have been lost, stolen or destroyed, the Parent shall issue and pay in exchange for such lost, stolen or destroyed Certificates, upon the making of an affidavit of that fact by the holder thereof, certificates representing the shares of Parent Common Stock into which the shares of FD Common Stock represented by such Certificates were converted pursuant hereto; provided, however, that the Parent may, in its discretion and as a condition precedent to the issuance of such certificates representing shares of Parent Common Stock require the owner of such lost, stolen or destroyed Certificates to deliver a bond in such sum as it may reasonably direct or otherwise provide indemnity against any claim that may be made against Parent or Surviving Corporation with respect to the Certificates alleged to have been lost, stolen or destroyed.

1.8 Tax Treatment. It is intended by the parties hereto that the Merger shall constitute a reorganization within the meaning of Section 368(a) of the Code. Each of the parties hereto adopts this Agreement as a “plan of reorganization” within the meaning of Sections 1.368-2(g) and 1.368-3(a) of the United States Treasury Regulations (the “Regulations”). Both prior to and after the Closing, each party’s books and records shall be maintained, and all federal, state and local income tax returns and schedules thereto shall be filed in a manner consistent with the Merger being qualified as a reverse triangular merger under Section 368(a)(2)(E) of the Code (and comparable provisions of any applicable state or local laws), except to the extent the Merger is determined in a final administrative or judicial decision not to qualify as a reorganization within the meaning of Code Section 368(a).

1.9 Taking of Necessary Action; Further Action. If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Corporation (and/or its successor in interest) with full right, title and possession to all assets, property, rights, privileges, powers and franchises of FD and Merger Sub, the officers and directors of Parent and the Surviving Corporation shall be fully authorized (in the name of Merger Sub, FD and otherwise) to take all such necessary action.

1.10 Restrictions on Transfer; Legends. In addition to any restrictions on transfer or volume limitations on sales, any shares of Parent Common Stock issued in the Merger will not be transferable except (a) pursuant to an effective registration statement under the Securities Act of 1933, as amended (the “Securities Act”) or (b) upon receipt by Parent of a written opinion of counsel reasonably satisfactory to Parent that is knowledgeable in securities laws matters to the effect that the proposed transfer is exempt from the registration requirements of the Securities Act and relevant state securities laws. Restrictive legends must be placed on all certificates representing Merger Consideration, substantially as follows:

“THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE, AND ARE BEING OFFERED AND SOLD PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH LAWS. THESE SECURITIES MAY NOT BE SOLD OR TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR SUCH OTHER LAWS.”

“UNTIL [insert date which is 18 months from the Effective Date for FD shareholder-employees and 12 months for all others] THESE SECURITIES ARE ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER PURSUANT TO THE TERMS OF A LOCKUP AGREEMENT DATED AUGUST 15, 2014.”

“THESE SECURITIES ARE SUBJECT TO VOLUME LIMITATIONS ON SALES.”

“THESE SECURITIES HAVE RESTRICTED VOTING RIGHTS AND MAY BE SUBJECT TO THE TERMS OF A PROXY ON FILE IN THE COMPANY’S EXECUTIVE OFFICE.”

ARTICLE II REPRESENTATIONS AND WARRANTIES OF FD

Except as set forth in the corresponding sections or subsections of the letter of exceptions delivered to Parent by FD on or prior to entering into this Agreement and incorporated herein by this reference as Exhibit A (the “FD Schedule”), FD hereby represents and warrants to Parent and Merger Sub that:

2.1 Organization of FD. FD is a corporation duly organized, validly existing and in good standing under the laws of Florida; has the corporate power and authority to own, lease and operate its assets and property and to carry on its business as now being conducted; and is duly qualified to do business and in good standing as a foreign corporation in each jurisdiction in which the failure to be so qualified would have a FD Material Adverse Effect. As used in this Agreement, the term “FD Material Adverse Effect” means a material adverse effect on the condition (financial or otherwise), business, assets or results of operations of FD, or on the ability of the FD to consummate the transactions contemplated by this Agreement; it being understood, however, that FD’s continuing incurrence of losses, as long as such losses are in the ordinary course of business shall not, alone, be deemed to be a FD Material Adverse Effect. Except as disclosed in Schedule 2.1, FD has no subsidiaries. FD has delivered or made available to Parent a true and correct copy of the certificate of incorporation and bylaws of FD, each as amended to date (the “FD Charter Documents”), and each such instrument is in full force and effect. FD is not in violation of any of the provisions of the FD Charter Documents.

2.2 FD Capital Structure.

(a) The authorized, issued and outstanding shares of capital stock of FD (the “FD Capital Stock”) as of the date hereof are set forth on Schedule 2.2(a). All issued and outstanding shares of FD Common Stock have been duly authorized and validly issued, are fully paid and nonassessable, have not been issued in violation of any preemptive rights, and, except as contained in the Shareholders Agreement, are free from any restrictions on transfer (other than restrictions under the Securities Act or state securities laws) or any option, lien, pledge, security interest, encumbrance or charge of any kind. Other than as described on Schedule 2.2(a), FD has no other equity securities or securities containing any equity features that are authorized, issued or outstanding. Except as set forth in Schedule 2.2(a) hereto, there are no agreements or other rights or arrangements existing which provide for the sale or issuance of capital stock by FD and there are no rights, subscriptions, warrants, options, securities (including convertible notes), conversion rights or agreements of any kind outstanding to purchase or otherwise acquire from FD any shares of capital stock or other securities of FD of any kind. Except as set forth on Schedule 2.2(a), there are no agreements or other obligations (contingent or otherwise) which may require FD to repurchase or otherwise acquire any shares of its capital stock.

(b) Schedule 2.2(b) contains a list of the names, addresses and tax identification numbers of the holders of record as of the date of this Agreement of all issued and outstanding shares of FD Common Stock and the number of shares of FD Common Stock each of them holds.

(c) FD does not own, and is not a party to any contract to acquire, any equity securities or other securities of any entity or any direct or indirect equity or ownership interest in any other entity. To FD’s knowledge, except as contained in the Shareholders Agreement, there exist no voting trusts, proxies, or other contracts with respect to the voting of shares of capital stock of FD.

2.3 Authority.

(a) FD has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, have been duly authorized by all necessary corporate action on the part of FD. No “control share acquisition”, state takeover statute or similar statute or regulation applies or purports to apply to FD with respect to this Agreement, the Merger or the transactions contemplated hereby or thereby.

(b) This Agreement has been duly executed and delivered by FD and, assuming the due authorization, execution and delivery by Parent and Merger Sub, constitutes the valid and binding obligation of FD, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws and general principles of equity. The execution and delivery of this Agreement by FD does not, and the performance of this Agreement by FD will not (i) conflict with or violate the FD Charter Documents, (ii) subject to compliance with the requirements set forth in Section 2.3(c) below, conflict with or violate any law, rule, regulation, order, judgment or decree applicable to FD or by which its or any of its respective properties is bound or affected, or (iii) result in any breach of, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or impair or alter the rights of any party under, or to FD's knowledge, give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of an Encumbrance on any of the properties or assets of FD pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which FD is a party or by which FD or its or any of its respective properties are bound or affected, except to the extent such conflict, violation, breach, default, impairment or other effect would not, in the case of clause (ii) or (iii), individually or in the aggregate, reasonably be expected to have a FD Material Adverse Effect or prevent or delay consummation of the Merger in any material respect or otherwise prevent FD from performing its obligations under this Agreement in any material respect.

(c) No consent, approval, order or authorization of, or registration, declaration or filing with any court, administrative agency or commission or other governmental authority or instrumentality (a "Governmental Entity") is required by or with respect to FD in connection with the execution and delivery of this Agreement, or the consummation of the transactions contemplated hereby, except for (i) the filing of the Articles of Merger with the Secretary of State of Florida, (ii) such consents, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable federal and state securities laws and (iii) such other consents, authorizations, filings, approvals and registrations which, if not obtained or made, individually or in the aggregate, would not be reasonably likely to have a FD Material Adverse Effect.

