UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

(MARK ONE)
x ANNUAL REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

OR

o TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 0-9376

INNOVATIVE FOOD HOLDINGS, INC.
(NAME OF SMALL BUSINESS ISSUER IN ITS CHARTER)

FLORIDA	20-116776
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
1923 TRADE CENTER WAY, SUITE ONE NAPLES, FLORIDA (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	34109 (ZIP CODE)

ISSUER'S TELEPHONE NUMBER, INCLUDING AREA CODE: (239) 596-0204

SECURITIES REGISTERED UNDER SECTION 12(b) OF THE EXCHANGE ACT: NONE

SECURITIES REGISTERED UNDER SECTION 12(g) OF THE EXCHANGE ACT:

COMMON STOCK, NO PAR VALUE

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

The number of shares outstanding of the issuer's common stock is 94,942,037 as of September 9, 2005. The aggregate market value of the voting and non-voting stock held by nonaffiliates was approximately $5,675,266 as of September 9, 2005, based upon a closing price of $0.09 for the issuer’s common stock on such date.

The Issuer’s revenues for the fiscal year ended December 31, 2004 were $4,669,267.

INNOVATIVE FOOD HOLDINGS, INC.

INDEX TO ANNUAL REPORT ON FORM 10-KSB
FILED WITH THE SECURITIES AND EXCHANGE COMMISSION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

ITEMS IN FORM 10-KSB

FORWARD LOOKING INFORMATION
MAY PROVE INACCURATE

THIS ANNUAL REPORT ON FORM 10-KSB CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS AND INFORMATION RELATING TO US THAT ARE BASED ON THE BELIEFS OF MANAGEMENT, AS WELL AS ASSUMPTIONS MADE BY AND INFORMATION CURRENTLY AVAILABLE TO US. WHEN USED IN THIS DOCUMENT, THE WORDS "ANTICIPATE," "BELIEVE," "ESTIMATE," “SHOULD,” AND "EXPECT" AND SIMILAR EXPRESSIONS, AS THEY RELATE TO US, ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS REFLECT OUR CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE SUBJECT TO CERTAIN RISKS, UNCERTAINTIES AND ASSUMPTIONS, INCLUDING THOSE DESCRIBED IN THIS ANNUAL REPORT ON FORM 10-KSB. SHOULD ONE OR MORE OF THESE RISKS OR UNCERTAINTIES MATERIALIZE, OR SHOULD UNDERLYING ASSUMPTIONS PROVE INCORRECT, ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE DESCRIBED HEREIN AS ANTICIPATED, BELIEVED, ESTIMATED OR EXPECTED. WE DO NOT INTEND TO UPDATE THESE FORWARD-LOOKING STATEMENTS.

PART I

ITEM 1. Description of Business

Our History

We were initially formed in June 1979 as Alpha Solarco Inc., a Colorado corporation. In between then and February 2003, we were either inactive or involved in discontinued business ventures. We changed our name to Fiber Application Systems Technology, Ltd. in February 2003. In February 2004, we changed our state of incorporation by merging into Innovative Food Holdings, Inc. (IVFH), a Florida shell corporation. As a result of the merger we changed our name to that of Innovative Food Holdings, Inc. In February 2004 we also acquired Food Innovations, Inc., a Delaware corporation, for 25,000,000 shares of our common stock.

Our Operations

Our business is currently conducted by our subsidiary which was incorporated in Delaware on January 9, 2002. Since its incorporation our subsidiary has been in the business of providing premium restaurants with the freshest origin-specific perishables and specialty products directly from our network of vendors within 24 hours. Our customers include restaurants, hotels, country clubs, national chain accounts, casinos, and catering houses.

Our Products

We distribute over 3,000 perishable and specialty food products, including origin-specific seafood, domestic and imported meats, exotic game and poultry, artisanal cheeses, caviar, wild and cultivated mushrooms, micro-greens, heirloom and baby produce, organic farmed and manufactured food products, estate-bottled olive oils and aged vinegars. We are constantly adding other products that food distributors cannot effectively warehouse, including organic products and specialty grocery items. We offer our customers access to the best food products available nationwide, quickly and cost-effectively. Some of our best-selling items include:

- **Seafood** - Alaskan wild king salmon, Hawaiian sashimi-grade ahi tuna, Gulf of Mexico day-boat snapper, Chesapeake Bay soft shell crabs, New England live lobsters, Japanese hamachi
- **Meat & Game** - Prime rib of American kurobuta pork, dry-aged buffalo tenderloin, domestic lamb, Cervena venison, elk tenderloin
- **Produce** - White asparagus, baby carrot tri-color mix, Oregon wild ramps, heirloom tomatoes
- **Poultry** - Grade A foie gras, Hudson Valley quail, free range and organic chicken, airline breast of pheasant
- **Specialty** - Truffle oils, fennel pollen, prosciutto di Parma, wild boar sausage
- M**ushrooms** - Fresh morels, Trumpet Royale, porcini powder, wild golden chanterelles
- **Cheese** - Maytag blue, buffalo mozzarella, Spanish manchego, Italian gorgonzola dolce

In 2004 seafood accounted for 33% of sales, meat and game accounted for 26% of sales, specialty items accounted for 18% of sales, produce accounted for 11% of sales, cheese accounted for 6% of sales, and miscellaneous other products accounted for 6% of sales.

Customer Service and Logistics

Our “live” chef-driven customer service department is available by telephone every weekday, from 7 a.m. to 7 p.m., Florida time. The team is made up of four chefs experienced in all aspects of perishable and specialty products. By employing chefs to handle customer service, we are able to provide our customers with extensive information about our products, including:

- Flavor profile and eating qualities
- Recipe and usage ideas
- Origin, seasonality, and availability
- Cross utilization ideas and complementary uses of products

Our logistics team tracks every package to ensure timely delivery of products to our customers. The logistics manager receives tracking information on all products ordered, and packages are monitored from origin to delivery. In the event that delivery service is interrupted, our logistics department begins the process of expediting the package to its destination. The customer is then contacted before the expected delivery commitment time allowing the customer ample time to make arrangements for product replacement or menu changes. Our logistics manager works directly with our suppliers to ensure our strict packaging requirements are in place at all times.

Chef Advisory Board

In addition to our in-house chefs, we rely upon the assistance of our Chef Advisory Board.

Chef Joseph Amendola
Chef Joe Amendola was the American Culinary Federation Chef of the Year for 2002. With over sixty years of experience, Chef Amendola is world renowned as more than a culinary professional. He is the author of The Bakers Manual, Understanding Baking, Ice Carving Made Easy, Professional Baking and Practical Cooking, and Baking for Schools and Institutions, all of which are used in culinary institutes around the world. For over forty years he served as senior vice president, acting president, director of development, dean of students, and baking instructor at the Culinary Institute of America in Hyde Park, NY. During that period more than 25,000 persons were graduated from that chef training institute. He has served the CIA as ambassador since 1989.

Chef Don Pintabona
Chef Pintabona graduated from the Culinary Institute of America in 1982. He worked under such chefs as Nishitani in Osaka, Japan; Georges Blanc in Vonnes, France; and Charles Palmer in New York. He sought out the most unusual local foodstuffs and then developed his own style of contemporary American cuisine. Last year, Chef Pintabona published his own book entitled The Tribeca Grill Cookbook: Celebrating Ten Years of Taste. He currently teaches a special course at the Cornell School of Hotel Management. He has been a frequent guest Chef on ABC's "Good Morning America," he also has been on the Food Network's "Cooking Live" television shows and has been featured in *Bon Appétit*, *Gourmet*, *GQ*, *Nation's Restaurant News*, and the *New York Times*.

Chef Bob Ambrose
Chef Ambrose is a graduate of the Culinary Institute of America and has been employed in the hospitality industry for over 20 years. During his career Chef Ambrose received invitations to cook at many James Beard functions, including The World Gourmet Summit in Singapore. Following his career in hospitality, Chef Ambrose served as a Sales Manager for LaBelle Farms, one of our preferred suppliers. He now owns Bella Bella Gourmet Foods.

Relationship with U.S. Foodservice

In 2003, Next Day Gourmet, L.P., a subsidiary of US Foodservice (USF), a food distributor with annual sales of $20 billion, contracted our subsidiary to handle the distribution of over 3,000 perishable and specialty food products to USF's customers. Such products are difficult for regular food distributors to manage profitably and keep in warehouse stock due to their perishable nature and limited market. Under this arrangement with Next Day Gourmet there is no need for USF to warehouse, or for us to take possession of the products because they are shipped directly from the source to the end user. Through USF's sales associates, our products are available to USF customers nationwide, ensuring superior freshness and extended shelf life. Our relationship with USF gives us the benefit of a national sales force and an existing customer base. Supported by our team of customer service chefs, USF has the benefit of increasing sales to its existing customers and opening new accounts. The current contract with USF expires in September 2006. Our sales through USF's sales force generated gross revenues for us of $3,772,162 in the year ended December 31, 2004 and $2,649,257 in the eight-month period ended August 31, 2005. Those amounts contributed 85% and 82% respectively of our total sales in those periods.

Growth Strategy

Restaurant food sales continue to grow, both in total dollars spent (from $295 billion in 1995 to over $475 billion projected for 2005) and in share of the food dollar spent in the United States (from 25% in 1955 to 47% projected for 2005), according to the National Restaurant Association website (www.restaurant.org).

For our continued growth within the food industry we rely heavily on the availability to our customers of our chefs' culinary skills and sales available through our relationship with USF.

In addition to attempting to grow our current business (FII), we are also looking to grow laterally in the food industry generally and are looking into the possibility of acquiring a food manufacturer and/or a restaurant. We have no specific plans at this point, nor do we know how we would finance any such acquisition. We anticipate that, given our current cash flow situation, any acquisition would involve the issuance of additional shares of our common stock. No acquisition will be consummated without thorough due diligence. No assurance can be given that we will be able to identify and successfully conclude negotiations with any potential target.

Competition

While we face intense competition in the marketing of our products and services, it is our belief that there is no other single company in the United States that offers such a broad range of quality chef driven perishables for delivery in 24 to 48 hours. Our primary competition is from local meat and seafood purveyors that supply a limited local market and have a limited range of products. However, many of our competitors are well established, have reputations for success in the development and marketing of these types of products and services and have significantly greater financial, marketing, distribution, personnel and other resources. These financial and other capabilities permit such companies to implement extensive advertising and promotional campaigns, both generally and in response to efforts by additional competitors such as us, to enter into new markets and introduce new products and services.

Insurance

We maintain a general liability insurance policy with a per occurrence limit of $1,000,000 and aggregate policy covering $2,000,000 of liability. In addition, we have non-owned automobile personal injury coverage with a limit of $1,000,000. Such insurance may not be sufficient to cover all potential claims against us and additional insurance may not be available in the future at reasonable costs.

Government Regulation

Various federal and state laws currently exist, and more are sure to be adopted, regulating the delivery of fresh food products. However, our business plan does not require us to deliver fresh food products directly, as third-party vendors ship the products directly to our customers. We require all third-party vendors to maintain $2,000,000 liability insurance coverage and compliance with Hazard Analysis and Critical Control Point (HACCP), an FDA- and USDA-mandated food safety program. Any changes in the government regulation of delivering of fresh food products that hinders our current ability and/or cost to deliver fresh products, could adversely impact our net revenues and gross margins and, therefore, our profitability and cash flows could be adversely affected.

Employees

We currently employ 14 full-time employees, including 7 chefs and 3 executive officers. We believe that our relations with our employees are satisfactory. None of our employees are represented by a union.

How to Contact Us

Our executive offices are located at 1923 Trade Center Way, Suite One, Naples, Florida 34109, our Internet address is www.foodinno.com, and our telephone number is (239)596-0204.

RISK FACTORS

Our auditors express doubt about our ability to continue as a going concern. The report of Bernstein & Pinchuk LLP, independent auditors, includes an explanatory paragraph relating to substantial doubt as to our ability to continue as a going concern. We have incurred significant losses from operations in 2003 and 2004 resulting in working capital and stockholders' deficits for those years. A 'going concern' explanatory paragraph could have a material adverse effect on the terms of any bank financing or capital we may seek. See Note 1 of Notes to Consolidated Financial Statements.

We have a limited operating history. We have a limited operating history. Businesses which are starting up or are in their initial stages of development present substantial business and financial risks and may suffer significant losses from which they cannot recover. We will face all of the challenges of a new and expanding business enterprise, including but not limited to, engaging the services of qualified support personnel and consultants, establishing budgets and implementing appropriate financial controls and internal operating policies and procedures.

We may be unable to manage our growth. Our strategy for growth is focused on (1) continued enhancements to our existing business model; (2) offering a broader range of services and products; and (3) affiliating with additional vendors and distribution channels through possible joint ventures. Pursuing this strategy presents a variety of challenges. We may not experience an increase in our services to our existing customers, and we may not be able to achieve the economies of scale, or provide the business, administrative and financial services, required to sustain profitability from servicing our existing and future customer base.

Should we be successful in our expansion efforts, the expansion of our business would place further demands on our management, operational capacity and financial resources. To a significant extent, our future success will be dependent upon our ability to maintain adequate financial controls and reporting systems to manage a larger operation and to obtain additional capital upon favorable terms. There can be no assurance that we will be able to successfully implement our planned expansion, finance its growth, or manage the resulting larger operations. In addition, there can be no assurance that our current systems, procedures or controls will be adequate to support any expansion of our operations. Our failure to manage our growth effectively could have a material adverse effect on our business, financial condition and results of our operations.

We have only limited capital and we may need additional capital. We presently do not have sufficient operating capital. The amount of capital available to us may be limited, and may not be sufficient to enable us to fully continue our business operations without securing additional funds. If we do not have sufficient capital resources, our growth could be limited unless we are able to obtain capital through additional equity or debt financings. Accordingly, additional financing may be required to meet our objectives and to provide working capital for expanding our marketing capabilities. We can give no assurance that we will be able to obtain such financing on attractive terms, if at all. It may also be necessary to amend our certificate of incorporation to increase the number of shares authorized.

We have no intention of paying dividends. At present we do not intend to pay cash dividends on our Common Stock.

Limited liability of officers and directors. We have adopted provisions in our articles of incorporation and bylaws which limit the liability of our officers and directors and provide for indemnification by us of our officers and directors to the full extent permitted by Florida law. Our corporate governance documents generally provide that our officers and directors shall have no personal liability to us or our stockholders for monetary damages for breaches of their fiduciary duties as officers and directors, except for breaches of their duties of loyalty, acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law, acts involving unlawful payment of dividends or unlawful stock purchases or redemptions, or any transaction from which an officer or director derives an improper personal benefit. Such provisions substantially limit our shareholders' ability to hold officers and directors liable for breaches of fiduciary duty, and may require us to indemnify our officers and directors.

Insofar as indemnification for liability arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than our payment of expenses incurred or paid by a director, officer or controlling person in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Uncertain market acceptance for our products and services. Our attainment of profitability and future growth will depend upon broad acceptance by chefs of our services. We believe that there are over 350,000 potential commercial customers for our services nationwide. These estimates are largely qualitative and our estimation is based on discussions with our strategic partners, industry insiders, investors, advisors, venture capitalists and accountants. While we may have success with our initial sales goals this by itself is not evidence that a market of sufficient size or receptivity exists to assure our business objectives, which would leave us in debt and/or unable to operate.

Our business is sensitive to general economic conditions. The risks associated with our business, including but not limited to our liquidity, are more acute in any economic slowdown or recession. Demand for high-quality culinary products can be adversely affected by periods of economic slowdown or recession when the public tends to seek less expensive dining alternatives than those included in the products we sell.

We have competition. We compete against other providers, some of which sell their services globally, and some of these providers have considerably greater resources and abilities than we have. These competitors may have greater marketing and sales capacity, established distribution networks, significant goodwill and global name recognition. Furthermore, it may become necessary for us to reduce our prices in response to competition. This could impact our ability to be profitable.

We are dependent upon the efforts of our management. Our success will depend to a significant degree upon the involvement of our management, who will be in charge of our strategic planning and operations. Our officers, directors and consultants have extensive business, legal, financial services, technology and sales and marketing experience, all of which will be essential to our success. However, we may need to attract and retain additional talented individuals in order to carry out our business objectives. The competition for such persons could be intense and there are no assurances that these individuals will be available to work for us.

Our marketing strategy is untested. Our marketing strategy is based upon increased industry awareness of the services and specialty food products we offer, through advertising, promotions and public relations programs. We can give no assurance that such strategy is sufficiently aggressive to compete against larger, better-funded competitors.

Our success depends on our acceptance by the chef community. The chef community may not embrace our products. Acceptance of our services will depend on several factors, including: cost; product freshness; convenience; timeliness; strategic partnerships and reliability. Any of these factors could have a material adverse effect on our business, results of operations and financial condition. We also cannot be sure that our business model will gain wide acceptance among chefs. If the market fails to continue to develop, or develops more slowly than we expect, our business, results of operations and financial condition will be adversely affected.

We rely upon outside suppliers and shippers. Shortages in supplies of the products we sell may impair our ability to provide our services. Our suppliers are independent and we cannot guarantee their future ability to source the products that we sell. Many of our products are wild-caught, and we cannot guarantee their availability in the future. Unforeseen strikes and labor disputes may result in our inability to deliver our products in a timely manner. Since our customers rely on us to deliver their orders within 48 hours, delivery delays could significantly harm our business.

We are and may be subject to regulatory compliance and legal uncertainties. Changes in government regulation and supervision or proposed Department of Agriculture reforms could impair our sources of revenue and limit our ability to expand our business. In the event any future laws or regulations are enacted which apply to us, we may have to expend funds and/or alter our operations to insure compliance.

Health concerns could affect our success. We require our vendors to produce current certification that the vendor is H.A.C.C.P. compliant, and a current copy of their certificate of liability insurance. However, unforeseen health issues concerning food may adversely affect our sales and our ability to continue operating our business.

ITEM 2. Description of Property

We lease approximately 2800 square feet of space at 1923 and 1925 Trade Center Way, Naples, Florida, all of which is currently used for our principal executive offices and sales operations. Our leases expire on July 31, 2006 and October 31, 2006. We pay an aggregate base rent of $2998 per month for that space.

ITEM 3. Legal Proceedings

None.

ITEM 4. Submission of Matters to a Vote of Security Holders

None.

PART II

ITEM 5. Market For Common Equity, Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities

Market Information

Prices for our common stock is quoted in the Pink Sheets. Since March 2004, our common stock has traded under the symbol "IVFH". Prior thereto, our common stock traded under the symbol "FBSN". 94,942,037 shares of common stock were outstanding as of September 15, 2005. The following table sets forth the high and low sales prices of our common stock as reported in the Pink Sheets for each full quarterly period within the two most recent fiscal years.

	HIGH	LOW
Fiscal Year Ending December 31, 2005		
First Quarter	$0.044	$0.005
Second Quarter	0.089	0.018
Fiscal Year Ended December 31, 2004		
First Quarter	$3.800	$0.500
Second Quarter	0.709	0.279
Third Quarter	0.489	0.040
Fourth Quarter	0.055	0.007
Fiscal Year Ended December 31, 2003		
First Quarter	$40,625.04	$200.00
Second Quarter	40,625.00	0.600
Third Quarter	3.00	0.200
Fourth Quarter	3.00	0.600

The quotations listed above reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions. They have also been adjusted to reflect the effect of historical reverse splits.

Security Holders

On June 15, 2005, there were approximately 5,480 record holders of our common stock. In addition, we believe there are numerous beneficial owners of our common stock whose shares are held in "street name."

Dividends

We have not paid dividends during the two most recently completed fiscal years, and have no current plans to pay dividends on our common stock. We currently intend to retain all earnings, if any, for use in our business.

Recent Sales and Other Issuances of Our Equity Securities

We have funded the operating losses we incurred in 2005 and in and prior to 2004 by sales, in private placements, of our equity securities. The equity securities we sold included 48,700,000 shares of our common stock, convertible notes in the aggregate amount of $2,011,176, of which $788,176 have been converted to 12,410,000 shares of our common stock and $1,223,000 (which are convertible into an additional 224,600,000 shares of our common stock) are still outstanding. To some of those lender investors we also issued five year warrants to purchase an aggregate of an additional 201,300,000 shares of our common stock at exercise prices ranging from $0.005 to $0.01265 per share. In that period we have also issued 25,000,000 shares of our common stock to acquire our wholly-owned subsidiary which conducts our only business operation, and an aggregate of 4,650,000 shares as compensation to our executive officers (3,800,000 shares to Joe DiMaggio, Jr., and 850,000 shares to Z. Zackary Ziakas), an aggregate of 3,000,000 shares as compensation to our directors (1,000,000 shares to Joel Gold, 1,000,000 shares to Michael Ferrone and 1,000,000 shares to Joe DiMaggio, Jr.) and an aggregate of 1,025,000 shares as compensation to our other employees.

The issuance of these shares, convertible notes and warrants were exempt from the registration requirements of the Securities Act of 1933, as amended (the “Act”), for the following reasons:

(a) 28,810,000 shares, convertible notes in the aggregate principal amount of $2,011,176 and warrants to purchase 201,300,000 shares, were exempt pursuant to the provisions of Rule 506 of Regulation D since all the purchasers were accredited investors;

(b) 31,300,000 shares were exempt pursuant to the provisions of Section 4(2) of the Act as a transaction not involving a public offering;

(c) 29,000,000 shares were exempt pursuant to Rule 504 of Regulation D, and

(d) 5,675,000 shares which were bonuses to employees were exempt because no sale of securities were involved.

Derivative Securities Currently Outstanding

Convertible notes that we have issued in the aggregate principal amount of $1,223,000 which are currently outstanding, if converted in full, will result in our issuance of an additional 244,600,000 shares of common stock at a conversion rate of $0.005 per share. The table below sets forth the total number of shares of our common stock issuable upon the exercise of our outstanding warrants.

Class	Exercise Price	Number of Shares of Common Stock
Class A	$0.01265	122,000,000
Class B	0.0121	30,500,000
Class C	0.0005	48,800,000
	Total:	201,300,000

The contingently issued shares mentioned above, totaling 445,900,000, together with the outstanding shares exceed the number of shares authorized.

Securities Authorized for Issuance Under Equity Compensation Plans

We do not currently have any equity compensation plans.

ITEM 6. Management's Discussion and Analysis

Some of the matters discussed in this section contain forward-looking statements and information relating to us that are based on the current beliefs and expectations of management, as well as assumptions made by and information currently available to us. When used in this section, and elsewhere in this Form 10-KSB, the words "anticipate", "believe", "estimate", "should" and "expect" and similar expressions, as they relate to us are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, which could cause the actual results to differ materially from those reflected in the forward-looking statements.

Cautionary Statements

The following are cautionary statements made pursuant to the Private Securities Litigation Reform Act of 1995 in order for the Company to avail itself of the "safe harbor" provisions of the Reform Act. The discussions and information in this document may contain both historical and forward-looking statements. To the extent that the document contains forward-looking statements regarding the financial condition, operating results, business prospects or any other aspect of the Company, please be advised that the Company's actual financial condition, operating results and business performance may differ materially from that projected or estimated by the Company in forward-looking statements. The differences may be caused by a variety of factors, including but not limited to adverse economic conditions, inability to attract prospective new customers or retain existing customers, resulting in a declining revenue base, intense competition, including entry of new competitors and services, adverse federal, state and local government regulation, unexpected costs and operating deficits, lower sales and revenues than forecast, default on leases or other indebtedness, loss of supplies, price increases for capital, supplies and materials, inadequate capital and/or inability to raise financing, the risk of litigation and administrative proceedings involving the Company and its employees, higher than anticipated labor costs, the possible acquisition of new businesses that result in operating losses or that do not perform as anticipated, resulting in unanticipated losses, the possible fluctuation and volatility of the Company's operating results and financial condition, adverse publicity and news coverage, inability to carry out marketing and sales plans, loss of key executives, changes in interest rates, inflationary factors, and other specific risks that may be alluded to in this or in other reports issued by the Company.

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

Overview

In the future we may purchase or start new business operations, including food manufacturing, retail outlets and restaurants.

Background

From our inception in 1979 (under the name "Alpha Solarco, Inc.") through February 2004, we were either involved in discontinued operations or were an inactive shell. In February 2004, through the acquisition of our wholly-owned subsidiary, we conducted the business of national food distribution using third-party shippers.

Transactions With a Major Customer

Transactions with a major customer and related economic dependence information is set forth (1) following our discussion of Liquidity and Capital Resources, (2) in our discussion of Critical Accounting Policy and Accounting Estimate Discussion and (3) under the heading Transactions with Major Customers in Note 8 to the Consolidated Financial Statements.

RESULTS OF OPERATIONS

Our net revenues for each of the fiscal years ended December 31, 2004 and 2003 were $4,669,267 and $2,129,317, respectively. Management believes that this increase of approximately 120% was primarily due to the increase in the number of divisions of United Food Services through which our products were sold.

The following table sets forth for the periods indicated the percentage of net revenues represented by the certain items reflected in our statement of operations:

Year ended December 31,

	2004	2003
Net Revenue	100.00%	100.00%
Cost of Goods Sold	(82.78%)	(72.96%)
Gross Margin	17.22%	27.04%
Selling, general and administrative expenses	(48.46%)	(60.34%)
Interest expense	(1.13%)	(2.79%)
Income tax expense	0.01%	0.06%
Net Loss	(32.38%)	(36.15%)

The following is a discussion of our financial condition and results of operations for the years ended December 31, 2004 and 2003, respectively. This discussion may contain forward looking-statements that involve risks and uncertainties. Our actual results could differ materially from the forward looking-statements discussed in this report. This discussion should be read in conjunction with our consolidated financial statements, the notes thereto and other financial information included elsewhere in the report.

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Revenue increased by $2,539,950, or 119%, to $4,669,267 for the year ended December 31, 2004 from $2,129,317 in the prior year. A substantial portion of the increase was attributable to an increase of approximately $806,000 in sales of meats and game, and an increase of approximately $594,000 in sales of specialty food products. The addition of cheeses to our product offering was responsible for an additional $267,000 in sales. Our other additional sales of approximately $873,000 were generated by our current core business, through the addition of new seafood products and improved marketing. We expect seafood and meat sales to continue to represent a substantial part of our revenue in the future. Nevertheless, we continue to assess the potential of new revenue sources from the manufacture and sale of proprietary food products and will implement that strategy if we deem it beneficial to us.

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

2004 did not include any revenue related to proprietary products, but we do expect such products to sell during 2005, resulting from the marketing of our products under the “Chef Joe DiMaggio” label as well as private labels.

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

Our cost of revenues during the years ended December 31, 2004 and 2003 are primarily comprised of (1) cost of goods sold (82.8% and 73.0%, respectively), (2) selling expenses (19.8% and 23.7%, respectively), and (3) general and administrative expenses (31.2% and 40.1%, respectively). Cost of sales on a consolidated basis increased $2,311,526, or 149%, to $3,865,131 for the year ended December 31, 2004, from $1,553,605 in the year ended December 31, 2003. One reason for this increase was a 120% increase in sales when compared to the year ended December 31, 2003.

Consolidated gross margin as a percentage of net revenue was 17.2% during the year ended December 31, 2004, compared to 27.0% in the year ended December 31, 2003, representing an absolute percentage point decrease of 9.8%. This decrease was primarily due to expenses incurred in various food shows promoting the company and its products. In 2004 such expenses were not reimbursed by our major customer.

Selling expenses increased by approximately $403,000, or 85%, from approximately $477,000 to approximately $880,000 for the years ended December 31, 2003 and 2004, respectively. The increase was attributable to increases of approximately $335,000 in sales payroll due to the addition of sales associates and the use of field sales representatives, plus approximately $68,000 in additional sales commissions.

General and Administrative expenses ("G&A") increased by approximately $574,000, or 71%, when comparing G&A of approximately $808,000 and $1,382,000 for the years ended December 31, 2003 and 2004, respectively. The increase was attributable to corporate overhead, with such cost increase including (i) professional fees incurred in the address matters relating to our past compliance with corporate and securities laws and regulations, and (ii) other non-allocable G&A.

Bad debt expense, which is included in general and administrative expenses, increased by approximately $49,000, from approximately $16,000 in 2003 to approximately $65,000 in 2004. As a percentage of overall sales, bad debt expense increased from 0.079% in 2003 to 1.46% in 2004, an increase of 306%.

