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

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# FORM 8-K/A
**Amendment No. 1**

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**CURRENT REPORT**
**Pursuant to Section 13 OR 15(d) of**
**The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **August 15, 2014**

# Innovative Food Holdings, Inc.
(Exact name of registrant as specified in its charter)

| **Florida** | **0-9376** | **20-1167761** |
|---|---|---|
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

| **28411 Race Track Road, Bonita Springs, Florida** | **34114** |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: **(239) 596-0204**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Explanatory Note**

On August 21, 2014, Innovative Food Holdings, Inc. filed a Current Report on form 8-K under Items 1.01, 2.01, 3.02, and 9.01 to report the acquisition of The Fresh Diet, Inc., a Florida corporation. This filing is being made solely to provide the required financial statements in a timely manner.

**Item 9.01. Financial Statements and Exhibits.**

**(a) Financial Statements of Businesses Acquired.** The audited consolidated financial statements of The Fresh Diet, Inc. as of and for the years ended December 31, 2013, 2012, and 2011, and the unaudited condensed consolidated financial statements of The Fresh Diet, Inc. as of and for the six months ended June 30, 2014 and 2013, are attached hereto as Exhibit 99.1 to this Form 8-K/A and are incorporated in their entirety by reference. The unaudited condensed consolidated interim financial statements and pro forma information was reviewed by Liggett, Vogt, & Webb, P.A., our independent registered public accountants.

**(b) Pro Forma Financial Information.** Unaudited Pro Forma Condensed Combined financial information is attached hereto as Exhibit 99.2 to this Form 8-K/A and is incorporated in its entirety by reference.

**(d) Exhibits**

| Exhibit Number | Description |
|---|---|
| 99.1 | Audited Consolidated Financial Statements of The Fresh Diet, Inc. for the years ended December 31, 2013 and 2012, and unaudited condensed consolidated financial statements of The Fresh Diet, Inc., for the six months ended June 30, 2014 and 2013. |
| 99.2 | Unaudited pro forma condensed combined financial information |

**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 hereunto duly authorized.

**INNOVATIVE FOOD HOLDINGS, INC.**

Date: October 29, 2014

By: /s/ Sam Klepfish
Sam Klepfish
Chief Executive Officer

# THE FRESH DIET, INC. AND AFFILIATED COMPANIES

## CONSOLIDATED FINANCIAL STATEMENTS

***As of and for the Year Ended December 31, 2013***

***And Report of Independent Auditor***

Cherry Bekaert LLP
CPAs & Advisors

**THE FRESH DIET, INC. AND AFFILIATED COMPANIES**
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**Report of Independent Auditor**

To the Shareholders of
The Fresh Diet, Inc. and Affiliated Companies

We have audited the accompanying consolidated financial statements of The Fresh Diet, Inc. (formally known as YS Catering, LLP) and Affiliated Companies (the "Company"), which comprise the consolidated balance sheet as of December 31, 2013, and the related consolidated statements of operations, changes in shareholders' deficit, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Consolidated Financial Statements**
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Fresh Diet, Inc. and Affiliated Companies as of December 31, 2013 and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 14 to the consolidated financial statements, the Company entered into a Proposed Terms of Offer agreement with a publically held company with a plan of merger with an anticipated closing date of on or before August 15, 2014. The Company is required to meet various obligations to comply with the conditions to the merger and Company management believes they have met all such obligations.

Cherry Bekaert LLP

Coral Gables, Florida
August 9, 2014

**THE FRESH DIET, INC. AND AFFILIATED COMPANIES**
CONSOLIDATED BALANCE SHEET

*DECEMBER 31, 2013*

| | | |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ | 1,016,744 |
| Accounts receivable, credit cards | | 21,408 |
| Due from shareholders | | 426,753 |
| Supplies and inventory | | 336,504 |
| Prepaid expenses and other current assets | | 178,854 |
| Total Current Assets | | 1,980,263 |
| | | |
| Property and equipment, net | | 1,269,560 |
| Intangible assets, net | | 104,271 |
| **Total Assets** | **$** | **3,354,094** |
| | | |
| **LIABILITIES** | | |
| Current Liabilities: | | |
| Accounts payable | $ | 1,217,256 |
| Line of credit | | 75,000 |
| Accrued expenses and other current liabilities | | 972,354 |
| Deferred revenue | | 6,863,072 |
| Current portion of notes payable and capital lease obligation | | 1,153,128 |
| Total Current Liabilities | | 10,280,810 |
| | | |
| Notes payable and capital lease obligation, less current portion | | 627,475 |
| Notes payable to shareholders | | 1,500,000 |
| **Total Liabilities** | | **12,408,285** |
| | | |
| **SHAREHOLDERS' DEFICIT** | | |
| Shareholders' deficit in The Fresh Diet, Inc. | | (9,055,281) |
| Noncontrolling interest in variable interest entities | | 1,090 |
| **Total Shareholders' Deficit** | | **(9,054,191)** |
| **Total Liabilities and Shareholders' Deficit** | **$** | **3,354,094** |

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

**THE FRESH DIET, INC. AND AFFILIATED COMPANIES**
CONSOLIDATED STATEMENT OF OPERATIONS

*YEAR ENDED DECEMBER 31, 2013*

| | | |
|---|---|---|
| **Revenue** | **$** | **26,309,774** |
| | | |
| Costs and Expenses | | |
| Cost of revenue | | 14,625,129 |
| Labor costs | | 3,638,668 |
| Sales, marketing and support | | 2,002,337 |
| General and administrative | | 8,580,070 |
| Gain on sale of subsidiary assets | | (20,564) |
| Depreciation and amortization | | 513,983 |
| Write-off of property and equipment | | 107,609 |
| Total Costs and Expenses | | 29,447,232 |
| | | |
| Loss from operations | | (3,137,458) |
| | | |
| Other Income (Expense) | | |
| Interest expense | | (559,774) |
| Other income | | 50,945 |
| Total Other Expense, Net | | (508,829) |
| | | |
| Consolidated net loss before taxes | | (3,646,287) |
| | | |
| Income tax provision | | 15,970 |
| | | |
| Consolidated net loss | | (3,630,317) |
| | | |
| Less net income attributable to the noncontrolling interest in variable interest entities | | (131,493) |
| | | |
| **Net loss attributable to The Fresh Diet, Inc.** | **$** | **(3,761,810)** |

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

**THE FRESH DIET, INC. AND AFFILIATED COMPANIES**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIT

*YEAR ENDED DECEMBER 31, 2013*

| | Shareholders' Deficit in The Fresh Diet, Inc. | Noncontrolling Interest in VIEs | Total |
|---|---|---|---|
| Balance at January 1, 2013 | **$ (5,293,471)** | **$ (130,403)** | **$ (5,423,874)** |
| Net (loss) income | (3,761,810) | 131,493 | (3,630,317) |
| Balance at December 31, 2013 | **$ (9,055,281)** | **$ 1,090** | **$ (9,054,191)** |

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

**THE FRESH DIET, INC. AND AFFILIATED COMPANIES**
CONSOLIDATED STATEMENT OF CASH FLOWS

*YEAR ENDED DECEMBER 31, 2013*

| | | |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net loss | $ | (3,630,317) |
| Adjustments to reconcile net loss to net cash from operating activities: | | |
| Depreciation and amortization | | 513,983 |
| Write-off of property and equipment | | 107,609 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, credit cards | | 246,178 |
| Supplies and inventory | | 205,582 |
| Prepaid expenses and other current assets | | 399,546 |
| Accounts payable | | 541,429 |
| Accrued expenses and other current liabilities | | (205,200) |
| Deferred revenue | | 485,210 |
| **Net cash from operating activities** | | **(1,335,980)** |
| **Cash flows from investing activities:** | | |
| Purchase of property and equipment | | (224,122) |
| Proceeds from sale of subsidiary assets | | 75,000 |
| Transfer from restricted cash | | 243,513 |
| **Net cash from investing activities** | | **94,391** |
| **Cash flows from financing activities:** | | |
| Advances to shareholders | | (5,327) |
| Borrowings on line of credit | | 75,000 |
| Proceeds from notes payable to shareholders | | 1,500,000 |
| Proceeds from notes payable | | 5,262,904 |
| Payments on notes payable | | (4,693,627) |
| Payments on capital lease obligations | | (171,750) |
| **Net cash from financing activities** | | **1,967,200** |
| Net change in cash and cash equivalents | | 725,611 |
| Cash and cash equivalents, beginning of year | | 291,133 |
| **Cash and cash equivalents, end of year** | **$** | **1,016,744** |
| **Supplemental disclosure of cash flow information and non cash financing activities:** | | |
| Cash paid for interest | $ | 587,116 |
| Issuance of note payable for purchase of customer lists | $ | 20,000 |
| Property and equipment acquired through a capital lease obligation | $ | 483,520 |

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

**Note 1 – Nature of the business**

YS Catering, LLP d/b/a The Fresh Diet was established in November of 2005 as a provider of weight management products and services. On September 25, 2013, YS Catering, LLP effectively changed its name to The Fresh Diet, Inc. ("The Fresh Diet"). The Fresh Diet was co-founded by a Le Cordon Bleu trained chef and is based on the 40% carbohydrates, 30% proteins and 30% fats diet concept. The Fresh Diet, along with its consolidated wholly owned subsidiaries, Nutrition in Motion ("NIM") and Everyday Gourmet, LLC ("EG") (collectively the "Company"), is a diet delivery company which offers its clients fresh daily-prepared meals that are never frozen, freeze-dried or vacuum packed and are sold primarily through internet and telephone. In July 2013 a new executive team was brought in to manage the Company. They promptly sold the NIM and GE subsidiaries due to underperformance. The Fresh Diet markets its products both to consumers and to businesses primarily in North America. Approximately 97% of revenues for the year ended December 31, 2013 were generated in the United States.

**Note 2 – Summary of significant accounting principles**

*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 consolidated financial statements as of and for the year ended December 31, 2013. All material inter-company transactions and balances of the Company's wholly owned subsidiaries and VIE have been eliminated in consolidation.

*Use of Estimates* – The preparation of the consolidated financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents* – The Company considers all highly liquid investments with an original maturity of three months or less, at the date of purchase, to be cash equivalents. The Company maintains the majority of its cash and cash equivalents, which consist principally of demand deposit accounts, with one financial institution.