2.4 FD Financial Statements. FD has provided to Parent an unaudited balance sheet of FD as of May 31, 2014 (the "FD Balance Sheet"), together with the related statements of income for the period from January 1, 2014 to May 31, 2014 (the "FD Financial Statements"), which FD Financial Statements are attached hereto as Exhibit B. The FD Financial Statements (including, in each case, any related notes thereto) fairly present and will fairly present the financial position of FD as of the respective dates thereof and the results of its operations and stockholder equity for the periods indicated. Except as disclosed in the FD Financial Statements, FD does not have any Liabilities of a nature required to be disclosed by U.S. Generally Accepted Accounting Principles ("GAAP") and which are, individually or in the aggregate, material to the business, results of operations or financial condition of FD. For purposes hereof, "Liabilities" shall mean any and all liabilities, accounts payable, debts, adverse claims, duties, responsibilities and obligations of every kind or nature, whether accrued or unaccrued, known or unknown, direct or indirect, absolute or contingent, liquidated or unliquidated and whether arising under, pursuant to or in connection with any contract, tort, strict liability or otherwise.

2.5 Absence of Certain Changes or Events. Except as contemplated by this Agreement, since the date of the FD Balance Sheet, FD has conducted its business only in, and has not engaged in any material transaction other than according to, the ordinary and usual course of such businesses and there has not been (i) any change that, individually or in the aggregate, has had or is reasonably likely to have a FD Material Adverse Effect; (ii) any material damage or loss with respect to any material asset or property used by FD; (iii) any dether distribution to stockholders of FD; (iv) any change by FD in accounting principles, practices or methods; or (v) any increase in the compensation payable or that could become payable by FD to officers or key employees.

2.6 Litigation. Except as disclosed on Schedule 2.6, there are no actions, suits, proceedings, orders or investigations pending or, to the knowledge of FD, threatened against FD, at law or in equity, or before or by any federal, state or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign.

2.7 No Brokers or Finders. There are no claims for brokerage commissions, finders' fees, investment advisory fees or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement, understanding, commitment or agreement made by or on behalf of FD.

2.8 Tax Matters.

(a) (i) FD has timely filed (or has had timely filed on its behalf) all returns, declarations, reports, estimates, information returns, and statements, including any schedules and amendments to such documents (the "FD Returns"), required to be filed or sent by it in respect of any Taxes (as defined below) or required to be filed or sent by it to any taxing authority having jurisdiction; (ii) all such FD Returns are complete and accurate in all material respects; (iii) FD has timely and properly paid (or has had paid on its behalf) all Taxes required to be paid by it; (iv) FD has established on the FD Balance Sheet reserves that are adequate for the payment of any Taxes not yet due and payable; and (v) FD has complied with all applicable laws, rules, and regulations relating to the collection or withholding of Taxes from third parties (including without limitation employees) and the payment thereof (including, without limitation, withholding of Taxes under Sections 1441 and 1442 of the Code, or similar provisions under any foreign laws). For purposes hereof, "Taxes" means (i) all U.S. federal, state, local or foreign taxes, charges, fees, imposts, levies or other assessments, including all income, gross receipts, capital, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, exercise, severance, stamp occupation, property and estimated taxes, customs, duties, fees and charges of any kind whatsoever, and (ii) all interest, penalties, fines, additions to tax or additional amounts imposed by any government authority in connection with any item described in (i) or (ii) payable by reason of written agreement, assumption, successor or transferee liability, operation of law, Treasury Regulation Section 1.1502-6(a) (or any predecessor or successor thereof or any analogous or similar provision under applicable law) or otherwise.

(b) Except as disclosed on Schedule 2.8(b), there are no liens for Taxes upon any assets of FD, except liens for Taxes not yet due.

(c) No deficiency for any Taxes has been proposed, asserted or assessed against FD that has not been resolved and paid in full or is not being contested in good faith. Except as disclosed in Schedule 2.8(c), no waiver, extension or comparable consent given by FD regarding the application of the statute of limitations with respect to any Taxes or FD Returns is outstanding, nor is any request for any such waiver or consent pending. Except as disclosed in Schedule 2.8(c), there has been no Tax audit or other administrative proceeding or court proceeding with regard to any Taxes or FD Returns, nor is any such Tax audit or other proceeding pending, nor has there been any notice to FD by any Taxing authority regarding any such Tax audit or other proceeding, or, to the knowledge of FD, is any such Tax audit or other proceeding threatened with regard to any Taxes or FD Returns. FD does not expect the assessment of any additional Taxes of FD for any period prior to the date hereof and has no knowledge of any unresolved questions, claims or disputes concerning the liability for Taxes of FD which would exceed the estimated reserves established on its books and records.

(d) Except as set forth on Schedule 2.8(d), FD is not a party to any agreement, contract or arrangement that would result, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code and the consummation of the transactions contemplated by this Agreement will not be a factor causing payments to be made by FD not to be deductible (in whole or in part) under Section 280G of the Code. FD is not liable for Taxes of any other Person, and is not currently under any contractual obligation to indemnify any Person with respect to Taxes, or a party to any tax sharing agreement or any other agreement providing for payments by FD with respect to Taxes. FD is not a party to any joint venture, partnership or other arrangement or contract which could be treated as a partnership for federal income tax purposes. FD has not agreed and is not required, as a result of a change in method of accounting or otherwise, to include any adjustment under Section 481 of the Code (or any corresponding provision of state, local or foreign law) in taxable income. Schedule 2.8(d) contains a list of all jurisdictions in which FD is required to file any FD Return and no claim has been made by a taxing authority in a jurisdiction where FD does not currently file FD Returns that FD is or may be subject to taxation by that jurisdiction. There are no advance rulings in respect of any Tax pending or issued by any Taxing authority with respect to any Taxes of FD. FD has not entered into any gain recognition agreements under Section 367 of the Code and the regulations promulgated thereunder. FD is not liable with respect to any indebtedness the interest of which is not deductible for applicable federal, foreign, state or local income tax purposes. FD has not filed or been included in a combined, consolidated or unitary Tax return (or the substantial equivalent thereof) of any Person.

(e) FD has been neither a “distributing corporation” nor a “controlled corporation” (within the meaning of Section 355 of the Code) in a distribution of stock qualifying for tax-free treatment under Section 355 of the Code.

(f) Except as set forth on Schedule 2.8(f), FD has not requested any extension of time within which to file any FD Return, which return has not since been filed. No deficiency for any Taxes been proposed, asserted or assessed against FD that is being contested in good faith.

2.9 Contracts and Commitments.

(a) Schedule 2.9 hereto lists the following agreements, whether oral or written, to which FD is a party, which are currently in effect, and which relate to the operation of FD’s business: (i) collective bargaining agreement or contract with any labor union; (ii) bonus, pension, profit sharing, retirement or other form of deferred compensation plan; (iii) hospitalization insurance or other welfare benefit plan or practice, whether formal or informal, (iv) stock purchase or stock option plan; (v) contract for the employment of any officer, employee or other Person on a full-time or consulting basis or relating to severance pay for any such Person; (vi) confidentiality agreement; (vii) contract, agreement or understanding relating to the voting of FD Common Stock or the election of directors of FD; (viii) promissory note, agreement or indenture relating to the borrowing of money or to mortgaging, pledging or otherwise placing a lien on any of the assets of FD; (ix) guaranty of any obligation for borrowed money or otherwise; (x) lease or agreement under which FD is lessee of, or holds or operates any property, real or personal, owned by any other party, for which the annual rental exceeds \$50,000; (xi) lease or agreement under which FD is lessor of, or permits any third party to hold or operate, any property, real or personal, for which the annual rental exceeds \$50,000; (xii) contract which prohibits FD from freely engaging in business anywhere in the world; (xiii) license agreement or agreement providing for the payment or receipt of royalties or other compensation by FD in connection with the intellectual property rights listed in Schedule 2.19(b) hereto; (xiv) contract or commitment for capital expenditures in excess of \$50,000; (xv) agreement for the sale of any capital asset; (xvi) non-compete agreements; or (xvi) any other agreement which is either material to FD’s business or was not entered into in the ordinary course of business.