We continuously evaluate the collectibility of trade receivables by reviewing such factors as deterioration of the results of operations and the financial condition or bankruptcy filings of our customers. As a result of this review process, we record bad debt provisions to adjust the carrying amount of the receivables to their realizable value. Provisions for bad debts are also recorded resulting from the review of other factors, including (a) length of time the receivables are past due, (b) historical experience and (c) other factors obtained during collection efforts. If the circumstances relating to any specific customers change adversely, our provision for bad debts would be changed accordingly.

Other Income

Other Income increased by approximately $115,000, from approximately $116,000 to approximately $231,000 for the year ended December 31, 2004.

The primary factors contributing to the net increase is the growth of the FII Logistics program, through which we provide services including the tracking and expediting of overnight shipping for some of our vendors and other customers. We do not expect this income to change significantly in the future.

Provision For Income Taxes

Our effective income tax rate is a result of the combination of federal income taxes at statutory rates, and state taxes, subject to the effects of valuation allowances taken against the "realizability" of deferred tax assets. We recorded income tax expense of $537 for the year ended December 31, 2004 on pre-tax loss of $1,511,687. This equates to an effective tax rate of approximately 0%. This effective tax rate is similar to our historically recognized tax rate and was net of a substantial valuation allowance to deferred tax debits (See Note 10 to the financial statements). We had similarly computed income tax expense of $1,126 for the year ended December 31, 2003 on a pre-tax loss of approximately $768,521.

Liquidity and Capital Resources

Our financial and liquidity position remained weak as exhibited by our cash, cash equivalents, short-term marketable securities and marketable equity securities of $28,011 at December 31, 2004. Cash, cash equivalents, short-term marketable securities and equity securities were $44,131 at December 31, 2003. This decrease of $16,120 was the net result of cash used in operating activities of $952,451, capital expenditures of $111,644 net of $1,047,975 generated in interest and financing activities.

Historically, our primary cash requirements have been used to fund the cost of operations, with additional funds having been used in promotion and advertising and in connection with the exploration of new business lines.

Under current operating plans and assumptions, management believes that projected cash flows from operations and available cash resources will be sufficient to satisfy our anticipated cash requirements for at least the next twelve months. Currently, we do not have any material long-term obligations other than those described in Notes 5 and 9 included in the financial statements included in this report, nor have we identified any long-term obligations that we contemplate incurring in the near future. As we seek to increase our sales of perishables, as well as identify new and other consumer oriented products and services, we may use existing cash reserves, long-term financing, or other means to finance such diversification.

Transactions With Major Customers

During the year ended December 31, 2004, we had one major customer, U.S. Foodservice, that accounted for $3,772,162, or 85%, of our sales. Approximately $252,833, or 78%, of our consolidated net accounts receivable was owed to us by such major customer as of December 31, 2004. Approximately $191,036, or 75%, of our accounts receivable was owed to us by such major customer as of December 31, 2003. Of our remaining approximately 66 active customers in the year ended December 31, 2004, no other single customer contributed 1% or more to our net revenue.

We continue to conduct business with U.S. Food Services.

Critical Accounting Policy and Accounting Estimate Discussion

In accordance with the Securities and Exchange Commission's (the "Commission") Release Nos. 33-8040; 34-45149; and FR-60 issued in December 2001, referencing the Commission's statement "regarding the selection and disclosure by public companies of critical accounting policies and practices", we have set forth in Note 2 of the Notes to Consolidated Financial Statements what we believe to be the most pervasive accounting policies and estimates that could have a material effect on our results of operations and cash flows if general business conditions or individual customer financial circumstances change in an adverse way relative to the policies and estimates used in the attached financial statements or in any "forward looking" statements contained herein.

ITEM 7. Financial Statements

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Innovative Food Holdings, Inc.
Naples, Florida

We have audited the accompanying balance sheets of Innovative Food Holdings, Inc and subsidiary as of December 31, 2004 and the related statements of operations, shareholders' deficiency, and cash flows for the two years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and the results of its operations and its cash flows for the two years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1, the Company has incurred significant losses from operations since its inception and has a working capital deficiency. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Bernstein & Pinchuk LLP

Certified Public Accountants

New York, New York
April 27, 2005

Innovative Food Holdings, Inc. and Subsidiary
Consolidated Balance Sheet
December 31, 2004

ASSETS

Current Assets		
Cash	$	28,011
Accounts receivable, net of allowance for doubtful accounts		325,498
Inventory		4,664
Total Current Assets		358,173
Property and equipment - at cost, net of		
accumulated depreciation and amortization		119,706
	$	477,879
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payable	$	593,765
Accrued taxes and expenses		40,026
Loan payable bank		46,521
Convertible notes payable - current maturities		515,000
Total Current Liabilities		1,195,312
Convertible notes payable		113,000
Loan payable stockholder		19,000
Stockholders' Deficiency		
Common stock, $0.0001 par value; 500,000,000 shares authorized		
72,992,037 shares issued and outstanding		7,299
Preferred stock authorized 10,000,000 shares, none issued.		-
Additional paid-in capital		1,830,578
Accumulated deficit		(2,687,310)
		(849,433)
	$	477,879

The accompanying notes are an integral part of the financial statements

Innovative Food Holdings, Inc. and Subsidiary
Consolidated Statements of Operations

	Years ended December 31,	
	2004	2003
Revenues		
Sales	$ 4,437,838	$ 2,013,171
Other income	231,429	116,146
	4,669,267	2,129,317
Costs and expenses		
Cost of goods sold	3,865,131	1,553,605
Selling expenses	880,266	476,988
General and administrative expenses	1,382,491	808,054
	6,127,888	2,838,647
Loss before interest expense and income tax expense	(1,458,621)	(709,330)
Interest expense	(53,067)	(59,191)
Loss before income tax expense	(1,511,688)	(768,521)
Income tax expense	(537)	(1,226)
NET LOSS	$ (1,512,225)	$ (769,747)
Net loss per share - basic and diluted	$ (0.04)	$ (0.02)

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

Innovative Food Holdings, Inc. and Subsidiary
Consolidated Statements of Stockholders' Deficiency

	Common Stock				Additional	Accumulated
	Unrestricted	Restricted	Total	Amount	Paid-in Capital	Deficit
Balance at December 31, 2002	-	-	-	$ -	$ 100	$ (405,338)
Net loss	-	-	-	-	-	(769,747)
Balance at December 31, 2003	-	-	-	-	100	(1,175,085)
To eliminate common stock of subsidiary shown as paid-in capital in prior year	-	-	-	-	(100)	-
Outstanding shares at time of merger	157,037	-	157,037	15	-	-
Shares issued by prior Board	14,000,000	-	14,000,000	1400	568,575	-
Shares issued to acquire subsidiary	-	25,000,000	25,000,000	2,500	241,648	-
Shares issued in settlement of bridge loan	-	1,000,000	1,000,000	100	70,576	-
Shares issued for services	-	6,000,000	6,000,000	600	14,400	-
Conversion of convertible notes	-	3,910,000	3,910,000	391	717,109	-
Bonuses to employees	-	100,000	100,000	10	24,440	-
Stock issued for services rendered	15,000,000	-	15,000,000	1,500	148,500	-
Bonuses to employees	-	1,025,000	1,025,000	103	8,610	-
Bonuses to board members	-	6,800,000	6,800,000	680	36,720	-
Net loss	-	-	-	-	-	(1,512,225)
Balance at December 31, 2004	29,157,037	43,835,000	72,992,037	$ 7,299	$ 1,830,578	$ (2,687,310)

Innovative Food Holdings, Inc. and Subsidiary
Consolidated Statements of Cash Flows

	Years ended December 31,	
	2004	2003
Cash flows from operating activities		
Net loss	$ (1,512,225)	$ (769,747)
Adjustments to reconcile net loss to net cash		
used in operating activities		
Depreciation	69,164	42,464
Stock issued during merger	150,015	-
Stock issued to acquire subsidiary	244,148	-
Stock issued for services	165,000	-
Stock issued as bonuses to employees and board members	70,563	-
Changes in assets and liabilities		
Accounts receivable	(60,482)	(82,899)
Inventory	(4,664)	3,880
Accounts payable and accrued expenses	136,695	288,890
Notes and loans payable	(210,665)	39,398
Net cash used in operating activities	(952,451)	(478,014)
Cash flows from investing activities		
Acquisition of property and equipment	(111,644)	(81,190)
Net cash used in investing activities	(111,644)	(81,190)
Cash flows from financing activities		
Proceeds from issuance of long-term-debt	628,000	788,176
Proceeds from sale of stock	419,975	-
Payment of loans from stockholders	-	(241,018)
Net cash provided by financing activities	1,047,975	547,158
NET DECREASE IN CASH AND CASH		
EQUIVALENTS	(16,120)	(12,046)
Cash and cash equivalents at beginning of year	44,131	56,177
Cash and cash equivalents at end of year	28,011	44,131
Supplemental cash flow disclosures:		
Interest paid (a)	$ 2,047	$ -
Income taxes paid	$ 739	$ -

(a) Interest expense of $24,517 was accounted for when notes were converted to shares during 2004.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 Liquidity

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company's significant losses from operations in fiscal 2003 and 2004 and working capital and stockholders' deficiencies at April 27, 2005 could impact the Company's ability to meet its obligations as they become due. Short-term liquidity concerns were alleviated in January and February 2005, when the Company received $417,000 from the issuance of securities (see Note 9 - Subsequent Events). The Company, to enhance its long-term liquidity, in fiscal 2005 has significantly reduced the number of its personnel, reduced expenditures relating to participation in food shows, and significantly raised its gross margin on sales. The Company's future long-term liquidity will be materially dependent on its subsidiary’s ability to increase its market penetration.

NOTE 2 Nature of Activities and Significant Accounting Policies

Nature of Business: Innovative Food Holdings Inc. is the parent company of Food Innovations Inc., of which it owns 100%. The activities of the business are accounted for by the equity method. The parent/subsidiary relationship commenced in February 2004. Food Innovations, Inc. is in the business of providing premium white tablecloth restaurants with the freshest, origin specific perishable products direct from its network of vendors to the back door within 48 hours.

Basis of Presentation: The Consolidated Financial Statements reflect the operations of Food Innovations Inc. a provider of wholesale, origin specific perishable and specialty products as a continuing operation

A summary of the Company’s significant accounting policies follows:

Accounting estimates: The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation: The Consolidated Financial Statements include the accounts of Innovative Food Holdings Inc., and its operating subsidiary, which is wholly owned. All intercompany balances and transactions have been eliminated in consolidation.

Revenue recognition: The Company recognizes revenue upon shipment of the product from the vendor. Shipping and handling costs incurred by the Company are included in cost of goods sold.

Cash and cash equivalents: For purpose of reporting cash flows, the Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Concentration of credit risk: Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of cash and accounts receivable. The Company places its cash with high quality financial institutions because at times it may exceed the FDIC $100,000 insurance limit.

Trade receivables: Trade receivables are carried at the original charge amount less any estimated amount made for doubtful receivables, if any, based on a review of all outstanding amounts on a quarterly basis. Management determines the allowance for doubtful accounts, by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. The accounts receivable were assigned as security in February 2005. An allowance for doubtful accounts of $65,000 has been recorded to anticipate possible losses.

Inventories: A small amount of inventory is held at cost.

Property and Equipment: Property and equipment is stated at cost. Depreciation is computed based on estimated useful lives of office equipment 5 years; computer equipment and software 3 years, using the straight-line method and the declining balance method.

Income Taxes: Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

RECENT ACCOUNTING PRONOUNCEMENTS

During May 2003, the FASB issued SFAS 150 - "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective for public entities at the beginning of the first interim period beginning after June 15, 2003. This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a freestanding financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. Some of the provisions of this Statement are consistent with the current definition of liabilities in FASB Concepts Statement No. 6, Elements of Financial Statements. The Company is evaluating the effect of this new pronouncement and will adopt FASB 150 within the prescribed time.

On December 24, 2003, the FASB issued FASB Interpretation No. 46 (Revised December 2003), *Consolidation of Variable Interest Entities*, (FIN-46R), primarily to clarify the required accounting for interests in variable interest entities. FIN-46R replaces FIN-46, *Consolidation of Variable Interest Entities* that was issued in January 2003. FIN-46R exempts certain entities from its requirements and provides for special effective dates for entities that have fully or partially applied FIN-46 as of December 24, 2003. In certain situations, entities have the option of applying or continuing to apply FIN-46 for a short period of time before applying FIN-46R. While FIN-46R modifies or clarifies various provisions of FIN-46, it also incorporates many FASB Staff Positions previously issued by the FASB.

In December 2004, the FASB issued a revision of FASB Statement No. 123, “Accounting for Stock-based Compensation.” This statement supersedes APB Opinion No. 25, “Accounting for Stock Issued to Employees,” and its related implementation guidance.

This statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity’s equity instruments or that may be settled by the issuance of those equity instruments.

This statement focuses primarily on accounting transactions in which an entity obtains employee services in share-based payment transactions. This statement does not change the accounting guidance for share-based payment transactions with parties other than employees provided in Statement 123 as originally issued and EITF Issue No. 96-18, “Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring, or in Conjunction with Selling, Goods or Services.” This statement does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, “Employers” Accounting for Employee Stock Ownership Plans.” For public entities that file as small business issuers - as of the beginning of the first interim or annual reporting period that begins after December 15, 2005. The Company has not participated in such transactions in the current period nor it has plans to do so in the near future but will adopt the provisions of this statement if and when it applies to any future transactions.

NOTE 3 Earnings Per Share

In Accordance with SFAS No. 128 “Earnings Per Share” basic net income (loss) per common share (“Basic EPS”) is computed by dividing the net income (loss) attributable to common shareholders by the weighted-average number of common shares outstanding. Diluted net income (loss) per common share (“Diluted EPS”) is computed by dividing the net income (loss) attributable to common shareholders by the weighted-average number of common shares and dilutive common share equivalents and convertible securities then outstanding. SFAS No. 128 requires the presentation of both Basic EPS and Diluted EPS on the face of the Company’s Consolidated Statements of Operations.

The following table sets forth the computation of basic and diluted per share information.

.

	Income (numerator)	Number of Shares outstanding	Amount per share
Basic EPS and Fully Diluted EPS			
Income available to common stockholders - 2004	$ (1,522,225)	45,995,787	$ (0.033)
- 2003	$ (769,747)	39,157,037	$ (0.020)
The following were not part of the calculation of EPS as their effect is anti-dilutive			
Options to purchase common stock			
8% convertible notes		4,620,000	

NOTE 4 Property and Equipment

Property and equipment consisted of the following as of December 31, 2004

Office equipment	$	50,795
Computer equipment and software		163,099
Automobile	$	33,000
		246,894
Less accumulated depreciation		127.188
	$	**119,706**

NOTE 5 Loans Payable

The company had Convertible Promissory Notes of $628,000 outstanding as of December 31, 2004. They are as follows

Amount	Rate of Interest	Due Date	Conversion Value
$375,000	8% pa	03/11/06	$0.005 per share
$153,000	8% pa	10/12/06	$0.005 per share
$100,000	8% pa	10/28/06	$0.005 per share

Maturity of this debt is $515,00 in 2005 and $113,000 in 2006.

The Company also has a line of Credit with Wachovia Bank with a $25,000 limit. The interest rate charged on funds used is prime + 2%. The balance as of December 31, 2004 was $24,521. The Company may explore the possibility of increasing that line of credit in 2005.

NOTE 6 Stockholder Loans Payable

The Company had a note payable to our Chief Executive Officer as of December 31, 2004 in the amount of $19,000. The note bears no interest and has no scheduled repayment terms. The Company intends to repay the note balance in full during 2005.

NOTE 7 Operating Leases

2005	$35,016
2006	24,506
	$59,522

The location of the Company’s operations in Naples, Florida consists of two rented offices in the same building. The aggregate rent, including CAM, for the two rented offices is currently $35,016 per annum.

At December 31, 2004, commitments for minimum rental payments were as follows:

NOTE 8 Major Customer

The Company's largest customer, US Foodservice and its affiliates, accounted for approximately 85% and 80% of total sales in 2004 and 2003, respectively. A contract with Next Day Gourmet, LP, a subsidiary of U.S. Foodservice, is currently in place until September 11, 2006.

NOTE 9 Subsequent Events

On January 25, 2005, the Board authorized the Company to borrow $25,000 from an investor subject to the terms of a Convertible Note at 8% interest per annum. This note has not yet been converted. The conversion rate for this Note is $0.005 per share.

On February 3, 2005, the Board authorized the Company to borrow $67,000 subject to Reg. D, Rule 506. The borrowing was converted to common stock and 13,400,000 shares of common stock were issued upon conversion of those notes.

On February 17, 2005, the Board authorized the Company to borrow $25,000 from the Jay and Kathleen Morren Trust subject to the terms of a Convertible Note at 8% interest per annum. This note has not yet been converted. The conversion rate for this Note is $0.005 per share.

On February 24, 2005, the Board authorized the Company to borrow $300,000 subject to the terms of the Note filed as Exhibit 4.1.

NOTE 10 Income Tax Matters

The Company has a net operating loss carry forward of approximately $1,510,000 at December 31, 2004, resulting in a deferred tax asset in the amount of $528,500. The carry forward expires in 2024. A valuation allowance is provided when it is more likely than not that some portion of the Company's deferred tax asset will not be realized. Management has evaluated the available evidence about the Company's future taxable income and other possible sources of realization of the deferred tax asset and has determined that it is likely that the Company will not realize the benefits of this prior to its expiration and has created a valuation allowance for the entire amount.

In addition, the operating subsidiary of the Company, has a net operating loss of approximately $1,115,000 expiring in 2022 and 2023. Because of the change in ownership, the potential benefits of this loss are limited.

NOTE 11 Accrued Liabilities

Accrued liabilities consist of the following:

	2004
Accrued Interest	$ 30,750
Accrued Commissions	5,058
Accrued Rent	2,918
Accrued Insurance	1,300
Total Accrued	$ 40,026

ITEM 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

ITEM 8A. Controls and Procedures

There were no significant changes in our internal controls or in other factors that could significantly affect our disclosure controls and procedures subsequent to the Evaluation Date, nor any significant deficiencies or material weaknesses in such disclosure controls and procedures requiring corrective actions. As a result, no corrective actions were taken.

ITEM 8B. Other Information

This information is disclosed in the "Table of Securities Issued during 2004", in Part II, Item 5.

PART III

ITEM 9. Directors, Executive Officers, Promoters and control Persons; Compliance with Section 16(a) of the Exchange Act

Set forth below are the directors and executive officers of our Company, their respective names and ages, positions with our Company, principal occupations and business experiences during at least the past five years.

Name	Age	Position
Joe DiMaggio, Jr	45	CEO and Chairman
Jonathan Steckler	36	President
Z. Zackary Ziakas	44	Chief Operating Officer
Michael Ferrone	58	Director
Joel Gold	64	Director

Directors

Chef Joe DiMaggio, Jr., CEO, Chairman

Chef DiMaggio has been our Chief Executive Officer since February 2004 and chairman of our board of directors since August 2005. Chef DiMaggio has over 25 years experience in the hospitality industry with most of his experience in the high quality sector of the restaurant field. He has a broad history of theme and concept creation, concept food design, restaurant design (over 250), and quality control. Chef DiMaggio acquired numerous 4 star ratings and over 400 write-ups throughout the world including 90 television appearances and movie set catering. Chef DiMaggio has also cooked for celebrities as well as the US Ambassadors to Japan, England, Belgium, France, Germany, Austria, and Finland. From 1996 to 2002, Mr. DiMaggio was Vice President of Theme and Concept Creation for Creative Culinary Design. He was a spokesperson for the Florida Department of Citrus around the world from 1993 to 1998 and has been involved in research and development with Kraft and other numerous international food companies. Most recently, he designed a $40 Million expansion for the Viejas Tribe Casino in Southern California. Chef DiMaggio was the founder of our subsidiary, Food Innovations, Inc. and served as the Chief Executive Officer of Food Innovations, Inc. since it commenced its business operations in January 2002 until April 2005.

Joel Gold, Director

Since October 2004 Joel Gold has served as Head of Investment Banking of Andrew Garrett, Inc., an investment-banking firm located in New York City. From January 2000 until September 2004, he served as Executive Vice President of Investment Banking of Berry Shino Securities, Inc., an investment banking firm also located in New York City. From January 1999 until December 1999, he was an Executive Vice President of Solid Capital Markets, an investment-banking firm also located in New York City. From September 1997 to January 1999, he served as a Senior Managing Director of Interbank Capital Group, LLC, an investment banking firm also located in New York City. From April 1996 to September 1997, Mr. Gold was an Executive Vice President of LT Lawrence & Co., and from March 1995 to April 1996, a Managing Director of Fechtor Detwiler & Co., Inc., a representative of the underwriters for the Company's initial public offering. Mr. Gold was a Managing Director of Furman Selz Incorporated from January 1992 until March 1995. From April 1990 until January 1992, Mr. Gold was a Managing Director of Bear Stearns and Co., Inc. ("Bear Stearns"). For approximately 20 years before he became affiliated with Bear Stearns, he held various positions with Drexel Burnham Lambert, Inc. He is currently a director, and serves on the Audit and Compensation Committees, of Geneva Financial Corp., a publicly held specialty consumer finance company.

Michael Ferrone, Director

Michael Ferrone has been a Director since February 2004. He was Executive Producer and Producer, Bob Vila TV Productions, Inc from its founding in 1989 to 2000. Mr. Ferrone co-created and developed the T.V. show, "Bob Vila's Home Again". As Executive Producer, Mr. Ferrone managed all aspects of creation, production, and distribution of that show. By integrating brand extension and sponsor relations, he managed the interrelationships between Bob Vila and business partners including senior executives at Sears, NBC, CBS, A&E, HGTV, General Motors, and Hearst Publications.

Executive Officers

Jonathan Steckler, President

Chef Steckler has served as our President since April 2005. A graduate of Yale University and Manhattan's New York Restaurant School, Chef Steckler interned under Chef Michael Romano at the Union Square Café, a popular New York restaurant for most of the past decade. Chef Steckler worked in some of New York's finest restaurants before moving into the test kitchens at Creative Food Solutions ("CFS"), recipe development subsidiary of the Madison Avenue marketing and advertising firm The Food Group. At CFS Mr. Steckler secured national account placement for products from food service vendors including McIlhenny, Lipton, Nabisco, and Uncle Ben's, as well as the American Egg Board and Florida Department of Citrus. Mr. Steckler also worked with Citibank Global Asset Management in the Citibank Private Bank, as well as owning and operating a restaurant with his wife. Mr. Steckler is also the President and Chief Executive Officer of our subsidiary, Food Innovations, Inc. and has served in those positions since April 2005.

Z. Zackary Ziakas, COO

Mr. Ziakas has been our Chief Operating Officer since September 2004. Mr. Ziakas has over 20 years experience in the hospitality industry, holding management positions in all aspects of operations. His accomplishments include restaurant design, menu development, recipe creation and development, quality control, and profit and loss accounting procedures. Mr. Ziakas has also cooked for personalities such as Phil Donahue and Marlo Thomas on numerous occasions in the period from March 1993 to March 2001. He has experience in logistics. Operating multiple locations for Mail Boxes Etc. from November 1989 to November 2000 he worked with shipping industry leaders Fed Ex, United Parcel Service, Airborne Express, Pilot Airfreight, and a broad range of freight shippers as well as major airlines. Chef Ziakas incorporates the highest standards of excellence in shipping to ensure package integrity, package training, quality controls, and quick response to delayed packages due to bad weather or plane delays. Mr. Ziakas is also the Chief Operating Officer of our subsidiary, Food Innovations, Inc. and has held that position since September 2004.

THE COMMITTEES

The Board of Directors does not currently have an Audit Committee, a Compensation Committee, a Nominating Committee or a Stock Option Committee. The usual functions of such committees are performed by the entire Board of Directors.

Attendance at Meetings

From February, 2004 through December 31, 2004, the Board of Directors met or acted without a meeting pursuant to unanimous written consent fourteen times. No director attended less than 75% of all scheduled meetings.

Code of Ethics

We have adopted a Code of Ethics that applies to each of our employees, including our principal executive officer and our principal financial officer, as well as members of our Board of Directors. We have filed a copy of such Code as an exhibit to this annual report.

Section 16(a) Beneficial Ownership Reporting Compliance

From February 17, 2004, the date when current management obtained control of the Company through the fiscal year end at December 31, 2004, none of our officers and directors filed any Forms 3 or 4. This is due to the fact that they were unaware of their filing obligations having not been so advised by their then retained corporate counsel. The SEC's public records reflect that on October 15, 2004, acting under direction of previous counsel, a Form 15 was filed by the Company indicating that the Company was no longer subject to the filing requirements of the Exchange Act. We have recently determined that this filing was in error as we have had, for at least the last three years, more than 4,000 shareholders of record. Each of the persons subject to the reporting requirements of Section 16(a) have now been advised of their filing obligations and they have indicated their intention to file the necessary reports. To our knowledge, based upon responses to questions we directed to such filing persons, none of said filing persons have made any "short-swing" sales under the provisions of Section 16(b) of the Exchange Act.

ITEM 10. Executive Compensation

The following table sets forth the executive compensation paid during the fiscal year ended December 31, 2004 to our Chief Executive Officer (the "Named Officer"). None of our other executive officers, nor any of our other employees, received more than $100,000 cash compensation from us for the fiscal year ended December 31, 2004.

					LONG TERM COMPENSATION			
	ANNUAL COMPENSATION				AWARDS		PAYOUTS	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS ($)	OTHER ANNUAL COMPENSATION ($)	RESTRICTED STOCK AWARDS	SECURITIES UNDERLYING OPTIONS (#)	PLAN LAYOUTS ($)	ALL OTHER COMPENSATION ($)
Joe DiMaggio, Jr., CEO	2004	$ 120,000	$ 0	$ 0	$ 41,800	0	$ 0	$ 0

Board Compensation

We do not currently compensate our directors in cash for their services as directors. However, in order to retain our directors and to obtain additional quality directors in the future, we currently compensate our directors with annual issuances of 1,000,000 shares of our common stock to each director.

Employment Agreements

We have not entered into any written employment agreements with our executives, although our subsidiary, Food Innovations, Inc., has entered into employment agreements with both Mr. DiMaggio and Mr. Ziakas. Mr. DiMaggio's agreement runs through July 15, 2007, and Mr. Ziakas' agreement runs through May 17, 2009. It is our intention to enter into new employment agreements with our executive officers during 2005. Mr. DiMaggio was compensated at the annual rate of $90,000 from April 2005 through August 2005, and is currently compensated at the rate of $128,400 per annum. Messrs. Steckler and Ziakas are currently each compensated at the rate of $90,000 per annum.

ITEM 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of July 31, 2005, based upon information obtained from the persons named below, the beneficial ownership of our common stock by (i) each person who is known by us to own beneficially more than 5% of the outstanding shares of our common stock, (ii) each director of our Company, and (iii) all executive officers and directors of our Company as a group.

Name and Address of Beneficial Owners (1)	Number of Shares Beneficially Owned (2)	Percent Class (2)
Joseph DiMaggio, Jr	14,800,000	15.6.%
Michael Ferrone	45,600,000(3)	35.9.%
Joel Gold	36,000,000(4)	27.7%
Jonathan Steckler	75,000	*
Z. Zackary Ziakas	2,350,000	2.5%
All Executive Officers and Directors as a group	93,825,000(5)	59.8.%
Alpha Capital Aktiengesellschaft Pradafant 7 9490 Furstenums Vaduz, Liechtenstein	249,100,000(6)	72.4.%
Whalehaven Capital 3rd Floor, 14 Par-Laville Road Hamilton, Bermuda HM08	42,400,000(7)	30.9.%
Christopher M. Brown 16902 Harbor Master CV Cornelius, NC 28031	10,340,000	10.9.%

* Less than 1% of our outstanding shares.

(1) Unless otherwise provided, such person's address is c/o Innovative Food Holdings, Inc., 1923 Trade Center Way, Naples, Florida 34109.