*Accounts Receivable, Credit Cards* – Receivables from credit card charges are included in accounts receivable, credit cards in the accompanying consolidated balance sheet. The Company has determined that an allowance for doubtful accounts was not considered necessary at December 31, 2013.

*Supplies and Inventory* – Supplies and inventory includes operating materials and supplies, principally food trays and bags that are utilized to package and deliver meals to customers. Such supplies and inventory are recorded at the lower of cost (specific identification) or market.

**Note 2 – Summary of significant accounting principles (continued)**

*Property and Equipment* – Property and equipment are recorded at cost and depreciated over their estimated useful lives, which are generally five years, using the straight-line method. The Company capitalizes costs associated with application development, and such costs are included in capitalized software. Such costs are amortized over the software's useful lives which is generally three years.

Expenditures for maintenance and repairs are charged to operations as incurred, while significant renewals and betterments are capitalized. The assets and related depreciation are adjusted for asset retirements and disposals with the resulting gain or loss included in operations.

*Intangible Assets* – Intangible assets relate to the acquisition of customer lists that are being amortized using the straight-line method over 3 years and the acquisition of the Company's website domain, which is considered to be an indefinite life asset.

*Long-lived Asset Impairment* – The Company evaluates the recoverability of the carrying value of property and equipment and intangible assets whenever events or circumstances indicate the carrying amount may not be recoverable. If property and equipment and intangible assets are tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the assets, the assets cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No impairment on long- lived assets was recognized during the year ended December 31, 2013.

*Revenue Recognition* – Revenue from the sale of meals is recognized when the earnings process is complete, which is upon the delivery of the meals 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.

The Company offers various "free days" promotions. The promotions entice customers to purchase a certain amount of days of meal delivery by offering one or more free days. In accordance with ASC 605-50, *Revenue Recognition – Customer Payments and Incentives*, the Company recognizes the cost of the free offer as cost of revenue proportionally over the term of the meal delivery subscription or until the customer cancels and no longer is entitled to the free offer.

Revenue from meal program sales include amounts billed for shipping and handling and is presented net of returns and billed sales tax. Shipping-related costs are included in cost of revenue in the accompanying consolidated statement of operations.

*Cost of Revenue* – Cost of revenue consists mainly of meal costs, kitchen payroll, credit card fees, product fulfillment and shipping costs. Credit card fees were approximately $819,000 during the year ended December 31, 2013.

*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 $1,787,000 for the year ended December 31, 2013.

**Note 2 – Summary of significant accounting principles (continued)**

*Income Taxes* – The Fresh Diet has elected under the Internal Revenue Code (“IRC”) to be taxed as a C Corporation. The Fresh Diet accounts for income taxes under ASC 740, *Income Taxes*. Deferred income tax assets and liabilities are determined based upon differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is recorded when it is more likely than not that some portion or all of a deferred tax asset will not be realized.

NIM is taxed as a Canadian Corporation. All the other consolidated entities, with the consent of their members, elected under the IRC to be S Corporations. In lieu of corporate federal income taxes, the members of an S Corporation are taxed on their proportionate share of the respective entity’s taxable income. Therefore, no provision or liability for income taxes is included in the accompanying consolidated financial statements for these entities.

Additionally, management has evaluated the effect of an accounting standard relating to accounting for uncertainty in income taxes. Management has determined that the Company had no uncertain income tax positions that could have a significant effect on the consolidated financial statements for the year ended December 31, 2013. The Company’s federal income tax returns since 2010 are subject to examination by the Internal Revenue Services, generally for three years after the federal income tax returns are filed.

*Foreign Currency Translation* – The functional currency of the Company’s Canadian affiliate was the Canadian dollar. Assets and liabilities were translated into U.S. dollars at exchange rates as of the financial statement date and revenues and expenses were translated at average exchange rates prevailing during the respective periods. As of and during the year ended December 31, 2013, the Canadian dollar approximated the U.S. dollar therefore a translation adjustment was not considered necessary.

**Note 3 – Concentrations**

The Company places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers $250,000 for substantially all depository accounts. The Company from time to time may have amounts on deposit in excess of the insured amounts. As of December 31, 2013, the Company had approximately $831,000 of cash and cash equivalent balances in excess of these insured limits.

**Note 4 – Liquidity and capital resources**

For the year ended December 31, 2013, the Company incurred a net loss of approximately $3,700,000. In addition, the Company has a working capital deficit of approximately $8,300,000 (which includes approximately
$6,900,000 of deferred revenue) at December 31, 2013. The continuation of the Company’s business is dependent upon raising adequate additional financial support which includes raising additional capital through the issuance of shares, incurring additional debt through a financial institution, or the sale or merger of the Company. As further discussed in Note 14, the Company entered into a Proposed Terms of Offer agreement with a publically held company with a plan of merger which is expected to provide The Fresh Diet with the necessary financial funding needed to expand its service offerings and geographic markets, and enable the Company to streamline its operations through investment in technology and logistics.

**Note 5 – Property and equipment, net**

Property and equipment consist of the following at December 31, 2013:

| | | |
|---|---|---|
| Leasehold improvements | $ | 253,381 |
| Equipment | | 922,348 |
| Vehicles | | 663,868 |
| Total cost | | 1,839,597 |
| Accumulated depreciation and amortization | | (570,037) |
| Property and equipment, net | $ | 1,269,560 |

Depreciation and amortization expense for the year ended December 31, 2013 were approximately $514,000. The Company incurred a loss on disposal of property and equipment of approximately $108,000 for the year ended December 31, 2013.

Included in property and equipment as of December 31, 2013 are assets acquired through capital lease obligations as follows:

| | | |
|---|---|---|
| Vehicles | $ | 483,520 |
| Equipment | | 205,000 |
| Less accumulated amortization | | (133,058) |
| | $ | 555,462 |

**Note 6 – Variable interest entity**

The Company holds the primary beneficial interest in the VIE referred to in Note 2. As such, the financial statements of this entity are consolidated with those of The Fresh Diet, Inc. The following summarizes the assets, liabilities, and expenses of this VIE which have been consolidated in the accompanying consolidated financial statements as of and for the year ended December 31, 2013.

**Note 6 – Variable interest entity (continued)**

| | Pre-consolidation December 31, 2013 |
|---|---|
| **Assets** | |
| Cash and cash equivalents | $ 1,090 |
| Total assets | $ 1,090 |
| | |
| **Liabilities** | |
| Accounts payable | $ - |
| **Shareholders' Deficit** | |
| Partners' deficit | 1,090 |
| Total liabilities and shareholders' deficit | $ 1,090 |
| | |
| **Revenues and Expenses** | |
| Revenues | $ 4,034,264 |
| Operating expenses | (3,902,771) |
| Net income | $ 131,493 |

**Note 7 – Due from shareholders**

In the ordinary course of business, the Company has made loans and advances to its shareholders amounting to $461,652 at December 31, 2013. These loans and advances are unsecured, due on demand and bear no interest.

**Note 8 – Line of credit, notes payable, and capital lease obligations**

*Line of Credit* – The Fresh Diet, Inc. 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 real estate owned by one of the shareholders. Borrowings outstanding under the line of credit as of December 31, 2013 amounted to $75,000.

**Note 8 – Line of credit, notes payable, and capital lease obligations (continued)**

*Notes Payable and Capital Lease Obligation* – Notes payable and capital lease obligations consist of the following as of December 31, 2013:

| | | |
|---|---|---|
| Small business note payable in monthly installments, including interest of 2% over prime (5.25% as of December 31, 2013), maturing on October 1, 2019, and secured by all assets of The Fresh Diet, Inc., the life insurance policies maintained on two of the partners and personally guaranteed by two of the partners. | $ | 145,531 |
| Small business note payable in monthly installments, including interest of 1.75% over prime adjusted quarterly (5% as of December 31, 2013), maturing on December 20, 2017, and secured by all assets of The Fresh Diet, Inc. and personally guaranteed by the spouse of one of the partners. | | 408,912 |
| Business loan of $500,000 from a credit card merchant, with a loan fee of 0.5% and repayment rate of 50% 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, Inc. | | 286,728 |
| Business loan of $814,000 from a credit card merchant, with a loan fee of 25% and repayment rate of 12% of the sum of charge volume until all amounts have been paid, and guaranteed by the partners of The Fresh Diet, Inc. | | 429,915 |
| Note payable issued for acquisition of Diet at Your Doorstep's customer lists and a maturity date of May 1, 2015, 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. | | 20,000 |
| Unsecured note payable for purchase of website domain bearing 0% interest and a maturity date of November 20, 2017, with monthly payments of $1,065. | | 42,590 |
| Capital lease obligations under a master lease agreement for vehicles payable in monthly installments, including interest raging from 2.32% to at 7.5%, maturing on various dates through December 1, 2015, and collaterized by the vehicles. | | 384,261 |
| Capital lease obligation for equipment payable in monthly installments, including interest at 20.35%, maturing on November 9, 2014, and collaterized by the equipment. | | 62,666 |
| | | 1,780,603 |
| Current maturities | | (1,153,128) |
| Notes payable and capital lease obligation, net of current maturities | $ | 627,475 |

**Note 8 – Line of credit, notes payable, and capital lease obligations (continued)**

Future maturities of long-term debt as of December 31, 2013 are as follows:

| Year Ending December 31, | | |
|---|---|---|
| 2014 | $ | 1,153,128 |
| 2015 | | 278,381 |
| 2016 | | 145,060 |
| 2017 | | 148,984 |
| 2018 | | 31,790 |
| Thereafter | | 23,260 |
| | $ | 1,780,603 |

**Note 9 – Notes payable to shareholders**

The Fresh Diet, Inc. has notes payables to its shareholders amounting to $1,500,000 at December 31, 2013. These notes are unsecured, bear no interest and mature on July 15, 2015. In the event the notes are not paid when due, amounts not paid under the notes shall bear interest of 21% per annum until paid in full.