(b) To FD’s knowledge, FD has performed, in all material respects, the obligations required to be performed by it in connection with the contracts or commitments it is a party to or obliged to perform, including without limitation those required to be disclosed in Schedule 2.9 hereto (except as disclosed in Schedule 2.9 hereto) and is not in receipt of any claim of default under any contract or commitment required to be disclosed under such caption; FD has no present expectation or intention of not fully performing any material obligation pursuant to any contract or commitment required to be disclosed under such caption; and FD has no knowledge of any breach or anticipated breach by any other party to any contract or commitment required to be disclosed under such caption.

2.10 Compliance with Laws; Permits.

(a) Except for any noncompliance that would not reasonably be expected to have a FD Material Adverse Effect, FD and its officers, directors, agents and employees have complied with all applicable laws, regulations and other requirements, including, but not limited to, federal, state, local and foreign laws, ordinances, rules, regulations and other requirements pertaining to equal employment opportunity, employee retirement, affirmative action and other hiring practices, occupational safety and health, workers' compensation, food preparation, storage and delivery, minimum wages and overtime, unemployment and building and zoning codes, and no claims have been filed against FD, and FD has not received any written notice, alleging a violation of any such laws, regulations or other requirements. FD is not relying on any exemption from or deferral of any such applicable law, regulation or other requirement that would not be available to Parent after it acquires FD's properties, assets and business.

(b) FD has, in full force and effect, all material licenses, permits and certificates, from federal, state, local and foreign authorities (including, without limitation, federal and state agencies regulating occupational health and safety and food preparation, storage and delivery) necessary to conduct its business and operate its properties (collectively, the "FD Permits"), except for such FD Permits which would not, individually or in the aggregate, have a FD Material Adverse Effect. A true, correct and complete list of all of the FD Permits is set forth in Schedule 2.10 hereto. To the knowledge of FD, FD has conducted its business in compliance with all material terms and conditions of the FD Permits, except for any noncompliance that would not reasonably be expected to have a FD Material Adverse Effect.

2.11 Affiliate Transactions. Except as set forth in Schedule 2.11 hereto, and other than pursuant to this Agreement, no officer, director or employee of FD, or any member of the immediate family of any such officer, director or employee, or any entity in which any of such Persons owns any beneficial interest in FD (collectively, the "FD Insiders"), has any agreement with FD (other than normal employment arrangements) or any interest in any property, real, personal or mixed, tangible or intangible, used in or pertaining to the business of FD (other than ownership of capital stock of FD). Except as set forth on Schedule 2.11, FD is not indebted to any FD Insider (except for amounts due as normal salaries and bonuses and in reimbursement of ordinary business expenses) and no FD Insider is indebted to FD (except for cash advances for ordinary business expenses). None of the FD Insiders has any direct or indirect interest in any competitor, supplier or customer of FD or in any Person from whom or to whom FD leases any property, or in any other Person with whom FD transacts business of any nature. For purposes of this Section 2.11, the members of the immediate family of an officer, director or employee shall consist of the spouse, parents, children and siblings of such officer, director or employee.

2.12 Books and Records. The books of account, minute books, stock record books, and other similar records of FD, complete copies of which have been made available to the Parent, have been properly kept and contain no inaccuracies except for inaccuracies that would not, individually or in the aggregate, reasonably be expected to have a FD Material Adverse Effect.

2.13 Insurance. The insurance policies obtained and maintained by FD that are material to FD are in full force and effect, all premiums due and payable thereon have been paid (other than retroactive or retrospective premium adjustments that FD is not currently required, but may in the future be required, to pay with respect to any period ending prior to the date of this Agreement), and FD has received no written notice of cancellation or termination with respect to any such policy that has not been replaced on substantially similar terms prior to the date of such cancellation. A list of all insurance policies is contained on Schedule 2.13.

2.14 No Undisclosed Liabilities. Except as reflected in the FD Balance Sheet or the related notes thereto, FD has no liabilities of the type required to be disclosed in accordance with GAAP (whether accrued, absolute, contingent, unliquidated or otherwise) except liabilities which have arisen since the date of the FD Balance Sheet in the ordinary course of business consistent with past practice (none of which is a material uninsured liability for breach of contract, breach of warranty, tort, infringement, claim or lawsuit).

2.15 Absence of Certain Developments. Except as disclosed in the FD Financial Statements, Schedule 2.15 or as otherwise contemplated by this Agreement, since the date of the FD Financial Statements, FD has conducted its business in all material respects in the ordinary course consistent with past practice and there has not occurred (i) any event that would have a FD Material Adverse Effect, (ii) any event that would reasonably be expected to prevent or materially delay the performance of FD's obligations pursuant to this Agreement, (iii) any material change by FD in its accounting methods, principles or practices, (iv) any declaration, setting aside or payment of any dividend or distribution in respect of the shares of capital stock of FD or any redemption, purchase or other acquisition of any of FD's securities, (v) any material increase in the compensation or benefits or establishment of any bonus, insurance, severance, deferred compensation, pension, retirement, profit sharing, stock option (including, without limitation, the granting of stock options, stock appreciation rights, performance awards or restricted stock awards), stock purchase or other employee benefit plan of FD, or any other material increase in the compensation payable or to become payable to any employees, officers, consultants or directors of FD, (vi) any issuance, grants or sale of any stock, options, warrants, notes, bonds or other securities, or entry into any agreement with respect thereto by FD, (vii) any amendment to the FD Charter Documents, (viii) other than in the ordinary course of business consistent with past practice, any (w) capital expenditures by FD, (x) purchase, sale, assignment or transfer of any material assets by FD, (y) mortgage, pledge or existence of any lien, encumbrance or charge on any material assets or properties, tangible or intangible, of FD, except for liens for taxes not yet due and such other liens, encumbrances or charges which do not, individually or in the aggregate, have a FD Material Adverse Effect, or (z) cancellation, compromise, release or waiver by FD of any rights of material value or any material debts or claims, (ix) any incurrence by FD of any material liability (absolute or contingent), except for current liabilities and obligations incurred in the ordinary course of business consistent with past practice which do not exceed in the aggregate \$25,000, (x) damage, destruction or similar loss, whether or not covered by insurance, materially affecting the business or properties of FD, (xi) entry into any agreement, contract, lease or license other than in the ordinary course of business consistent with past practice, (xii) any acceleration, termination, modification or cancellation of any agreement, contract, lease or license to which FD is a party or by which it is bound, (xiii) entry by FD into a loan with any Person or a loan or other transaction with any officers, directors or employees of FD, (xiv) any charitable or other capital contribution by FD or pledge therefore, (xv) entry by FD into any transaction of a material nature other than in the ordinary course of business consistent with past practice, or (xvi) any negotiation or agreement by FD to do any of the things described in the preceding clauses (i) through (xv).

2.16 Employee Benefit Plans.

(a) Schedule 2.16(a) lists all material (i) “employee benefit plans,” within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), of FD, (ii) bonus, stock option, stock purchase, stock appreciation right, incentive, deferred compensation, supplemental retirement, severance, and fringe benefit plans, programs, policies or arrangements, and (iii) employment or consulting agreements, for the benefit of, or relating to, any current or former employee or consultant (or any beneficiary thereof) of FD, in the case of a plan described in (i) or (ii) above, that is currently maintained by FD or with respect to which FD has an obligation to contribute or any other ongoing duty or obligation, and in the case of an agreement described in (iii) above, that is currently in effect (the “FD Plans”). FD has heretofore made available to the Parent true and complete copies of the FD Plans and any amendments thereto, any related trust, insurance contract, summary plan description, and, to the extent required under ERISA or the Code, the most recent annual report on Form 5500 and summaries of material modifications.