(2) The number of shares of Common Stock beneficially owned by each person or entity is determined under the rules promulgated by the Securities and Exchange Commission (the "Commission"). Under such rules, beneficial ownership includes any shares as to which the person or entity has sole or shared voting power or investment power. The percentage of our outstanding shares is calculated by including among the shares owned by such person any shares which such person or entity has the right to acquire within 60 days after July 31, 2005. The inclusion of any shares deemed beneficially owned does not constitute an admission of beneficial ownership of such shares.

(3) Includes the right to acquire 32,000,000 shares through the conversion of an outstanding convertible note, but does not include the right to acquire 8,000,000 shares through conversion of outstanding convertible notes in the names of his adult children.

(4) Includes the right to acquire 35,000,000 shares through the conversion of outstanding convertible notes but does not include 920,000 shares held by his wife. Mr. Gold disclaims any beneficial interest in the shares held by his wife.

(5) Includes the right of Directors to acquire 62,000,000 shares as stated in notes (3) and (4) above.

(6) Includes the right to acquire 94,000,000 shares through the conversion of outstanding convertible notes and 155,100,000 upon the exercise of warrants at exercise prices ranging from $0.005 to $0.01265 per share.

(7) Includes the right to acquire 10,000,000 shares through the conversion of outstanding convertible notes. Includes the right to acquire 6,000,000 shares through the funding and conversion of a second closing on convertible notes. Includes Class A warrants exercisable for 16,000,000 shares. Includes Class B warrants exercisable for 4,000,000 shares. Includes Class C warrants exercisable for 6,400,000 shares.

Equity Compensation Plan Information

We do not currently have any compensation plans. The above notwithstanding, we issued an aggregate of 1,025,000 shares of common stock to employees in lieu of cash bonuses on December 1, 2004, of which 75,000 shares were issued to Mr. Steckler.

ITEM 12. Certain Relationships and Related Transactions

At various times in 2004, we borrowed money from the following persons, two of whom (Joel Gold and Michael Ferrone) are directors, and the third (Christopher Brown) a large shareholder, of our company. We issued convertible notes to such lenders for such loans. Some of those notes have been converted to shares of our common stock but some remain outstanding. The information concerning those loans is set forth below:

					Upon conversion number of shares	
Lender	Amount of Loan	Date	Interest Rate	Conversion Rate	Issued	To be Issued
Joel Gold	50,000	3/11/04	8%	$0.005		10,000,000
Michael Ferrone	160,000	3/11/04	8%	$0.005		32,000,000
Christopher Brown	70,000	5/26/04	8%	$0.070	1,000,000	
Joel Gold	100,000	10/12/04	8%	$0.005		20,000,000
Joel Gold	25,000	1/23/05	8%	$0.005		5,000,000

ITEM 13. Exhibits

The required exhibits are listed at the end of this report.

ITEM 14. Principal Accountant Fees and Services

Our independent auditors, Bernstein & Pinchuk LLP, provided us with an estimate of $75,000 in fees for the audit of our balance sheet and related statements of operations, stockholders' equity and comprehensive income and cash flows for the years ended December 31, 2003 and 2004.

EXHIBIT NUMBER	
3.1	Articles of Incorporation of the Company
3.2	Bylaws of the Company
4.1	Form of Convertible Note
4.2	Form of Convertible Note
4.3	Form of Warrant - Class A
4.4	Form of Warrant - Class B
4.5	Form of Warrant - Class C
10.1	Leases of the Company's offices at Naples, Florida
10.2	Security agreement - IVFH
10.3	Security agreement - FII
10.4	Contract with Next Day Gourmet, L.P.
10.5	Subscription Agreement
10.6	Agreement and Plan of Reorganization between IVFH and FII
14	Code of Ethics
21	Subsidiaries of the Company
31.1	Rule 13a-14(a) Certification of President
31.2	Rule 13a-14(a) Certification of Principal Financial Officer
32.1	Rule 1350 Certification of President
32.2	Rule 1350 Certification of Principal Financial Officer

SIGNATURES

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

INNOVATIVE FOOD HOLDINGS, INC.

By: _____

Dated: September ____, 2005 Jonathan Steckler, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
Jonathan Steckler	President (Principal Executive officer)	September __, 2005
Joseph DiMaggio, Jr.	Chairman & CEO	September __, 2005
Carol Houston	Controller (Principal Financial Officer)	September __, 2005
Joel Gold	Director	September __, 2005
Michael Ferrone	Director	September __, 2005

Electronic Articles of Incorporation
For

P04000017728
FILED
January 26, 2004
Sec. Of State

INNOVATIVE FOOD HOLDINGS, INC.

The undersigned incorporator, for the purpose of forming a Florida profit corporation, hereby adopts the following Articles of Incorporation:

Article I

The name of the corporation is:

INNOVATIVE FOOD HOLDINGS, INC.

Article II

The principal place of business address:

2501 E. COMMERCIAL BLVD.
212
FT. LAUDERDALE, FL. 33308

The mailing address of the corporation is:

2501 E. COMMERCIAL BLVD.
212
FT. LAUDERDALE, FL. 33308

Article III

The purpose for which this corporation is organized is:

ANY AND ALL LAWFUL BUSINESS.

Article IV

The number of shares the corporation is authorized to issue is:

500,000,000 COMMON 10,000,000 PREFERRED

Article V

The name and Florida street address of the registered agent is:

THOMAS F PIERSON
2501 E. COMMERCIAL BLVD.
212
FT. LAUDERDALE, FL. 33308

I certify that I am familiar with and accept the responsibilities of registered agent.

P04000017728
FILED
January 26, 2004
Sec. Of State

Registered Agent Signature: THOMAS F. PIERSON

Article VI

The name and address of the incorporator is:

RICHARD M. MULLER
2501 E. COMMERCIAL BLVD.
SUITE 212
FT. LAUDERDALE, FL 33308

Incorporator Signature: RICHARD M. MULLER

Article VII

The initial officer(s) and/or director(s) of the corporation is/are:

Title: P
RICHARD M MULLER
2501 E. COMMERCIAL BLVD. SUITE 212
FT. LAUDERDALE, FL. 33308

Title: S
RICHARD M MULLER
2501 E. COMMERCIAL BLVD. SUITE 212
FT. LAUDEDALE, FL. 33308

P04000017728

FEB-13-2004 16:1 FR [illegible] 667800 T-29 001/003 F-453

Florida Department of State
Division of Corporations
Public Access System

Electronic Filing Cover Sheet

Note: Please print this page and use it as a cover sheet. Type the fax audit number (shown below) on the top and bottom of all pages of the document.

(((H04000032990 3)))

Note: DO NOT hit the REFRESH/RELOAD button on your browser from this page. Doing so will generate another cover sheet.

To:
Division of Corporations
Fax Number : (850)205-0380

From:
Account Name : ADORNO & YOSS, P.A.
Account Number : 076247002423
Phone : (954)763-1200
Fax Number : (954)766-7800

FILED
04 FEB 17 AM 11:48
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

RECEIVED
04 FEB 13 PM 4:20
DIVISION OF CORPORATIONS

MERGER OR SHARE EXCHANGE

INNOVATIVE FOOD HOLDINGS, INC.

Certificate of Status	0
Certified Copy	1
Page Count	02
Estimated Charge	$78.75

Electronic Filing Menu Corporate Filing Public Access Help

T BROWN FEB 17 2004

FLORIDA DEPARTMENT OF STATE
Glenda E. Hood
Secretary of State

February 14, 2004

INNOVATIVE FOOD HOLDINGS, INC.
2501 E. COMMERCIAL BLVD.
212
FT. LAUDERDALE, FL 33308

SUBJECT: INNOVATIVE FOOD HOLDINGS, INC.
REF: P04000017728

We received your electronically transmitted document. However, the document has not been filed. Please make the following corrections and refax the complete document, including the electronic filing cover sheet.

* Please entitle your document Articles and Plan of Merger.

Please return your document, along with a copy of this letter, within 60 days or your filing will be considered abandoned.

If you have any questions concerning the filing of your document, please call (850) 245-6869.

Teresa Brown
Document Specialist

FAX Aud. #: H04000032990
Letter Number: 604A00010277

ARTICLES OF MERGER AND PLAN OF MERGER

OF

FIBER APPLICATIONS SYSTEMS TECHNOLOGY, INC.
(a Colorado corporation)

WITH AND INTO

INNOVATIVE FOOD HOLDINGS, INC.
(a Florida corporation)

FILED
04 FEB 17 AM 11:48
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

Pursuant to Section 607.1105 of the Florida Business Corporation Act, the undersigned corporations adopt the following Articles of Merger:

FIRST: The plan of merger is as follows:

1. **Merger.** FIBER APPLICATIONS SYSTEMS TECHNOLOGY, INC., a Colorado corporation ("COLORADO"), shall be merged (the "Merger") with and into INNOVATIVE FOOD HOLDINGS, INC., a Florida corporation bearing Document Number P04000017726 ("FLORIDA"). FLORIDA and COLORADO are sometimes hereinafter collectively referred to as the "Constituent Corporations." FLORIDA shall be the surviving corporation of the Merger (the "Surviving Corporation"), effective upon the date when these Articles of Merger are filed with the Secretary of the State of Florida and the Articles of Merger are filed with the Secretary of the State of Colorado (the "Effective Date").

2. **Articles of Incorporation and By-Laws.** The Articles of Incorporation and the By-Laws of FLORIDA shall be the Articles of Incorporation and By-Laws of the Surviving Corporation.

3. **Succession.** On the Effective Date, FLORIDA shall continue its corporate existence under the laws of the State of Florida, and the separate existence and corporate organization of COLORADO, except insofar as it may be continued by operation of law, shall be terminated and cease.

4. **Conversion of Common Stock.** On the Effective Date, by virtue of the Merger and without any further action on the part of the Constituent Corporations or their shareholders, each outstanding share of COLORADO's common stock and associated stock purchase rights shall be converted at the Effective Date of the Merger into the right to receive ONE fully paid and nonassessable restricted share(s) of FLORIDA common stock, $.0001 par value, pursuant to the Agreement and Plan of Merger (the "Plan of Merger") between FLORIDA and COLORADO. Each share of common stock of FLORIDA issued and outstanding prior to the Effective Date shall remain outstanding.

SECOND: The Effective Date of the Merger is the date upon which these Articles of Merger are filed with the Secretary of the State of Florida and the Articles of Merger is filed with the Secretary of the State of Colorado.

THIRD: The Plan of Merger was adopted by FLORIDA's Board of Directors by Unanimous Written Consent dated January 26, 2004, and by COLORADO's Board of Directors by Unanimous Written Consent dated January 26, 2004. Approval by COLORADO 's Shareholders was not required under Colorado law. Approval by FLORIDA's Shareholders was not required pursuant to Section 607.1103(7) of the Florida Business Corporation Act.

Signed this 4th day of February 2004.

INNOVATIVE FOOD HOLDINGS, INC.

a Florida corporation

By: _____
Name: Richard Muller, President

FIBER APPLICATIONS SYSTEMS TECHNOLOGY, INC.
a Colorado corporation

By: _____
Name: Alex Kaplun, President

P04000017728

(Requestor's Name)

(Address)

(Address)

(City/State/Zip/Phone #)

☐ PICK-UP ☐ WAIT ☐ MAIL

(Business Entity Name)

(Document Number)

Certified Copies _____ Certificates of Status _____

Special Instructions to Filing Officer:

Office Use Only

officer Resignation

800035106928

05/04/04--01008--017 **35.00

FILED
04 MAY -3 PM 12:24
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

T BROWN MAY 10 2004

TRANSMITTAL LETTER

TO: Amendment Section
Division of Corporations

SUBJECT: INNOVATIVE FOOD HOLDINGS, INC.
(Name of Corporation)

DOCUMENT NUMBER: P04000017728

The enclosed Officer/Director Resignation for a Corporation and fee are submitted for filing.

Please return all correspondence concerning this matter to the following:

Charles DeBilio
(Name of Person)

Innovative Food Holdings, Inc.
(Name of Firm/Company)

1923 Trade Center Way, Unit 1
(Address)

Naples, FL 34109
(City/State and Zip Code)

For further information concerning this matter, please call:

Richard Muller at (954) 489-1210
(Name of Person) (Area Code & Daytime Telephone Number)

Enclosed is a check for $35.00 made payable to the Florida Department of State.

Mailing Address:
Amendment Section
Division of Corporations
P.O. Box 6327
Tallahassee, FL 32314

Street Address:
Amendment Section
Division of Corporations
409 E. Gaines Street
Tallahassee, FL 32399

CR2E044(11/02)

FILED
04 MAY -3 PM 12:24
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

OFFICER / DIRECTOR RESIGNATION FOR A CORPORATION

I, Richard M. Muller, hereby resign as President / Secretary
(Title)

of Innovative Food Holdings, Inc.
(Name of Corporation)

P04000017728
(Document Number, if known), a corporation organized under the laws of the State of Florida.

Richard M. Muller
(Signature of resigning officer/director)

FILING FEE IS $35.00

Make checks payable to Florida Department of State and mail to:

Amendment Section
Division of Corporations
P.O. Box 6327
Tallahassee, Florida 32314

2005 FOR PROFIT CORPORATION ANNUAL REPORT

FILED
Jan 04, 2005
Secretary of State

DOCUMENT# P04000017728

Entity Name: INNOVATIVE FOOD HOLDINGS, INC.

Current Principal Place of Business:

2501 E. COMMERCIAL BLVD.
212
FT. LAUDERDALE, FL 33308

New Principal Place of Business:

1923 TRADE CENTER WAY
SUITE 1
NAPLES, FL 34109

Current Mailing Address:

2501 E. COMMERCIAL BLVD.
212
FT. LAUDERDALE, FL 33308

New Mailing Address:

1923 TRADE CENTER WAY
SUITE 1
NAPLES, FL 34109

FEI Number: 10-0002630 **FEI Number Applied For ( )** **FEI Number Not Applicable ( )** **Certificate of Status Desired (X)**

Name and Address of Current Registered Agent:

PIERSON, THOMAS F
2501 E. COMMERCIAL BLVD.
212
FT. LAUDERDALE, FL 33308 US

Name and Address of New Registered Agent:

The above named entity submits this statement for the purpose of changing its registered office or registered agent, or both, in the State of Florida.

SIGNATURE: _____

Electronic Signature of Registered Agent — Date

Election Campaign Financing Trust Fund Contribution ( ).

OFFICERS AND DIRECTORS:

Title: ( ) Delete
Name:
Address:
City-St-Zip:

Title: ( ) Delete
Name:
Address:
City-St-Zip:

Title: ( ) Delete
Name:
Address:
City-St-Zip:

Title: ( ) Delete
Name:
Address:
City-St-Zip:

Title: ( ) Delete
Name:
Address:
City-St-Zip:

ADDITIONS/CHANGES TO OFFICERS AND DIRECTORS:

Title: CEO ( ) Change (X) Addition
Name: DIMAGGIO, JOSEPH S JR.
Address: 5851 CHARLTON WAY
City-St-Zip: NAPLES, FL 34119

Title: COO ( ) Change (X) Addition
Name: ZIAKAS, ZACKARY Z
Address: 4210 2ND AVE SE
City-St-Zip: NAPLES, FL 34117

Title: CHM ( ) Change (X) Addition
Name: DIMAGGIO, JOESPH S JR.
Address: 5851 CHARLTON WAY
City-St-Zip: NAPLES, FL 34119

Title: DIR ( ) Change (X) Addition
Name: FERRONE, MICHAEL
Address: 119 ALPINE AVE
City-St-Zip: OAKS BLUFF, MA 02557

Title: DIR ( ) Change (X) Addition
Name: GOLD, JOEL
Address: 874 EAST 9TH STREET
City-St-Zip: BROOKLYN, NY 11230

I hereby certify that the information supplied with this filing does not qualify for the for the exemption stated in Section 119.07(3)(i), Florida Statutes. I further certify that the information indicated on this report or supplemental report is true and accurate and that my electronic signature shall have the same legal effect as if made under oath; that I am an officer or director of the corporation or the receiver or trustee empowered to execute this report as required by Chapter 607, Florida Statutes; and that my name appears above, or on an attachment with an address, with all other like empowered.

SIGNATURE: Z. ZACKARY ZIAKAS COO 01/04/2005

Electronic Signature of Signing Officer or Director — Date

Electronic Articles of Incorporation
For

P04000017728
FILED
January 26, 2004
Sec. Of State

INNOVATIVE FOOD HOLDINGS, INC.

The undersigned incorporator, for the purpose of forming a Florida profit corporation, hereby adopts the following Articles of Incorporation:

Article I

The name of the corporation is:

INNOVATIVE FOOD HOLDINGS, INC.

Article II

The principal place of business address:

2501 E. COMMERCIAL BLVD.
212
FT. LAUDERDALE, FL. 33308

The mailing address of the corporation is:

2501 E. COMMERCIAL BLVD.
212
FT. LAUDERDALE, FL. 33308

Article III

The purpose for which this corporation is organized is:

ANY AND ALL LAWFUL BUSINESS.

Article IV

The number of shares the corporation is authorized to issue is:

500,000,000 COMMON 10,000,000 PREFERRED

Article V

The name and Florida street address of the registered agent is:

THOMAS F PIERSON
2501 E. COMMERCIAL BLVD.
212
FT. LAUDERDALE, FL. 33308

I certify that I am familiar with and accept the responsibilities of registered agent.

P04000017728
FILED
January 26, 2004
Sec. Of State

Registered Agent Signature: THOMAS F. PIERSON

Article VI

The name and address of the incorporator is:

RICHARD M. MULLER
2501 E. COMMERCIAL BLVD.
SUITE 212
FT. LAUDERDALE, FL 33308

Incorporator Signature: RICHARD M. MULLER

Article VII

The initial officer(s) and/or director(s) of the corporation is/are:

Title: P
RICHARD M MULLER
2501 E. COMMERCIAL BLVD. SUITE 212
FT. LAUDERDALE, FL. 33308

Title: S
RICHARD M MULLER
2501 E. COMMERCIAL BLVD. SUITE 212
FT. LAUDEDALE, FL. 33308

P04000017728

FEB-13-2004 16:1 FR Y S P 9 667800 T-29 001/003 F-453

Florida Department of State
Division of Corporations
Public Access System

Electronic Filing Cover Sheet

Note: Please print this page and use it as a cover sheet. Type the fax audit number (shown below) on the top and bottom of all pages of the document.

(((H04000032990 3)))

Note: DO NOT hit the REFRESH/RELOAD button on your browser from this page. Doing so will generate another cover sheet.

To:
Division of Corporations
Fax Number : (850)205-0380

From:
Account Name : ADORNO & YOSS, P.A.
Account Number : 076247002423
Phone : (954)763-1200
Fax Number : (954)766-7800

FILED
04 FEB 17 AM 11:48
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

RECEIVED
04 FEB 13 PM 4:20
DIVISION OF CORPORATIONS

MERGER OR SHARE EXCHANGE

INNOVATIVE FOOD HOLDINGS, INC.

Certificate of Status	0
Certified Copy	1
Page Count	02
Estimated Charge	$78.75

Electronic Filing Menu Corporate Filing Public Access Help

T BROWN FEB 17 2004

FLORIDA DEPARTMENT OF STATE
Glenda E. Hood
Secretary of State

February 14, 2004

INNOVATIVE FOOD HOLDINGS, INC.
2501 E. COMMERCIAL BLVD.
212
FT. LAUDERDALE, FL 33308

SUBJECT: INNOVATIVE FOOD HOLDINGS, INC.
REF: P04000017728

We received your electronically transmitted document. However, the document has not been filed. Please make the following corrections and refax the complete document, including the electronic filing cover sheet.

* Please entitle your document Articles and Plan of Merger.

Please return your document, along with a copy of this letter, within 60 days or your filing will be considered abandoned.

If you have any questions concerning the filing of your document, please call (850) 245-6869.

Teresa Brown
Document Specialist

FAX Aud. #: H04000032990
Letter Number: 604A00010277

ARTICLES OF MERGER AND PLAN OF MERGER

OF

FIBER APPLICATIONS SYSTEMS TECHNOLOGY, INC.
(a Colorado corporation)

WITH AND INTO

INNOVATIVE FOOD HOLDINGS, INC.
(a Florida corporation)

FILED
04 FEB 17 AM 11:48
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

Pursuant to Section 607.1105 of the Florida Business Corporation Act, the undersigned corporations adopt the following Articles of Merger:

FIRST: The plan of merger is as follows:

1. **Merger.** FIBER APPLICATIONS SYSTEMS TECHNOLOGY, INC., a Colorado corporation ("COLORADO"), shall be merged (the "Merger") with and into INNOVATIVE FOOD HOLDINGS, INC., a Florida corporation bearing Document Number P04000017726 ("FLORIDA"). FLORIDA and COLORADO are sometimes hereinafter collectively referred to as the "Constituent Corporations." FLORIDA shall be the surviving corporation of the Merger (the "Surviving Corporation"), effective upon the date when these Articles of Merger are filed with the Secretary of the State of Florida and the Articles of Merger are filed with the Secretary of the State of Colorado (the "Effective Date").

2. **Articles of Incorporation and By-Laws.** The Articles of Incorporation and the By-Laws of FLORIDA shall be the Articles of Incorporation and By-Laws of the Surviving Corporation.

3. **Succession.** On the Effective Date, FLORIDA shall continue its corporate existence under the laws of the State of Florida, and the separate existence and corporate organization of COLORADO, except insofar as it may be continued by operation of law, shall be terminated and cease.

4. **Conversion of Common Stock.** On the Effective Date, by virtue of the Merger and without any further action on the part of the Constituent Corporations or their shareholders, each outstanding share of COLORADO's common stock and associated stock purchase rights shall be converted at the Effective Date of the Merger into the right to receive ONE fully paid and nonassessable restricted share(s) of FLORIDA common stock, $.0001 par value, pursuant to the Agreement and Plan of Merger (the "Plan of Merger") between FLORIDA and COLORADO. Each share of common stock of FLORIDA issued and outstanding prior to the Effective Date shall remain outstanding.

SECOND: The Effective Date of the Merger is the date upon which these Articles of Merger are filed with the Secretary of the State of Florida and the Articles of Merger is filed with the Secretary of the State of Colorado.

THIRD: The Plan of Merger was adopted by FLORIDA's Board of Directors by Unanimous Written Consent dated January 26, 2004, and by COLORADO's Board of Directors by Unanimous Written Consent dated January 26, 2004. Approval by COLORADO 's Shareholders was not required under Colorado law. Approval by FLORIDA's Shareholders was not required pursuant to Section 607.1103(7) of the Florida Business Corporation Act.

Signed this 4th day of February 2004.

INNOVATIVE FOOD HOLDINGS, INC.

a Florida corporation

By: _____
Name: Richard Muller, President

FIBER APPLICATIONS SYSTEMS TECHNOLOGY, INC.
a Colorado corporation

By: _____
Name: Alex Kaplun, President

P04000017728

(Requestor's Name)

(Address)

(Address)

(City/State/Zip/Phone #)

☐ PICK-UP ☐ WAIT ☐ MAIL

(Business Entity Name)

(Document Number)

Certified Copies _____ Certificates of Status _____

Special Instructions to Filing Officer:

Office Use Only

officer Resignation

800035106928

05/04/04--01008--017 **35.00

FILED
04 MAY -3 PM 12:24
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

T BROWN MAY 10 2004

TRANSMITTAL LETTER

TO: Amendment Section
Division of Corporations

SUBJECT: INNOVATIVE FOOD HOLDINGS, INC.
(Name of Corporation)

DOCUMENT NUMBER: P04000017728

The enclosed Officer/Director Resignation for a Corporation and fee are submitted for filing.

Please return all correspondence concerning this matter to the following:

Charles DeBilio
(Name of Person)

Innovative Food Holdings, Inc.
(Name of Firm/Company)

1923 Trade Center Way, Unit 1
(Address)

Naples, FL 34109
(City/State and Zip Code)

For further information concerning this matter, please call:

Richard Muller at (954) 489-1210
(Name of Person) (Area Code & Daytime Telephone Number)

Enclosed is a check for $35.00 made payable to the Florida Department of State.

Mailing Address:
Amendment Section
Division of Corporations
P.O. Box 6327
Tallahassee, FL 32314

Street Address:
Amendment Section
Division of Corporations
409 E. Gaines Street
Tallahassee, FL 32399

CR2E044(11/02)

FILED
04 MAY -3 PM 12:24
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

OFFICER / DIRECTOR RESIGNATION FOR A CORPORATION

I, Richard M. Muller, hereby resign as President / Secretary
(Title)

of Innovative Food Holdings, Inc.
(Name of Corporation)

P04000017728
(Document Number, if known), a corporation organized under the laws of the State of Florida.

Richard M. Muller
(Signature of resigning officer/director)

FILING FEE IS $35.00

Make checks payable to Florida Department of State and mail to:

Amendment Section
Division of Corporations
P.O. Box 6327
Tallahassee, Florida 32314

2005 FOR PROFIT CORPORATION ANNUAL REPORT

FILED
Jan 04, 2005
Secretary of State

DOCUMENT# P04000017728

Entity Name: INNOVATIVE FOOD HOLDINGS, INC.

Current Principal Place of Business:

2501 E. COMMERCIAL BLVD.
212
FT. LAUDERDALE, FL 33308

New Principal Place of Business:

1923 TRADE CENTER WAY
SUITE 1
NAPLES, FL 34109

Current Mailing Address:

2501 E. COMMERCIAL BLVD.
212
FT. LAUDERDALE, FL 33308

New Mailing Address:

1923 TRADE CENTER WAY
SUITE 1
NAPLES, FL 34109

FEI Number: 10-0002630 **FEI Number Applied For ( )** **FEI Number Not Applicable ( )** **Certificate of Status Desired (X)**

Name and Address of Current Registered Agent:

PIERSON, THOMAS F
2501 E. COMMERCIAL BLVD.
212
FT. LAUDERDALE, FL 33308 US

Name and Address of New Registered Agent:

The above named entity submits this statement for the purpose of changing its registered office or registered agent, or both, in the State of Florida.

SIGNATURE: _____

Electronic Signature of Registered Agent — Date

Election Campaign Financing Trust Fund Contribution ( ).

OFFICERS AND DIRECTORS:

Title: ( ) Delete
Name:
Address:
City-St-Zip:

Title: ( ) Delete
Name:
Address:
City-St-Zip:

Title: ( ) Delete
Name:
Address:
City-St-Zip:

Title: ( ) Delete
Name:
Address:
City-St-Zip:

Title: ( ) Delete
Name:
Address:
City-St-Zip:

ADDITIONS/CHANGES TO OFFICERS AND DIRECTORS:

Title: CEO ( ) Change (X) Addition
Name: DIMAGGIO, JOSEPH S JR.
Address: 5851 CHARLTON WAY
City-St-Zip: NAPLES, FL 34119

Title: COO ( ) Change (X) Addition
Name: ZIAKAS, ZACKARY Z
Address: 4210 2ND AVE SE
City-St-Zip: NAPLES, FL 34117

Title: CHM ( ) Change (X) Addition
Name: DIMAGGIO, JOESPH S JR.
Address: 5851 CHARLTON WAY
City-St-Zip: NAPLES, FL 34119

Title: DIR ( ) Change (X) Addition
Name: FERRONE, MICHAEL
Address: 119 ALPINE AVE
City-St-Zip: OAKS BLUFF, MA 02557

Title: DIR ( ) Change (X) Addition
Name: GOLD, JOEL
Address: 874 EAST 9TH STREET
City-St-Zip: BROOKLYN, NY 11230

I hereby certify that the information supplied with this filing does not qualify for the for the exemption stated in Section 119.07(3)(i), Florida Statutes. I further certify that the information indicated on this report or supplemental report is true and accurate and that my electronic signature shall have the same legal effect as if made under oath; that I am an officer or director of the corporation or the receiver or trustee empowered to execute this report as required by Chapter 607, Florida Statutes; and that my name appears above, or on an attachment with an address, with all other like empowered.

SIGNATURE: Z. ZACKARY ZIAKAS COO 01/04/2005

Electronic Signature of Signing Officer or Director — Date

THIS NOTE AND THE COMMON SHARES ISSUABLE UPON CONVERSION OF THIS NOTE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THIS NOTE AND THE COMMON SHARES ISSUABLE UPON CONVERSION OF THIS NOTE MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THIS NOTE UNDER SAID ACT OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO INNOVATIVE FOOD HOLDINGS, INC. THAT SUCH REGISTRATION IS NOT REQUIRED.