**Note 10 – Shareholders' deficit**

The Fresh Diet has a limited liability partnership agreement between its five shareholders which consists of two tranches of interests: dilutable and non-dilutable. As defined by the partnership agreement, non-dilutable interest shall be adjusted appropriately, as considered necessary, in order to be maintained in the event that additional partnership interests are issued by the partnership. On June 23, 2011, The Fresh Diet, Inc. sold an additional partnership interest to one of the existing shareholders for $2,000,000, of which 80% of the purchased interest shall be non-dilutable and 20% shall be dilutable. As of December 31, 2013, The Fresh Diet has 16.83% of non-dilutable partnership interests.

**Note 11 – Income taxes**

The Fresh Diet elected to be taxed as a C Corporation for Federal income tax purposes. In assessing the realizability of deferred tax assets, management considered whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent on the generation of future taxable income during the periods in which the temporary differences are deductible. Management considers the scheduled reversal of deferred tax assets, projected future taxable income, and tax planning strategies in making this assessment. Based upon these factors, management has recorded a full valuation allowance of $4,105,207 as of December 31, 2013, to reduce the net deferred tax assets that more likely than not will not be realized. During 2013, management evaluated all positive and negative evidence, including the timing, amount, and character of future taxable income available for the realization of the tax benefit of deductible temporary differences and carryforwards. Those considerations supported a conclusion that deductible temporary differences and certain carryforwards will not be realized.

**Note 11 – Income taxes (continued)**

As of December 31, 2013, the Fresh Diet has charitable contribution carryforwards and net operating loss carryforwards, which are available to offset future taxable income, if any. The charitable contribution carryforwards begin to expire in 2016, and the net operating loss carryforwards begin to expire in 2031. Their utilization is limited to future taxable earnings of the Company.

Components of income tax benefit for the year ended December 31, 2013 are as follows:

| | | |
|---|---|---|
| Current | $ | - |
| Deferred | | 1,611,713 |
| | | 1,611,713 |
| Increase in deferred tax asset valuation allowance | | (1,611,713) |
| Income tax expense | $ | - |

Income tax benefit for financial reporting purposes differs from that which would be expected by applying the 34% federal statutory rate to net loss before income taxes primarily because of state income taxes and certain expenses which are permanently non-deductible for income tax purposes.

Components of net deferred tax assets are as follows as of December 31, 2013:

| | | |
|---|---|---|
| Deferred Tax Assets: | | |
| Deferred Rent | $ | 11,085 |
| Accrued Liabilities | | 10,666 |
| Inventory | | 5,243 |
| Intangible Assets | | 285,445 |
| Litigation Reserve | | 99,479 |
| Charitable Contribution Carryforward | | 34,165 |
| Net Operating Loss Carryforward | | 3,989,784 |
| Deferred Tax Liabilities: | | |
| Depreciable Assets | | (330,660) |
| Less Valuation Reserve | | (4,105,207) |
| Net Deferred Tax Asset | $ | - |

**Note 12 – Commitments and contingencies**

*Leases* – Certain members on behalf of the Company lease office space, facility space and equipment under non-cancelable operating leases from various lessors, with remaining terms of one to four years. The following is a summary of future minimum payments on non-cancelable operating leases:

| Year Ending December 31, | | |
|---|---|---|
| 2014 | $ | 711,215 |
| 2015 | | 730,054 |
| 2016 | | 232,068 |
| 2017 | | 124,872 |
| 2018 | | 117,612 |
| | $ | 1,915,821 |

Rent expense was approximately $763,000 during the year ended December 31, 2013.

*Litigation* – During 2012, the Company became subject to a lawsuit seeking to recover unpaid wages on behalf of drivers for the Fresh Diet and/or Late Night Express who delivered meals in New York, New Jersey, and Connecticut. Late Night Express classified these drivers as independent contractors, but the plaintiffs are claiming that they were employees and should have been paid appropriate hourly wage rates for all hours worked. Management intends to vigorously defend its position that the drivers were properly classified as independent contractors; however, based on limited information known through the date of the consolidated financial statements it is possible that a court or jury may determine that the plaintiffs were improperly classified as independent contractors. The potential litigation is in preliminary stages and the Company cannot reasonably determine an estimate or range of estimates of potential damages nor can management give any assurances that this matter will not have a material adverse impact on the consolidated financial statements. Management has recorded a reserve for this litigation of approximately $250,000 which is included in accrued expenses and other current liabilities in the accompanying consolidated balance sheet that represents management's best estimate for a negotiated settlement.

The Company is involved in other litigation in the ordinary course of business. In the opinion of management, any litigation under which the Company is a defendant is without merit and should not result in judgments, which in the aggregate, would have a materially adverse effect on the Company's consolidated financial statements.

**Note 13 – Sale of subsidiaries**

During August 2013, the Company entered into an agreement with an unrelated party to sell EG assets consisting of, among other things, intellectual property, kitchen equipment, and client list, as well as the assignment of their existing two year kitchen lease, for $10,000. During November 2013, the Company entered into a share purchase agreement to sell its interest in NIM to an unrelated party for a selling price of approximately $106,000, which consisted of $65,000 in cash, approximately $10,000 for legal services incurred and a receivable amount of $35,000 provided the Company meets certain metrics, which is recorded in prepaid expenses and other current assets in the accompanying consolidated balance sheet. The Company recorded a gain on these sales of $20,504 for the year ended December 31, 2013.

**Note 14 – Pending Merger of Company**

On July 18, 2014, the Company entered into a Proposed Terms of Offer agreement with a publically held company with a plan of merger which the Company would merge into that publically held company. The Company must meet various obligations to comply with the conditions to the merger, and Company management believes they have met all such obligations. The merger is anticipated to close on or before August 15, 2014.

**Note 15 – Subsequent events**

The Company has evaluated subsequent events through August 9, 2014, in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued.

During February and March 2014, the Company entered into two short term promissory notes payable with shareholders totaling $700,000, bearing annual interest of 4% and due on or prior to November 30, 2014.

# YS CATERING, LLP AND AFFILIATED COMPANIES D/B/A THE FRESH DIET

## CONSOLIDATED FINANCIAL STATEMENTS

***As of and for the Years Ended December 31, 2012 and 2011***

***And Report of Independent Auditor***

**YS CATERING, LLP AND AFFILIATED COMPANIES**
**D/B/A THE FRESH DIET**
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Cherry Bekaert LLP
CPAs & Advisors

**Report of Independent Auditor**

To the Partners of
YS Catering, LLP and Affiliated Companies

**Report on the Consolidated Financial Statements**
We have audited the accompanying consolidated financial statements of YS Catering, LLP and Affiliated Companies d/b/a The Fresh Diet (the "Company"), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in partners' capital (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Consolidated Financial Statements**
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of YS Catering, LLP and Affiliated Companies d/b/a The Fresh Diet as of December 31, 2012 and 2011 and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Cherry Bekaert LLP

Coral Gables, Florida March 18, 2013

**YS CATERING, LLP AND AFFILIATED COMPANIES**
**D/B/A THE FRESH DIET**
CONSOLIDATED BALANCE SHEETS

***DECEMBER 31, 2012 AND 2011***

| | 2012 | 2011 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 291,133 | $ 1,222,784 |
| Restricted cash | 243,513 | - |
| Restricted certificate of deposit | - | 402,984 |
| Accounts receivable, credit cards | 267,586 | 184,196 |
| Due from partners | 421,426 | 476,655 |
| Supplies and inventory | 542,086 | 318,000 |
| Prepaid expenses and other current assets | 628,361 | 421,024 |
| Total Current Assets | 2,394,105 | 3,025,643 |
| | | |
| Property and equipment, net | 1,221,725 | 1,057,414 |
| Intangible assets, net | 73,423 | 16,197 |
| **Total Assets** | **$ 3,689,253** | **$ 4,099,254** |
| | | |
| **LIABILITIES** | | |
| Current Liabilities: Accounts payable | $ 675,827 | $ 778,713 |
| Accrued expenses and other current liabilities | 1,177,554 | 650,795 |
| Deferred revenue | 6,377,862 | 5,098,974 |
| Current portion of notes payable and capital lease obligation | 211,617 | 1,313,326 |
| Total Current Liabilities | 8,442,860 | 7,841,808 |
| Notes payable and capital lease obligation, less current portion | 670,267 | 770,103 |
| **Total Liabilities** | **9,113,127** | **8,611,911** |
| | | |
| **PARTNERS' CAPITAL (DEFICIT)** | | |
| Partners' capital (deficit) in YS Catering LLP | (5,293,471) | (4,177,311) |
| Noncontrolling interest in variable interest entities | (130,403) | (335,346) |
| **Total Partners' Capital (Deficit)** | **(5,423,874)** | **(4,512,657)** |
| **Total Liabilities and Partners' Capital (Deficit)** | **$ 3,689,253** | **$ 4,099,254** |

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

**YS CATERING, LLP AND AFFILIATED COMPANIES**
**D/B/A THE FRESH DIET**
CONSOLIDATED STATEMENTS OF OPERATIONS

***DECEMBER 31, 2012 AND 2011***

| | 2012 | 2011 |
|---|---|---|
| **Revenue** | **$ 26,469,225** | **$ 26,192,714** |
| Costs and Expenses | | |
| Cost of revenue | 14,663,353 | 13,382,474 |
| Labor costs | 2,498,098 | 3,770,898 |
| Sales, marketing and support | 2,035,413 | 2,806,346 |
| General and administrative | 7,303,161 | 10,177,632 |
| Loss on deconsolidated entities | 384,640 | - |
| Depreciation and amortization | 374,287 | 301,290 |
| Total Costs and Expenses | 27,258,952 | 30,438,640 |
| | | |
| Loss from operations | (789,727) | (4,245,926) |
| | | |
| Other Income (Expense) | | |
| Interest expense | (459,807) | (72,255) |
| Interest income | 2,971 | 6,464 |
| Total Other Expense, Net | (456,836) | (65,791) |
| Consolidated net loss before taxes | (1,246,563) | (4,311,717) |
| | | |
| Income tax provision | - | - |
| Consolidated net loss | (1,246,563) | (4,311,717) |
| | | |
| Less net loss attributable to the noncontrolling interest in variable interest entities | 130,403 | 428,778 |
| **Net loss attributable to YS Catering, LLP** | **$ (1,116,160)** | **$ (3,882,9 39)** |