(b) No FD Plan is (1) a “multiemployer plan” within the meaning of Sections 3(37) or 4001(a)(3) of ERISA, (2) a “multiple employer plan” within the meaning of Section 3(40) of ERISA or Section 413(c) of the Code, or (3) subject to Title IV of ERISA or Section 412 of the Code.

(c) There is no proceeding pending or, to FD’s knowledge, threatened against the assets of any FD Plan or, with respect to any FD Plan, against FD other than proceedings that would not reasonably be expected to have a FD Material Adverse Effect, and to FD’s knowledge, there is no proceeding pending or threatened in writing against any fiduciary of any FD Plan other than proceedings that would not reasonably be expected to have a FD Material Adverse Effect.

(d) Each of the FD Plans has been operated and administered in all material respects in accordance with its terms and applicable law, including, but not limited to, ERISA and the Code.

(e) Each of the FD Plans that is intended to be “qualified” within the meaning of Section 401(a) of the Code has received a favorable determination, notification, or opinion letter from the IRS.

(f) Except as set forth in Schedule 2.16(f), no director, officer, or employee of FD will become entitled to retirement, severance or similar benefits or to enhanced or accelerated benefits (including any acceleration of vesting or lapsing of restrictions with respect to equity-based awards) under any FD Plan solely as a result of consummation of the transactions contemplated by this Agreement.

2.17 Employees.

(a) Schedule 2.17 lists the following information for each employee and each director of FD as of the date of this Agreement, including each employee on leave of absence or layoff status: (1) name; (2) job title; (3) current annual base salary or annualized wages; (4) bonus compensation earned during FD's last fiscal year; (5) vacation accrued and unused; (6) service credited for purposes of vesting and eligibility to participate under FD Plans; (7) entitlements to any bonus, wage increase, severance or overtime pay; (8) term of current employment agreement or designation as an employee at will; and (9) the number of shares of FD Common Stock beneficially owned by each such employee. Schedule 2.17 also lists the following information for each consultant, independent contractor or other advisor of FD, as of the date of this Agreement: (x) name; (y) services performed during FD's last fiscal year; and (z) compensation received from FD with respect to services performed during FD's last fiscal year.

(b) Except as otherwise set forth in Schedule 2.17, or as contemplated by this Agreement, to the knowledge of FD, (i) neither any executive employee of FD nor any other of FD's employees has any plan to terminate his, her or its employment; (ii) FD has no material labor relations problem pending and its labor relations are satisfactory; (iii) there are no workers' compensation claims pending against FD nor is FD aware of any facts that would give rise to such a claim; (iv) no employee of FD is subject to any secrecy or noncompetition agreement or any other agreement or restriction of any kind that would impede in any way the ability of such employee to carry out fully all activities of such employee in furtherance of the business of FD; and (v) no employee or former employee of FD has any claim with respect to any intellectual property rights of FD set forth in Schedule 2.19(b) hereto.

2.18 Proprietary Information and Inventions. Each current FD employee, consultant, and other advisor is a party to either a non-disclosure agreement or an employment agreement with FD containing comparable non-disclosure provisions. To FD's knowledge, no current or former FD employee, consultant or advisory board member who is a party to a non-disclosure agreement has breached such non-disclosure agreement. To FD's knowledge, no current or former FD employee, consultant or advisory board member who is a party to an employment agreement with FD has breached the non-disclosure provisions of such agreement.

2.19 Intellectual Property.

(a) Except as set forth in Schedule 2.19(a), to its knowledge, FD owns, or has valid and enforceable licenses to use, all of the following used in or necessary to conduct its business as currently conducted (collectively, the "FD Intellectual Property"):

(1) patents (including any registrations, continuations, continuations in part, renewals, and any applications for any of the foregoing) (collectively, the "Patents");

(2) registered and unregistered copyrights and copyright applications (collectively, the "Copyrights");

(3) registered and unregistered trademarks, service marks, trade names, slogans, logos, designs and general intangibles of like nature, together with all registrations and applications therefor (collectively, the "Trademarks");

(4) trade secrets, confidential or proprietary technical information, know-how, designs, processes, research in progress, inventions and invention disclosures (whether patentable or unpatentable) (collectively, the “Know-How”); and

(5) software, other than “off-the-shelf’ software (the “Software,” and together with the Patents, Copyrights, Trademarks, and Know-How, the “Intellectual Property”).

(b) Set forth on Schedule 2.19(b) is a complete and accurate list of all material Patents, Trademarks, registered or material Copyrights and software owned or licensed by FD along with the jurisdictions in which they are registered. Schedule 2.19(b) sets forth a complete and accurate list of all Persons from whom or to whom FD licenses any material Intellectual Property, along with the amount of annual license fees.

(c) FD is the sole and exclusive owner of the FD Intellectual Property it purports to own, free and clear of all liens and encumbrances, except for such liens and encumbrances which, individually or in the aggregate, would not have a FD Material Adverse Effect, and free of all licenses except those set forth in Schedule 2.19(c) and licenses relating to off-the-shelf software having a per-application acquisition price of less than \$5,000. To FD’s knowledge, no Copyright registration, Trademark registration, or Patent set forth in Schedule 2.19(b) has lapsed, expired or been abandoned or cancelled, or is subject to any pending or, to FD’s knowledge, threatened opposition or cancellation proceeding in any country.

(d) Except as would not, individually or in the aggregate, reasonably be expected to have a FD Material Adverse Effect, to FD’s knowledge, (1) neither the conduct of FD’s business nor the manufacture, marketing, licensing, sale, distribution or use of its products or services infringes upon the proprietary rights of any Person, and (2) there are no infringements of the FD Intellectual Property by any Person. Except as set forth in Schedule 2.19(a) and Schedule 2.19(c) and except as would not, individually or in the aggregate, reasonably be expected to have a FD Material Adverse Effect, there are no claims pending or, to FD’s knowledge, threatened (1) alleging that FD’s business as currently conducted infringes upon or constitutes an unauthorized use or violation of the proprietary rights of any Person, (2) alleging that the FD Intellectual Property is being infringed by any Person, or (3) challenging the ownership, validity or enforceability of the FD Intellectual Property.

(e) FD has not entered into any material consent agreement, indemnification agreement, forbearance to sue, settlement agreement or cross-licensing arrangement with any Person relating to the FD Intellectual Property other than as part of the license agreements listed in Schedule 2.19(b) or set forth in Schedule 2.19(c).

(f) Except as set forth in Schedule 2.19(f), FD is not, nor will it be as a result of the execution and delivery of this Agreement or the performance of its obligations under this Agreement, in breach of any license, sublicense or other contract relating to the FD Intellectual Property that would reasonably be expected, individually or in the aggregate, to have a FD Material Adverse Effect.

(g) FD has not embedded any open source, copyleft or community source code in any of its products generally available or in development, including but not limited to any libraries or code licensed under any General Public License, Lesser General Public License or similar license arrangement.

2.20 Tax-Free Reorganization. Neither FD nor, to FD's knowledge, any of its Affiliates has taken or agreed to take any action that would prevent the Merger from qualifying as a reorganization under Section 368(a) of the Code.

2.21 Vote Required. The affirmative vote of the holders of a majority of the outstanding shares of FD Common Stock is the only vote of the holders of any class or series of FD capital stock necessary to approve this Agreement, the Merger and the other transactions contemplated hereby.