CONVERTIBLE NOTE

FOR VALUE RECEIVED, INNOVATIVE FOOD HOLDINGS, INC., a Florida corporation (hereinafter called "Borrower"), hereby promises to pay to NAME, (the "Holder") or its registered assigns or successors in interest or order, without demand, the sum of _____ Dollars ($_____) (“Principal Amount”), with simple and unpaid interest thereon, on February ___, 2007 (the "Maturity Date"), if not sooner paid.

This Note has been entered into pursuant to the terms of a subscription agreement between the Borrower and the Holder, dated of even date herewith (the “Subscription Agreement”), and shall be governed by the terms of such Subscription Agreement. Unless otherwise separately defined herein, all capitalized terms used in this Note shall have the same meaning as is set forth in the Subscription Agreement. The following terms shall apply to this Note:

ARTICLE I

INTEREST; AMORTIZATION

1.1. Interest Rate. Subject to Section 5.7 hereof, interest payable on this Note shall accrue at a rate per annum (the "Interest Rate") of eight percent (8%). Interest on the Principal Amount shall accrue from the date of this Note and shall be payable semi-annually, in arrears, six months after the date of this Date and each six months thereafter and on the Maturity Date, whether by acceleration or otherwise.

1.2. Minimum Monthly Principal Payments. Amortizing payments of the outstanding Principal Amount of this Note shall commence on August 1, 2005 and on the first business day of each consecutive calendar month thereafter (each a “Repayment Date”) until the Principal Amount has been repaid in full, whether by the payment of cash or by the conversion of such principal into Common Stock pursuant to the terms hereof. Subject to Section 2.1 and Article 3 below, on each Repayment Date, the Borrower shall make payments to the Holder in the amount of one-eighteenth ($1/18^{th}$) of the initial Principal Amount (the "Monthly Principal Amount"), together with any other amounts, except for regular interest, which are then owing under this Note that have not been paid (the Monthly Principal Amount, together with such accrued and unpaid interest and such other amounts, collectively, the "Monthly Amount"). Amounts of conversions of Principal Amount made by the Holder or Borrower pursuant to Section 2.1 or Article III shall be applied to Monthly Amounts commencing with the Monthly Amounts first payable and then Monthly Amounts thereafter in chronological order. Any Principal Amount, interest and any other sum arising under the Subscription Agreement that remains outstanding on the Maturity Date shall be due and payable on the Maturity Date.

1.3. Default Interest Rate. Following the occurrence and during the continuance of an Event of Default, which, if susceptible to cure is not cured within twenty (20) days, otherwise then from the first date of such occurrence, the annual interest rate on this Note shall (subject to Section 6.7) automatically be increased to fifteen percent (15%), and all outstanding obligations under this Note, including unpaid interest, shall continue to accrue interest from the date of such Event of Default at such interest rate applicable to such obligations until such Event of Default is cured or waived.

ARTICLE II

CONVERSION REPAYMENT

2.1. (a) Payment of Monthly Amount in Cash or Common Stock. Subject to Section 3.2 hereof, the Borrower, at the Borrower's election, shall pay the Monthly Amount (i) in cash within three (3) business days after the applicable Repayment Date, or (ii) in registered, unlegended, free-trading Common Stock at an applied conversion rate equal to eighty-five percent (85%) of the average of the five (5) closing bid prices of the Common Stock as reported by Bloomberg L.P. for the five (5) trading days preceding such Repayment Date. Such shares of Common Stock must be delivered to the Holder not later than three (3) business days of the applicable Repayment Date. Whichever of the Pink Sheets, NASD, OTC Bulletin Board, NASDAQ SmallCap Market, NASDAQ National Market System, American Stock Exchange, or New York Stock Exchange or such other principal market or exchange where the Common Stock is listed or traded is the principal trading exchange or market for the Common Stock is the Principal Market. The Borrower must send notice to the Holder by confirmed telecopier not later than 3:00 PM, New York City time on each Repayment Date notifying Holder of Borrower's election to pay the Monthly Redemption Amount in cash or stock. The Notice must state the amount of cash and or stock to be paid and include supporting calculations. Elections by the Borrower must be made to all Holders of Notes similar to this Note in proportion to the relative Note principal held by such Note Holders. If such notice is not timely sent or if the Monthly Redemption Amount is not timely delivered, then Holder shall have the right, instead of the Company, to elect within five trading days after the later of the applicable Repayment Date or required delivery date, as the case may be, whether to be paid in cash or Common Stock. Such Holder's election shall not be construed to be a waiver of any default by Borrower relating to non-timely compliance by Borrower with any of its obligations under this Note.

(b) Application of Conversion Amounts. Any amounts paid or converted by the Borrower pursuant to Section 2.1(b) shall be deemed to constitute payments of and applied (i) first, against outstanding fees, (ii) second, against accrued interest on the Principal Amount, and (iii) third, against the Principal Amount.

2.2. No Effective Registration. Notwithstanding anything to the contrary herein, no amount payable hereunder may be paid in shares of Common Stock by the Borrower without the Holder's consent unless (a) either (i) an effective current Registration Statement covering the shares of Common Stock to be issued in satisfaction of such obligations exists, or (ii) an exemption from registration of the Common Stock is available pursuant to Rule 144(k) of the Securities Act, and (b) no Event of Default hereunder exists and is continuing, unless such Event of Default is cured within any applicable cure period or is otherwise waived in writing by the Holder in whole or in part at the Holder's option.

ARTICLE III

CONVERSION RIGHTS

3.1. Holder's Conversion Rights. Subject to Section 3.2 and the mandatory conversion provisions therein, the Holder shall have the right, but not the obligation, to convert all or any portion of the then aggregate outstanding Principal Amount of this Note, together with interest and fees due hereon, and any sum arising under the Subscription Agreement and the Transaction Documents, including but not limited to Liquidated Damages, into shares of Common Stock, subject to the terms and conditions set forth in this Article III at the rate of $0.005 per share of Common Stock ("Fixed Conversion Price" as same may be adjusted pursuant to this Note and the Subscription Agreement. The Holder may exercise such right by delivery to the Borrower of a written Notice of Conversion pursuant to Section 3.3.

3.2. Conversion Limitation. Notwithstanding anything contained herein to the contrary, the Holder shall not be entitled to convert pursuant to the terms of this Note nor may this Note be converted in whole or in part into an amount of Common Stock that would be convertible into that number of Common Stock which would exceed the difference between the number of shares of Common Stock beneficially owned by such Holder and 4.99% of the outstanding shares of Common Stock. For the purposes of the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Exchange Act and Regulation 13d-3 thereunder. The foregoing limitation shall be calculated as of each Conversion Date. Aggregate conversions over time shall not be limited to 4.99%. The Holder may waive the Conversion Share limitation described in this Section 3.2, in whole or in part, upon 61 days prior notice to the Borrower. The Holder may allocate which of the equity of the Borrower deemed beneficially owned by the Holder shall be included in the 4.99% amount described above and which shall be allocated to the excess above 4.99%.

3.3. Mechanics of Holder's Conversion.

(a) In the event that the Holder elects to convert any amounts outstanding under this Note into Common Stock, the Holder shall give notice of such election by delivering an executed and completed notice of conversion (a "Notice of Conversion") to the Borrower, which Notice of Conversion shall provide a breakdown in reasonable detail of the Principal Amount, accrued interest and amounts being converted. The original Note is not required to be surrendered to the Borrower until all sums due under the Note have been paid. On each Conversion Date (as hereinafter defined) and in accordance with its Notice of Conversion, the Holder shall make the appropriate reduction to the Principal Amount, accrued interest and fees as entered in its records and shall provide written notice thereof to the Borrower within three (3) business days after the Conversion Date. Each date on which a Notice of Conversion is delivered or telecopied to the Borrower in accordance with the provisions hereof shall be deemed a "Conversion Date." A form of Notice of Conversion to be employed by the Holder is annexed hereto as Exhibit A.

(b) Pursuant to the terms of a Notice of Conversion, the Borrower will issue instructions to the transfer agent accompanied by an opinion of counsel, if so required by the Borrower's transfer agent, within two (2) business days after the date of the delivery to Borrower of the Notice of Conversion and shall cause the transfer agent to transmit the certificates representing the Conversion Shares to the Holder by crediting the account of the Holder's designated broker with the Depository Trust Corporation ("DTC") through its Deposit Withdrawal Agent Commission ("DWAC") system within three (3) business days after receipt by the Borrower of the Notice of Conversion (the "Delivery Date"). In the case of the exercise of the conversion rights set forth herein the conversion privilege shall be deemed to have been exercised and the Conversion Shares issuable upon such conversion shall be deemed to have been issued upon the date of receipt by the Borrower of the Notice of Conversion. The Holder shall be treated for all purposes as the record holder of such shares of Common Stock, unless the Holder provides the Borrower written instructions to the contrary. Notwithstanding the foregoing to the contrary, the Borrower or its transfer agent shall only be obligated to issue and deliver the shares to the DTC on the Holder's behalf via DWAC (or certificates free of restrictive legends) if the registration statement providing for the resale of the shares of Common Stock issuable upon the conversion of this Note is effective and the Holder has complied with all applicable securities laws in connection with the sale of the Common Stock, including, without limitation, the prospectus delivery requirements. In the event that Conversion Shares cannot be delivered to the Holder via DWAC, the Borrower shall deliver physical certificates representing the Conversion Shares by the Delivery Date.

3.4. Conversion Mechanics.

(a) The number of shares of Common Stock to be issued upon each conversion of this Note pursuant to this Article III shall be determined by dividing that portion of the Principal Amount and interest and fees to be converted, if any, by the then applicable Fixed Conversion Price.

(b) The Fixed Conversion Price and number and kind of shares or other securities to be issued upon conversion shall be subject to adjustment from time to time upon the happening of certain events while this conversion right remains outstanding, as follows:

A. Merger, Sale of Assets, etc. If the Borrower at any time shall consolidate with or merge into or sell or convey all or substantially all its assets to any other corporation, this Note, as to the unpaid principal portion thereof and accrued interest thereon, shall thereafter be deemed to evidence the right to purchase such number and kind of shares or other securities and property as would have been issuable or distributable on account of such consolidation, merger, sale or conveyance, upon or with respect to the securities subject to the conversion or purchase right immediately prior to such consolidation, merger, sale or conveyance. The foregoing provision shall similarly apply to successive transactions of a similar nature by any such successor or purchaser. Without limiting the generality of the foregoing, the anti-dilution provisions of this Section shall apply to such securities of such successor or purchaser after any such consolidation, merger, sale or conveyance.

B. Reclassification, etc. If the Borrower at any time shall, by reclassification or otherwise, change the Common Stock into the same or a different number of securities of any class or classes, this Note, as to the unpaid principal portion thereof and accrued interest thereon, shall thereafter be deemed to evidence the right to purchase an adjusted number of such securities and kind of securities as would have been issuable as the result of such change with respect to the Common Stock immediately prior to such reclassification or other change.

C. Stock Splits, Combinations and Dividends. If the shares of Common Stock are subdivided or combined into a greater or smaller number of shares of Common Stock, or if a dividend is paid on the Common Stock in shares of Common Stock, the Conversion Price shall be proportionately reduced in case of subdivision of shares or stock dividend or proportionately increased in the case of combination of shares, in each such case by the ratio which the total number of shares of Common Stock outstanding immediately after such event bears to the total number of shares of Common Stock outstanding immediately prior to such event.

D. Share Issuance. So long as this Note is outstanding, if the Borrower shall issue any Common Stock except for the Excepted Issuances (as defined in the Subscription Agreement), prior to the complete conversion of this Note for a consideration less than the Fixed Conversion Price that would be in effect at the time of such issue, then, and thereafter successively upon each such issuance, the Fixed Conversion Price shall be reduced to such other lower issue price. For purposes of this adjustment, the issuance of any security or debt instrument of the Borrower carrying the right to convert such security or debt instrument into Common Stock or of any warrant, right or option to purchase Common Stock shall result in an adjustment to the Fixed Conversion Price upon the issuance of the above-described security, debt instrument, warrant, right, or option and again upon the issuance of shares of Common Stock upon exercise of such conversion or purchase rights if such issuance is at a price lower than the then applicable Conversion Price. The reduction of the Fixed Conversion Price described in this paragraph is in addition to the other rights of the Holder described in the Subscription Agreement.

(c) Whenever the Conversion Price is adjusted pursuant to Section 3.4(b) above, the Borrower shall promptly mail to the Holder a notice setting forth the Conversion Price after such adjustment and setting forth a statement of the facts requiring such adjustment.

3.5. Reservation. During the period the conversion right exists, Borrower will reserve from its authorized and unissued Common Stock not less than one hundred fifty percent (150%) of the number of shares to provide for the issuance of Common Stock upon the full conversion of this Note. Borrower represents that upon issuance, such shares will be duly and validly issued, fully paid and non-assessable. Borrower agrees that its issuance of this Note shall constitute full authority to its officers, agents, and transfer agents who are charged with the duty of executing and issuing stock certificates to execute and issue the necessary certificates for shares of Common Stock upon the conversion of this Note.

3.6 Issuance of Replacement Note. Upon any partial conversion of this Note, a replacement Note containing the same date and provisions of this Note shall, at the written request of the Holder, be issued by the Borrower to the Holder for the outstanding Principal Amount of this Note and accrued interest which shall not have been converted or paid, provided Holder has surrendered an original Note to the Company. In the event that the Holder elects not to surrender a Note for reissuance upon partial payment or conversion, the Holder hereby indemnifies the Borrower against any and all loss or damage attributable to a third-party claim in an amount in excess of the actual amount then due under the Note.

ARTICLE IV

SECURITY INTEREST

4. Security Interest/Waiver of Automatic Stay. This Note is secured by a security interest granted to the Collateral Agent for the benefit of the Holder pursuant to a Security Agreement, as delivered by Borrower to Holder. The Borrower acknowledges and agrees that should a proceeding under any bankruptcy or insolvency law be commenced by or against the Borrower, or if any of the Collateral (as defined in the Security Agreement) should become the subject of any bankruptcy or insolvency proceeding, then the Holder should be entitled to, among other relief to which the Holder may be entitled under the Transaction Documents and any other agreement to which the Borrower and Holder are parties (collectively, "Loan Documents") and/or applicable law, an order from the court granting immediate relief from the automatic stay pursuant to 11 U.S.C. Section 362 to permit the Holder to exercise all of its rights and remedies pursuant to the Loan Documents and/or applicable law. THE BORROWER EXPRESSLY WAIVES THE BENEFIT OF THE AUTOMATIC STAY IMPOSED BY 11 U.S.C. SECTION 362. FURTHERMORE, THE BORROWER EXPRESSLY ACKNOWLEDGES AND AGREES THAT NEITHER 11 U.S.C. SECTION 362 NOR ANY OTHER SECTION OF THE BANKRUPTCY CODE OR OTHER STATUTE OR RULE (INCLUDING, WITHOUT LIMITATION, 11 U.S.C. SECTION 105) SHALL STAY, INTERDICT, CONDITION, REDUCE OR INHIBIT IN ANY WAY THE ABILITY OF THE HOLDER TO ENFORCE ANY OF ITS RIGHTS AND REMEDIES UNDER THE LOAN DOCUMENTS AND/OR APPLICABLE LAW. The Borrower hereby consents to any motion for relief from stay that may be filed by the Holder in any bankruptcy or insolvency proceeding initiated by or against the Borrower and, further, agrees not to file any opposition to any motion for relief from stay filed by the Holder. The Borrower represents, acknowledges and agrees that this provision is a specific and material aspect of the Loan Documents, and that the Holder would not agree to the terms of the Loan Documents if this waiver were not a part of this Note. The Borrower further represents, acknowledges and agrees that this waiver is knowingly, intelligently and voluntarily made, that neither the Holder nor any person acting on behalf of the Holder has made any representations to induce this waiver, that the Borrower has been represented (or has had the opportunity to he represented) in the signing of this Note and the Loan Documents and in the making of this waiver by independent legal counsel selected by the Borrower and that the Borrower has discussed this waiver with counsel.

ARTICLE V

EVENTS OF DEFAULT

The occurrence of any of the following events of default ("Event of Default") shall, at the option of the Holder hereof, make all sums of principal and interest then remaining unpaid hereon and all other amounts payable hereunder immediately due and payable, upon demand, without presentment, or grace period, all of which hereby are expressly waived, except as set forth below:

5.1 Failure to Pay Principal or Interest. The Borrower fails to pay any installment of Principal Amount, interest or other sum due under this Note or any Transaction Document when due and such failure continues for a period of five (5) business days after the due date.

5.2 Breach of Covenant. The Borrower breaches any material covenant or other term or condition of the Subscription Agreement, this Note or Transaction Document in any material respect and such breach, if subject to cure, continues for a period of ten (10) business days after written notice to the Borrower from the Holder.

5.3 Breach of Representations and Warranties. Any material representation or warranty of the Borrower made herein, in the Subscription Agreement, Transaction Document or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith or therewith shall be false or misleading in any material respect as of the date made and a Closing Date.

5.4 Receiver or Trustee. The Borrower or any Subsidiary of Borrower shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for them or for a substantial part of their property or business; or such a receiver or trustee shall otherwise be appointed.

5.5 Judgments. Any money judgment, writ or similar final process shall be entered or filed against Borrower or any subsidiary of Borrower or any of their property or other assets for more than $50,000, and shall remain unvacated, unbonded or unstayed for a period of forty-five (45) days.

5.6 Non-Payment. A default by the Borrower under any one or more obligations in an aggregate monetary amount in excess of $50,000 for more than twenty (20) days after the due date.

5.7 Bankruptcy. Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings or relief under any bankruptcy law or any law, or the issuance of any notice in relation to such event, for the relief of debtors shall be instituted by or against the Borrower or any Subsidiary of Borrower and if instituted against them are not dismissed within forty-five (45) days of initiation.

5.8 Delisting. Delisting of the Common Stock from the OTC Bulletin Board (“Bulletin Board”) or such other principal exchange on which the Common Stock is listed for trading; failure to comply with the requirements for continued listing on the Bulletin Board for a period of seven consecutive trading days; or notification from the Bulletin Board or any Principal Market that the Borrower is not in compliance with the conditions for such continued listing on the Bulletin Board or other Principal Market.

5.9 Failure to Obtain Bulletin Board Listing. Failure of the Company to file a form 15c2-11 within 65 days of the Closing Date and failure to obtain a listing of its Common Stock on the Bulletin Board within 93 days of the Closing Date.

5.10 Stop Trade. An SEC or judicial stop trade order or Principal Market trading suspension with respect to Borrower's Common Stock that lasts for five or more consecutive trading days.

5.11 Failure to Deliver Common Stock or Replacement Note. Borrower's failure to timely deliver Common Stock to the Holder pursuant to and in the form required by this Note or the Subscription Agreement, and, if requested by Borrower, a replacement Note.

5.12 Non-Registration Event. The occurrence of a Non-Registration Event as described in the Subscription Agreement.

5.13 Reverse Splits. The Borrower effectuates a reverse split of its Common Stock without the prior written consent of the Holder.

5.14 Cross Default. A default by the Borrower of a material term, covenant, warranty or undertaking of any Transaction Document or other agreement to which the Borrower and Holder are parties, or the occurrence of a material event of default under any such other agreement which is not cured after any required notice and/or cure period.

ARTICLE VI

MISCELLANEOUS

6.1 Failure or Indulgence Not Waiver. No failure or delay on the part of Holder hereof in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

6.2 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be: (i) if to the Borrower to: Innovative Food Holdings, Inc., 1923 Trade Center Way, Suite #1, Naples, FL 34109, Attn: Joe Dimaggio, CEO & President, telecopier number: (239) 596-0204, with an additional copy by telecopier only to: Thomas F. Pierson, Esq., 2501 E. Commercial Boulevard, Suite 212, Ft. Lauderdale, FL 33308, telecopier number: (954) 958-9439, and (ii) if to the Holder, to the name, address and telecopy number set forth on the front page of this Note, with a copy by telecopier only to Grushko & Mittman, P.C., 551 Fifth Avenue, Suite 1601, New York, New York 10176, telecopier number: (212) 697-3575.

6.3 Amendment Provision. The term "Note" and all reference thereto, as used throughout this instrument, shall mean this instrument as originally executed, or if later amended or supplemented, then as so amended or supplemented.

6.4 Assignability. This Note shall be binding upon the Borrower and its successors and assigns, and shall inure to the benefit of the Holder and its successors and assigns.

6.5 Cost of Collection. If default is made in the payment of this Note, Borrower shall pay the Holder hereof reasonable costs of collection, including reasonable attorneys' fees.

6.6 Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflicts of laws principles that would result in the application of the substantive laws of another jurisdiction. Any action brought by either party against the other concerning the transactions contemplated by this Agreement shall be brought only in the state courts of New York or in the federal courts located in the state of New York. Both parties and the individual signing this Note on behalf of the Borrower agree to submit to the jurisdiction of such courts. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Note is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or unenforceability of any other provision of this Note. Nothing contained herein shall be deemed or operate to preclude the Holder from bringing suit or taking other legal action against the Borrower in any other jurisdiction to collect on the Borrower's obligations to Holder, to realize on any collateral or any other security for such obligations, or to enforce a judgment or other court in favor of the Holder.

6.7 Maximum Payments. Nothing contained herein shall be deemed to establish or require the payment of a rate of interest or other charges in excess of the maximum permitted by applicable law. In the event that the rate of interest required to be paid or other charges hereunder exceed the maximum permitted by such law, any payments in excess of such maximum shall be credited against amounts owed by the Borrower to the Holder and thus refunded to the Borrower.

6.8. Construction. Each party acknowledges that its legal counsel participated in the preparation of this Note and, therefore, stipulates that the rule of construction that ambiguities are to be resolved against the drafting party shall not be applied in the interpretation of this Note to favor any party against the other.

6.9 Redemption. This Note may not be redeemed or called without the consent of the Holder except as described in this Note.

6.10 Shareholder Status. The Holder shall not have rights as a shareholder of the Borrower with respect to unconverted portions of this Note. However, the Holder will have the rights of a shareholder of the Borrower with respect to the Shares of Common Stock to be received after delivery by the Holder of a Conversion Notice to the Borrower.

IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by an authorized officer as of the ____ day of February, 2005.

INNOVATIVE FOOD HOLDINGS, INC.

Date:

By: _____

Name:
Title:

WITNESS:

_____

NOTICE OF CONVERSION

(To be executed by the Registered Holder in order to convert the Note)

The undersigned hereby elects to convert $_____ of the principal and $_____ of the interest due on the Note issued by Innovative Food Holdings, Inc. on February ___, 2005 into Shares of Common Stock of Innovative Food Holdings, Inc. (the "Borrower") according to the conditions set forth in such Note, as of the date written below.

Date of Conversion: _____

Conversion Price: _____

Number of Shares of Common Stock Beneficially Owned on the Conversion Date: Less than 5% of the outstanding Common Stock of Innovative Food Holdings, Inc.

Shares To Be Delivered: _____

Signature: _____

Print Name: _____

Address: _____

_____

THIS CONVERTIBLE PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO SALE OR DISPOSITION MAY BE EFFECTED EXCEPT IN COMPLIANCE WITH RULE 144 UNDER SAID ACT OR AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL FOR THE HOLDER, SATISFACTORY TO THE COMPANY, THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT OR RECEIPT OF A NO-ACTION LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION.

CONVERTIBLE PROMISSORY NOTE

$XXX,XXX US **DATE**

FOR VALUE RECEIVED, Innovative Food Holdings, Inc., a corporation organized under the laws of the State of Florida ("Payor") promises to pay to the order of NAME, or its assigns ("Holder") the principal sum of **$XXX,XXX** with interest on the outstanding principal amount at the rate of eight percent (8%) per annum, compounded annually based on a 365-day year. Interest shall commence with the date of deposit of funds and shall continue on the outstanding principal until paid in full. The obligations of this Note are due in full on DATE(the "Maturity Date").

1. Repayment. All payments of interest and principal shall be in lawful money of the United States of America. All payments shall be applied first to accrued interest and thereafter to principal. Payor may prepay this Note at any time without penalty.

2. Place of Payment. All amounts payable hereunder shall be payable to Holder at the address it specifies to Payor in writing.

3. Conversion.

(a) Optional Conversion by Holder. All or any portion of the principal amount due and owing under this Note may be converted at the option of Holder into fully paid and non-assessable shares of Stock of the Payor at any time prior to the Maturity Date upon three (3) days written notice. No optional conversion may be made if Holder is aware of, or if Payor notified Holder within 30 days of its conversion election, any event which would require a conversion under section 3(a) above.

(b) Number of Shares of Stock Converted and Conversion Rate. Upon any conversion of all or any portion of the Note contemplated in sections 3(a) or (b) above, the principal amount designated by Holder shall be converted into that number of shares of Stock determined by dividing (i) the principal amount so elected to be converted by Holder, by the (ii) then applicable Conversion Rate. If the conversion is pursuant to section 3(b) and is prior to the Maturity Date, all accrued interest will continue to accrue; if the conversion is on the Maturity Date, then clause (i) of this section will include all accrued interest. If a partial conversion by Holder occurs, Holder shall surrender this Note at the offices of Payor in exchange for a new Note providing for the payment on the Maturity Date of all remaining principal and accrued interest due and owing subsequent to the optional conversion. As used herein, the term "Conversion Rate" shall mean $0.005 per share; subject to the non-dilutive provisions provided herein. At such time as such conversion has been effected, the rights of the holder of this Note will cease with respect to the principal (and interest if applicable) converted.

(c) Adjustments to Conversion Rate for Certain Events. The Conversion Rate shall be subject to adjustment if the number of outstanding shares of Stock of Payor is increased by a stock dividend, split-up or by a subdivision of equity of Payor, then, the Conversion Rate shall be appropriately decreased so that the number of shares of Units issuable on conversion of this Note shall be increased in proportion to such increase of outstanding shares of Stock, not including adjustments for employee stock plans.

(d) Fractional Shares. No fractional shares shall be issued upon the conversion of this Note. In lieu of issuing any fractional shares, Payor shall pay to the Holder in cash any remainder resulting after the number of whole shares is determined as a result of the conversion.

4. Use of Proceeds. This Note represents the debt owed to Holder for funds loaned and advanced at the request of the Company.

5. Due Authorization. The Payor has the full power and authority to execute and deliver this Note and to consummate the transactions contemplated on its part hereby and thereby. The execution, delivery (or filing or adoption, as the case may be), and performance by the Payor of this Note have been duly authorized. This Note is a valid and binding agreement of the Payor, enforceable against the Payor in accordance with its terms, except as limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally and by equitable principles in any action (legal or equitable) and by public policy.

6. Waiver. Payor waives presentment and demand for payment, notice of dishonor, protest and notice of protest of this Note, and shall pay all costs of collection when incurred, including, without limitation, reasonable attorneys' fees, costs and other expenses.

7. Attorney's Fees. If Payor defaults in the payment of principal or interest due on this Note, Holder shall be entitled to receive and Payor agrees to pay all reasonable costs of collection incurred by Holder, including, without limitation, reasonable attorney's fees for consultation and suit.

8. Governing Law-Arbitration. This Note shall be governed by, and construed and enforced in accordance with, the laws of the State of Florida, excluding conflict of laws principles that would cause the application of laws of any other jurisdiction. Any action brought to enforce or interpret this Note shall be brought in the courts located Collier County, Florida. The Note Holder and Company agree to settle any dispute through binding arbitration by a single arbiter in Collier County, Florida under the Commercial Arbitration Rules of the American Arbitration Association.

9. Successors and Assigns. The provisions of this Note shall inure to the benefit of and be binding on any successors of Payor and shall extend to any holder hereof. Holder may assign this Note (or any proceeds therefrom).

10. No Security or Guaranty. This Note is meant to be an unsecured obligation of Payor and is not meant to be guaranteed by any third party.

IN WITNESS WHEREOF, the Payor has duly executed this Note as of the date first written above.

PAYOR:

Innovative Food Holdings, Inc.

A Florida corporation

_____

Jonathan Steckler, President

[Remainder of Page Intentionally Left Blank]

THIS WARRANT AND THE COMMON SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THIS WARRANT AND THE COMMON SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO INNOVATIVE FOOD HOLDINGS, INC. THAT SUCH REGISTRATION IS NOT REQUIRED.