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

**YS CATERING, LLP AND AFFILIATED COMPANIES**
**D/B/A THE FRESH DIET**
CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL (DEFICIT)

***DECEMBER 31, 2012 AND 2011***

| | Partners' Capital (Deficit) in YS Catering LLP | Noncontrolling Interest in VIE | Total |
|---|---|---|---|
| Balance at January 1, 2011 | $ (2,294,372) | $ 170,183 | $ (2,124,189) |
| Partner capital contributions | 2,000,000 | - | 2,000,000 |
| Distributions to partners | - | (76,751) | (76,751) |
| Net loss | (3,882,939) | (428,778) | (4,311,717) |
| Balance at December 31, 2011 | (4,177,311) | (335,346) | (4,512,657) |
| Dissolution of non-controlling interests | - | 335,346 | 335,346 |
| Net loss | (1,116,160) | (130,403) | (1,246,563) |
| Balance at December 31, 2012 | $ (5,293,471) | $ ( 130,403) | $ (5,423,874) |

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

**YS CATERING, LLP AND AFFILIATED COMPANIES**
**D/B/A THE FRESH DIET**
CONSOLIDATED STATEMENTS OF CASH FLOWS

*DECEMBER 31, 2012 AND 2011*

| | 2012 | 2011 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net loss | $ (1,246,563) | $ (4,311,717) |
| Adjustments to reconcile net loss to net | | |
| cash used in operating activities: | | |
| Depreciation and amortization | 374,287 | 301,290 |
| Write-off of property and equipment | - | 142,446 |
| Non-controlling interest in variable interest entities | 335,346 | - |
| | | |
| Accounts receivable, credit cards | (83,390) | 172,983 |
| Due from partners | 55,229 | (238,556) |
| Supplies and inventory | (224,086) | 73,858 |
| Prepaid expenses and other current assets | (132,337) | (275,886) |
| Accounts payable | (102,886) | (2,543) |
| Accrued expenses and other current liabilities | 526,759 | 373,678 |
| Deferred revenue | 1,278,888 | 2,408,871 |
| **Net cash from operating activities** | **781,247** | **(1,355,576)** |
| | | |
| **Cash flows from investing activities:** | | |
| Purchase of property and equipment | (520,824) | (928,789) |
| Redemption (purchase) of certificate of deposit | 402,984 | (2,984) |
| Restricted cash | (243,513) | - |
| **Net cash from investing activities** | **(361,353)** | **(931,773)** |
| | | |
| **Cash flows from financing activities:** | | |
| Borrowings on line of credit | 75,000 | 344,811 |
| Payments on line of credit | (75,000) | (419,811) |
| Proceeds from notes payable | 1,750,000 | 1,250,000 |
| Payments on notes payable | (3,050,641) | (190,777) |
| Payments on capital lease obligations | (50,904) | - |
| Partner contributions | - | 2,000,000 |
| Distributions to partners | - | (76,751) |
| **Net cash from financing activities** | **(1,351,545)** | **2,907,472** |
| | | |
| Net change in cash and cash equivalents | (931,651) | 620,123 |
| Cash and cash equivalents, beginning of year | 1,222,784 | 602,661 |
| **Cash and cash equivalents, end of year** | **$ 291 ,133** | **$ 1,222,7 84** |
| | | |
| **Supplemental disclosure of cash flow information and non cash financing activities:** | | |
| Cash paid for interest | $ 459,807 | $ 73,022 |
| Issuance of note payable for purchase of website domain | $ 75,000 | $ - |
| Issuance of note payable for purchase of customer lists | $ 75,000 | $ - |
| Property and equipment acquired through a capital lease obligation | $ - | $ 165,000 |

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

**Note 1 – Nature of the business**

YS Catering, LLP d/b/a The Fresh Diet ("The Fresh Diet") was established in November of 2005 as a provider of weight management products and services. The Fresh Diet was co-founded by a Le Cordon Bleu trained chef and is based on the 40% carbohydrates, 30% proteins and 30% fats diet concept. The Fresh Diet, along with its consolidated Canadian wholly owned subsidiary, Nutrition in Motion ("NIM") (collectively the "Company"), is a diet delivery company which offers its clients fresh daily-prepared meals that are never frozen, freeze-dried or vacuum packed and are sold primarily through internet and telephone. In August 2012, the Company acquired a 100% interest in Gourmet Everyday whose assets consisted primarily of customer lists in exchange for a note payable of $75,000. The Fresh Diet markets its products both to consumers and to businesses primarily in North America. Approximately 98% and 95% of revenues for the years ended December 31, 2012 and 2011, respectively, were generated in the United States.

**Note 2 – Summary of significant accounting principles**

*Consolidation of Variable Interest Entities* – The Company consolidates the financial statements of variable interest entities ("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 consolidated financial statements as of and for the years ended December 31, 2012 and 2011. All material inter-company transactions and balances of the Company's wholly owned subsidiary and VIE's have been eliminated in consolidation.

The following entities were determined to be VIE's that were required to be consolidated with the Company as of and for the year ended December 31, 2011. However, these entities were closed during the year ended December 31, 2012 and were no longer considered to be VIE's and as such were deconsolidated from the Company.

- Beach Groceries, Inc. – Independent food buying and distribution firm based in North Miami Beach, Florida, which was closed during 2012.
- Fresh Deli – Fresh Café Inc. – Independent deli restaurant located in Miami Beach, Florida which was closed during 2011.
- Fresh Diet Express Corp. – Independent mobile food truck restaurant which was closed during 2011.
- Fresh Diet Grab & Go, Inc. – Independent kiosk vendor selling the food from The Fresh Diet which was closed during 2011.
- Jewpon.com, Inc. – A commerce marketplace (Jewpon.com) that connects the Jewish community and Kosher merchant partners to consumers through the offering of specialty goods and services at discounted prices, which was sold during 2012.

The loss on the deconsolidation of the above entities was approximately $385,000 and is included in the 2012 consolidated statement of operations.

**Note 2 – Summary of significant accounting principles (continued)**

*Use of Estimates* – The preparation of the consolidated financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents* – The Company considers all highly liquid investments with an original maturity of three months or less, at the date of purchase, to be cash equivalents. The Company maintains majority of its cash and cash equivalents, which consist principally of demand deposit accounts and a money market fund with four financial institutions.

*Restricted Cash* – Restricted cash represents amounts held by the Company's credit card processors for potential chargebacks associated with credit card transactions.

*Restricted Certificate of Deposit* – Restricted certificate of deposit serves as collateral for the line of credit (Note 8).

*Accounts Receivable, Credit Cards* – Receivables from credit card charges are included in accounts receivable, credit cards in the accompanying consolidated balance sheets. The Company has determined that an allowance for doubtful accounts was not considered necessary at December 31, 2012 and 2011.

*Supplies and Inventory* – Supplies and inventory includes operating materials and supplies, principally food trays and bags that are utilized to package and deliver meals to customers.

*Property and Equipment* – Property and equipment are recorded at cost and depreciated over their estimated useful lives, which are generally five years, using the straight-line method. The Company capitalizes costs associated with application development and such costs are included in capitalized software. Such costs are amortized over the software's useful lives which is generally three years.

Expenditures for maintenance and repairs are charged to operations as incurred, while significant renewals and betterments are capitalized. The assets and related depreciation are adjusted for asset retirements and disposals with the resulting gain or loss included in operations.

*Intangible Assets* – Intangible assets relate to the acquisition of customer lists during 2012 that are being amortized using the straight-line method over 3 years.

*Long-lived Asset Impairment* – The Company evaluates the recoverability of the carrying value of property and equipment and intangible assets whenever events or circumstances indicate the carrying amount may not be recoverable. If property and equipment and intangible assets are tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the assets, the assets cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No impairment on property and equipment or other intangible assets was recognized during the years ended December 31, 2012 and 2011.

**Note 2 – Summary of significant accounting principles (continued)**

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

Level 1 — quoted prices in active markets for identical assets or liabilities
Level 2 — quoted prices for similar assets or liabilities in active markets or inputs that are observable
Level 3 — inputs that are unobservable (for example cash flow modeling inputs based on assumptions)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

*Money Market Fund* – These investments are public investment vehicles valued using $1 for the NAV. The money market funds are classified within level 2 of the valuation hierarchy.

Below is the Company's financial investments carried at fair value on a recurring basis at December 31, 2012 and 2011:

| **December 31, 2012** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **Total Fair Value** |
|---|---|---|---|---|
| Money market fund | $ - | $ 264,451 | $ - | $ 264,451 |

| **December 31, 2011** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **Total Fair Value** |
|---|---|---|---|---|
| Money market fund | $ - | $ 1,219,800 | $ - | $ 1,219,800 |

*Revenue Recognition* – Revenue from the sale of meals is recognized when the earnings process is complete which is upon the delivery of the meals 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.

The Company offers various "free days" promotions. The promotions entice customers to purchase a certain amount of days of meal delivery by offering one or more free days. In accordance with ASC 605-50, *Revenue Recognition – Customer Payments and Incentives*, the Company recognizes the cost of the free offer as cost of revenue proportionally over the term of the meal delivery subscription or until the customer cancels and no longer is entitled to the free offer.

**Note 2 – Summary of significant accounting principles (continued)**

Revenue from meal program sales include amounts billed for shipping and handling and is presented net of returns and billed sales tax. Shipping-related costs are included in cost of revenue in the accompanying consolidated statements of operations.

*Cost of Revenue* – Cost of revenue consists mainly of meal costs, kitchen payroll, rent and overhead costs, credit card fees, product, fulfillment and shipping costs. Credit card fees were approximately $856,000 and $879,000 during the years ended December 31, 2012 and 2011, respectively.

*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 $1,728,000 and $2,306,000 for the years ended December 31, 2012 and 2011, respectively.

*Income Taxes* – Effective January 1, 2011, YS Catering, LLP elected under the Internal Revenue Code ("IRC") to be taxed as a C Corporation. The Company accounts for income taxes under ASC 740, *Income Taxes*. Deferred income tax assets and liabilities are determined based upon differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is recorded when it is more likely than not that some portion or all of a deferred tax asset will not be realized.