2.22 Bank Accounts. Schedule 2.22 contains a complete and correct list of all deposit accounts and safe deposit boxes of FD, all powers of attorney in connection with such accounts, and the names of all Persons authorized to draw thereon or to have access thereto.

2.23 Environmental Matters. FD has not received any notice of any violation (or claimed violation) of any environmental laws from any Government Entity. FD's operations are in compliance with all applicable environmental laws, including laws relating to the release, discharge, emission, storage, treatment, handling or disposal of any hazardous, toxic, radioactive, infectious or harmful substances or materials, including asbestos and petroleum, including crude oil or any of its fractions or any material prohibited or regulated by any environmental law (collectively, "Hazardous Materials"). There has been no spill, leak, discharge, escape, leaching, dumping or release of Hazardous Materials at any property while FD has held leasehold title to such property, and FD has no knowledge of any such events occurring at such property prior to their leasing same. FD has or currently uses, stores, treats, disposes or otherwise handles Hazardous Materials in compliance with all applicable environmental laws. To FD's knowledge, no underground storage tanks are located at its premises.

2.24 Accounts Receivable and Inventory. Except as set forth on Schedule 2.24, the accounts receivable of FD reflected on the FD Financial Statements (net of reserves reflected in the FD Financial Statements) are valid and genuine and arose from bona fide transactions in the ordinary course of business. Except as set forth on Schedule 2.24, all inventories of consumable items reflected in the FD Financial Statements do not include any items in any material amount that are obsolete or of a quantity or quality not usable in the ordinary course of business.

2.25 Extent of Assets. The FD Financial Statements include, without limitation, all of the material real (immovable) and personal (movable) property, intangible (incorporeal) property, rights and other assets of every kind and nature whatsoever owned, leased, licensed or used by FD for the conduct of its business as currently conducted and as conducted during the past twelve (12) months (other than inventory sold in the ordinary course of business and the disposal of obsolete equipment in the ordinary course of business) (the "Assets"). The Assets constitute all the assets, properties and rights necessary to design, produce, manufacture, market, sell and/or distribute FD's products as currently conducted in its business. Immediately after the Effective Time, FD will own all right, title and interest in or to, or have or control, any asset, property or other right used in connection with, related to or necessary to the conduct of, FD's business. Except as set forth on Schedule 2.25, FD is the legal and beneficial owner or lessee, as the case may be, of the Assets free and clear of all Encumbrances.

2.26 Customers and Suppliers.

(a) Schedule 2.26(a) sets forth a list of each customer of FD that accounted for more than five percent (5%) of the net sales of FD (calculated in accordance with GAAP in a manner consistent with the FD Financial Statements) in any of the calendar years 2012, 2013 or 2014 (through June 30, 2014). FD has not received written or oral notice that any of the customers listed on Schedule 2.26(a) intends to cease purchasing or dealing with FD, nor does FD have any knowledge that leads it to believe that any such customer intends to alter in any material respect the amount of purchases or the extent of dealings with FD or would alter in any material respect its purchases or dealings in the event of the consummation of the transactions contemplated hereby.

(b) Schedule 2.26(b) indicates the value of goods and services (based on invoice price and calculated in accordance with GAAP in a manner consistent with the FD Financial Statements) supplied to FD by the top ten (10) suppliers and vendors of goods and services to FD during the period from January 1, 2012 to June 30, 2014. FD has not received written or oral notice that any of the suppliers and vendors listed on Schedule 2.26(b) intends to cease selling or rendering services to, or dealing with, FD, nor does FD have any knowledge that leads it to believe that any such supplier or vendor intends to alter in any material respect the amount of sales or service or the extent of dealings with FD or would alter in any material respect its sales or service or dealings in the event of the consummation of the transactions contemplated hereby.

2.27 Full Disclosure. The representations and warranties of FD contained in this Agreement (and in any schedule, exhibit, certificate or other instrument to be delivered under this Agreement) do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements contained herein and therein, in light of the circumstances under which such statements were made, not misleading. There is no fact of which FD has knowledge that has not been disclosed to the Parent pursuant to this Agreement, including the schedules hereto, all taken together as a whole, which has had or would reasonably be expected to have a FD Material Adverse Effect or materially adversely affect the ability of FD to consummate in a timely manner the transactions contemplated hereby.

**ARTICLE III
REPRESENTATIONS AND WARRANTIES
OF PARENT AND MERGER SUB**

Except as set forth in the corresponding sections or subsections of the letter of exceptions delivered to FD by Parent on or prior to entering into this Agreement and incorporated herein by this reference as Exhibit C (the "Parent Schedule"), each of Parent and Merger Sub, jointly and severally, hereby represents and warrants to FD that:

3.1 Organization of Parent and Subsidiaries. Parent and Merger Sub are corporations duly organized, validly existing and in good standing under the laws of Florida and are duly qualified to do business and in good standing in each jurisdiction in which the failure to be so qualified would have a Parent Material Adverse Effect. As used in this Agreement, the term “Parent Material Adverse Effect” means a material adverse effect on the condition (financial or otherwise), business, assets or results of operations of Parent and Merger Sub as a whole or on the ability of Parent or Merger Sub to consummate the transactions contemplated by this Agreement; it being understood, however, that Parent’s continuing incurrence of losses, as long as such losses are in the ordinary course of business shall not, alone, be deemed to be a Parent Material Adverse Effect. Except as listed on Parent SEC Reports (as defined below), Parent does not have any subsidiaries. Parent has delivered or made available to FD a true and correct copy of the articles or certificate of incorporation (the “Parent Charter”) and bylaws of each of Parent and Merger Sub, each as amended to date (the “Parent Charter Documents” and the “Merger Sub Charter Documents”, respectively), and each such instrument is in full force and effect. Neither Parent nor Merger Sub is in violation of any of the provisions of their respective Charter Documents.

3.2 Parent Capital Structure.

(a) The authorized, issued and outstanding shares of capital stock of the Parent (the “Parent Capital Stock”) as of the date hereof are set forth on the Parent SEC Reports. Except as disclosed on the Parent SEC Reports, all issued and outstanding shares of capital stock of the Parent Common have been duly authorized and validly issued, are fully paid and nonassessable, have not been issued in violation of any preemptive rights, and are free from any restrictions on transfer (other than restrictions under the Securities Act or state securities laws) or any option, lien, pledge, security interest, encumbrance or charge of any kind. Other than as described on the Parent SEC Reports, Parent has no other equity securities or securities containing any equity features that are authorized, issued or outstanding. Except as set forth in the Parent SEC Reports hereto, there are no agreements or other rights or arrangements existing which provide for the sale or issuance of capital stock by the Parent and there are no rights, subscriptions, warrants, options, conversion rights or agreements of any kind outstanding to purchase or otherwise acquire from the Parent any shares of capital stock or other securities of the Parent of any kind. Except as set forth on the Parent SEC Reports, there are no agreements or other obligations (contingent or otherwise) which may require the Parent to repurchase or otherwise acquire any shares of its capital stock. Except as set forth on the Parent SEC Reports, to the Parent’s knowledge, there exist no voting trusts, proxies, or other contracts with respect to the voting of shares of capital stock of the Parent.

(b) The authorized capital of the Merger Sub consists of 1,000 shares of common stock, par value \$0.0001 per share, all of which are issued and outstanding and held of record by the Parent as of the date hereof. The issued and outstanding shares of capital stock of the Merger Sub are duly authorized, validly issued, fully paid and nonassessable and have not been issued in violation of any preemptive rights. There are no options, warrants, conversion privileges or other rights, agreements, arrangements or commitments obligating Merger Sub to issue, sell, purchase or redeem any shares of its capital stock or securities or obligations of any kind convertible into or exchangeable for any shares of its capital stock.