Right to Purchase _____ shares of Common Stock of Innovative Food Holdings, Inc. (subject to adjustment as provided herein)

CLASS A COMMON STOCK PURCHASE WARRANT

No. 2005-A-001 Issue Date: February ____, 2005

INNOVATIVE FOOD HOLDINGS, INC., a corporation organized under the laws of the State of Florida (the "Company"), hereby certifies that, for value received, NAME, or its assigns (the "Holder"), is entitled, subject to the terms set forth below, to purchase from the Company at any time after the Issue Date until 5:00 p.m., E.S.T on the fifth (5^{th}) anniversary of the Issue Date (the "Expiration Date"), up to _____ fully paid and nonassessable shares of Common Stock at a per share purchase price of $____ [**115% of the closing bid price of the Common Stock as reported by Bloomberg LP for the Principal Market for the last trading day preceding the Closing Date**]. The aforedescribed purchase price per share, as adjusted from time to time as herein provided, is referred to herein as the "Purchase Price." The number and character of such shares of Common Stock and the Purchase Price are subject to adjustment as provided herein. The Company may reduce the Purchase Price without the consent of the Holder. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Subscription Agreement (the "**Subscription Agreement**"), dated February ___, 2005, entered into by the Company and Holder's of the Class A Warrants.

As used herein the following terms, unless the context otherwise requires, have the following respective meanings:

(a) The term "Company" shall include Innovative Food Holdings, Inc. and any corporation which shall succeed or assume the obligations of Innovative Food Holdings, Inc. hereunder.

(b) The term "Common Stock" includes (a) the Company's Class A Common Stock, $.00001 par value per share, as authorized on the date of the Subscription Agreement, and (b) any other securities into which or for which any of the securities described in (a) may be converted or exchanged pursuant to a plan of recapitalization, reorganization, merger, sale of assets or otherwise.

(c) The term "Other Securities" refers to any stock (other than Common Stock) and other securities of the Company or any other person (corporate or otherwise) which the holder of the Warrant at any time shall be entitled to receive, or shall have received, on the exercise of the Warrant, in lieu of or in addition to Common Stock, or which at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Stock or Other Securities pursuant to Section 5 or otherwise.

(d) The term "Warrant Shares" shall mean the Common Stock issuable upon exercise of this Warrant.

1. Exercise of Warrant.

1.1. Number of Shares Issuable upon Exercise. From and after the Issue Date through and including the Expiration Date, the Holder hereof shall be entitled to receive, upon exercise of this Warrant in whole in accordance with the terms of subsection 1.2 or upon exercise of this Warrant in part in accordance with subsection 1.3, shares of Common Stock of the Company, subject to adjustment pursuant to Section 4.

1.2. Full Exercise. This Warrant may be exercised in full by the Holder hereof by delivery of an original or facsimile copy of the form of subscription attached as Exhibit A hereto (the “Subscription Form") duly executed by such Holder and surrender of the original Warrant within four (4) days of exercise, to the Company at its principal office or at the office of its Warrant Agent (as provided hereinafter), accompanied by payment, in cash, wire transfer or by certified or official bank check payable to the order of the Company, in the amount obtained by multiplying the number of shares of Common Stock for which this Warrant is then exercisable by the Purchase Price then in effect.

1.3. Partial Exercise. This Warrant may be exercised in part (but not for a fractional share) by surrender of this Warrant in the manner and at the place provided in subsection 1.2 except that the amount payable by the Holder on such partial exercise shall be the amount obtained by multiplying (a) the number of whole shares of Common Stock designated by the Holder in the Subscription Form by (b) the Purchase Price then in effect. On any such partial exercise, the Company, at its expense, will forthwith issue and deliver to or upon the order of the Holder hereof a new Warrant of like tenor, in the name of the Holder hereof or as such Holder (upon payment by such Holder of any applicable transfer taxes) may request, the whole number of shares of Common Stock for which such Warrant may still be exercised.

1.4. Fair Market Value. Fair Market Value of a share of Common Stock as of a particular date (the "Determination Date") shall mean:

(a) If the Company's Common Stock is traded on an exchange or is quoted on the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ"), National Market System, the NASDAQ SmallCap Market or the American Stock Exchange, LLC, then the closing or last sale price, respectively, reported for the last business day immediately preceding the Determination Date;

(b) If the Company's Common Stock is not traded on an exchange or on the NASDAQ National Market System, the NASDAQ SmallCap Market or the American Stock Exchange, Inc., but is traded in the over-the-counter market, then the average of the closing bid and ask prices reported for the last business day immediately preceding the Determination Date;

(c) Except as provided in clause (d) below, if the Company's Common Stock is not publicly traded, then as the Holder and the Company agree, or in the absence of such an agreement, by arbitration in accordance with the rules then standing of the American Arbitration Association, before a single arbitrator to be chosen from a panel of persons qualified by education and training to pass on the matter to be decided; or

(d) If the Determination Date is the date of a liquidation, dissolution or winding up, or any event deemed to be a liquidation, dissolution or winding up pursuant to the Company's charter, then all amounts to be payable per share to holders of the Common Stock pursuant to the charter in the event of such liquidation, dissolution or winding up, plus all other amounts to be payable per share in respect of the Common Stock in liquidation under the charter, assuming for the purposes of this clause (d) that all of the shares of Common Stock then issuable upon exercise of all of the Warrants are outstanding at the Determination Date.

1.5. Company Acknowledgment. The Company will, at the time of the exercise of the Warrant, upon the request of the Holder hereof acknowledge in writing its continuing obligation to afford to such Holder any rights to which such Holder shall continue to be entitled after such exercise in accordance with the provisions of this Warrant. If the Holder shall fail to make any such request, such failure shall not affect the continuing obligation of the Company to afford to such Holder any such rights.

1.6. Trustee for Warrant Holders. In the event that a bank or trust company shall have been appointed as trustee for the Holder of the Warrants pursuant to Subsection 3.2, such bank or trust company shall have all the powers and duties of a warrant agent (as hereinafter described) and shall accept, in its own name for the account of the Company or such successor person as may be entitled thereto, all amounts otherwise payable to the Company or such successor, as the case may be, on exercise of this Warrant pursuant to this Section 1.

1.7 Delivery of Stock Certificates, etc. on Exercise. The Company agrees that the shares of Common Stock purchased upon exercise of this Warrant shall be deemed to be issued to the Holder hereof as the record owner of such shares as of the close of business on the date on which this Warrant shall have been surrendered and payment made for such shares as aforesaid. As soon as practicable after the exercise of this Warrant in full or in part, and in any event within four (4) business days thereafter, the Company at its expense (including the payment by it of any applicable issue taxes) will cause to be issued in the name of and delivered to the Holder hereof, or as such Holder (upon payment by such Holder of any applicable transfer taxes) may direct in compliance with applicable securities laws, a certificate or certificates for the number of duly and validly issued, fully paid and nonassessable shares of Common Stock (or Other Securities) to which such Holder shall be entitled on such exercise, plus, in lieu of any fractional share to which such Holder would otherwise be entitled, cash equal to such fraction multiplied by the then Fair Market Value of one full share of Common Stock, together with any other stock or other securities and property (including cash, where applicable) to which such Holder is entitled upon such exercise pursuant to Section 1 or otherwise.

2. Cashless Exercise.

(a) If a Registration Statement (as defined in the Subscription Agreement) ("Registration Statement") is effective and the Holder may sell its shares of Common Stock upon exercise hereof pursuant to the Registration Statement, this Warrant may be exercisable in whole or in part for cash only as set forth in Section 1 above. If no such Registration Statement is available during the time that such Registration Statement is required to be effective pursuant to the terms of the Subscription Agreement, then payment upon exercise may be made at the option of the Holder either in (i) cash, wire transfer or by certified or official bank check payable to the order of the Company equal to the applicable aggregate Purchase Price, (ii) by delivery of Common Stock issuable upon exercise of the Warrants in accordance with Section (b) below or (iii) by a combination of any of the foregoing methods, for the number of Common Stock specified in such form (as such exercise number shall be adjusted to reflect any adjustment in the total number of shares of Common Stock issuable to the holder per the terms of this Warrant) and the holder shall thereupon be entitled to receive the number of duly authorized, validly issued, fully-paid and non-assessable shares of Common Stock (or Other Securities) determined as provided herein.

(b) If the Fair Market Value of one share of Common Stock is greater than the Purchase Price (at the date of calculation as set forth below), in lieu of exercising this Warrant for cash, the holder may elect to receive shares equal to the value (as determined below) of this Warrant (or the portion thereof being cancelled) by surrender of this Warrant at the principal office of the Company together with the properly endorsed Subscription Form in which event the Company shall issue to the holder a number of shares of Common Stock computed using the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where

X= the number of shares of Common Stock to be issued to the holder

Y= the number of shares of Common Stock purchasable under the Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being exercised (at the date of such calculation)

A= the Fair Market Value of one share of the Company's Common Stock (at the date of such calculation)

B= Purchase Price (as adjusted to the date of such calculation)

(c) The Holder may employ the cashless exercise feature described in Section (b) above only during the pendency of a Non-Registration Event as described in Section 11 of the Subscription Agreement.

For purposes of Rule 144 promulgated under the 1933 Act, it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued pursuant to the Subscription Agreement.

3. Adjustment for Reorganization, Consolidation, Merger, etc.

3.1. Reorganization, Consolidation, Merger, etc. In case at any time or from time to time, the Company shall (a) effect a reorganization, (b) consolidate with or merge into any other person or (c) transfer all or substantially all of its properties or assets to any other person under any plan or arrangement contemplating the dissolution of the Company, then, in each such case, as a condition to the consummation of such a transaction, proper and adequate provision shall be made by the Company whereby the Holder of this Warrant, on the exercise hereof as provided in Section 1, at any time after the consummation of such reorganization, consolidation or merger or the effective date of such dissolution, as the case may be, shall receive, in lieu of the Common Stock (or Other Securities) issuable on such exercise prior to such consummation or such effective date, the stock and other securities and property (including cash) to which such Holder would have been entitled upon such consummation or in connection with such dissolution, as the case may be, if such Holder had so exercised this Warrant, immediately prior thereto, all subject to further adjustment thereafter as provided in Section 4.

3.2. Dissolution. In the event of any dissolution of the Company following the transfer of all or substantially all of its properties or assets, the Company, prior to such dissolution, shall at its expense deliver or cause to be delivered the stock and other securities and property (including cash, where applicable) receivable by the Holder of the Warrants after the effective date of such dissolution pursuant to this Section 3 to a bank or trust company (a "Trustee") having its principal office in New York, NY, as trustee for the Holder of the Warrants.

3.3. Continuation of Terms. Upon any reorganization, consolidation, merger or transfer (and any dissolution following any transfer) referred to in this Section 3, this Warrant shall continue in full force and effect and the terms hereof shall be applicable to the Other Securities and property receivable on the exercise of this Warrant after the consummation of such reorganization, consolidation or merger or the effective date of dissolution following any such transfer, as the case may be, and shall be binding upon the issuer of any Other Securities, including, in the case of any such transfer, the person acquiring all or substantially all of the properties or assets of the Company, whether or not such person shall have expressly assumed the terms of this Warrant as provided in Section 4. In the event this Warrant does not continue in full force and effect after the consummation of the transaction described in this Section 3, then only in such event will the Company's securities and property (including cash, where applicable) receivable by the Holder of the Warrants be delivered to the Trustee as contemplated by Section 3.2.

3.4 Share Issuance. Until the Expiration Date, if the Company shall issue any Common Stock except for the Excepted Issuance (as defined in the Subscription Agreement), prior to the complete exercise of this Warrant for a consideration less than the Purchase Price that would be in effect at the time of such issue, then, and thereafter successively upon each such issue, the Purchase Price shall be reduced to such other lower issue price. For purposes of this adjustment, the issuance of any security or debt instrument of the Company carrying the right to convert such security or debt instrument into Common Stock or of any warrant, right or option to purchase Common Stock shall result in an adjustment to the Purchase Price upon the issuance of the above-described security, debt instrument, warrant, right, or option and again at any time upon any subsequent issuances of shares of Common Stock upon exercise of such conversion or purchase rights if such issuance is at a price lower than the Purchase Price in effect upon such issuance. The reduction of the Purchase Price described in this Section 3.4 is in addition to the other rights of the Holder described in the Subscription Agreement.

4. Extraordinary Events Regarding Common Stock. In the event that the Company shall (a) issue additional shares of the Common Stock as a dividend or other distribution on outstanding Common Stock, (b) subdivide its outstanding shares of Common Stock, or (c) combine its outstanding shares of the Common Stock into a smaller number of shares of the Common Stock, then, in each such event, the Purchase Price shall, simultaneously with the happening of such event, be adjusted by multiplying the then Purchase Price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such event and the denominator of which shall be the number of shares of Common Stock outstanding immediately after such event, and the product so obtained shall thereafter be the Purchase Price then in effect. The Purchase Price, as so adjusted, shall be readjusted in the same manner upon the happening of any successive event or events described herein in this Section 4. The number of shares of Common Stock that the Holder of this Warrant shall thereafter, on the exercise hereof as provided in Section 1, be entitled to receive shall be adjusted to a number determined by multiplying the number of shares of Common Stock that would otherwise (but for the provisions of this Section 4) be issuable on such exercise by a fraction of which (a) the numerator is the Purchase Price that would otherwise (but for the provisions of this Section 4) be in effect, and (b) the denominator is the Purchase Price in effect on the date of such exercise.

5. Certificate as to Adjustments. In each case of any adjustment or readjustment in the shares of Common Stock (or Other Securities) issuable on the exercise of the Warrants, the Company at its expense will promptly cause its Chief Financial Officer or other appropriate designee to compute such adjustment or readjustment in accordance with the terms of the Warrant and prepare a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (a) the consideration received or receivable by the Company for any additional shares of Common Stock (or Other Securities) issued or sold or deemed to have been issued or sold, (b) the number of shares of Common Stock (or Other Securities) outstanding or deemed to be outstanding, and (c) the Purchase Price and the number of shares of Common Stock to be received upon exercise of this Warrant, in effect immediately prior to such adjustment or readjustment and as adjusted or readjusted as provided in this Warrant. The Company will forthwith mail a copy of each such certificate to the Holder of the Warrant and any Warrant Agent of the Company (appointed pursuant to Section 11 hereof).

6. Reservation of Stock, etc. Issuable on Exercise of Warrant; Financial Statements. The Company will at all times reserve and keep available, solely for issuance and delivery on the exercise of the Warrants, all shares of Common Stock (or Other Securities) from time to time issuable on the exercise of the Warrant. This Warrant entitles the Holder hereof to receive copies of all financial and other information distributed or required to be distributed to the holders of the Company's Common Stock.

7. Assignment; Exchange of Warrant. Subject to compliance with applicable securities laws, this Warrant, and the rights evidenced hereby, may be transferred by any registered holder hereof (a "Transferor"). On the surrender for exchange of this Warrant, with the Transferor's endorsement in the form of Exhibit B attached hereto (the “Transferor Endorsement Form") and together with an opinion of counsel reasonably satisfactory to the Company that the transfer of this Warrant will be in compliance with applicable securities laws, the Company at its expense, twice, only, but with payment by the Transferor of any applicable transfer taxes, will issue and deliver to or on the order of the Transferor thereof a new Warrant or Warrants of like tenor, in the name of the Transferor and/or the transferee(s) specified in such Transferor Endorsement Form (each a "Transferee"), calling in the aggregate on the face or faces thereof for the number of shares of Common Stock called for on the face or faces of the Warrant so surrendered by the Transferor. No such transfers shall result in a public distribution of the Warrant.

8. Replacement of Warrant. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of any such loss, theft or destruction of this Warrant, on delivery of an indemnity agreement or security reasonably satisfactory in form and amount to the Company or, in the case of any such mutilation, on surrender and cancellation of this Warrant, the Company at its expense, twice only, will execute and deliver, in lieu thereof, a new Warrant of like tenor.

9. Registration Rights. The Holder of this Warrant has been granted certain registration rights by the Company. These registration rights are set forth in the Subscription Agreement. The terms of the Subscription Agreement are incorporated herein by this reference.

10. Maximum Exercise. The Holder shall not be entitled to exercise this Warrant on an exercise date, in connection with that number of shares of Common Stock which would be in excess of the sum of (i) the number of shares of Common Stock beneficially owned by the Holder and its affiliates on an exercise date, and (ii) the number of shares of Common Stock issuable upon the exercise of this Warrant with respect to which the determination of this limitation is being made on an exercise date, which would result in beneficial ownership by the Holder and its affiliates of more than 4.99% of the outstanding shares of Common Stock on such date. For the purposes of the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13d-3 thereunder. Subject to the foregoing, the Holder shall not be limited to aggregate exercises which would result in the issuance of more than 4.99%. The restriction described in this paragraph may be waived, in whole or in part, upon sixty-one (61) days prior notice from the Holder to the Company. The Holder may allocate which of the equity of the Company deemed beneficially owned by the Subscriber shall be included in the 4.99% amount described above and which shall be allocated to the excess above 4.99%.

11. Warrant Agent. The Company may, by written notice to the Holder of the Warrant, appoint an agent (a “Warrant Agent”) for the purpose of issuing Common Stock (or Other Securities) on the exercise of this Warrant pursuant to Section 1, exchanging this Warrant pursuant to Section 7, and replacing this Warrant pursuant to Section 8, or any of the foregoing, and thereafter any such issuance, exchange or replacement, as the case may be, shall be made at such office by such Warrant Agent.

12. Transfer on the Company's Books. Until this Warrant is transferred on the books of the Company, the Company may treat the registered holder hereof as the absolute owner hereof for all purposes, notwithstanding any notice to the contrary.

13. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be: (i) if to the Company to: Innovative Food Holdings, Inc., 1923 Trade Center Way, Suite #1, Naples, FL 34109, Attn: Joe Dimaggio, CEO & President, telecopier number: (239) 596-0204, with an additional copy by telecopier only to: Thomas F. Pierson, Esq., 2501 E. Commercial Boulevard, Suite 212, Ft. Lauderdale, FL 33308, telecopier number: (954) 958-9439, and (ii) if to the Holder, to the address and telecopier number listed on the first paragraph of this Warrant, with an additional copy by telecopier only to: Grushko & Mittman, P.C., 551 Fifth Avenue, Suite 1601, New York, New York 10176, telecopier number: (212) 697-3575.

14. Miscellaneous. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought. This Warrant shall be construed and enforced in accordance with and governed by the laws of New York. Any dispute relating to this Warrant shall be adjudicated in New York County in the State of New York. The headings in this Warrant are for purposes of reference only, and shall not limit or otherwise affect any of the terms hereof. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

IN WITNESS WHEREOF, the Company has executed this Warrant as of the date first written above.

INNOVATIVE FOOD HOLDINGS, INC.

By: _____

Name:
Title:

Witness:

_____

Exhibit A

FORM OF SUBSCRIPTION
(to be signed only on exercise of Warrant)

TO: INNOVATIVE FOOD HOLDINGS, INC.

The undersigned, pursuant to the provisions set forth in the attached Warrant (No.____), hereby irrevocably elects to purchase (check applicable box):

___ _____ shares of the Common Stock covered by such Warrant; or

___ the maximum number of shares of Common Stock covered by such Warrant pursuant to the cashless exercise procedure set forth in Section 2.

The undersigned herewith makes payment of the full purchase price for such shares at the price per share provided for in such Warrant, which is $_____. Such payment takes the form of (check applicable box or boxes):

___ $_____ in lawful money of the United States; and/or

___ the cancellation of such portion of the attached Warrant as is exercisable for a total of _____ shares of Common Stock (using a Fair Market Value of $_____ per share for purposes of this calculation); and/or

___ the cancellation of such number of shares of Common Stock as is necessary, in accordance with the formula set forth in Section 2, to exercise this Warrant with respect to the maximum number of shares of Common Stock purchasable pursuant to the cashless exercise procedure set forth in Section 2.

The undersigned requests that the certificates for such shares be issued in the name of, and delivered to _____ whose address is

_____

_____

Number of Shares of Common Stock Beneficially Owned on the date of exercise: Less than five percent (5%) of the outstanding Common Stock of Innovative Food Holdings, Inc..

The undersigned represents and warrants that all offers and sales by the undersigned of the securities issuable upon exercise of the within Warrant shall be made pursuant to registration of the Common Stock under the Securities Act of 1933, as amended (the "Securities Act"), or pursuant to an exemption from registration under the Securities Act.

Dated:

_____ _____

(Signature must conform to name of holder as specified on the face of the Warrant)

_____

_____

(Address)

Exhibit B

FORM OF TRANSFEROR ENDORSEMENT
(To be signed only on transfer of Warrant)

For value received, the undersigned hereby sells, assigns, and transfers unto the person(s) named below under the heading "Transferees" the right represented by the within Warrant to purchase the percentage and number of shares of Common Stock of INNOVATIVE FOOD HOLDINGS, INC. to which the within Warrant relates specified under the headings "Percentage Transferred" and "Number Transferred," respectively, opposite the name(s) of such person(s) and appoints each such person Attorney to transfer its respective right on the books of INNOVATIVE FOOD HOLDINGS, INC. with full power of substitution in the premises.

Transferees	Percentage Transferred	Number Transferred

Dated: _____, _____

_____
(Signature must conform to name of holder as specified on the face of the warrant)

Signed in the presence of:

_____
(Name)

_____
(address)

ACCEPTED AND AGREED:
[TRANSFEREE]

_____
(Name)

_____
(address)

THIS WARRANT AND THE COMMON SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THIS WARRANT AND THE COMMON SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO INNOVATIVE FOOD HOLDINGS, INC. THAT SUCH REGISTRATION IS NOT REQUIRED.

Right to Purchase _____ shares of Common Stock of Innovative Food Holdings, Inc. (subject to adjustment as provided herein)

CLASS B COMMON STOCK PURCHASE WARRANT

No. 2005-B-001 Issue Date: February ____, 2005

INNOVATIVE FOOD HOLDINGS, INC., a corporation organized under the laws of the State of Florida (the "Company"), hereby certifies that, for value received, NAME, or its assigns (the "Holder"), is entitled, subject to the terms set forth below, to purchase from the Company at any time after the Issue Date until 5:00 p.m., E.S.T on the one hundred and eightieth day (180^{th}) day after the Registration Statement (as defined in Section 11.1(iv) of the Subscription Agreement (as defined below) has been effective for the public and unrestricted resale of the Warrant Shares (the "Expiration Date"), up to _____ fully paid and nonassessable shares of Common Stock at a per share purchase price of $____ [**110% of the closing bid price of the Common Stock as reported by Bloomberg LP for the Principal Market for the last trading day preceding the Closing Date**]. The aforedescribed purchase price per share, as adjusted from time to time as herein provided, is referred to herein as the "Purchase Price." The number and character of such shares of Common Stock and the Purchase Price are subject to adjustment as provided herein. The Company may reduce the Purchase Price without the consent of the Holder. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Subscription Agreement (the "**Subscription Agreement**"), dated February ___, 2005, entered into by the Company and Holder's of the Class B Warrants.

As used herein the following terms, unless the context otherwise requires, have the following respective meanings:

(a) The term "Company" shall include Innovative Food Holdings, Inc. and any corporation which shall succeed or assume the obligations of Innovative Food Holdings, Inc. hereunder.

(b) The term "Common Stock" includes (a) the Company's Class A Common Stock, $.00001 par value per share, as authorized on the date of the Subscription Agreement, and (b) any other securities into which or for which any of the securities described in (a) may be converted or exchanged pursuant to a plan of recapitalization, reorganization, merger, sale of assets or otherwise.

(c) The term "Other Securities" refers to any stock (other than Common Stock) and other securities of the Company or any other person (corporate or otherwise) which the holder of the Warrant at any time shall be entitled to receive, or shall have received, on the exercise of the Warrant, in lieu of or in addition to Common Stock, or which at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Stock or Other Securities pursuant to Section 5 or otherwise.

(d) The term "Warrant Shares" shall mean the Common Stock issuable upon exercise of this Warrant.

1. Exercise of Warrant.

1.1. Number of Shares Issuable upon Exercise. From and after the Issue Date through and including the Expiration Date, the Holder hereof shall be entitled to receive, upon exercise of this Warrant in whole in accordance with the terms of subsection 1.2 or upon exercise of this Warrant in part in accordance with subsection 1.3, shares of Common Stock of the Company, subject to adjustment pursuant to Section 4.

1.2. Full Exercise. This Warrant may be exercised in full by the Holder hereof by delivery of an original or facsimile copy of the form of subscription attached as Exhibit A hereto (the “Subscription Form") duly executed by such Holder and surrender of the original Warrant within four (4) days of exercise, to the Company at its principal office or at the office of its Warrant Agent (as provided hereinafter), accompanied by payment, in cash, wire transfer or by certified or official bank check payable to the order of the Company, in the amount obtained by multiplying the number of shares of Common Stock for which this Warrant is then exercisable by the Purchase Price then in effect.

1.3. Partial Exercise. This Warrant may be exercised in part (but not for a fractional share) by surrender of this Warrant in the manner and at the place provided in subsection 1.2 except that the amount payable by the Holder on such partial exercise shall be the amount obtained by multiplying (a) the number of whole shares of Common Stock designated by the Holder in the Subscription Form by (b) the Purchase Price then in effect. On any such partial exercise, the Company, at its expense, will forthwith issue and deliver to or upon the order of the Holder hereof a new Warrant of like tenor, in the name of the Holder hereof or as such Holder (upon payment by such Holder of any applicable transfer taxes) may request, the whole number of shares of Common Stock for which such Warrant may still be exercised.

1.4. Fair Market Value. Fair Market Value of a share of Common Stock as of a particular date (the "Determination Date") shall mean:

(a) If the Company's Common Stock is traded on an exchange or is quoted on the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ"), National Market System, the NASDAQ SmallCap Market or the American Stock Exchange, LLC, then the closing or last sale price, respectively, reported for the last business day immediately preceding the Determination Date;

(b) If the Company's Common Stock is not traded on an exchange or on the NASDAQ National Market System, the NASDAQ SmallCap Market or the American Stock Exchange, Inc., but is traded in the over-the-counter market, then the average of the closing bid and ask prices reported for the last business day immediately preceding the Determination Date;

(c) Except as provided in clause (d) below, if the Company's Common Stock is not publicly traded, then as the Holder and the Company agree, or in the absence of such an agreement, by arbitration in accordance with the rules then standing of the American Arbitration Association, before a single arbitrator to be chosen from a panel of persons qualified by education and training to pass on the matter to be decided; or

(d) If the Determination Date is the date of a liquidation, dissolution or winding up, or any event deemed to be a liquidation, dissolution or winding up pursuant to the Company's charter, then all amounts to be payable per share to holders of the Common Stock pursuant to the charter in the event of such liquidation, dissolution or winding up, plus all other amounts to be payable per share in respect of the Common Stock in liquidation under the charter, assuming for the purposes of this clause (d) that all of the shares of Common Stock then issuable upon exercise of all of the Warrants are outstanding at the Determination Date.

1.5. Company Acknowledgment. The Company will, at the time of the exercise of the Warrant, upon the request of the Holder hereof acknowledge in writing its continuing obligation to afford to such Holder any rights to which such Holder shall continue to be entitled after such exercise in accordance with the provisions of this Warrant. If the Holder shall fail to make any such request, such failure shall not affect the continuing obligation of the Company to afford to such Holder any such rights.

1.6. Trustee for Warrant Holders. In the event that a bank or trust company shall have been appointed as trustee for the Holder of the Warrants pursuant to Subsection 3.2, such bank or trust company shall have all the powers and duties of a warrant agent (as hereinafter described) and shall accept, in its own name for the account of the Company or such successor person as may be entitled thereto, all amounts otherwise payable to the Company or such successor, as the case may be, on exercise of this Warrant pursuant to this Section 1.

1.7 Delivery of Stock Certificates, etc. on Exercise. The Company agrees that the shares of Common Stock purchased upon exercise of this Warrant shall be deemed to be issued to the Holder hereof as the record owner of such shares as of the close of business on the date on which this Warrant shall have been surrendered and payment made for such shares as aforesaid. As soon as practicable after the exercise of this Warrant in full or in part, and in any event within four (4) business days thereafter, the Company at its expense (including the payment by it of any applicable issue taxes) will cause to be issued in the name of and delivered to the Holder hereof, or as such Holder (upon payment by such Holder of any applicable transfer taxes) may direct in compliance with applicable securities laws, a certificate or certificates for the number of duly and validly issued, fully paid and nonassessable shares of Common Stock (or Other Securities) to which such Holder shall be entitled on such exercise, plus, in lieu of any fractional share to which such Holder would otherwise be entitled, cash equal to such fraction multiplied by the then Fair Market Value of one full share of Common Stock, together with any other stock or other securities and property (including cash, where applicable) to which such Holder is entitled upon such exercise pursuant to Section 1 or otherwise.