NIM is taxed as a Canadian Corporation. All the other consolidated entities, with the consent of their members, elected under the Internal Revenue Code to be S Corporations. In lieu of corporate federal income taxes, the members of an S Corporation are taxed on their proportionate share of the respective entity's taxable income. Therefore, no provision or liability for income taxes is included in the accompanying consolidated financial statements for these entities.

Additionally, management has evaluated the effect of an accounting standard relating to accounting for uncertainty in income taxes. Management has determined that the Company had no uncertain income tax positions that could have a significant effect on the consolidated financial statements for the years ended December 31, 2012 and 2011. The Company's federal income tax returns since 2009 are subject to examination by the Internal Revenue Services, generally for three years after the federal income tax returns are filed.

*Foreign Currency Translation* - The functional currency of the Company's Canadian affiliate was the Canadian dollar. Assets and liabilities were translated into U.S. dollars at exchange rates as of the financial statement date and revenues and expenses were translated at average exchange rates prevailing during the respective periods. As of and during the years ended December 31, 2012 and 2011, the Canadian dollar approximated the U.S. dollar therefore a translation adjustment was not considered necessary.

**Note 3 – Concentrations**

The Company places its cash on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation ("FDIC") covers $250,000 for substantially all depository accounts. In addition, the FDIC provided unlimited coverage for certain qualifying and participating non-interest bearing transaction accounts through December 31, 2012; however, effective January 1, 2013, the FDIC discontinued the additional unlimited coverage. The Company from time to time may have amounts on deposit in excess of the insured amounts. As of December 31, 2012, the Company had approximately $17,000 of cash balances in excess of these insured limits.

**Note 4 – Liquidity and capital resources**

For the years ended December 31, 2012 and 2011, the Company incurred a net loss of approximately $1,200,000 and $4,300,000, respectively. In addition, the Company has a working capital deficit of approximately $6,049,000 and $4,816,000 (which includes approximately $6,400,000 and $5,100,000 of deferred revenue, respectively) at December 31, 2012 and 2011, respectively. The continuation of the Company's business is dependent upon raising adequate additional financial support which includes raising additional capital through the issuance of partnership interests or incurring additional debt through a financial institution. The Company's Chief Executive Officer and certain investors have committed to providing the Company with sufficient capital for operating and investing purposes to meet its financial obligations through January 1, 2014 if and when needed. In addition, the Company has access to credit facilities through it credit card merchants. Management is in the process of securing additional financial support from prospective investors through both debt and equity financing avenues and believes it has the ability to secure such financing at reasonable costs. Management believes that the Company's access to capital and continuing operations will enable it to continue as a going concern through January 1, 2014. Management also expects to utilize these capital resources to expand its geographic market and service offerings and enable the Company to streamline its operations through investment in technology and logistics.

**Note 5 – Property and equipment, net**

Property and equipment consist of the following at December 31:

| | 2012 | 2011 |
|---|---|---|
| Leasehold improvements | $ 355,517 | $ 248,901 |
| Equipments | 1,125,540 | 1,064,311 |
| Vehicles | 127,461 | 139,604 |
| Capitalized software | 354,045 | - |
| Total cost | 1,962,563 | 1,452,816 |
| Accumulated depreciation and amortization | (740,838) | (395,402) |
| Property and equipment, net | $ 1,221,72 5 | $ 1,057,414 |

Depreciation and amortization expense for the years ended December 31, 2012 and 2011 were approximately $374,000 and $301,000, respectively.

Included in property and equipment as of December 31, 2012 are assets acquired in a capital lease as follows:

| | |
|---|---|
| Equipment | $ 165,000 |
| Less accumulated amortization | (90,000) |
| | $ 75,000 |

**Note 6 – Variable interest entities**

The Company holds the primary beneficial interest in the VIE entities referred to in Note 2. As such, the financial statements of these entities are consolidated with those of YS Catering, LLP. The following summarizes the assets, liabilities, and expenses of these VIE entities which have been consolidated in the accompanying consolidated financial statements as of and for the years ended December 31, 2012 and 2011.

| | Pre consolidation December 31, 2012 | Pre consolidation December 31, 2011 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 23,989 | $ 1,214 |
| Other current assets | - | 1,986 |
| Total assets | $ 23, 989 | $ 3,200 |
| **Liabilities** | | |
| Accounts payable | $ 13,642 | $ 55,791 |
| Other current liabilities | - | 20,877 |
| Due to related party | 140,750 | 261,878 |
| **Partners' Deficit** | | |
| Partners' deficit | (130,403) | (335,346) |
| Total liabilities and partners' deficit | $ 23,989 | $ 3,200 |
| **Revenues and Expenses** | | |
| Revenues | $ 4,406,073 | $ 5,381,862 |
| Cost of revenues | (24,080) | (642,868) |
| Operating expenses | (4,512,396) | (5,397,511) |
| Other income | - | 229,739 |
| Net loss | $ (130,403) | $ (428,778) |

**Note 7 – Due from partners**

In the ordinary course of business, the Company has made loans and advances to its partners amounting to $421,426 and $476,655 at December 31, 2012 and 2011, respectively. These loans and advances are unsecured, due on demand and bear no interest.

**Note 8 – Line of credit, notes payable, and capital lease obligation**

Line of Credit – YS Catering LLP had 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, a certificate of deposit, and by a condominium real estate owned by one of the partners. There were no borrowings outstanding as of December 31, 2012.

**Note 8 – Line of credit, notes payable, and capital lease obligation (continued)**

*Notes Payable and Capital Lease Obligation* – Notes payable and capital lease obligation consist of the following as December 31:

| | 2012 | 2011 |
|---|---|---|
| Small business note payable in monthly installments, including interest of 2% over prime (5.25% as of December 31, 2012), maturing on October 1, 2019, and secured by all assets of YS Catering LLP, the life insurance policies maintained on two of the partners and personally guaranteed by all the partners. | $ 164,377 | $ 184,047 |
| Small business note payable in monthly installments, including interest of 1.75% over prime (adjusted quarterly, 5% as of December 31, 2012), maturing on December 20, 2017, and secured by all assets of YS Catering LLP and personally guaranteed by the spouse of one of the partners. | 490,273 | 575,551 |
| Business loan of $750,000 from a credit card merchant, with a loan fee of 6% and repayment rate of 9% of the sum of charge volume during the loan period, maturing no later than November 17, 2012, and secured by the assets of YS Catering LLP. | - | 709,502 |
| Business loan of $500,000 from a credit card merchant, with a loan fee of 20% and repayment rate of 8% of the sum of charge volume until all amounts have been paid, and guaranteed by the partners of YS Catering LLP. | - | 449,329 |
| Note payable issued for acquisition of Gourmet Everyday's customer lists with interest at 0.31% and a maturity date July 1, 2014, with monthly payments of $3,125 secured by the Company's interest in Gourmet Everyday. | 59,375 | - |
| Unsecured note payable for purchase of website domain bearing 0% interest and a maturity date of November 20, 2017, with monthly payments of $1,065. | 54,305 | - |
| Capital lease obligation for equipment payable in monthly installments, including interest at 20.35%, maturing on November 9, 2014, and collaterized by the equipment. | 113,554 | 165,000 |
| | 881,884 | 2,083,429 |
| Current maturities | (211,617) | (1,313,326) |
| Notes payable and capital lease obligation, net of current maturities | $ 670,267 | $ 770,103 |

Future maturities of long-term debt as of December 31, 2012 are as follows:

| Year Ending December 31, | |
|---|---|
| 2013 | $ 211,617 |
| 2014 | 208,741 |
| 2015 | 134,000 |
| 2016 | 140,520 |
| 2017 | 137,795 |
| Thereafter | 49,211 |
| | $ 881,884 |

**Note 9 – Partners' capital (deficit)**

YS Catering, LLP has a limited liability partnership agreement between its five partners which consists of two tranches of partnership interests: dilutable and non-dilutable. As defined by the partnership agreement, non- dilutable interest shall be adjusted appropriately, as considered necessary, in order to be maintained in the event that additional partnership interests are issued by the partnership. On June 23, 2011, YS Catering, LLP sold an additional partnership interest to one of the existing partners for $2,000,000, of which 80% of the purchased interest shall be non-dilutable and 20% shall be dilutable. As of December 31, 2012, YS Catering, LLP has 16.83% of non-dilutable partnership interests.

**Note 10 – Income taxes**

Effective January 1, 2011, the Company elected to be taxed as a C Corporation for Federal income tax purposes. The Company recorded a net deferred tax asset as of the date of the entity classification change in the amount $551,090. The resulting components of income tax benefit as of the date of the entity classification change include the recording of a deferred income tax benefit of $551,090, along with the recording of a full valuation allowance of $551,090, based on management's assessment of the realizability of the deferred tax assets existing as of January 1, 2011.

In assessing the realizability of deferred tax assets, management considered whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent on the generation of future taxable income during the periods in which the temporary differences are deductible. Management considers the scheduled reversal of deferred tax assets, projected future taxable income, and tax planning strategies in making this assessment. Based upon these factors, management has recorded a full valuation allowance of $2,493,495 and $2,005,375 as of December 31, 2012 and 2011, respectively, to reduce the net deferred tax assets that more likely than not will not be realized. During 2012 and 2011, management evaluated all positive and negative evidence, including the timing, amount, and character of future taxable income available for the realization of the tax benefit of deductible temporary differences and carryforwards. Those considerations supported a conclusion that deductible temporary differences and certain carryforwards will not be realized.

As of December 31, 2012, the Company has charitable contribution carryforwards and net operating loss carryforwards, which are available to offset future taxable income, if any. The charitable contribution carryforwards begin to expire in 2016, and the net operating loss carryforwards begin to expire in 2031. Their utilization is limited to future taxable earnings of the Company.

YS Catering, LLP's components of income tax benefit for the years ended December 31, 2012 and 2011 are as follows:

| | **2012** | **2011** |
|---|---|---|
| Current | $ - | $ - |
| Deferred | 488,120 | 2,005,375 |
| | 488,120 | 2,005,375 |
| Increase in deferred tax asset valuation allowance | (488,120) | (2,005,375) |
| Income tax expense | $ - | $ - |

Income tax benefit for financial reporting purposes differs from that which would be expected by applying the 34% federal statutory rate to income taxes primarily because of state income taxes and certain expenses which are permanently non-deductible for income tax purposes.