3.3 Authority.

(a) Each of Parent and Merger Sub has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, have been duly authorized by all necessary corporate action on the part of each of Parent and Merger Sub. No “control share acquisition,” state takeover statute or similar statute or regulation applies or purports to apply to Parent or Merger Sub with respect to this Agreement, the Merger or the transactions contemplated hereby or thereby.

(b) This Agreement has been duly executed and delivered by each of Parent and Merger Sub and, assuming the due authorization, execution and delivery by FD, constitutes the valid and binding obligation of each of Parent and Merger Sub, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws and general principles of equity. The execution and delivery of this Agreement by each of Parent and Merger Sub, does not, and the performance of this Agreement by each of Parent and Merger Sub, will not (i) conflict with or violate the Parent Charter Documents or the Merger Sub Charter Documents, (ii) subject to compliance with the requirements set forth in Section 3.3(c) below, conflict with or violate any law, rule, regulation, order, judgment or decree applicable to Parent or Merger Sub, respectively, or by which its or any of their respective properties is bound or affected or (iii) result in any breach of, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or impair any of, Parent’s or Merger Sub’s rights or alter the rights or obligations of any third party under, or to Parent’s knowledge, give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of an Encumbrance on any of the properties or assets of Parent or Merger Sub, respectively, pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which any of Parent or Merger Sub is a party or by which Parent or Merger Sub, or any of their respective properties are bound or affected, except to the extent such conflict, violation, breach, default, impairment or other effect would not, in the case of clause (ii) or (iii), individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect or prevent or delay consummation of the Merger in any material respect or otherwise prevent Parent or Merger Sub from performing its obligations under this Agreement in any material respect.

(c) No consent, approval, order or authorization of, or registration, declaration or filing with any Governmental Entity is required by or with respect to either Parent or Merger Sub in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, except for (i) the filing of the Articles of Merger with the Secretary of State of Florida, (ii) such consents, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable federal and state securities laws and (iii) such other consents, authorizations, filings, approvals and registrations which, if not obtained or made, individually or in the aggregate, would not be reasonably likely to have a Parent Material Adverse Effect.

3.4 SEC Reports. Parent is a public reporting company subject to the periodic filing requirements of the Securities Exchange Act of 1934, as amended, and Parent has made all of its required filings pursuant thereto and is current in its filings thereunder (the "Parent SEC Reports"). The Parent SEC Reports do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements contained therein, in light of the circumstances under which such statements were made, not misleading.

3.5 Absence of Certain Changes or Events. Since the date of the most recent Parent SEC Report, Parent has conducted its business only in, and has not engaged in any material transaction other than according to, the ordinary and usual course of such businesses and there has not been (i) any change that individually or in the aggregate, has had or is reasonably likely to have a Parent Material Adverse Effect; (ii) any material damage or loss with respect to any material asset or property used by Parent or Merger Sub; (iii) any declaration, setting aside or payment of any dividend or other distribution to stockholders of Parent or Merger Sub; (iv) any change by Parent in accounting principles, practices or methods; or (v) any increase in the compensation payable or that could become payable by Parent or Merger Sub to officers or key employees.

3.6 Brokers' and Finders' Fees. Neither Parent nor Merger Sub has incurred, nor will it incur, directly or indirectly, any Liability for brokerage or finders' fees or agents' commissions or any similar charges in connection with this Agreement or any transaction contemplated hereby, other than finders' fees, the payment for which will be the sole responsibility of Parent.

3.7 Valid Issuances. The Parent Common Stock to be issued in the Merger, when issued in accordance with the provisions of this Agreement, will be duly authorized, validly issued, fully paid and nonassessable, free of all Encumbrances and not subject to preemptive rights, and will be exempt from the registration requirements of the Securities Act and applicable blue sky laws.

3.8 Books and Records. The books of account, minute books, stock record books, and other similar records of the Parent, complete copies of which have been made available to the Parent, have been properly kept and contain no inaccuracies except for inaccuracies that would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect.

3.9 Insurance. The insurance policies obtained and maintained by the Parent that are material to the Parent are in full force and effect, all premiums due and payable thereon have been paid (other than retroactive or retrospective premium adjustments that the Parent is not currently required, but may in the future be required, to pay with respect to any period ending prior to the date of this Agreement), and the Parent has received no written notice of cancellation or termination with respect to any such policy that has not been replaced on substantially similar terms prior to the date of such cancellation.

3.10 No Undisclosed Liabilities. Except as reflected in the Parent SEC Reports, the Parent has no liabilities of the type that would be required to be disclosed in accordance with GAAP (whether accrued, absolute, contingent, unliquidated or otherwise) except liabilities which have arisen since the date of the most recent financial statements contained in the Parent SEC Reports in the ordinary course of business consistent with past practice (none of which is a material uninsured liability for breach of contract, breach of warranty, tort, infringement, claim or lawsuit).

3.11 Absence of Certain Developments. Except as disclosed in the Parent SEC Reports or as otherwise contemplated by this Agreement, since the date of the most recent financial statements contained in the Parent SEC Reports, the Parent has conducted its business in all material respects in the ordinary course consistent with past practice and there has not occurred (i) any event that would have a Parent Material Adverse Effect, (ii) any event that would reasonably be expected to prevent or materially delay the performance of the Parent's obligations pursuant to this Agreement, (iii) any material change by the Parent in its accounting methods, principles or practices, (iv) any declaration, setting aside or payment of any dividend or distribution in respect of the shares of capital stock of the Parent or any redemption, purchase or other acquisition of any of the Parent's securities, (v) any material increase in the compensation or benefits or establishment of any bonus, insurance, severance, deferred compensation, pension, retirement, profit sharing, stock option (including, without limitation, the granting of stock options, stock appreciation rights, performance awards or restricted stock awards), stock purchase or other employee benefit plan of the Parent, or any other material increase in the compensation payable or to become payable to any employees, officers, consultants or directors of the Parent, (vi) other than issuances of options pursuant to duly adopted option plans, any issuance, grants or sale of any stock, options, warrants, notes, bonds or other securities, or entry into any agreement with respect thereto by the Parent, (vii) any amendment to the Parent Charter Documents, (viii) other than in the ordinary course of business consistent with past practice, any (w) capital expenditures by the Parent, (x) purchase, sale, assignment or transfer of any material assets by the Parent, (y) mortgage, pledge or existence of any lien, encumbrance or charge on any material assets or properties, tangible or intangible, of the Parent, except for liens for taxes not yet due and such other liens, encumbrances or charges which do not, individually or in the aggregate, have a Parent Material Adverse Effect, or (z) cancellation, compromise, release or waiver by the Parent of any rights of material value or any material debts or claims, (ix) any incurrence by the Parent of any material liability (absolute or contingent), except for current liabilities and obligations incurred in the ordinary course of business consistent with past practice, (x) damage, destruction or similar loss, whether or not covered by insurance, materially affecting the business or properties of the Parent, (xi) entry into any agreement, contract, lease or license other than in the ordinary course of business consistent with past practice, (xii) any acceleration, termination, modification or cancellation of any agreement, contract, lease or license to which the Parent is a party or by which it is bound, (xiii) entry by the Parent into any loan or other transaction with any officers, directors or employees of the Parent, (xiv) any charitable or other capital contribution by the Parent or pledge therefore, (xv) entry by the Parent into any transaction of a material nature other than in the ordinary course of business consistent with past practice, or (xvi) any negotiation or agreement by the Parent to do any of the things described in the preceding clauses (i) through (xv).

3.12 Tax-Free Reorganization. Neither the Parent nor, to the Parent's knowledge, any of its Affiliates has taken or agreed to take any action that would prevent the Merger from qualifying as a reorganization under Section 368(a) of the Code.