2. Cashless Exercise.

(a) If a Registration Statement (as defined in the Subscription Agreement) ("Registration Statement") is effective and the Holder may sell its shares of Common Stock upon exercise hereof pursuant to the Registration Statement, this Warrant may be exercisable in whole or in part for cash only as set forth in Section 1 above. If no such Registration Statement is available during the time that such Registration Statement is required to be effective pursuant to the terms of the Subscription Agreement, then payment upon exercise may be made at the option of the Holder either in (i) cash, wire transfer or by certified or official bank check payable to the order of the Company equal to the applicable aggregate Purchase Price, (ii) by delivery of Common Stock issuable upon exercise of the Warrants in accordance with Section (b) below or (iii) by a combination of any of the foregoing methods, for the number of Common Stock specified in such form (as such exercise number shall be adjusted to reflect any adjustment in the total number of shares of Common Stock issuable to the holder per the terms of this Warrant) and the holder shall thereupon be entitled to receive the number of duly authorized, validly issued, fully-paid and non-assessable shares of Common Stock (or Other Securities) determined as provided herein.

(b) If the Fair Market Value of one share of Common Stock is greater than the Purchase Price (at the date of calculation as set forth below), in lieu of exercising this Warrant for cash, the holder may elect to receive shares equal to the value (as determined below) of this Warrant (or the portion thereof being cancelled) by surrender of this Warrant at the principal office of the Company together with the properly endorsed Subscription Form in which event the Company shall issue to the holder a number of shares of Common Stock computed using the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where

X= the number of shares of Common Stock to be issued to the holder

Y= the number of shares of Common Stock purchasable under the Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being exercised (at the date of such calculation)

A= the Fair Market Value of one share of the Company's Common Stock (at the date of such calculation)

B= Purchase Price (as adjusted to the date of such calculation)

(c) The Holder may employ the cashless exercise feature described in Section (b) above only during the pendency of a Non-Registration Event as described in Section 11 of the Subscription Agreement.

For purposes of Rule 144 promulgated under the 1933 Act, it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued pursuant to the Subscription Agreement.

3. Adjustment for Reorganization, Consolidation, Merger, etc.

3.1. Reorganization, Consolidation, Merger, etc. In case at any time or from time to time, the Company shall (a) effect a reorganization, (b) consolidate with or merge into any other person or (c) transfer all or substantially all of its properties or assets to any other person under any plan or arrangement contemplating the dissolution of the Company, then, in each such case, as a condition to the consummation of such a transaction, proper and adequate provision shall be made by the Company whereby the Holder of this Warrant, on the exercise hereof as provided in Section 1, at any time after the consummation of such reorganization, consolidation or merger or the effective date of such dissolution, as the case may be, shall receive, in lieu of the Common Stock (or Other Securities) issuable on such exercise prior to such consummation or such effective date, the stock and other securities and property (including cash) to which such Holder would have been entitled upon such consummation or in connection with such dissolution, as the case may be, if such Holder had so exercised this Warrant, immediately prior thereto, all subject to further adjustment thereafter as provided in Section 4.

3.2. Dissolution. In the event of any dissolution of the Company following the transfer of all or substantially all of its properties or assets, the Company, prior to such dissolution, shall at its expense deliver or cause to be delivered the stock and other securities and property (including cash, where applicable) receivable by the Holder of the Warrants after the effective date of such dissolution pursuant to this Section 3 to a bank or trust company (a "Trustee") having its principal office in New York, NY, as trustee for the Holder of the Warrants.

3.3. Continuation of Terms. Upon any reorganization, consolidation, merger or transfer (and any dissolution following any transfer) referred to in this Section 3, this Warrant shall continue in full force and effect and the terms hereof shall be applicable to the Other Securities and property receivable on the exercise of this Warrant after the consummation of such reorganization, consolidation or merger or the effective date of dissolution following any such transfer, as the case may be, and shall be binding upon the issuer of any Other Securities, including, in the case of any such transfer, the person acquiring all or substantially all of the properties or assets of the Company, whether or not such person shall have expressly assumed the terms of this Warrant as provided in Section 4. In the event this Warrant does not continue in full force and effect after the consummation of the transaction described in this Section 3, then only in such event will the Company's securities and property (including cash, where applicable) receivable by the Holder of the Warrants be delivered to the Trustee as contemplated by Section 3.2.

3.4 Share Issuance. Until the Expiration Date, if the Company shall issue any Common Stock except for the Excepted Issuance (as defined in the Subscription Agreement), prior to the complete exercise of this Warrant for a consideration less than the Purchase Price that would be in effect at the time of such issue, then, and thereafter successively upon each such issue, the Purchase Price shall be reduced to such other lower issue price. For purposes of this adjustment, the issuance of any security or debt instrument of the Company carrying the right to convert such security or debt instrument into Common Stock or of any warrant, right or option to purchase Common Stock shall result in an adjustment to the Purchase Price upon the issuance of the above-described security, debt instrument, warrant, right, or option and again at any time upon any subsequent issuances of shares of Common Stock upon exercise of such conversion or purchase rights if such issuance is at a price lower than the Purchase Price in effect upon such issuance. The reduction of the Purchase Price described in this Section 3.4 is in addition to the other rights of the Holder described in the Subscription Agreement.

4. Extraordinary Events Regarding Common Stock. In the event that the Company shall (a) issue additional shares of the Common Stock as a dividend or other distribution on outstanding Common Stock, (b) subdivide its outstanding shares of Common Stock, or (c) combine its outstanding shares of the Common Stock into a smaller number of shares of the Common Stock, then, in each such event, the Purchase Price shall, simultaneously with the happening of such event, be adjusted by multiplying the then Purchase Price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such event and the denominator of which shall be the number of shares of Common Stock outstanding immediately after such event, and the product so obtained shall thereafter be the Purchase Price then in effect. The Purchase Price, as so adjusted, shall be readjusted in the same manner upon the happening of any successive event or events described herein in this Section 4. The number of shares of Common Stock that the Holder of this Warrant shall thereafter, on the exercise hereof as provided in Section 1, be entitled to receive shall be adjusted to a number determined by multiplying the number of shares of Common Stock that would otherwise (but for the provisions of this Section 4) be issuable on such exercise by a fraction of which (a) the numerator is the Purchase Price that would otherwise (but for the provisions of this Section 4) be in effect, and (b) the denominator is the Purchase Price in effect on the date of such exercise.

5. Certificate as to Adjustments. In each case of any adjustment or readjustment in the shares of Common Stock (or Other Securities) issuable on the exercise of the Warrants, the Company at its expense will promptly cause its Chief Financial Officer or other appropriate designee to compute such adjustment or readjustment in accordance with the terms of the Warrant and prepare a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (a) the consideration received or receivable by the Company for any additional shares of Common Stock (or Other Securities) issued or sold or deemed to have been issued or sold, (b) the number of shares of Common Stock (or Other Securities) outstanding or deemed to be outstanding, and (c) the Purchase Price and the number of shares of Common Stock to be received upon exercise of this Warrant, in effect immediately prior to such adjustment or readjustment and as adjusted or readjusted as provided in this Warrant. The Company will forthwith mail a copy of each such certificate to the Holder of the Warrant and any Warrant Agent of the Company (appointed pursuant to Section 11 hereof).

6. Reservation of Stock, etc. Issuable on Exercise of Warrant; Financial Statements. The Company will at all times reserve and keep available, solely for issuance and delivery on the exercise of the Warrants, all shares of Common Stock (or Other Securities) from time to time issuable on the exercise of the Warrant. This Warrant entitles the Holder hereof to receive copies of all financial and other information distributed or required to be distributed to the holders of the Company's Common Stock.

7. Assignment; Exchange of Warrant. Subject to compliance with applicable securities laws, this Warrant, and the rights evidenced hereby, may be transferred by any registered holder hereof (a "Transferor"). On the surrender for exchange of this Warrant, with the Transferor's endorsement in the form of Exhibit B attached hereto (the “Transferor Endorsement Form") and together with an opinion of counsel reasonably satisfactory to the Company that the transfer of this Warrant will be in compliance with applicable securities laws, the Company at its expense, twice, only, but with payment by the Transferor of any applicable transfer taxes, will issue and deliver to or on the order of the Transferor thereof a new Warrant or Warrants of like tenor, in the name of the Transferor and/or the transferee(s) specified in such Transferor Endorsement Form (each a "Transferee"), calling in the aggregate on the face or faces thereof for the number of shares of Common Stock called for on the face or faces of the Warrant so surrendered by the Transferor. No such transfers shall result in a public distribution of the Warrant.

8. Replacement of Warrant. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of any such loss, theft or destruction of this Warrant, on delivery of an indemnity agreement or security reasonably satisfactory in form and amount to the Company or, in the case of any such mutilation, on surrender and cancellation of this Warrant, the Company at its expense, twice only, will execute and deliver, in lieu thereof, a new Warrant of like tenor.

9. Registration Rights. The Holder of this Warrant has been granted certain registration rights by the Company. These registration rights are set forth in the Subscription Agreement. The terms of the Subscription Agreement are incorporated herein by this reference.

10. Maximum Exercise. The Holder shall not be entitled to exercise this Warrant on an exercise date, in connection with that number of shares of Common Stock which would be in excess of the sum of (i) the number of shares of Common Stock beneficially owned by the Holder and its affiliates on an exercise date, and (ii) the number of shares of Common Stock issuable upon the exercise of this Warrant with respect to which the determination of this limitation is being made on an exercise date, which would result in beneficial ownership by the Holder and its affiliates of more than 4.99% of the outstanding shares of Common Stock on such date. For the purposes of the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13d-3 thereunder. Subject to the foregoing, the Holder shall not be limited to aggregate exercises which would result in the issuance of more than 4.99%. The restriction described in this paragraph may be waived, in whole or in part, upon sixty-one (61) days prior notice from the Holder to the Company. The Holder may allocate which of the equity of the Company deemed beneficially owned by the Subscriber shall be included in the 4.99% amount described above and which shall be allocated to the excess above 4.99%.

11. Warrant Agent. The Company may, by written notice to the Holder of the Warrant, appoint an agent (a “Warrant Agent”) for the purpose of issuing Common Stock (or Other Securities) on the exercise of this Warrant pursuant to Section 1, exchanging this Warrant pursuant to Section 7, and replacing this Warrant pursuant to Section 8, or any of the foregoing, and thereafter any such issuance, exchange or replacement, as the case may be, shall be made at such office by such Warrant Agent.

12. Transfer on the Company's Books. Until this Warrant is transferred on the books of the Company, the Company may treat the registered holder hereof as the absolute owner hereof for all purposes, notwithstanding any notice to the contrary.

13. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be: (i) if to the Company to: Innovative Food Holdings, Inc., 1923 Trade Center Way, Suite #1, Naples, FL 34109, Attn: Joe Dimaggio, CEO & President, telecopier number: (239) 596-0204, with an additional copy by telecopier only to: Thomas F. Pierson, Esq., 2501 E. Commercial Boulevard, Suite 212, Ft. Lauderdale, FL 33308, telecopier number: (954) 958-9439, and (ii) if to the Holder, to the address and telecopier number listed on the first paragraph of this Warrant, with an additional copy by telecopier only to: Grushko & Mittman, P.C., 551 Fifth Avenue, Suite 1601, New York, New York 10176, telecopier number: (212) 697-3575.

14. Miscellaneous. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought. This Warrant shall be construed and enforced in accordance with and governed by the laws of New York. Any dispute relating to this Warrant shall be adjudicated in New York County in the State of New York. The headings in this Warrant are for purposes of reference only, and shall not limit or otherwise affect any of the terms hereof. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

IN WITNESS WHEREOF, the Company has executed this Warrant as of the date first written above.

INNOVATIVE FOOD HOLDINGS, INC.

By: _____

Name:
Title:

Witness:

_____

Exhibit A

FORM OF SUBSCRIPTION
(to be signed only on exercise of Warrant)

TO: INNOVATIVE FOOD HOLDINGS, INC.

The undersigned, pursuant to the provisions set forth in the attached Warrant (No.____), hereby irrevocably elects to purchase (check applicable box):

___ _____ shares of the Common Stock covered by such Warrant; or

___ the maximum number of shares of Common Stock covered by such Warrant pursuant to the cashless exercise procedure set forth in Section 2.

The undersigned herewith makes payment of the full purchase price for such shares at the price per share provided for in such Warrant, which is $_____. Such payment takes the form of (check applicable box or boxes):

___ $_____ in lawful money of the United States; and/or

___ the cancellation of such portion of the attached Warrant as is exercisable for a total of _____ shares of Common Stock (using a Fair Market Value of $_____ per share for purposes of this calculation); and/or

___ the cancellation of such number of shares of Common Stock as is necessary, in accordance with the formula set forth in Section 2, to exercise this Warrant with respect to the maximum number of shares of Common Stock purchasable pursuant to the cashless exercise procedure set forth in Section 2.

The undersigned requests that the certificates for such shares be issued in the name of, and delivered to _____ whose address is

_____

_____

Number of Shares of Common Stock Beneficially Owned on the date of exercise: Less than five percent (5%) of the outstanding Common Stock of Innovative Food Holdings, Inc..

The undersigned represents and warrants that all offers and sales by the undersigned of the securities issuable upon exercise of the within Warrant shall be made pursuant to registration of the Common Stock under the Securities Act of 1933, as amended (the "Securities Act"), or pursuant to an exemption from registration under the Securities Act.

Dated:

_____ _____

(Signature must conform to name of holder as specified on the face of the Warrant)

_____

_____

(Address)

Exhibit B

FORM OF TRANSFEROR ENDORSEMENT
(To be signed only on transfer of Warrant)

For value received, the undersigned hereby sells, assigns, and transfers unto the person(s) named below under the heading "Transferees" the right represented by the within Warrant to purchase the percentage and number of shares of Common Stock of INNOVATIVE FOOD HOLDINGS, INC. to which the within Warrant relates specified under the headings "Percentage Transferred" and "Number Transferred," respectively, opposite the name(s) of such person(s) and appoints each such person Attorney to transfer its respective right on the books of INNOVATIVE FOOD HOLDINGS, INC. with full power of substitution in the premises.

Transferees	Percentage Transferred	Number Transferred

Dated: _____, _____

_____
(Signature must conform to name of holder as specified on the face of the warrant)

Signed in the presence of:

_____
(Name)

_____
(address)

ACCEPTED AND AGREED:
[TRANSFEREE]

_____
(Name)

_____
(address)

THIS WARRANT AND THE COMMON SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THIS WARRANT AND THE COMMON SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO INNOVATIVE FOOD HOLDINGS, INC. THAT SUCH REGISTRATION IS NOT REQUIRED.

Right to Purchase _____ shares of Common Stock of Innovative Food Holdings, Inc. (subject to adjustment as provided herein)

CLASS C COMMON STOCK PURCHASE WARRANT

No. 2005-C-001 Issue Date: February ____, 2005

INNOVATIVE FOOD HOLDINGS, INC., a corporation organized under the laws of the State of Florida (the "Company"), hereby certifies that, for value received, NAME, or its assigns (the "Holder"), is entitled, subject to the terms set forth below, to purchase from the Company at any time after the Issue Date until 5:00 p.m., E.S.T on the one hundred and eightieth day (180^{th}) day after the Registration Statement (as defined in Section 11.1(iv) of the Subscription Agreement (as defined below) has been effective for the public and unrestricted resale of the Warrant Shares (the "Expiration Date"), up to _____ fully paid and nonassessable shares of Common Stock at a per share purchase price of $.005. The aforedescribed purchase price per share, as adjusted from time to time as herein provided, is referred to herein as the "Purchase Price." The number and character of such shares of Common Stock and the Purchase Price are subject to adjustment as provided herein. The Company may reduce the Purchase Price without the consent of the Holder. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Subscription Agreement (the "**Subscription Agreement**"), dated February ___, 2005, entered into by the Company and Holder's of the Class B Warrants.

As used herein the following terms, unless the context otherwise requires, have the following respective meanings:

(a) The term "Company" shall include Innovative Food Holdings, Inc. and any corporation which shall succeed or assume the obligations of Innovative Food Holdings, Inc. hereunder.

(b) The term "Common Stock" includes (a) the Company's Class A Common Stock, $.00001 par value per share, as authorized on the date of the Subscription Agreement, and (b) any other securities into which or for which any of the securities described in (a) may be converted or exchanged pursuant to a plan of recapitalization, reorganization, merger, sale of assets or otherwise.

(c) The term "Other Securities" refers to any stock (other than Common Stock) and other securities of the Company or any other person (corporate or otherwise) which the holder of the Warrant at any time shall be entitled to receive, or shall have received, on the exercise of the Warrant, in lieu of or in addition to Common Stock, or which at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Stock or Other Securities pursuant to Section 5 or otherwise.

(d) The term "Warrant Shares" shall mean the Common Stock issuable upon exercise of this Warrant.

1. Exercise of Warrant.

1.1. Number of Shares Issuable upon Exercise. From and after the Issue Date through and including the Expiration Date, the Holder hereof shall be entitled to receive, upon exercise of this Warrant in whole in accordance with the terms of subsection 1.2 or upon exercise of this Warrant in part in accordance with subsection 1.3, shares of Common Stock of the Company, subject to adjustment pursuant to Section 4.

1.2. Full Exercise. This Warrant may be exercised in full by the Holder hereof by delivery of an original or facsimile copy of the form of subscription attached as Exhibit A hereto (the “Subscription Form") duly executed by such Holder and surrender of the original Warrant within four (4) days of exercise, to the Company at its principal office or at the office of its Warrant Agent (as provided hereinafter), accompanied by payment, in cash, wire transfer or by certified or official bank check payable to the order of the Company, in the amount obtained by multiplying the number of shares of Common Stock for which this Warrant is then exercisable by the Purchase Price then in effect.

1.3. Partial Exercise. This Warrant may be exercised in part (but not for a fractional share) by surrender of this Warrant in the manner and at the place provided in subsection 1.2 except that the amount payable by the Holder on such partial exercise shall be the amount obtained by multiplying (a) the number of whole shares of Common Stock designated by the Holder in the Subscription Form by (b) the Purchase Price then in effect. On any such partial exercise, the Company, at its expense, will forthwith issue and deliver to or upon the order of the Holder hereof a new Warrant of like tenor, in the name of the Holder hereof or as such Holder (upon payment by such Holder of any applicable transfer taxes) may request, the whole number of shares of Common Stock for which such Warrant may still be exercised.

1.4. Fair Market Value. Fair Market Value of a share of Common Stock as of a particular date (the "Determination Date") shall mean:

(a) If the Company's Common Stock is traded on an exchange or is quoted on the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ"), National Market System, the NASDAQ SmallCap Market or the American Stock Exchange, LLC, then the closing or last sale price, respectively, reported for the last business day immediately preceding the Determination Date;

(b) If the Company's Common Stock is not traded on an exchange or on the NASDAQ National Market System, the NASDAQ SmallCap Market or the American Stock Exchange, Inc., but is traded in the over-the-counter market, then the average of the closing bid and ask prices reported for the last business day immediately preceding the Determination Date;

(c) Except as provided in clause (d) below, if the Company's Common Stock is not publicly traded, then as the Holder and the Company agree, or in the absence of such an agreement, by arbitration in accordance with the rules then standing of the American Arbitration Association, before a single arbitrator to be chosen from a panel of persons qualified by education and training to pass on the matter to be decided; or

(d) If the Determination Date is the date of a liquidation, dissolution or winding up, or any event deemed to be a liquidation, dissolution or winding up pursuant to the Company's charter, then all amounts to be payable per share to holders of the Common Stock pursuant to the charter in the event of such liquidation, dissolution or winding up, plus all other amounts to be payable per share in respect of the Common Stock in liquidation under the charter, assuming for the purposes of this clause (d) that all of the shares of Common Stock then issuable upon exercise of all of the Warrants are outstanding at the Determination Date.

1.5. Company Acknowledgment. The Company will, at the time of the exercise of the Warrant, upon the request of the Holder hereof acknowledge in writing its continuing obligation to afford to such Holder any rights to which such Holder shall continue to be entitled after such exercise in accordance with the provisions of this Warrant. If the Holder shall fail to make any such request, such failure shall not affect the continuing obligation of the Company to afford to such Holder any such rights.

1.6. Trustee for Warrant Holders. In the event that a bank or trust company shall have been appointed as trustee for the Holder of the Warrants pursuant to Subsection 3.2, such bank or trust company shall have all the powers and duties of a warrant agent (as hereinafter described) and shall accept, in its own name for the account of the Company or such successor person as may be entitled thereto, all amounts otherwise payable to the Company or such successor, as the case may be, on exercise of this Warrant pursuant to this Section 1.

1.7 Delivery of Stock Certificates, etc. on Exercise. The Company agrees that the shares of Common Stock purchased upon exercise of this Warrant shall be deemed to be issued to the Holder hereof as the record owner of such shares as of the close of business on the date on which this Warrant shall have been surrendered and payment made for such shares as aforesaid. As soon as practicable after the exercise of this Warrant in full or in part, and in any event within four (4) business days thereafter, the Company at its expense (including the payment by it of any applicable issue taxes) will cause to be issued in the name of and delivered to the Holder hereof, or as such Holder (upon payment by such Holder of any applicable transfer taxes) may direct in compliance with applicable securities laws, a certificate or certificates for the number of duly and validly issued, fully paid and nonassessable shares of Common Stock (or Other Securities) to which such Holder shall be entitled on such exercise, plus, in lieu of any fractional share to which such Holder would otherwise be entitled, cash equal to such fraction multiplied by the then Fair Market Value of one full share of Common Stock, together with any other stock or other securities and property (including cash, where applicable) to which such Holder is entitled upon such exercise pursuant to Section 1 or otherwise.

2. Cashless Exercise.

(a) If a Registration Statement (as defined in the Subscription Agreement) ("Registration Statement") is effective and the Holder may sell its shares of Common Stock upon exercise hereof pursuant to the Registration Statement, this Warrant may be exercisable in whole or in part for cash only as set forth in Section 1 above. If no such Registration Statement is available during the time that such Registration Statement is required to be effective pursuant to the terms of the Subscription Agreement, then payment upon exercise may be made at the option of the Holder either in (i) cash, wire transfer or by certified or official bank check payable to the order of the Company equal to the applicable aggregate Purchase Price, (ii) by delivery of Common Stock issuable upon exercise of the Warrants in accordance with Section (b) below or (iii) by a combination of any of the foregoing methods, for the number of Common Stock specified in such form (as such exercise number shall be adjusted to reflect any adjustment in the total number of shares of Common Stock issuable to the holder per the terms of this Warrant) and the holder shall thereupon be entitled to receive the number of duly authorized, validly issued, fully-paid and non-assessable shares of Common Stock (or Other Securities) determined as provided herein.

(b) If the Fair Market Value of one share of Common Stock is greater than the Purchase Price (at the date of calculation as set forth below), in lieu of exercising this Warrant for cash, the holder may elect to receive shares equal to the value (as determined below) of this Warrant (or the portion thereof being cancelled) by surrender of this Warrant at the principal office of the Company together with the properly endorsed Subscription Form in which event the Company shall issue to the holder a number of shares of Common Stock computed using the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where

X= the number of shares of Common Stock to be issued to the holder

Y= the number of shares of Common Stock purchasable under the Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being exercised (at the date of such calculation)

A= the Fair Market Value of one share of the Company's Common Stock (at the date of such calculation)

B= Purchase Price (as adjusted to the date of such calculation)

(c) The Holder may employ the cashless exercise feature described in Section (b) above only during the pendency of a Non-Registration Event as described in Section 11 of the Subscription Agreement.

For purposes of Rule 144 promulgated under the 1933 Act, it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued pursuant to the Subscription Agreement.

3. Adjustment for Reorganization, Consolidation, Merger, etc.

3.1. Reorganization, Consolidation, Merger, etc. In case at any time or from time to time, the Company shall (a) effect a reorganization, (b) consolidate with or merge into any other person or (c) transfer all or substantially all of its properties or assets to any other person under any plan or arrangement contemplating the dissolution of the Company, then, in each such case, as a condition to the consummation of such a transaction, proper and adequate provision shall be made by the Company whereby the Holder of this Warrant, on the exercise hereof as provided in Section 1, at any time after the consummation of such reorganization, consolidation or merger or the effective date of such dissolution, as the case may be, shall receive, in lieu of the Common Stock (or Other Securities) issuable on such exercise prior to such consummation or such effective date, the stock and other securities and property (including cash) to which such Holder would have been entitled upon such consummation or in connection with such dissolution, as the case may be, if such Holder had so exercised this Warrant, immediately prior thereto, all subject to further adjustment thereafter as provided in Section 4.

3.2. Dissolution. In the event of any dissolution of the Company following the transfer of all or substantially all of its properties or assets, the Company, prior to such dissolution, shall at its expense deliver or cause to be delivered the stock and other securities and property (including cash, where applicable) receivable by the Holder of the Warrants after the effective date of such dissolution pursuant to this Section 3 to a bank or trust company (a "Trustee") having its principal office in New York, NY, as trustee for the Holder of the Warrants.

3.3. Continuation of Terms. Upon any reorganization, consolidation, merger or transfer (and any dissolution following any transfer) referred to in this Section 3, this Warrant shall continue in full force and effect and the terms hereof shall be applicable to the Other Securities and property receivable on the exercise of this Warrant after the consummation of such reorganization, consolidation or merger or the effective date of dissolution following any such transfer, as the case may be, and shall be binding upon the issuer of any Other Securities, including, in the case of any such transfer, the person acquiring all or substantially all of the properties or assets of the Company, whether or not such person shall have expressly assumed the terms of this Warrant as provided in Section 4. In the event this Warrant does not continue in full force and effect after the consummation of the transaction described in this Section 3, then only in such event will the Company's securities and property (including cash, where applicable) receivable by the Holder of the Warrants be delivered to the Trustee as contemplated by Section 3.2.

3.4 Share Issuance. Until the Expiration Date, if the Company shall issue any Common Stock except for the Excepted Issuance (as defined in the Subscription Agreement), prior to the complete exercise of this Warrant for a consideration less than the Purchase Price that would be in effect at the time of such issue, then, and thereafter successively upon each such issue, the Purchase Price shall be reduced to such other lower issue price. For purposes of this adjustment, the issuance of any security or debt instrument of the Company carrying the right to convert such security or debt instrument into Common Stock or of any warrant, right or option to purchase Common Stock shall result in an adjustment to the Purchase Price upon the issuance of the above-described security, debt instrument, warrant, right, or option and again at any time upon any subsequent issuances of shares of Common Stock upon exercise of such conversion or purchase rights if such issuance is at a price lower than the Purchase Price in effect upon such issuance. The reduction of the Purchase Price described in this Section 3.4 is in addition to the other rights of the Holder described in the Subscription Agreement.

4. Extraordinary Events Regarding Common Stock. In the event that the Company shall (a) issue additional shares of the Common Stock as a dividend or other distribution on outstanding Common Stock, (b) subdivide its outstanding shares of Common Stock, or (c) combine its outstanding shares of the Common Stock into a smaller number of shares of the Common Stock, then, in each such event, the Purchase Price shall, simultaneously with the happening of such event, be adjusted by multiplying the then Purchase Price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such event and the denominator of which shall be the number of shares of Common Stock outstanding immediately after such event, and the product so obtained shall thereafter be the Purchase Price then in effect. The Purchase Price, as so adjusted, shall be readjusted in the same manner upon the happening of any successive event or events described herein in this Section 4. The number of shares of Common Stock that the Holder of this Warrant shall thereafter, on the exercise hereof as provided in Section 1, be entitled to receive shall be adjusted to a number determined by multiplying the number of shares of Common Stock that would otherwise (but for the provisions of this Section 4) be issuable on such exercise by a fraction of which (a) the numerator is the Purchase Price that would otherwise (but for the provisions of this Section 4) be in effect, and (b) the denominator is the Purchase Price in effect on the date of such exercise.