**Note 10 – Income taxes (continued)**

Components of net deferred tax assets are as follows as of December 31, 2012 and 2011:

| | 2012 | 2011 |
|---|---|---|
| Deferred Tax Assets: | | |
| Deferred Rent | $ 5,350 | $ 6,936 |
| Inventory | 11,855 | - |
| Intangible Assets | 364,056 | 469,065 |
| Litigation Reserve | 57,676 | - |
| Charitable Contribution Carryforward | 27,472 | 16,098 |
| Net Operating Loss Carryforward | 2,312,131 | 1,541,992 |
| Deferred Tax Liabilities: | | |
| Depreciable Assets | (285,045) | (28,716) |
| Less Valuation Reserve | (2,493,495) | (2,005,375) |
| Net Deferred Tax Asset | $ - | $ - |

Net deferred tax assets related to tax benefits associated with different tax and financial reporting basis for goodwill, property and equipment, deferred revenue, and net operating loss carryforwards.

**Note 11 – Commitments and contingencies**

Leases – Certain members on behalf of the Company lease office space, facility space and equipment under non-cancelable operating leases from various lessors, with remaining terms of one to four years.  The following is a summary of future minimum payments on non-cancelable restaurant and other operating leases:

| Fiscal Year Ending December, | |
|---|---|
| 2013 | $ 620,260 |
| 2014 | 493,746 |
| 2015 | 395,522 |
| 2016 | 28,911 |
| | $ 1,538,439 |

Rent expense was approximately $795,000 and $1,071,000 during the years ended December 31, 2012 and December 31, 2011, respectively.

**Note 11 – Commitments and contingencies (continued)**

*Litigation* – During 2012, the Company became subject to a lawsuit seeking to recover unpaid wages on behalf of drivers for the Fresh Diet and/or Late Night Express who delivered meals in New York, New Jersey, and Connecticut. Late Night Express classified these drivers as independent contractors, but the plaintiffs are claiming that they were employees and should have been paid appropriate hourly wage rates for all hours worked. Management intends to vigorously defend its position that the drivers were properly classified as independent contractors; however, based on limited information known through the date of the consolidated financial statements it is possible that a court or jury may determine that the plaintiffs were improperly classified as independent contractors. The potential litigation is in preliminary stages and the Company cannot reasonably determine an estimate or range of estimates of potential damages nor can management give any assurances that this matter will not have a material adverse impact on the consolidated financial statements. Management has recorded a reserve for this litigation which is included in accrued expenses and other current liabilities in the accompanying consolidated balance sheets that represents management's best estimate for a negotiated settlement.

The Company is involved in other litigation in the ordinary course of business. Litigation is subject to many uncertainties and the outcome of individual matters is not predictable with assurance. It is possible that some litigation matters for which reserves have not been established could be settled or decided upon unfavorably to the Company and that any such unfavorable decisions could have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

**Note 12 – Subsequent events**

The Company has evaluated subsequent events through March 18, 2013, in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued.

**THE FRESH DIET, INC. AND AFFILIATED COMPANIES**
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**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**THE FRESH DIET, INC. AND AFFILIATED COMPANIES**
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

*AS OF JUNE 30, 2014*

| | | **June 30, 2014** |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | $ | 637,675 |
| Accounts receivable | | 2,588 |
| Due from shareholders and affiliates | | 428,484 |
| Supplies and inventory | | 211,723 |
| Prepaid expenses and other current assets | | 452,013 |
| Total Current Assets | | 1,732,483 |
| | | |
| Property and equipment, net | | 1,128,777 |
| Intangible assets, net | | 104,271 |
| | | |
| Total Assets | $ | 2,965,531 |
| | | |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts payable | $ | 1,470,449 |
| Payable to related parties | | 64,872 |
| Accrued expenses and other current liabilities | | 1,100,446 |
| Deferred revenue | | 4,645,659 |
| Current portion of notes payable and capital lease | | 1,654,923 |
| Notes payable to shareholders | | 2,199,970 |
| Total current liabilities | | 11,136,319 |
| | | |
| Notes payable and capital lease, less current portion | | 485,945 |
| | | |
| Total liabilities | | 11,622,264 |
| | | |
| DEFICIT | | |
| Common stock, no par value, 1,000,000 shares authorized, 994,654 shares issued and outstanding | | 4,133,105 |
| Accumulated deficit | | (12,790,261) |
| Total shareholder’s deficit | | (8,657,156) |
| Noncontrolling interest | | 423 |
| Total deficit | | (8,656,733) |
| | | |
| Total liabilities and deficit | $ | 2,965,531 |

See accompanying notes to the unaudited condensed consolidated financial statements.

**THE FRESH DIET, INC. AND AFFILIATED COMPANIES**
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

*SIX MONTHS ENDED JUNE 30, 2014 AND 2013*

| | For the Six Months Ended June 30, 2014 | For the Six Months Ended June 30, 2013 |
|---|---|---|
| Revenue | $ 11,512,067 | $ 15,372,320 |
| Costs and Expenses | | |
| Cost of revenue | 6,585,132 | 10,673,171 |
| Labor costs | 2,161,627 | 1,843,278 |
| Sales, marketing, and support | 351,224 | 1,329,043 |
| General and administrative | 1,748,129 | 2,558,137 |
| Depreciation and amortization | 141,614 | 438,713 |
| Total Costs and Expenses | 10,987,726 | 16,842,342 |
| Income (loss) from operations | 524,341 | (1,470,022) |
| Other income (expense) | | |
| Interest (expense) | (259,883) | (329,535) |
| Total other income (expense) | (259,883) | (329,535) |
| Consolidated net income (loss) | 264,458 | (1,799,557) |
| Less income (loss) attributable to variable interest entity | (667) | 141,786 |
| Net income (loss) attributable to The Fresh Diet, Inc. | $ 265,125 | $ (1,941,343) |

See accompanying notes to the unaudited condensed consolidated financial statements.

**THE FRESH DIET, INC. AND AFFILIATED COMPANIES**
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*SIX MONTHS ENDED JUNE 30, 2014 AND 2013*

| | For the Six Months Ended June 30, 2014 | For the Six Months Ended June 30, 2013 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income (loss) | $ 264,458 | $ (1,799,557) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | |
| Depreciation and amortization | 141,614 | 438,713 |
| Non-cash compensation | 133,000 | - |
| Changes in assets and liabilities: | | |
| Accounts receivable, credit cards | 18,820 | 166,721 |
| Due from shareholders and affiliates | (1,731) | (97,753) |
| Supplies and inventory | 124,781 | 187,582 |
| Prepaid expenses and other current assets | (273,159) | 504,451 |
| Accounts payable | 253,193 | 480,866 |
| Accrued expenses and other current assets | 128,092 | 1,075,714 |
| Deferred revenue | (2,217,413) | (1,466,385) |
| Due to related parties | 64,872 | 80,245 |
| Line of credit | (75,000) | - |
| **Net cash used in operating activities** | (1,438,473) | (429,403) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (831) | (82,973) |
| **Net cash used in investing activities** | (831) | (82,973) |
| Cash flows from financing activities: | | |
| Principal payments on notes payable and capital leases | (260,278) | (23,995) |
| Proceeds from notes payable to shareholders | 699,970 | 1,000,000 |
| Borrowings on line of credit | 620,543 | - |
| **Net cash provided by financing activities** | 1,060,235 | 976,005 |
| (Decrease) increase in cash and cash equivalents | (379,069) | 463,629 |
| Cash and cash equivalents at beginning of period | 1,016,744 | 534,646 |
| Cash and cash equivalents at end of period | $ 637,675 | $ 998,275 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | $ 259,883 | $ 329,535 |
| Taxes | $ 8,454 | $ - |

See accompanying notes to the unaudited condensed consolidated financial statements.

**Note 1- Nature of the business**

YS Catering, LLP d/b/a The Fresh Diet was established in November of 2005 as a provider of weight management products and services. On September 25, 2013, YS Catering, LLP effectively changed its name to The Fresh Diet, Inc. ("The Fresh Diet"). The Fresh Diet was co-founded by a Le Cordon Bleu trained chef and is based on the 40% carbohydrates, 30% proteins and 30% fats diet concept. The Fresh Diet, along with its consolidated wholly owned subsidiaries, Nutrition in Motion ("NIM") and Everyday Gourmet, LLC ("EG") (collectively the "Company"), is a diet delivery company which offers its clients fresh daily-prepared meals that are never frozen, freeze-dried or vacuum packed and are sold primarily through internet and telephone. In July 2013 a new executive team was brought in to manage the Company. They promptly sold the NIM and GE subsidiaries due to underperformance. The Fresh Diet markets its products both to consumers and to businesses primarily in North America. Approximately 97% of revenues for the year ended December 31, 2013 were generated in the United States.

**Note 2 – Summary of significant accounting principles**

Basis of Presentation
The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. These statements are unaudited but, in the opinion of management, reflect all adjustments necessary for a fair presentation of the Company's financial position, results of operations and cash flows as of and for the six months ended June 30, 2014. Except as otherwise disclosed herein, these adjustments consist of normal, recurring adjustments. Operating results for the interim period are not necessarily indicative of results that may be expected for the fiscal year as a whole. Certain financial information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. Accordingly, the unaudited condensed financial statements should be read in conjunction with the Company's audited consolidated financial statements as of and for the year ended December 31, 2013.

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 consolidated financial statements as of and for the year ended December 31, 2013. All material inter-company transactions and balances of the Company's wholly owned subsidiaries and VIE have been eliminated in consolidation.

Use of Estimates
The preparation of the consolidated financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents
The Company considers all highly liquid investments with an original maturity of three months or less, at the date of purchase, to be cash equivalents. The Company maintains the majority of its cash and cash equivalents, which consist principally of demand deposit accounts, with one financial institution.

Accounts Receivable, Credit Cards
Receivables from credit card charges are included in accounts receivable, credit cards in the accompanying consolidated balance sheet. The Company has determined that an allowance for doubtful accounts was not considered necessary at December 31, 2013.