3.13 Full Disclosure. The representations and warranties of the Parent and the Merger Sub contained in this Agreement (and in any schedule, exhibit, certificate or other instrument to be delivered under this Agreement) do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements contained herein and therein, in light of the circumstances under which such statements were made, not misleading. There is no fact of which the Parent has knowledge that has not been disclosed to FD pursuant to this Agreement, including the schedules hereto, all taken together as a whole, which has had or would reasonably be expected to have a Parent Material Adverse Effect or materially adversely affect the ability of the Parent to consummate in a timely manner the transactions contemplated hereby.

ARTICLE IV ADDITIONAL AGREEMENTS

4.1 Notification. Each party shall give prompt notice to the other upon becoming aware that any representation or warranty made by it contained in this Agreement has become untrue or inaccurate, or of any failure of such party to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under this Agreement; provided, however, that no such notification shall affect the representations, warranties, covenants or agreements of the parties or the conditions to the obligations of the parties under this Agreement.

4.2 Third Party Consents. On or before the Closing Date, Parent and FD will each use its commercially reasonable efforts to obtain any consents, waivers and approvals under any of its respective agreements, contracts, licenses or leases required to be obtained in connection with the consummation of the transactions contemplated hereby. If such consents, etc. are not required to be obtained prior to Closing, the party required to obtain such consent, etc. shall do so as promptly as possible after Closing.

4.3 FD Stockholders' Meeting; Materials to Stockholders. FD shall obtain, in lieu of holding a special meeting of the FD Stockholders to approve the Merger and this Agreement, the written consent, in full compliance with the FD Charter Documents, and the FBCA, of the number of FD Stockholders necessary under the FD Charter Documents and the FBCA to approve this Agreement and the Merger. For purposes hereof, "FD Stockholders" means all Persons holding outstanding shares of FD Capital Stock immediately prior to the Effective Time.

4.4 Employment Agreements. The Parent shall initially continue the employment arrangements between FD and Transferred Employees (as defined below), but provides no guarantee of permanent or long-term employment to any Transferred Employee. For purposes hereof, "Transferred Employees" means all employees or consultants of FD as of immediately prior to the Effective Time, all of whom are listed on Schedule 4.4. Following the Closing, the Parent intends to enter into employment agreements with the Surviving Corporation's key employees.

4.5 Lock up Agreements, Debt Extension, Proxy and Listing of Shares.

(i) FD Management shall enter into lockup agreements providing for the lockup of their shares for 18 months in the form attached as Schedule 4.5 hereto. The FD Stockholders who are not members of FD Management shall be subject to the lockup of their shares for 12 months. Such lockup agreements may contain volume limitations consistent with those provided in Schedule 4.5.

(ii) The due date of all debt of FD owed to FD Stockholders shall be extended to 3 years from date of the Effective Time.

(iii) IVFH agrees to use best commercial efforts to obtain listing of Parent Common Stock issued in the Merger on the NASDAQ Capital Market exchange within 120 days of the Effective Time.

(iv) FD Management shall execute proxies covering all of their shares of FD Common Stock, whenever obtained, in favor of the decisions of management of Parent (the "Proxy") to be voted in the sole discretion of Parent's CEO on all matters on which Parent Common Stock can vote. The Proxy shall be deemed coupled with an interest and be irrevocable as long as Parent's Chief Executive Officer at the Effective Time retains such position.

4.6 Survival. The representations and warranties of FD, Parent and Merger Sub contained in or made pursuant to this Agreement shall expire eighteen (18) months after the Effective Time.

4.7 Preparation for Closing. From the date hereof until the Closing Date, the parties hereto shall use reasonable commercial efforts to take, or cause to be taken, all actions, and do, or cause to be done, and assist and cooperate with each other in doing, all things necessary, proper, or advisable to consummate, in the most expeditious manner practicable, the transactions contemplated hereby, including, without limitation, the satisfaction of the conditions set forth in Article 6.

ARTICLE VI
CONDITIONS TO THE MERGER

5.1 Conditions to Obligations of FD. The obligations of FD to effect the Merger is subject to the satisfaction (or, to the extent permitted under applicable law, waiver by FD) on or prior to the Closing Date of the following conditions:

(a) Each of the representations and warranties of the Parent and the Merger Sub contained in this Agreement shall be true and correct as of the Closing, except (i) with respect to representations and warranties that address matters only as of a particular date, which shall be true and correct as of such date and (ii) to the extent that all of the breaches of such representations and warranties collectively (without giving effect to materiality, Parent Material Adverse Effect or any similar qualification) have not had a Parent Material Adverse Effect.

(b) The Parent and the Merger Sub shall have performed in all material respects all agreements, obligations and covenants required to be performed by them under this Agreement at or prior to Closing.

(c) The approval of the Merger, in compliance with the FD Charter Documents, and the FBCA, by FD's board of directors and holders of a majority of the FD Common Stock (the "FD Merger Approval") shall have been obtained at or prior to Closing.

5.2 Conditions to the Obligations of Parent and Merger Sub. The obligations of the Parent and the Merger Sub to effect the Merger is subject to the satisfaction (or, to the extent permitted under applicable law, waiver by the Parent and the Merger Sub) on or prior to the Closing Date of the following conditions:

(a) Each of the representations and warranties of FD contained in this Agreement shall be true and correct as of the Closing, except (i) with respect to representations and warranties that address matters only as of a particular date, which shall be true and correct as of such date and (ii) to the extent that all of the breaches of such representations and warranties collectively (without giving effect to materiality, FD Material Adverse Effect or any similar qualification) have not had a FD Material Adverse Effect.

(b) FD shall have performed in all material respects all agreements, obligations and covenants required to be performed by FD under this Agreement at or prior to Closing.

(c) The FD Merger Approval shall have been obtained at or prior to Closing.

(d) The resignations, effective at the Closing, of all directors of FD immediately prior to the Closing.

- (e) A certificate of good standing of FD from its jurisdiction of incorporation, dated a date reasonably proximate to the Closing Date.
- (f) Parent shall have received such other certificates, instruments and documents as may reasonably be requested by Parent.
- (g) FD shall not have filed for protection under any applicable bankruptcy laws nor has any 3rd party commenced such an action against FD.

**ARTICLE VI
GENERAL PROVISIONS**

6.1 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given on the day of delivery if delivered personally or sent via telecopy (receipt confirmed) or on the second business day after being sent if delivered by commercial delivery service, to the parties at the following addresses or telecopy numbers (or at such other address or telecopy numbers for a party as shall be specified by like notice):

- (a) if to Parent or Merger Sub:

Innovative Food Holdings, Inc.
28411 Race Track Road
Bonita Springs, FL 34135
Attn: Sam Klepfish
Email: sklepfish@innovativefoodholdings.com

With a copy to (which shall not constitute notice):

Feder Kaszovitz LLP
845 Third Avenue, 11th Floor
New York, NY 10022
Attn: Howard I. Rhine, Esq. and Irving Rothstein, Esq.
Email: hrhine@fedkas.com and irothstein@fedkas.com

- (b) if to FD, to:

The Fresh Diet, Inc..
1545 NE 123rd Street
North Miami, Florida 33161
Attn: Raj Rawal
Email: raj@thefreshdiet.com

With a copy to (which shall not constitute notice):

The Fresh Diet, Inc.

1545 NE 123rd Street

North Miami, Florida 33161

Attn: Roy T. Heggland

Email: roy@thefreshdiet.com

6.2 Interpretation; Construction. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. For purposes of this Agreement, the term “knowledge” means with respect to a party hereto, with respect to any matter in question, that any of the officers of such party has actual knowledge of such matter. For purposes of this Agreement, the term “person” shall mean any individual, corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any limited liability company or joint stock company), firm or other enterprise, association, organization, entity or Governmental Entity. Unless the context requires otherwise, all words use in this Agreement in the singular number shall extend to and include the plural, all words in the plural number shall extend to and include the singular, and all words in any gender shall extend to and include all genders. The parties hereto agree that they have been represented by counsel during the negotiation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

6.3 Entire Agreement; Third Party Beneficiaries; Severability. This Agreement and the documents and instruments and other agreements among the parties hereto as contemplated by or referred to herein, including the Exhibits and the FD Schedule constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof. In the event that any provision of this Agreement, or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect and the application of such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the parties hereto. The parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such void or unenforceable provision. No third parties shall have any rights under or rights to enforce this Agreement, and no third parties are intended to be third party beneficiaries of any provision hereof. This Agreement may not be amended, and any provision hereof may not be waived, by the parties hereto except by execution of an instrument in writing signed on behalf of each Party hereto.