5. Certificate as to Adjustments. In each case of any adjustment or readjustment in the shares of Common Stock (or Other Securities) issuable on the exercise of the Warrants, the Company at its expense will promptly cause its Chief Financial Officer or other appropriate designee to compute such adjustment or readjustment in accordance with the terms of the Warrant and prepare a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (a) the consideration received or receivable by the Company for any additional shares of Common Stock (or Other Securities) issued or sold or deemed to have been issued or sold, (b) the number of shares of Common Stock (or Other Securities) outstanding or deemed to be outstanding, and (c) the Purchase Price and the number of shares of Common Stock to be received upon exercise of this Warrant, in effect immediately prior to such adjustment or readjustment and as adjusted or readjusted as provided in this Warrant. The Company will forthwith mail a copy of each such certificate to the Holder of the Warrant and any Warrant Agent of the Company (appointed pursuant to Section 11 hereof).

6. Reservation of Stock, etc. Issuable on Exercise of Warrant; Financial Statements. The Company will at all times reserve and keep available, solely for issuance and delivery on the exercise of the Warrants, all shares of Common Stock (or Other Securities) from time to time issuable on the exercise of the Warrant. This Warrant entitles the Holder hereof to receive copies of all financial and other information distributed or required to be distributed to the holders of the Company's Common Stock.

7. Assignment; Exchange of Warrant. Subject to compliance with applicable securities laws, this Warrant, and the rights evidenced hereby, may be transferred by any registered holder hereof (a "Transferor"). On the surrender for exchange of this Warrant, with the Transferor's endorsement in the form of Exhibit B attached hereto (the “Transferor Endorsement Form") and together with an opinion of counsel reasonably satisfactory to the Company that the transfer of this Warrant will be in compliance with applicable securities laws, the Company at its expense, twice, only, but with payment by the Transferor of any applicable transfer taxes, will issue and deliver to or on the order of the Transferor thereof a new Warrant or Warrants of like tenor, in the name of the Transferor and/or the transferee(s) specified in such Transferor Endorsement Form (each a "Transferee"), calling in the aggregate on the face or faces thereof for the number of shares of Common Stock called for on the face or faces of the Warrant so surrendered by the Transferor. No such transfers shall result in a public distribution of the Warrant.

8. Replacement of Warrant. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of any such loss, theft or destruction of this Warrant, on delivery of an indemnity agreement or security reasonably satisfactory in form and amount to the Company or, in the case of any such mutilation, on surrender and cancellation of this Warrant, the Company at its expense, twice only, will execute and deliver, in lieu thereof, a new Warrant of like tenor.

9. Registration Rights. The Holder of this Warrant has been granted certain registration rights by the Company. These registration rights are set forth in the Subscription Agreement. The terms of the Subscription Agreement are incorporated herein by this reference.

10. Maximum Exercise. The Holder shall not be entitled to exercise this Warrant on an exercise date, in connection with that number of shares of Common Stock which would be in excess of the sum of (i) the number of shares of Common Stock beneficially owned by the Holder and its affiliates on an exercise date, and (ii) the number of shares of Common Stock issuable upon the exercise of this Warrant with respect to which the determination of this limitation is being made on an exercise date, which would result in beneficial ownership by the Holder and its affiliates of more than 4.99% of the outstanding shares of Common Stock on such date. For the purposes of the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13d-3 thereunder. Subject to the foregoing, the Holder shall not be limited to aggregate exercises which would result in the issuance of more than 4.99%. The restriction described in this paragraph may be waived, in whole or in part, upon sixty-one (61) days prior notice from the Holder to the Company. The Holder may allocate which of the equity of the Company deemed beneficially owned by the Subscriber shall be included in the 4.99% amount described above and which shall be allocated to the excess above 4.99%.

11. Warrant Agent. The Company may, by written notice to the Holder of the Warrant, appoint an agent (a “Warrant Agent”) for the purpose of issuing Common Stock (or Other Securities) on the exercise of this Warrant pursuant to Section 1, exchanging this Warrant pursuant to Section 7, and replacing this Warrant pursuant to Section 8, or any of the foregoing, and thereafter any such issuance, exchange or replacement, as the case may be, shall be made at such office by such Warrant Agent.

12. Transfer on the Company's Books. Until this Warrant is transferred on the books of the Company, the Company may treat the registered holder hereof as the absolute owner hereof for all purposes, notwithstanding any notice to the contrary.

13. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be: (i) if to the Company to: Innovative Food Holdings, Inc., 1923 Trade Center Way, Suite #1, Naples, FL 34109, Attn: Joe Dimaggio, CEO & President, telecopier number: (239) 596-0204, with an additional copy by telecopier only to: Thomas F. Pierson, Esq., 2501 E. Commercial Boulevard, Suite 212, Ft. Lauderdale, FL 33308, telecopier number: (954) 958-9439, and (ii) if to the Holder, to the address and telecopier number listed on the first paragraph of this Warrant, with an additional copy by telecopier only to: Grushko & Mittman, P.C., 551 Fifth Avenue, Suite 1601, New York, New York 10176, telecopier number: (212) 697-3575.

14. Miscellaneous. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought. This Warrant shall be construed and enforced in accordance with and governed by the laws of New York. Any dispute relating to this Warrant shall be adjudicated in New York County in the State of New York. The headings in this Warrant are for purposes of reference only, and shall not limit or otherwise affect any of the terms hereof. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

IN WITNESS WHEREOF, the Company has executed this Warrant as of the date first written above.

INNOVATIVE FOOD HOLDINGS, INC.

By: _____

Name:
Title:

Witness:

_____

Exhibit A

FORM OF SUBSCRIPTION
(to be signed only on exercise of Warrant)

TO: INNOVATIVE FOOD HOLDINGS, INC.

The undersigned, pursuant to the provisions set forth in the attached Warrant (No.____), hereby irrevocably elects to purchase (check applicable box):

___ _____ shares of the Common Stock covered by such Warrant; or

___ the maximum number of shares of Common Stock covered by such Warrant pursuant to the cashless exercise procedure set forth in Section 2.

The undersigned herewith makes payment of the full purchase price for such shares at the price per share provided for in such Warrant, which is $_____. Such payment takes the form of (check applicable box or boxes):

___ $_____ in lawful money of the United States; and/or

___ the cancellation of such portion of the attached Warrant as is exercisable for a total of _____ shares of Common Stock (using a Fair Market Value of $_____ per share for purposes of this calculation); and/or

___ the cancellation of such number of shares of Common Stock as is necessary, in accordance with the formula set forth in Section 2, to exercise this Warrant with respect to the maximum number of shares of Common Stock purchasable pursuant to the cashless exercise procedure set forth in Section 2.

The undersigned requests that the certificates for such shares be issued in the name of, and delivered to _____ whose address is

_____

_____

Number of Shares of Common Stock Beneficially Owned on the date of exercise: Less than five percent (5%) of the outstanding Common Stock of Innovative Food Holdings, Inc..

The undersigned represents and warrants that all offers and sales by the undersigned of the securities issuable upon exercise of the within Warrant shall be made pursuant to registration of the Common Stock under the Securities Act of 1933, as amended (the "Securities Act"), or pursuant to an exemption from registration under the Securities Act.

Dated:

_____ _____

(Signature must conform to name of holder as specified on the face of the Warrant)

_____

_____

(Address)

Exhibit B

FORM OF TRANSFEROR ENDORSEMENT
(To be signed only on transfer of Warrant)

For value received, the undersigned hereby sells, assigns, and transfers unto the person(s) named below under the heading "Transferees" the right represented by the within Warrant to purchase the percentage and number of shares of Common Stock of INNOVATIVE FOOD HOLDINGS, INC. to which the within Warrant relates specified under the headings "Percentage Transferred" and "Number Transferred," respectively, opposite the name(s) of such person(s) and appoints each such person Attorney to transfer its respective right on the books of INNOVATIVE FOOD HOLDINGS, INC. with full power of substitution in the premises.

Transferees	Percentage Transferred	Number Transferred

Dated: _____, _____

_____
(Signature must conform to name of holder as specified on the face of the warrant)

Signed in the presence of:

_____
(Name)

_____
(address)

ACCEPTED AND AGREED:
[TRANSFEREE]

_____
(Name)

_____
(address)

COMMERCIAL LEASE

THIS LEASE is made between JOHN R. MARTIN hereafter called "LESSOR", whose address for purposes of notice under this lease is 1925 Trade Center Way, Naples, Florida and FOOD INNOVATIONS, hereafter called "LESSEE", whose address for purposes of notice under this lease is 1923 Trade Center Way, Naples, Florida.

The parties agree as follows:

1. AGREEMENT TO LEASE, DESCRIPTION OF THE PROPERTY. The Lessor leases to the Lessee, and the Lessee rents from the Lessor, the commercial space described as: 1925 Trade Center Way, Naples, FL, Approx 1500 Sq. ft, 2nd Floor.

2. TERMS OF LEASE. The term of this lease shall be a period of 12 months commencing on Nov 1, 2003 and ending at 12:00 midnight on Oct 31, 2004.

3. RENTAL. Lessee shall pay to Lessor as rental at the address set forth above, or at any other address that Lessor may designate, annual rent of $12,000 in lawful money of the United States, including CAM of $190.00 monthly, payable in monthly installments of $1000.00, plus applicable sales tax, for a total monthly payment of $1060.00, and shall be paid in advance on the 1st day of each calendar month during the term of this lease and any renewal of it. Additional rent of $25.00 will be assessed for any rental payment received after the 5th of the month. The monthly rental shall be increased $300 in the second year and 5% in each following year. The Lessor acknowledges that a refundable sum of $ ——— has been received from the Lessee, to remain with the Lessor during the term of this lease and any extensions thereof as security for the payment of rent and damages.

1360 11/1/04

4. TAXES AND EXPENSES. This document is intended to represent a triple net lease. Occupancy by the Lessee shall constitute acceptance of the premises in their then condition. The Lessee shall pay, as CAM, its proportional expenses including, but not limited to, all real estate taxes, all insurance including fire, windstorm, extended coverage, flood and liability insurance, all janitorial services, window washing, trash collection and removal, all utilities, telephone; interior and exterior maintenance and repair, HVAC, and Lessee shall pay for any maintenance to the parking lot surface and exterior lighting.

5 LESSEE'S COVENANTS. Lessee further covenants and agrees to comply with the terms of this lease and to pay all expenses as aforesaid; to pay the rent and every installment of it when it comes due; to use the premises in a careful and proper manner for the expressed purpose of operating a Food Innovation business, to commit no waste or damages to the premises; to conduct or permit no business or act that is a nuisance or may be in violation of any federal, state, or local law or ordinance; to maintain at all times during the lease term, at Lessee cost, a comprehensive public liability insurance policy protecting Lessor against all claims or demands that may arise or be claimed on account of Lessee's use of the premises, in an amount of at least $300,000 for injuries to persons in one accident, $50,000 for injuries to any one person and $50,000 for damages to Lessor's property; to indemnify and hold harmless Lessor and the leased premises from all costs, losses, damages, liabilities, expenses penalties, and fines whatsoever that may arise from or be claimed against Lessor or the leased premises by any person or persons for any injury to persons or property or damage of whatever kind or character arising from

the use or occupancy of the leased premises by Lessee; from any neglect or fault of Lessee or the agents and the employees of Lessee in using and occupying the premises; or from any failure by Lessee to comply and conform with all laws, statutes, ordinances, and regulations of any governmental body or subdivision now or hereafter in force.

6. LESSOR'S COVENANTS. Lessor covenants and agrees to warrant and defend Lessee in the enjoyment and peaceful possession of the premises during the aforesaid term.

7. INSOLVENCY, BANKRUPTCY, ETC, OF LESSEE. If Lessee is declared insolvent or adjudicated a bankrupt, if Lessee Makes an assignment for the benefit of creditors; if Lessee's leasehold interest is sold under execution or a trustee in bankruptcy; or if a receiver is appointed for Lessee, Lessor, without prejudice to its rights hereunder and at its option, may terminate this lease and retake possession of the premises immediately and without notice to Lessee or any assignee, transferee, trustee, or any other person or persons, using force if necessary.

8. ADDRESSES FOR PAYMENTS AND NOTICES. Rent payments and notices to Lessor shall be mailed or delivered to the address set forth on the first page of this lease, unless Lessor advises Lessee differently in writing.

9. FLORIDA LAW. This lease will be governed by the laws of the State of Florida, as to both interpretations and performance.

IN WITNESS WHEREOF, Lessor and Lessee have duly executed this Lease Agreement on Oct 8, 20 03.

Signed, sealed, and delivered in our presence as witnesses:

WITNESSES:

LESSOR: Jack R. Martin

John R. Martin
(print name)

_____
(print name and address)

_____
(print name and address)

LESSEE: Zachary Zack

(print name)

_____
(print name and address)

_____
(print name and address)

ADDITIONAL TERMS AND CONDITIONS:

1. This lease and all rights of Lessee under it are and shall be subject to and subordinate to the rights of any mortgage holder now or hereafter having a security interest in the leased premises or any other encumbrances Lessor desires to place on the property.

2. LESSEE agrees:

a. Not to sublet the premises or assign any portion of this lease and agrees to prohibit and refrain from engaging or in allowing any use of leased premises that will increase Lessor's premiums for insurance on the building without the express written consent of Lessor.

b. If any lawsuit or proceeding shall be brought against Lessor or the leased premises on account of any alleged violations or failure to comply and conform or on account of any damage, omission, neglect, or use of the premises by Lessee, the agents and emplyees of Lessee, or any other person on the premises, Lessee agrees that Lessee or any other person on the premises will defend it, pay whatever judgments may be recovered against Lessor or against the premises on account of it, and pay for all attorneys' fees in connection with it, including attorneys' fees on appeal.

c. In case of damage to glass in the leased premises, to replace it with glass of the same kind, size and quality as quickly as possible at Lessee's expense.

d. At Lessee's expense, to perform all maintenance and repair required to keep the heating and air-conditioning equipment serving the leased premises in good operating condition during the term of this lease and any renewal term.

e. To make no alterations in or additions or improvements to; install any equipment in, or maintain signs advertising it business on the premises without, in each case, obtaining the written consent of Lessor. If any alterations, additions, or improvements in or to the premises are made necessary by reason of the special use and occupance of the premises by Lessee, Lessee agrees that Lessee will make all such alterations, additions, and improvements in or to the premises at its own expense and in compliance with all building codes, ordinances, and governmental regulations liens, claims, and damages to either property or person that may or might arise because any repairs, alterations, additions, or improvements are made.

f. To permit Lessor to enter, inspect, and make such repairs to the leased property of Lessee may reasonably desire, at all reasonable times, and to permit Lessor to put on the leased presmises a notice that Lessee may not remove stating that the premises are for rent one month preceding the expiration of the lease.

3. DEFAULT IN RENT. If any rent or additional rent required by this lease is not paid when due, Lessor will have the option to:

a. Terminate this lease, resume possession of the property, and recover immediately from Lessee the difference between the rent specified in the lease and the fair rental value of the property for the remainder of the term, reduced to present worth; or

b. Resume possession and release or rent the property for the remainder of the term for the account of Lessee and recover from Lessee at the end of the term or at the time each payment of rent comes due under this lease. whichever Lessor may choose, the difference between the rent specified in the lease and the rent received on the releasing or renting.

4. DEFAULTS OTHER THAN RENT. If either Lessor or Lessee fails to perform or breaches any agreement on this lease other then the agreement of Lessee to pay rent, and this failure or breach continues for ten days after a written notice specifying the required performance has been given to the party failing to perform, (a) the party giving notice may institute action in a court of competent jurisdiction to terminate this lease or to complete performance of the reasonable attorneys' fees; or (b) Lessor or Lessee may, after 30 days'written notice to the other, comply therewith or correct any such breach, and the costs of that compliance shall be payable on demand.

5. LESSOR TO HAVE LIEN. Lessor will have a lien against all goods, equipment, furniture, and other personal property of Lessee brought, stored, or kept on this leased premises during the Lease term, in the aggregate amount of all default by Lessee, Lessor may foreclose the lien in the same manner that a mortgage would be foreclosed, and, in the event, Lessee shall be obligated for all court costs and reasonable attorneys' fees.

6. ELECTION BY LESSOR NOT EXCLUSIVE. The exercise by Lessor of any right or remedy to collect rent or enforce its rights under this lease will not be a waiver or preclude the exercise of any other right or remedy afforded Lessor by this lease agreement or by statute or law. The failure of Lessor in one or more instances to insist on strict performance or observations of one or more of the covenants or conditions of this lease or to exercise any remedy, privilege, or option conferred by this lease on or reserved to Lessor shall not operate or be construed as a relinquishment or future waiver of the covenant or condition or the right to enforce it or to exercise that privilege, option, or remedy, that right shall continue in full force and effect. The receipt by Lessor of rent or any other payment or part of payment required to by made by the Lessee shall not act to waive any other additional rent or payment then due. Even with the knowledge of the breach of any covenant or condition of this lease, receipt will not operate as or be deemed to be a waiver of this breach, and no waiver by Lessor of any of the provisions of this lease, or any of Lessor's rights, remedies, privileges, or options under this lease, will be deemed to have been made unless made by Lessor in writing.

No surrender of the premises for the remainder of the term of this lease will be valid unless accepted by Lessor in writing. Lessee will not assign nor sublet this lease without Lessor's prior written consent. No assignment or sublease will relieve the assignor or sublessor of any obligation under this lease. Each assignee or sublessee, by assuming such status, will become obligated to perform every agreement of this lease to be performed by Lessee, except that a sublease shall be obligated to perform such agreements only insofar as they relate to the subleased part of the property and the rent required by the sublease. Sublessee will be obligated to pay rent directly to Lessor only after Sublessor's default in payment and written demand from Lessor to Sblessee to pay rent directly to Lessor.

7. Notices to Lessee may be mailed or delivered to the leased premises, and proof of mailing or posting of those notices to the leased premises will be deemed the equivalent of personal service on Lessee. All notices to either party shall be sent by certified or registered mail, return receipt requested.

8. ENTIRE AGREEMENT. This lease sets forth all the promises, agreements, conditions, and understandings between Lessor and Lessee relative to the leased premises. There are no other promises, agreements, conditions, or understandings, either oral or written, between them. No subsequent alteration, amendment, change, or addition to this lease will be binding on Lessor or Lessee unless in writing and signed by them and made a part of this lease by direct reference.

9. TERMS INCLUSIVE. As used herein, the terms "Lessor" and "Lessee" include the plural whenever the context requires or admits.

10. REPRESENTATIVES BOUND HEREBY. The terms of this lease will be binding on the respective successors, representatives, and assigns of the parties.

AGGREED TO:

Lessee

John R. Martin P.E.
1925 Trade center Way
Naples, Florida 34109
239-591-4455

October 20, 2004

Food Innovations
1925 Trade Center Way
Naples, Florida 34109

This letter will serve as an offer to extend your lease at the above address for an additional two years.
All terms and conditions of the lease remain unchanged including the provision for a one-time monthly rental increase of $300 after the first year. The rental including tax will be $1360 per month for the next year, effectice November 1, 2004.

It has been a pleasure serving you this past year. I look forward to a continued fine relationship.

Sincerely,

John R. Martin

E. ZACKARY ELAKIS COO

COMMERCIAL LEASE

THIS LEASE is made between John R. Martin, hereafter called "LESSOR", whose address for purposes of notice under this lease is 1925 Trade center Way, Naples, Florida 34109 and Food Innovations hereafter called "LESSEE", whose address for purposes of notice under this lease is 1923 #1 Trade Center Way, Naples, Fl. 34109.

The parties agree as follows:

1. AGREEMENT TO LEASE, DESCRIPTION OF THE PROPERTY. The Lessor leases to the Lessee, and the Lessee rents from the Lessor, the commercial space described as: 1923 Trade Center Way, Naples, Fl. 34109. 1st Floor Front, 1300 Sq. ft.

2. TERMS OF LEASE. The term of this lease shall be a period of 24 months commencing on Aug 1, 2002 and ending at 12:00 midnight on July 31, 2004.

3. RENTAL. Lessee shall pay to Lessor as rental at the address set forth above, or at any other address that Lessor may designate, annual rent of $13,200.00 in lawful money of the United States, including CAM of $190.00 monthly, payable in monthly installments of $1100.00, plus applicable sales tax, for a total monthly payment of $1166.00, and shall be paid in advance on the 1st day of each calendar month during the term of this lease and any renewal of it. After the first year the monthly payment shall be increased in the amount of $30.00 of the previous year. The Lessor acknowledges that a refundable sum of $2000.00 has been received from the Lessee, to remain with the Lessor during the term of this lease and any extensions thereof as security for the payment of rent and damages. Rec. 7/29/02

4. TAXES AND EXPENSES. This document is intended to represent a triple net lease. Occupancy by the Lessee shall constitute acceptance of the premises in their then condition. The Lessee shall pay, as CAM, its proportional expenses including, but not limited to, all real estate taxes, all insurance including fire, windstorm, extended coverage, flood and liability insurance, all janitorial services, window washing, trash collection and removal, all utilites, telephone; interior and exterior maintenance and repair, HVAC, and Lessee shall pay for any maintenance to the parking lot surface and exterior lighting.

5 LESSEE'S COVENANTS. Lessee further covenants and agrees to comply with the terms of this lease and to pay all expenses as aforesaid; to pay the rent and every installment of it when it comes due; to use the premises in a careful and proper manner for the expressed purpose of operating a Food Innovation business, to commit no waste or damages to the premises; to conduct or permit no business or act that is a nuisance or may be in violation of any federal, state, or local law or ordinance; to maintain at all times during the lease term, at Lessee cost, a comprehensive public liability insurance policy protecting Lessor against all claims or demands that may arise or be claimed on account of Lessee's use of the premises, in an amount of at least $300,000 for injuries to persons in one accident, $50,000 for injuries to any one person and $50,000 for damages to Lessor's property; to indemnify and hold harmless Lessor and the leased premses from all costs, losses, damages, liabilities, expenses penalties, and fines whatsoever that may arise from or be claimed against Lessor or the leased premises by any person or persons for any injury to persons or property or damage of whatever kind or character arising from

the use or occupancy of the leased premises by Lessee; from any neglect or fault of Lessee or the agents and the employees of Lessee in using and occupying the premises; or from any failure by Lessee to comply and conform with all laws, statutes, ordinances, and regulations of any governmental body or subdivision now or hereafter in force.

6. LESSOR'S COVENANTS. Lessor covenants and agrees to warrant and defend Lessee in the enjoyment and peaceful possession of the premises during the aforesaid term.

7. INSOLVENCY, BANKRUPTCY, ETC, OF LESSEE. If Lessee is declared insolvent or adjudicated a bankrupt, if Lessee Makes an assignment for the benefit of creditors; if Lessee's leasehold interest is sold under execution or a trustee in bankruptcy; or if a receiver is appointed for Lessee, Lessor, without prejudice to its rights hereunder and at its option, may terminate this lease and retake possession of the premises immediately and without notice to Lessee or any assignee, transferee, trustee, or any other person or persons, using force if necessary.

8. ADDRESSES FOR PAYMENTS AND NOTICES. Rent payments and notices to Lessor shall be mailed or delivered to the address set forth on the first page of this lease, unless Lessor advises Lessee differently in writing.

9. FLORIDA LAW. This lease will be governed by the laws of the State of Florida, as to both interpretations and performance.

IN WITNESS WHEREOF, Lessor and Lessee have duly executed this Lease Agreement on July 29, 20 02.

Signed, sealed, and delivered in our presence as witnesses:

WITNESSES:

LESSOR: J.R. Martin

John R. Martin
(print name)

(print name and address)

(print name and address)

LESSEE:

JOE D. MAGGIO, JR.
(print name)

(print name and address)

(print name and address)

ADDITIONAL TERMS AND CONDITIONS:

1. This lease and all rights of Lessee under it are and shall be subject to and subordinate to the rights of any mortgage holder now or hereafter having a security interest in the leased premises or any other encumbrances Lessor desires to place on the property.

2. LESSEE agrees:

a. Not to sublet the premises or assign any portion of this lease and agrees to prohibit and refrain from engaging or in allowing any use of leased premises that will increase Lessor's premiums for insurance on the building without the express written consent of Lessor.

b. If any lawsuit or proceeding shall be brought against Lessor or the leased premises on account of any alleged violations or failure to comply and conform or on account of any damage, omission, neglect, or use of the premises by Lessee, the agents and emplyees of Lessee, or any other person on the premises, Lessee agrees that Lessee or any other person on the premises will defend it, pay whatever judgments may be recovered against Lessor or against the premises on account of it, and pay for all attorneys' fees in connection with it, including attorneys' fees on appeal.

c. In case of damage to glass in the leased premises, to replace it with glass of the same kind, size and quality as quickly as possible at Lessee's expense.

d. At Lessee's expense, to perform all maintenance and repair required to keep the heating and air-conditioning equipment serving the leased premises in good operating condition during the term of this lease and any renewal term.

e. To make no alterations in or additions or improvements to; install any equipment in, or maintain signs advertising it business on the premises without, in each case, obtaining the written consent of Lessor. If any alterations, additions, or improvements in or to the premises are made necessary by reason of the special use and occupance of the premises by Lessee, Lessee agrees that Lessee will make all such alterations, additions, and improvements in or to the premises at its own expense and in compliance with all building codes, ordinances, and governmental regulations liens, claims, and damages to either property or person that may or might arise because any repairs, alterations, additions, or improvements are made.

f. To permit Lessor to enter, inspect, and make such repairs to the leased property of Lessee may reasonably desire, at all reasonable times, and to permit Lessor to put on the leased presmises a notice that Lessee may not remove stating that the premises are for rent one month preceding the expiration of the lease.

3. DEFAULT IN RENT. If any rent or additional rent required by this lease is not paid when due, Lessor will have the option to:

a. Terminate this lease, resume possession of the property, and recover immediately from Lessee the difference between the rent specified in the lease and the fair rental value of the property for the remainder of the term, reduced to present worth; or

b. Resume possession and release or rent the property for the remainder of the term for the account of Lessee and recover from Lessee at the end of the term or at the time each payment of rent comes due under this lease. whichever Lessor may choose, the difference between the rent specified in the lease and the rent received on the releasing or renting.

4. DEFAULTS OTHER THAN RENT. If either Lessor or Lessee fails to perform or breaches any agreement on this lease other then the agreement of Lessee to pay rent, and this failure or breach continues for ten days after a written notice specifying the required performance has been given to the party failing to perform, (a) the party giving notice may institute action in a court of competent jurisdiction to terminate this lease or to complete performance of the reasonable attorneys' fees; or (b) Lessor or Lessee may, after 30 days'written notice to the other, comply therewith or correct any such breach, and the costs of that compliance shall be payable on demand.

5. LESSOR TO HAVE LIEN. Lessor will have a lien against all goods, equipment, furniture, and other personal property of Lessee brought, stored, or kept on this leased premises during the Lease term, in the aggregate amount of all default by Lessee, Lessor may foreclose the lien in the same manner that a mortgage would be foreclosed, and, in the event, Lessee shall be obligated for all court costs and reasonable attorneys' fees.

6. ELECTION BY LESSOR NOT EXCLUSIVE. The exercise by Lessor of any right or remedy to collect rent or enforce its rights under this lease will not be a waiver or preclude the exercise of any other right or remedy afforded Lessor by this lease agreement or by statute or law. The failure of Lessor in one or more instances to insist on strict performance or observations of one or more of the covenants or conditions of this lease or to exercise any remedy, privilege, or option conferred by this lease on or reserved to Lessor shall not operate or be construed as a relinquishment or future waiver of the covenant or condition or the right to enforce it or to exercise that privilege, option, or remedy, that right shall continue in full force and effect. The receipt by Lessor of rent or any other payment or part of payment required to by made by the Lessee shall not act to waive any other additional rent or payment then due. Even with the knowledge of the breach of any covenant or condition of this lease, receipt will not operate as or be deemed to be a waiver of this breach, and no waiver by Lessor of any of the provisions of this lease, or any of Lessor's rights, remedies, privileges, or options under this lease, will be deemed to have been made unless made by Lessor in writing.