Supplies and Inventory
Supplies and inventory includes operating materials and supplies, principally food trays and bags that are utilized to package and deliver meals to customers. Such supplies and inventory are recorded at the lower of cost (specific identification) or market.

Property and Equipment
Property and equipment are recorded at cost and depreciated over their estimated useful lives, which are generally five years, using the straight-line method. The Company capitalizes costs associated with application development, and such costs are included in capitalized software. Such costs are amortized over the software's useful lives which is generally three years.

Expenditures for maintenance and repairs are charged to operations as incurred, while significant renewals and betterments are capitalized. The assets and related depreciation are adjusted for asset retirements and disposals with the resulting gain or loss included in operations.

Intangible Assets
Intangible assets relate to the acquisition of customer lists that are being amortized using the straight-line method over 3 years and the acquisition of the Company's website domain, which is considered to be an indefinite life asset.

Revenue Recognition
Revenue from the sale of meals is recognized when the earnings process is complete, which is upon the delivery of the meals 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.

The Company offers various "free days" promotions. The promotions entice customers to purchase a certain amount of days of meal delivery by offering one or more free days. In accordance with ASC 605-50, *Revenue Recognition – Customer Payments and Incentives*, the Company recognizes the cost of the free offer as cost of revenue proportionally over the term of the meal delivery subscription or until the customer cancels and no longer is entitled to the free offer.

Revenue from meal program sales include amounts billed for shipping and handling and is presented net of returns and billed sales tax. Shipping-related costs are included in cost of revenue in the accompanying consolidated statement of operations.

Cost of Revenue
Cost of revenue consists mainly of meal costs, kitchen payroll, credit card fees, product fulfillment and shipping costs.

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 $287,000 for the six months ended June 30, 2014.

Reclassification
Certain reclassifications have been made to conform to prior periods' data to the current presentation. These reclassifications had no effect on reported net income.

**Note 3 - Concentrations**

The Company places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers $250,000 for substantially all depository accounts. The Company from time to time may have amounts on deposit in excess of the insured amounts.

**Note 4 – Liquidity and capital resources**

For the year ended December 31, 2013, the Company incurred a net loss of approximately $3,700,000. In addition, the Company has a working capital deficit of approximately $8,300,000 (which includes approximately $6,900,000 of deferred revenue) at December 31, 2013. The continuation of the Company's business is dependent upon raising adequate additional financial support which includes raising additional capital through the issuance of shares, incurring additional debt through a financial institution, or the sale or merger of the Company. In August 2014, the Company entered into a Proposed Terms of Offer agreement (the "Merger Agreement") with a publically held company with a plan of merger which is expected to provide The Fresh Diet with the necessary financial funding needed to expand its service offerings and geographic markets, and enable the Company to streamline its operations through investment in technology and logistics.

**Note 5 – Due from shareholders**

In the ordinary course of business, the Company has made loans and advances to its shareholders amounting to $428,484 at June 30, 2014. These loans and advances are unsecured, due on demand and bear no interest.

**Note 6 – Notes payable to shareholders**

The Fresh Diet has notes payables to its shareholders amounting to $2,199,970 and $80,245 at June 30, 2014 and 2013, respectively. These notes are unsecured, bear no interest and mature on July 15, 2015. In the event the notes are not paid when due, amounts not paid under the notes shall bear interest of 21% per annum until paid in full. In August 2014, Pursuant to the Merger Agreement, all shareholder debt has been extended to August 15, 2017.

During the period ended June 30, 2014, the Company entered into four short term promissory notes payable with shareholders totaling $1,200,000:

| Date | Principal | Due Date | Interest Rate |
|---|---|---|---|
| February 22, 2014 | $ 250,000 | November 30, 2014 | 4% |
| January 27, 2014 | 250,000 | November 30, 2014 | 4% |
| March 20, 2014 | 200,000 | November 30, 2014 | 4% |
| May 30, 2014 | 500,000 | May 30, 2015 | 4% |
| Total | $ 1,200,000 | | |

In August 2014, Pursuant to the Merger Agreement, all shareholder debt has been extended to August 15, 2017.

**Note 7 – Subsequent Events**

The Company has evaluated subsequent events through the date the financial statements were available to be issued, which is the same date as the independent auditors' report

**Merger**

On July 18, 2014, the Company entered into a Proposed Terms of Offer agreement with Innovative Food Holdings, Inc. ("Innovative"). The merger was consummated on August 15, 2014.

**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.

During 2012, the Company became subject to a lawsuit seeking to recover unpaid wages on behalf of drivers for the Fresh Diet and/or Late Night Express who delivered meals in New York, New Jersey, and Connecticut. Late Night Express classified these drivers as independent contractors, but the plaintiffs are claiming that they were employees and should have been paid appropriate hourly wage rates for all hours worked. Management intends to vigorously defend its position that the drivers were properly classified as independent contractors; however, based on limited information known through the date of the consolidated financial statements it is possible that a court or jury may determine that the plaintiffs were improperly classified as independent contractors. The potential litigation is in preliminary stages and the Company cannot reasonably determine an estimate or range of estimates of potential damages nor can management give any assurances that this matter will not have a material adverse impact on the consolidated financial statements. Management has recorded a reserve for this litigation of approximately $250,000 which is included in accrued expenses and other current liabilities in the accompanying consolidated balance sheet that represents management's best estimate for a negotiated settlement.

On September 3, 2014, the Company 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 Company, seeks to attack the merger transaction with Innovative, which was approved by a majority of the Company's shareholders. In the Complaint, the plaintiff asks the court to set aside the transaction. The Company believes the Complaint is without merit, contains numerous factual errors, and the registrant is confident that it will prevail.

**Exhibit 99.2**

## UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The unaudited pro forma condensed combined balance sheet at June 30, 2014 and the unaudited pro forma condensed combined statements of operations for the six months ended June 30, 2014, and for the year ended December 31, 2013 presented herein are based on the historical financial statements of Innovative Food Holdings, Inc. ("Innovative") and The Fresh Diet, Inc. ("The Fresh Diet") after giving effect to Innovative's acquisition of The Fresh Diet (the "Acquisition") and the assumptions and adjustments described in the accompanying notes to these unaudited pro forma condensed combined financial statements.

The unaudited condensed combined pro forma balance sheet data assume that the acquisition took place on June 30, 2014 and combine unaudited consolidated balance sheets of Innovative and The Fresh Diet as of June 30, 2014.

The unaudited pro forma condensed combined statement of operations data for the six months ended June 30, 2014 combine the historical unaudited consolidated statement of operations of Innovative and The Fresh Diet for the six months ended June 30, 2014. The unaudited pro forma condensed combined statement of operations data for the six months ended June 30, 2014 give effect to the merger as if it occurred on January 1, 2014.

The unaudited pro forma condensed combined statement of operations data for the year ended December 31, 2013 combine the historical consolidated statement of operations of Innovative and The Fresh Diet for the year ended December 31, 2013. The unaudited pro forma condensed combined statement of operations data for the fiscal year ended December 31, 2013 give effect to the merger as if it occurred on January 1, 2013.

The unaudited pro forma condensed combined financial statements include adjustments, which are based upon preliminary estimates, to reflect the allocation of the purchase price to the acquired assets and assumed liabilities of The Fresh Diet. The final allocation of the purchase price will be determined after the completion of the acquisition and will be based upon actual net tangible and intangible assets acquired as well as liabilities assumed. The preliminary purchase price allocation for The Fresh Diet is subject to revision as more detailed analysis is completed and additional information on the fair values of The Fresh Diet's assets and liabilities becomes available. Any change in the fair value of the net assets of The Fresh Diet will change the amount of the purchase price allocable to goodwill. Additionally, changes in The Fresh Diet's working capital, including the results of operations from June 30, 2014 through the date the transaction is completed, will change the amount of goodwill recorded. Final purchase accounting adjustments may differ materially from the pro forma adjustments presented here.

The unaudited pro forma condensed combined financial statements do not give effect to the potential impact of current financial conditions, regulatory matters or any anticipated synergies, operating efficiencies or cost savings that may be associated with the acquisition. The unaudited pro forma condensed combined financial data also do not include any integration costs, cost overlap or estimated future transaction costs, except for fixed contractual transaction costs that the companies expect to incur as a result of the acquisition. In addition, as explained in more detail in the notes to the unaudited pro forma condensed combined financial statements, the acquisition date fair values of the identifiable assets acquired and liabilities assumed reflected in the unaudited pro forma condensed combined financial statements are subject to adjustment to reflect, among other things, the actual closing date, and may vary significantly from the actual amounts that will be recorded upon completion of the acquisition method accounting.

The historical financial information has been adjusted to give effect to events that are directly attributable to the Acquisition, factually supportable and, with respect to the statements of operations, expected to have a continuing impact on the results of the combined company. These unaudited pro forma combined financial statements should be read in conjunction with the historical financial statements and accompanying notes of The Fresh Diet (contained elsewhere in this Form 8-K), and Innovative's historical financial statements and accompanying notes appearing in its periodic SEC filings including the Company's Annual Report on Form 10-K for the year ended December 31, 2013, and its Quarterly Report on Form 10-Q for the three and six months ended June 30, 2014. The adjustments that are included in the following unaudited pro forma combined financial statements are described in Note 2 below, which includes the numbered notes that are marked in those financial statements.