6.4 Other Remedies; Specific Performance. Except as otherwise provided herein, any and all remedies herein expressly conferred upon a party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such party, and the exercise by a party of any one remedy will not preclude the exercise of any other remedy.

6.5 Assignment; Counterparts. No party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other parties. Subject to the preceding sentence, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party, it being understood that all parties need not sign the same counterpart.

6.6 Governing Law; Jurisdiction; Venue. This Agreement and all matters arising herefrom or with respect hereto, including, without limitation, tort claims (the “Covered Matters”) shall be governed by, and construed in accordance with, the internal laws of the State of Florida, without reference to the choice of law principles thereof. Each of the parties hereto irrevocably submits to the co-exclusive jurisdiction of the federal and state courts located in the State of Florida for the purpose of any suit, action, proceeding or judgment relating to or arising out of the Covered Matters. Service of process in connection with any such suit, action or proceeding may be served on each party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Agreement. Each of the parties hereto irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. Each party hereto irrevocably waives any objection to the laying of venue of any such suit, action, or proceeding brought in such courts and irrevocably waives any claim that any such suit, action, or proceeding brought in any such court has been brought in an inconvenient forum. Prior to initiating any litigation, other than litigation for a preliminary injunctive or judicial relief from a court of competent jurisdiction in the good faith judgment of a party necessary to avoid irreparable injury, each party shall attempt in good faith to negotiate a settlement. If such negotiations do not result in a settlement within thirty (30) days from the commencement of such negotiations, the parties may initiate litigation or any other proceeding permitted by applicable law upon seven (7) days’ written notice to the other party. All deadlines specified in this Section 6.6 may be extended by mutual agreement in writing.

6.7 Expenses. FD on the one hand and Parent and Merger Sub on the other hand, will each pay the fees and expenses of their respective counsel, accountants and other experts incident to the negotiation and preparation of this Agreement, the schedules and exhibits hereto and any related documents.

6.8 Further Assurances. Each party hereto shall execute and cause to be delivered to each other party hereto such instruments, powers of attorney, and other documents, and shall take such other actions, as such other party may reasonably request (prior to, at or after the Closing) for the purpose of carrying out or evidencing any of the transactions contemplated by this Agreement.

[Remainder of page is blank; signatures follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement and Plan of Merger to be executed by their duly authorized respective officers as of the date first written above.

INNOVATIVE FOOD HOLDINGS, INC.

By: _____

Name: _____

Title: _____

THE FRESH DIET, INC.

By: _____

Name: _____

Title: _____

FD ACQUISITION CORP.

By: _____

Name: _____

Title: _____

EACH OF THE UNDERSIGNED HEREBY ACKNOWLEDGES AND AGREES TO THE TERMS OF THIS AGREEMENT AND PLAN OF MERGER IN THEIR CAPACITIES AS A SHAREHOLDER OF THE FRESH DIET, INC. AND IF AN OFFICER AND/OR DIRECTOR OF SUCH ENTITY, IN SUCH CAPACITY(IES) AS WELL. HOWEVER, EXCEPT WITH RESPECT TO SECTION 1.3(h), WHICH IS BELIEVED TO BE TRUE AND CORRECT AS OF THE DATE HEREOF BY FD MANAGEMENT, A SIGNATURE BELOW DOES NOT MEAN THE UNDERSIGNED HAS ANY PERSONAL LIABILITY FOR ANY OF THE OTHER REPS AND WARRANTIES CONTAINED HEREIN:

Raj Rawal

Vojkan Dimitrijevic

Asif Syed

Zalmi Duchman

Roy Heggland

Exhibit 10.2

The employment agreements for each of Sam Klepfish and Justin Wiernasz, the Corporation's CEO and President, respectively, were amended (i) in the event of a change of control (as defined below) all equity based compensation (including options and restricted stock units) payable pursuant to such employment agreements, shall immediately vest and/or restrictions thereon shall lapse, and (ii) to provide that in the event of a termination without Cause (as defined in the employment agreement) they shall receive a lump sum payment equal to the greater of (x) the salary payable over the last six months of the term of the agreement, or (y) the Base Salary (as defined in the employment agreement) remaining through the end of the then-current term of the agreement. The definition of change of control shall mean the occurrence of any of the following events: (w) the sale or transfer by the Company for at least \$25 million (such consideration consisting of cash, cash equivalents, notes or securities) of more than 50% of its Voting Securities (as defined below) or substantially all of its assets; or (x) the acquisition, other than from the Company or employees of it or any of its subsidiaries, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934) (other than an employee benefit plan of the Company) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 50% of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Voting Securities"); or (y) the approval by the stockholders of the Company of a reorganization, merger, consolidation or recapitalization of the Company (a "Business Combination"), other than a Business Combination in which more than 50% of the combined voting power of the outstanding Voting Securities of the surviving or resulting entity immediately following the Business Combination is held by the persons who, immediately prior to the Business Combination, were the holders of the Voting Securities; or (z) the approval by the stockholders of the Company of a complete liquidation or dissolution of the Company, or a sale of all or substantially all of the assets of the Company.

Each of Sam Klepfish and Justin Wiernasz, the Corporation's CEO and President, respectively, was awarded, as a special bonus, effective November 17, 2014, an aggregate of 1,000,000 restricted stock units ("RSU") subject to time and performance vesting conditions, with the timing conditions as follows: 150,000 RSUs vest on each of July 1 and December 31, 2015; 300,000 RSUs vest on December 31, 2016 and 400,000 RSUs vest on July 1, 2017, and the performance conditions are as follows: for the RSUs vesting in 2015, the Corporation, on a consolidated basis, must have four months with sales above \$2.5M during 2015, for the RSUs vesting in 2016, the Corporation, on a consolidated basis, must have four months with sales above \$2.5M during 2016 and for the RSUs vesting in 2017, the Corporation, on a consolidated basis, must have four months with sales above \$2.5M during 2017, provided however, that if the performance condition is not met in any year, the RSUs scheduled to vest in such year will still vest if the Corporation, on a consolidated basis, has six months with sales of at least \$2.5M during the following year. The company's board of directors will modify and increase the performance requirements, with the consent of executive, if warranted and appropriate.

Certifications

I, Sam Klepfish, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Innovative Food Holdings, Inc. and Subsidiaries;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 18, 2014

/s/ Sam Klepfish
Sam Klepfish, Chief Executive Officer

Certifications

I, John McDonald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Innovative Food Holdings, Inc. and Subsidiaries;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 18, 2014

/s/ John McDonald
John McDonald, Principle Accounting Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES OXLEY ACT OF 2002
CERTIFICATION**

In connection with the Quarterly Report of Innovative Food Holdings, Inc. and Subsidiaries (the "Company") on Form 10-Q for the period ended September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sam Klepfish, Chief Executive of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Sam Klepfish
Sam Klepfish
Chief Executive Officer and Director

November 18, 2014

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES OXLEY ACT OF 2002
CERTIFICATION**

In connection with the Quarterly Report of Innovative Food Holdings, Inc. and Subsidiaries (the "Company") on Form 10-Q for the period ended September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John McDonald, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ John McDonald
John McDonald
Principal Accounting Officer

November 18, 2014