**Unaudited Pro Forma Condensed Combined Balance Sheet**
**As of June 30, 2014**

| | Innovative Food Holdings, Inc. and Subsidiaries | The Fresh Diet, Inc. | Pro Forma Adjustments | Note | Pro Forma Combined |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | $ 2,266,135 | $ 637,675 | $ 1,585,000 | | $ 4,488,810 |
| Accounts receivable, net | 1,148,316 | 2,588 | - | | 1,150,904 |
| Due from shareholders and affiliates | - | 428,484 | - | | 428,484 |
| Supplies and inventory | 885,329 | 211,723 | - | | 1,097,052 |
| Other current assets | 11,316 | 452,013 | | | 463,329 |
| Total current assets | 4,311,096 | 1,732,483 | 1,585,000 | | 7,628,579 |
| Property and equipment, net | 916,375 | 1,128,777 | - | | 2,045,152 |
| Investment | 54,000 | | | | 54,000 |
| Other intangible assets | | | 12,757,821 | (1) | 12,757,821 |
| Goodwill | | | 8,505,214 | (1) | 8,505,214 |
| Intangible assets, net | 795,502 | 104,271 | | | 899,773 |
| Total assets | $ 6,076,973 | $ 2,965,531 | $ 22,848,035 | | $ 31,890,539 |
| LIABILITIES AND EQUITY (DEFICIT) | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | $ 1,435,134 | 2,570,895 | | | $ 4,006,029 |
| Accrued liabilities - related parties | 248,985 | 64,872 | | | 313,857 |
| Deferred revenue | - | 4,645,659 | (1,393,698) | (3) | 3,251,961 |
| Accrued interest | 606,080 | | | | 606,080 |
| Accrued interest, related parties | 53,092 | | | | 53,092 |
| Notes payable, current portion - net of discount | 268,132 | 1,203,782 | - | | 1,471,914 |
| Notes payable - related parties, current portion | 110,500 | | - | | 110,500 |
| Total current liabilities | 2,721,923 | 8,485,208 | (1,393,698) | | 9,813,433 |
| Note payable - long term portion, net of discount | 877,265 | 937,086 | | | 1,814,351 |
| Notes payable to shareholders | - | 2,199,970 | | | 2,199,970 |
| Total liabilities | 3,599,188 | 11,622,264 | (1,393,698) | | 13,827,754 |
| Equity (deficit) | | | | | |
| Preferred stock, $0.0001 par value, 10,000,000 shares authorized, no shares issued or outstanding as of June 30, 2014 | - | | | | - |
| Common stock | 855 | 4,133,105 | (4,133,105) | (2) | 11,014 |
| | | | 10,000 | (1) | |
| | | | 159 | (5) | |
| Additional paid-in capital | 8,684,545 | | 13,990,000 | (1) | 24,259,386 |
| | | | - | | |
| Treasure stock, 486,254 shares as of June 30, 2014 | (160,099) | - | - | | (160,099) |
| Accumulated deficit | (6,047,516) | (12,790,261) | 12,790,261 | (2) | (6,047,939) |
| Total shareholders' equity (deficit) | 2,477,785 | 8,657,156 | 24,241,733 | | 18,062,362 |
| Non-controlling interest in variable interest entities | - | 423 | | | 423 |
| Total equity (deficit) | 2,477,785 | (8,656,733) | 24,241,733 | | 18,062,785 |
| Total liabilities and equity (deficit) | $ 6,076,973 | $ 2,965,531 | $ 22,848,035 | | $ 31,890,539 |

See accompanying notes to the unaudited pro forma condensed combined financial statements.

**Unaudited Pro Forma Condensed Combined Statement of Operations**
**For the Six Months Ended June 30, 2014**

| | Innovative Food Holdings, Inc. and Subsidiaries | The Fresh Diet, Inc. | Pro Forma Adjustments | Note | Pro Forma Combined |
|---|---|---|---|---|---|
| Revenue | $ 12,002,493 | $ 11,512,067 | $ - | | $ 23,514,560 |
| | | | | | |
| Costs and Expenses | | | | | |
| Cost of revenue | 8,194,131 | 6,585,132 | | | 14,779,263 |
| Labor costs | | 2,161,627 | | | 2,161,627 |
| Selling, general, and administrative | 2,671,217 | 2,099,353 | | | 4,770,570 |
| Depreciation and amortization | | 141,614 | 911,273 | (4) | 1,052,887 |
| Total costs and expenses | 10,865,348 | 10,987,726 | - | | 22,764,347 |
| | | | | | |
| Income from operations | 1,137,145 | 524,341 | | | 750,231 |
| | | | | | |
| Other (income) expense: | | | | | |
| Other (income) | (20,000) | - | - | | (20,000) |
| Interest expense | 541,298 | 259,883 | - | | 801,181 |
| Total other (income) expense | 521,298 | 259,883 | - | | 781,181 |
| | | | | | |
| Consolidated income (loss) before income taxes | 615,847 | 264,458 | (911,273) | | (30,968) |
| | | | | | |
| Income tax expense | - | - | - | | - |
| | | | | | |
| Consolidated net income (loss) | 615,847 | 264,458 | $ (911,273) | | $ (30,968) |
| | | | | | |
| Less net loss attributable to non-controlling interest in variable interest entities | | (667) | | | (667) |
| Net income attributable to shareholders | $ 615,857 | $ 265,125 | | | $ (31,635) |
| | | | | | |
| Net income (loss) per share - basic | $ 0.081 | | | | $ (0.002) |
| | | | | | |
| Net income (loss) per share - diluted | $ 0.047 | | | | $ (0.001) |
| | | | | | |
| Weighted average shares outstanding - basic | 7,599,348 | | 11,585,000 | (1) (5) | 19,184,348 |
| | | | | | |
| Weighted average shares outstanding - diluted | 13,164,868 | | 11,585,000 | (1) (5) | 24,749,868 |

See accompanying notes to the unaudited pro forma condensed combined financial statements.

**Unaudited Pro Forma Condensed Combined Statement of Operations**
**For the Year Ended December 31, 2013**

| | Innovative Food Holdings, Inc. and Subsidiaries | The Fresh Diet, Inc. | Pro Forma Adjustments | Note | Pro Forma Combined |
|---|---|---|---|---|---|
| Revenue | $ 23,502,740 | $ 26,309,774 | - | | $ 49,812,514 |
| | | | | | |
| Costs and Expenses | | | | | |
| Cost of revenue | 16,853,557 | 14,625,129 | - | | 31,478,686 |
| Labor costs | | 3,638,668 | | | 3,638,668 |
| Selling, general, and administrative | 5,683,364 | 10,582,407 | - | | 16,265,771 |
| Gain on sale of subsidiary assets | | (20,564) | | | (20,564) |
| Depreciation and amortization | | 513,983 | 1,822,546 | (4) | 2,336,529 |
| Write-off of property and equipment | | 107,609 | | | 107,609 |
| Total costs and expenses | 22,536,921 | 29,447,232 | 1,822,546 | | 53,806,699 |
| | | | | | |
| Income (loss) from operations | 965,819 | (3,137,458) | | | (3,994,185) |
| | | | | | |
| Other (income) expense: | | | | | |
| Interest expense | 2,452,076 | 559,774 | | | 3,011,850 |
| Other (income) | - | (50,945) | | | (50,945) |
| Total other (income) expense | 2,452,076 | 508,829 | | | 2,960,905 |
| | | | | | |
| Consolidated net (loss) before taxes | (1,486,257) | (3,646,287) | | | (7,077,978) |
| | | | | | |
| Income tax provision | - | 15,970 | | | 15,970 |
| | | | | | |
| Consolidated net loss | $ (1,486,257) | $ (3,630,317) | (1,822,546) | | $ (6,939,120) |
| | | | | | |
| Less net income attributable to non-controlling interest in variable interest entities | - | (131,493) | | | (131,493) |
| | | | | | |
| Net loss attributable to shareholders | $ (1,486,257) | $ (3,761,810) | (1,822,546) | | $ (7,070,613) |
| | | | | | |
| Net income (loss) per share - basic | $ (0.23) | $ - | | | $ (0.38) |
| | | | | | |
| Net income (loss) per share - diluted | $ (0.23) | $ - | | | $ (0.38) |
| | | | | | |
| | | | 10,000,000 | (1) | |
| Weighted average shares outstanding - basic | 6,500,506 | - | 1,585,000 | (5) | 18,085,506 |
| | | | | | |
| | | | 10,000,000 | (1) | |
| Weighted average shares outstanding - diluted | 6,500,506 | - | 1,585,000 | (5) | 18,085,506 |

See accompanying notes to the unaudited pro forma condensed combined financial statements.

NOTES TO UNAUDITED PROFORMA CONDENSED COMBINED FINANCIAL STATEMENTS

**1. Purchase Price**

Pursuant to the Merger Agreement, the Innovative Food Holdings, Inc. ("Innovative") acquired The Fresh Diet, Inc. ("The Fresh Diet") through a reverse triangular merger. The purchase price under the terms of the Merger Agreement was 10,000,000 shares of the Innovative's common stock. The pro forma condensed combined balance sheet as of June 30, 2014 reflects the following allocation of the total purchase price to The Fresh Diet's net tangible, with the residual allocated to intangible assets:

| | | |
|---|---|---|
| 10,000,000 shares of common stock | $ | 14,000,000 |
| Total purchase price | $ | 14,000,000 |
| | | |
| Tangible assets acquired | $ | 2,965,531 |
| Liabilities assumed | | 10,228,566 |
| Net tangible assets | | (7,263,035) |
| Other intangible assets | | 12,757,821 |
| Goodwill | | 8,505,214 |
| Total purchase price | $ | 14,000,000 |

**2. Pro Forma Adjustments**

The pro forma condensed combined financial statements are based upon the historical consolidated financial statements of Innovative and The Fresh Diet and certain adjustments which Innovative believes are reasonable to give effect to the Fresh Diet acquisition. These adjustments are based upon currently available information and certain assumptions, and therefore the actual adjustments will likely differ from the pro forma adjustments. The pro forma condensed combined financial statements were prepared using the acquisition method of accounting for the business combination. As discussed above, the purchase price allocation is considered preliminary at this time. However, Innovative believes that the preliminary purchase price allocation and other related assumptions utilized in preparing the pro forma condensed combined financial statements provide a reasonable basis for presenting the pro forma effects of the Artisan acquisition.

Innovative believes there are no adjustments, in any material respects, that need to be made to present The Fresh Diet financial information in accordance with U.S. GAAP, or to align The Fresh Diet's historical accounting policies with Innovative's accounting policies.

The following pro forma adjustments are included in the unaudited pro forma condensed combined balance sheet and statements of operations:

(1) To record the net 10,000,000 shares of Innovative common stock valued at $14,000,000 issuable pursuant to the terms of the acquisition.
(2) To eliminate The Fresh Diet equity and accumulated deficit.
(3) To adjust the acquired deferred revenue of The Fresh Diet.
(4) To record amortization on the acquired intangible assets of The Fresh Diet.
(5) To record the issuance of 1,585,000 shares of common stock for proceeds of $1,585,000.