No surrender of the premises for the remainder of the term of this lease will be valid unless accepted by Lessor in writing. Lessee will not assign nor sublet this lease without Lessor's prior written consent. No assignment or sublease will relieve the assignor or sublessor of any obligation under this lease. Each assignee or sublessee, by assuming such status, will become obligated to perform every agreement of this lease to be performed by Lessee, except that a sublease shall be obligated to perform such agreements only insofar as they relate to the subleased part of the property and the rent required by the sublease. Sublessee will be obligated to pay rent directly to Lessor only after Sublessor's default in payment and written demand from Lessor to Sblessee to pay rent directly to Lessor.

7. Notices to Lessee may be mailed or delivered to the leased premises, and proof of mailing or posting of those notices to the leased premises will be deemed the equivalent of personal service on Lessee. All notices to either party shall be sent by certified or registered mail, return receipt requested.

8. ENTIRE AGREEMENT. This lease sets forth all the promises, agreements, conditions, and understandings between Lessor and Lessee relative to the leased premises. There are no other promises, agreements, conditions, or understandings, either oral or written, between them. No subsequent alteration, amendment, change, or addition to this lease will be binding on Lessor or Lessee unless in writing and signed by them and made a part of this lease by direct reference.

9. TERMS INCLUSIVE. As used herein, the terms "Lessor" and "Lessee" include the plural whenever the context requires or admits.

10. REPRESENTATIVES BOUND HEREBY. The terms of this lease will be binding on the respective successors, representatives, and assigns of the parties.

AGGREED TO:

Lessee

JOHN R. MARTIN P.E.
1925 TRADE CENTER WAY
NAPLES, FLORIDA 34109
239-591-4455 FAX 239-591-2683

August 3, 2004

Food Innovations
1923 Trade Center Way
Naples, Florida 34109

This letter will serve as an offer to extend your lease at the above address for an additional two years. All terms and conditions of the lease remain unchanged, including the provision for automatic 5% rental increase each year. The rental including tax will be $1558 per month for the next year. This renewal will be in effect from September 1, 2004 through July 31, 2006.

It has been a pleasure serving you the past two years. I look forward to a continued fine relationship.

John R. Martin

Acceptance

SECURITY AND PLEDGE AGREEMENT
(Innovative)

1. Identification.

This Security and Pledge Agreement (the "Agreement"), dated as of February ___, 2005, is entered into by and between Innovative Food Holdings, Inc., a Florida corporation (“Innovative” or “Debtor”), and Barbara Mittman, as collateral agent acting in the manner and to the extent described in the Collateral Agent Agreement defined below (the "Collateral Agent"), for the benefit of the parties identified on Schedule A hereto (collectively, the "Lenders").

2. Recitals.

2.1 The Lenders have made or are making loans and will make additional loans to Innovative (the "Loans"). It is beneficial to Innovative that the Loans were made, are being made and will be made.

2.2 The Loans are and will be evidenced by certain eight percent (8%) rate convertible promissory notes (each a “Convertible Note”) issued by Innovative on or about the date of this Agreement and issuable after the date of this Agreement, pursuant to subscription agreements (each a “Subscription Agreement”) to which Innovative and Lenders are parties. The Notes are further identified on Schedule A hereto and were and will be executed by Innovative as “Borrower” or “Debtor” for the benefit of each Lender as the “Holder” or “Lender” thereof.

2.3 In consideration of the Loans made by Lenders to Innovative and for other good and valuable consideration, and as security for the performance by Innovative of its obligations under the Notes and as security for the repayment of the Loans and all other sums due from Debtor to Lenders arising under the Notes presently outstanding or to be outstanding in the future, Subscription Agreements, and any other agreement between or among them (collectively, the "Obligations"), Innovative, for good and valuable consideration, receipt of which is acknowledged, has agreed to grant to the Collateral Agent, for the benefit of the Lenders, a security interest in the Collateral (as such term is hereinafter defined), on the terms and conditions hereinafter set forth. Obligations include all future advances by Lenders to Innovative advanced on a pro rata basis by all Lenders on a pro rated basis on substantially the same terms.

2.4 The Lenders have appointed Barbara Mittman as Collateral Agent pursuant to that certain Collateral Agent Agreement dated at or about February ___, 2005 (“Collateral Agent Agreement”), among the Lenders and Collateral Agent.

2.5 The following defined terms which are defined in the Uniform Commercial Code in effect in the State of New York on the date hereof are used herein as so defined: Accounts, Chattel Paper, Documents, Equipment, General Intangibles, Instruments, Inventory and Proceeds.

3. Grant of General Security Interest in Collateral.

3.1 As security for the Obligations of Debtor, Innovative hereby grants the Collateral Agent, for the benefit of the Lenders, a security interest in the Collateral.

3.2 “Collateral” shall mean all of the following property of Innovative:

(A) All now owned and hereafter acquired right, title and interest of Innovative in, to and in respect of all Accounts, Goods, real or personal property, all present and future books and records relating to the foregoing and all products and Proceeds of the foregoing, and as set forth below:

(i) Accounts: All now owned and hereafter acquired right, title and interest of Innovative in, to and in respect of all: Accounts, interests in goods represented by Accounts, returned, reclaimed or repossessed goods with respect thereto and rights as an unpaid vendor; contract rights; Chattel Paper; investment property; General Intangibles (including but not limited to, tax and duty claims and refunds, registered and unregistered patents, trademarks, service marks, certificates, copyrights trade names, applications for the foregoing, trade secrets, goodwill, processes, drawings, blueprints, customer lists, licenses, whether as licensor or licensee, choses in action and other claims, and existing and future leasehold interests in equipment, real estate and fixtures); Documents; Instruments; letters of credit, bankers’ acceptances or guaranties; cash moneys, deposits; securities, bank accounts, deposit accounts, credits and other property now or hereafter owned or held in any capacity by Innovative, as well as its affiliates, agreements or property securing or relating to any of the items referred to above;

(ii) Goods: All now owned and hereafter acquired right, title and interest of Innovative in, to and in respect of goods, including, but not limited to:

(a) All Inventory, wherever located, whether now owned or hereafter acquired, of whatever kind, nature or description, including all raw materials, work-in-process, finished goods, and materials to be used or consumed in Innovative’s business; and all names or marks affixed to or to be affixed thereto for purposes of selling same by the seller, manufacturer, lessor or licensor thereof and all Inventory which may be returned to Innovative by its customers or repossessed by Innovative and all of Innovative’ right, title and interest in and to the foregoing (including all of Innovative’ rights as a seller of goods);

(b) All Equipment and fixtures, wherever located, whether now owned or hereafter acquired, including, without limitation, all machinery, motor vehicles, furniture and fixtures, and any and all additions, substitutions, replacements (including spare parts), and accessions thereof and thereto (including, but not limited to Innovative’s rights to acquire any of the foregoing, whether by exercise of a purchase option or otherwise);

(iii) Property: All now owned and hereafter acquired right, title and interests of Innovative in, to and in respect of any real or other personal property in or upon which Innovative has or may hereafter have a security interest, lien or right of setoff;

(iv) Books and Records: All present and future books and records relating to any of the above including, without limitation, all computer programs, printed output and computer readable data in the possession or control of the Innovative, any computer service bureau or other third party; and

(v) Products and Proceeds: All products and Proceeds of the foregoing in whatever form and wherever located, including, without limitation, all insurance proceeds and all claims against third parties for loss or destruction of or damage to any of the foregoing.

(B) All now owned and hereafter acquired right, title and interest of Innovative in, to and in respect of the following:

(i) the shares of stock, partnership interests, member interests or other equity interests at any time and from time to time acquired by Innovative of any and all entities now or hereafter existing, all or a portion of such stock or other equity interests which are acquired by such entities at any time (such entities, together with the existing issuers, being hereinafter referred to collectively as the "Pledged Issuers" and individually as a "Pledged Issuer"), the certificates representing such shares, partnership interests, member interests or other interests all options and other rights, contractual or otherwise, in respect thereof and all dividends, distributions, cash, instruments, investment property and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares, partnership interests, member interests or other interests;

(ii) all additional shares of stock, partnership interests, member interests or other equity interests from time to time acquired by Innovative, of any Pledged Issuer, the certificates representing such additional shares, all options and other rights, contractual or otherwise, in respect thereof and all dividends, distributions, cash, instruments, investment property and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such additional shares, interests or equity; and

(iii) all security entitlements of Innovative in, and all Proceeds of any and all of the foregoing in each case, whether now owned or hereafter acquired by Innovative and howsoever its interest therein may arise or appear (whether by ownership, security interest, lien, claim or otherwise).

3.3 The Collateral Agent is hereby specifically authorized, after the Maturity Date (defined in the Notes) accelerated or otherwise, or after an Event of Default (as defined herein) and the expiration of any applicable cure period, to transfer any Collateral into the name of the Collateral Agent and to take any and all action deemed advisable to the Collateral Agent to remove any transfer restrictions affecting the Collateral.

4. Perfection of Security Interest.

4.1 Innovative shall prepare, execute and deliver to the Collateral Agent UCC-1 Financing Statements. The Collateral Agent is instructed to prepare and file at Innovative’s cost and expense, financing statements in such jurisdictions deemed advisable to the Collateral Agent, including but not limited to Florida. The Financing Statements are deemed to have been filed for the benefit of the Collateral Agent and Lenders identified on Schedule A hereto.

4.2 All other certificates and instruments constituting Collateral from time to time required to be pledged to Collateral Agent pursuant to the terms hereof (the "Additional Collateral") shall be delivered to Collateral Agent promptly upon receipt thereof by or on behalf of Innovative. All such certificates and instruments shall be held by or on behalf of Collateral Agent pursuant hereto and shall be delivered in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment or undated stock powers executed in blank, all in form and substance satisfactory to Collateral Agent. If any Collateral consists of uncertificated securities, unless the immediately following sentence is applicable thereto, Innovative shall cause Collateral Agent (or its custodian, nominee or other designee) to become the registered holder thereof, or cause each issuer of such securities to agree that it will comply with instructions originated by Collateral Agent with respect to such securities without further consent by Innovative. If any Collateral consists of security entitlements, Innovative shall transfer such security entitlements to Collateral Agent (or its custodian, nominee or other designee) or cause the applicable securities intermediary to agree that it will comply with entitlement orders by Collateral Agent without further consent by Innovative.

4.3 Within five (5) days after the receipt by Innovative of any Additional Collateral, a Pledge Amendment, duly executed by Innovative, in substantially the form of Annex I hereto (a "Pledge Amendment"), shall be delivered to Collateral Agent in respect of the Additional Collateral to be pledged pursuant to this Agreement. Innovative hereby authorizes Collateral Agent to attach each Pledge Amendment to this Agreement and agrees that all certificates or instruments listed on any Pledge Amendment delivered to Collateral Agent shall for all purposes hereunder constitute Collateral.

4.4 If Innovative shall receive, by virtue of Innovative's being or having been an owner of any Collateral, any (i) stock certificate (including, without limitation, any certificate representing a stock dividend or distribution in connection with any increase or reduction of capital, reclassification, merger, consolidation, sale of assets, combination of shares, stock split, spin-off or split-off), promissory note or other instrument, (ii) option or right, whether as an addition to, substitution for, or in exchange for, any Collateral, or otherwise, (iii) dividends payable in cash (except such dividends permitted to be retained by Innovative pursuant to Section 5.2 hereof) or in securities or other property or (iv) dividends or other distributions in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in surplus, Innovative shall receive such stock certificate, promissory note, instrument, option, right, payment or distribution in trust for the benefit of Collateral Agent, shall segregate it from Innovative's other property and shall deliver it forthwith to Collateral Agent, in the exact form received, with any necessary endorsement and/or appropriate stock powers duly executed in blank, to be held by Collateral Agent as Collateral and as further collateral security for the Obligations.

5. Distribution on Liquidation.

5.1 If any sum is paid as a liquidating distribution on or with respect to the Collateral, Innovative shall deliver same to the Collateral Agent to be applied to the Obligations, then due, in accordance with the terms of the Convertible Notes.

5.2 So long as no Event of Default exists, Innovative shall be entitled (i) to exercise all voting power pertaining to any of the Collateral, provided such exercise is not contrary to the interests of the Lenders and does not impair the Collateral and (ii) may receive and retain any and all dividends, interest payments or other distributions paid in respect of the Collateral.

5.3. Upon the occurrence and during the continuation of an Event of Default, all rights of Innovative, upon notice given by Collateral Agent, to exercise the voting power and receive payments, which it would otherwise be entitled to pursuant to Section 5.2, shall be suspended and all such rights shall thereupon become vested in Collateral Agent, which shall thereupon have the sole right to exercise such voting power and receive such payments.

5.4 All dividends, distributions, interest and other payments which are received by Innovative contrary to the provisions of Section 5.3 shall be received in trust for the benefit of Collateral Agent, shall be segregated from other funds of Innovative, and shall be forthwith paid over to Collateral Agent as Collateral in the exact form received with any necessary endorsement and/or appropriate stock powers duly executed in blank, to be held by Collateral Agent as Collateral and as further collateral security for the Obligations

6. Further Action By Innovative; Covenants and Warranties.

6.1 Collateral Agent at all times shall have a perfected security interest in the Collateral. Subject to the security interests described herein, Innovative has and will continue to have full title to the Collateral free from any liens, leases, encumbrances, judgments or other claims. Collateral Agent's security interest in the Collateral constitutes and will continue to constitute a first, prior and indefeasible security interest in favor of Collateral Agent. Innovative will do all acts and things, and will execute and file all instruments (including, but not limited to, security agreements, financing statements, continuation statements, etc.) reasonably requested by Collateral Agent to establish, maintain and continue the perfected security interest of Collateral Agent in the Collateral, and will promptly on demand, pay all costs and expenses of filing and recording, including the costs of any searches reasonably deemed necessary by Collateral Agent from time to time to establish and determine the validity and the continuing priority of the security interest of Collateral Agent, and also pay all other claims and charges that, in the opinion of Collateral Agent, exercised in good faith, are reasonably likely to materially prejudice, imperil or otherwise affect the Collateral or Collateral Agent’s or Lender’s security interests therein.

6.2 Other than in the ordinary course of business, and except for Collateral which is substituted by assets of identical or greater value or which has become obsolete or is of inconsequential in value, Innovative will not sell, transfer, assign or pledge those items of Collateral (or allow any such items to be sold, transferred, assigned or pledged), without the prior written consent of Collateral Agent other than a transfer of the Collateral to a wholly-owned subsidiary on prior notice to Collateral Agent, and provided the Collateral remains subject to the security interest herein described. Although Proceeds of Collateral are covered by this Agreement, this shall not be construed to mean that Collateral Agent consents to any sale of the Collateral, except as provided herein. Sales of Collateral in the ordinary course of business shall be free of the security interest of Lenders and Collateral Agent and Lenders and Collateral Agent shall promptly execute such documents (including without limitation releases and termination statements) as may be required by Debtor to evidence or effectuate the same.

6.3 Innovative will, at all reasonable times and upon reasonable notice, allow Collateral Agent or its representatives free and complete access to the Collateral and all of Innovative's records which in any way relate to the Collateral, for such inspection and examination as Collateral Agent reasonably deems necessary.

6.4 Innovative, at its sole cost and expense, will protect and defend this Security Agreement, all of the rights of Collateral Agent and Lenders hereunder, and the Collateral against the claims and demands of all other persons.

6.5 Innovative will promptly notify Collateral Agent of any levy, distraint or other seizure by legal process or otherwise of any part of the Collateral, and of any threatened or filed claims or proceedings that are reasonably likely to affect or impair any of the rights of Collateral Agent under this Security Agreement in any material respect.

6.6 Innovative, at its own expense, will obtain and maintain in force insurance policies covering losses or damage to those items of Collateral which constitute physical personal property. The insurance policies to be obtained by Innovative shall be in form and amounts reasonably acceptable to Collateral Agent. Innovative shall make the Collateral Agent a first loss payee thereon to the extent of its interest in the Collateral. Collateral Agent is hereby irrevocably (until the Obligations are paid in full) appointed Innovative' attorney-in-fact to endorse any check or draft that may be payable to Innovative so that Collateral Agent may collect the proceeds payable for any loss under such insurance. The proceeds of such insurance (subject to the rights of senior secured parties), less any costs and expenses incurred or paid by Collateral Agent in the collection thereof, shall be applied either toward the cost of the repair or replacement of the items damaged or destroyed, or on account of any sums secured hereby, whether or not then due or payable.

6.7 Collateral Agent may, at its option, and without any obligation to do so, pay, perform and discharge any and all amounts, costs, expenses and liabilities herein agreed to be paid or performed by Innovative. Upon Innovative' failure to do so, all amounts expended by Collateral Agent in so doing shall become part of the Obligations secured hereby, and shall be immediately due and payable by Innovative to Collateral Agent upon demand and shall bear interest at the lesser of 15% per annum or the highest legal amount from the dates of such expenditures until paid.

6.8 Upon the request of Collateral Agent, Innovative will furnish to Collateral Agent within five (5) business days thereafter, or to any proposed assignee of this Security Agreement, a written statement in form reasonably satisfactory to Collateral Agent, duly acknowledged, certifying the amount of the principal and interest and any other sum then owing under the Obligations, whether to its knowledge any claims, offsets or defenses exist against the Obligations or against this Security Agreement, or any of the terms and provisions of any other agreement of Innovative securing the Obligations. In connection with any assignment by Collateral Agent of this Security Agreement, Innovative hereby agrees to cause the insurance policies required hereby to be carried by Innovative, if any, to be endorsed in form satisfactory to Collateral Agent or to such assignee, with loss payable clauses in favor of such assignee, and to cause such endorsements to be delivered to Collateral Agent within ten (10) calendar days after request therefor by Collateral Agent.

6.9 Innovative will, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the Collateral Agent from time to time such vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports and other reasonable assurances or instruments and take further steps relating to the Collateral and other property or rights covered by the security interest hereby granted, as the Collateral Agent may reasonably require to perfect its security interest hereunder.

6.10 Innovative represents and warrants that it is the true and lawful exclusive owner of the Collateral, free and clear of any liens and encumbrances.

6.11 Innovative hereby agrees not to divest itself of any right under the Collateral except as permitted herein absent prior written approval of the Collateral Agent.

6.12 Innovative shall cause each Subsidiary of Innovative not in existence on the date hereof to execute and deliver to Collateral Agent promptly and in any event within 10 days after the formation, acquisition or change in status thereof (A) a guaranty guaranteeing the Obligations and (B) a security and pledge agreement in substantially the form of this Agreement, together with (x) certificates evidencing all of the capital stock of any entity owned by such Subsidiary, (y) undated stock powers executed in blank with signature guaranteed, and (z) such opinion of counsel and such approving certificate of such Subsidiary as Collateral Agent may reasonably request in respect of complying with any legend on any such certificate or any other matter relating to such shares and (E) such other agreements, instruments, approvals, legal opinions or other documents reasonably requested by Collateral Agent in order to create, perfect, establish the first priority of or otherwise protect any lien purported to be covered by any such pledge and security Agreement or otherwise to effect the intent that all property and assets of such Subsidiary shall become Collateral for the Obligations. For purposes of this Agreement, "Subsidiary" means, with respect to any entity at any date, any corporation, limited or general partnership, limited liability company, trust, estate, association, joint venture or other business entity of which more than 50% of (A) the outstanding capital stock having (in the absence of contingencies) ordinary voting power to elect a majority of the board of directors or other managing body of such entity, (B) in the case of a partnership or limited liability company, the interest in the capital or profits of such partnership or limited liability company or (C) in the case of a trust, estate, association, joint venture or other entity, the beneficial interest in such trust, estate, association or other entity business is, at the time of determination, owned or controlled directly or indirectly through one or more intermediaries, by such entity.

7. Power of Attorney.

After the occurrence and during the uncured continuation of an Event of Default as defined in Section 9 below, Innovative hereby irrevocably constitutes and appoints the Collateral Agent as the true and lawful attorney of Innovative, with full power of substitution, in the place and stead of Innovative and in the name of Innovative or otherwise, at any time or times, in the discretion of the Collateral Agent, to take any action and to execute any instrument or document which the Collateral Agent may deem necessary or advisable to accomplish the purposes of this Agreement. This power of attorney is coupled with an interest and is irrevocable until the Obligations are satisfied.

8. Performance By The Collateral Agent.

If Innovative fails to perform any material covenant, agreement, duty or obligation of Innovative under this Agreement, the Collateral Agent may, after any applicable cure period, at any time or times in its discretion, take action to effect performance of such obligation. All reasonable expenses of the Collateral Agent incurred in connection with the foregoing authorization shall be payable by Innovative as provided in Paragraph 12.1 hereof. No discretionary right, remedy or power granted to the Collateral Agent under any part of this Agreement shall be deemed to impose any obligation whatsoever on the Collateral Agent with respect thereto, such rights, remedies and powers being solely for the protection of the Collateral Agent.

9. Event of Default.

An event of default ("Event of Default") shall be deemed to have occurred hereunder upon the occurrence of any event of default as defined and described in this Agreement, in the Notes, Subscription Agreement, and any other agreement to which Innovative and Collateral Agent or a Lender are parties. Upon and after any Event of Default, after the applicable cure period, if any, any or all of the Obligations shall become immediately due and payable at the option of the Collateral Agent, for the benefit of the Lenders, and the Collateral Agent may dispose of Collateral as provided below. A default by Innovative of any of its material obligations pursuant to this Agreement shall be an Event of Default hereunder and an event of default as defined in the Notes, and Subscription Agreement.

10. Disposition of Collateral.

Upon and after any Event of Default which is then continuing,

10.1 The Collateral Agent may exercise its rights with respect to each and every component of the Collateral, without regard to the existence of any other security or source of payment for the Obligations. In addition to other rights and remedies provided for herein or otherwise available to it, the Collateral Agent shall have all of the rights and remedies of a lender on default under the Uniform Commercial Code then in effect in the State of New York.

10.2 If any notice to Innovative of the sale or other disposition of Collateral is required by then applicable law, five business (5) days prior written notice (which Innovative agrees is reasonable notice within the meaning of Section 9.612(a) of the Uniform Commercial Code) shall be given to Innovative of the time and place of any sale of Collateral which Innovative hereby agrees may be by private sale. The rights granted in this Section are in addition to any and all rights available to Collateral Agent under the Uniform Commercial Code.

10.3 The Collateral Agent is authorized, at any such sale, if the Collateral Agent deems it advisable to do so, in order to comply with any applicable securities laws, to restrict the prospective bidders or purchasers to persons who will represent and agree, among other things, that they are purchasing the Collateral for their own account for investment, and not with a view to the distribution or resale thereof, or otherwise to restrict such sale in such other manner as the Collateral Agent deems advisable to ensure such compliance. Sales made subject to such restrictions shall be deemed to have been made in a commercially reasonable manner.

10.4 All proceeds received by the Collateral Agent for the benefit of the Lenders in respect of any sale, collection or other enforcement or disposition of Collateral, shall be applied (after deduction of any amounts payable to the Collateral Agent pursuant to Paragraph 12.1 hereof) against the Obligations pro rata among the Lenders in proportion to their interests in the Obligations. Upon payment in full of all Obligations, Innovative shall be entitled to the return of all Collateral, including cash, which has not been used or applied toward the payment of Obligations or used or applied to any and all costs or expenses of the Collateral Agent incurred in connection with the liquidation of the Collateral (unless another person is legally entitled thereto) and if applicable the Collateral Agent upon satisfaction of the Obligations will deliver form UCC-3 Financing Statement (Termination) to the Borrower. Any assignment of Collateral by the Collateral Agent to Innovative shall be without representation or warranty of any nature whatsoever and wholly without recourse. To the extent allowed by law, each Lender may purchase the Collateral and pay for such purchase by offsetting up to such Lender's pro rata portion of the proceeds with sums owed to such Lender by Innovative arising under the Obligations or any other source.

11. Waiver of Automatic Stay. Innovative acknowledges and agrees that should a proceeding under any bankruptcy or insolvency law be commenced by or against Innovative, or if any of the Collateral should become the subject of any bankruptcy or insolvency proceeding, then the Collateral Agent should be entitled to, among other relief to which the Collateral Agent or Lenders may be entitled under the Note, Subscription Agreement and any other agreement to which the Debtor, Lenders or Collateral Agent are parties, (collectively "Loan Documents") and/or applicable law, an order from the court granting immediate relief from the automatic stay pursuant to 11 U.S.C. Section 362 to permit the Collateral Agent to exercise all of its rights and remedies pursuant to the Loan Documents and/or applicable law. Innovative EXPRESSLY WAIVES THE BENEFIT OF THE AUTOMATIC STAY IMPOSED BY 11 U.S.C. SECTION 362. FURTHERMORE, Innovative EXPRESSLY ACKNOWLEDGES AND AGREES THAT NEITHER 11 U.S.C. SECTION 362 NOR ANY OTHER SECTION OF THE BANKRUPTCY CODE OR OTHER STATUTE OR RULE (INCLUDING, WITHOUT LIMITATION, 11 U.S.C. SECTION 105) SHALL STAY, INTERDICT, CONDITION, REDUCE OR INHIBIT IN ANY WAY THE ABILITY OF THE COLLATERAL AGENT TO ENFORCE ANY OF ITS RIGHTS AND REMEDIES UNDER THE LOAN DOCUMENTS AND/OR APPLICABLE LAW. Innovative hereby consents to any motion for relief from stay which may be filed by the Collateral Agent in any bankruptcy or insolvency proceeding initiated by or against Innovative, and further agrees not to file any opposition to any motion for relief from stay filed by the Collateral Agent. Innovative represents, acknowledges and agrees that this provision is a specific and material aspect of this Agreement, and that the Collateral Agent would not agree to the terms of this Agreement if this waiver were not a part of this Agreement. Innovative further represents, acknowledges and agrees that this waiver is knowingly, intelligently and voluntarily made, that neither the Collateral Agent nor any person acting on behalf of the Collateral Agent has made any representations to induce this waiver, that Innovative has been represented (or has had the opportunity to be represented) in the signing of this Agreement and in the making of this waiver by independent legal counsel selected by Innovative and that Innovative has had the opportunity to discuss this waiver with counsel. Innovative further agrees that any bankruptcy or insolvency proceeding initiated by Innovative will only be brought in the Federal Court within the Southern District of New York.

12. Miscellaneous.

12.1 Expenses. Innovative shall pay to the Collateral Agent, on demand, the amount of any and all reasonable expenses, including, without limitation, attorneys' fees, legal expenses and brokers' fees, which the Collateral Agent may incur in connection with (a) sale, collection or other enforcement or disposition of Collateral; (b) exercise or enforcement of any the rights, remedies or powers of the Collateral Agent hereunder or with respect to any or all of the Obligations upon breach or threatened breach; or (c) failure by Innovative to perform and observe any agreements of Innovative contained herein which are performed by the Collateral Agent after any required notice to Innovative.

12.2 Waivers, Amendment and Remedies. No course of dealing by the Collateral Agent and no failure by the Collateral Agent to exercise, or delay by the Collateral Agent in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right, remedy or power of the Collateral Agent. No amendment, modification or waiver of any provision of this Agreement and no consent to any departure by Innovative therefrom, shall, in any event, be effective unless contained in a writing signed by the Collateral Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. The rights, remedies and powers of the Collateral Agent, not only hereunder, but also under any instruments and agreements evidencing or securing the Obligations and under applicable law are cumulative, and may be exercised by the Collateral Agent from time to time in such order as the Collateral Agent may elect.

12.3 Notices. All notices or other communications given or made hereunder shall be in writing and shall be personally delivered or deemed delivered the first business day after being faxed (provided that a copy is delivered by first class mail) to the party to receive the same at its address set forth below or to such other address as either party shall hereafter give to the other by notice duly made under this Section:

To Debtor:	Innovative Food Holdings, Inc. 1923 Trade Center Way, Suite #1 Naples, FL 34109 Attn: Joe Dimaggio, CEO & President Fax: (239) 596-0204
With an additional copy by telecopier only to:	
	Thomas F. Pierson, Esq. 2501 E. Commercial Boulevard, Suite 212 Ft. Lauderdale, FL 33308 Fax: (954) 958-9439
To Lenders:	To the addresses and telecopier numbers set forth on Schedule A
To the Collateral Agent:	Barbara R. Mittman Grushko & Mittman, P.C. 551 Fifth Avenue, Suite 1601 New York, New York 10176 Fax: (212) 697-3575

Any party may change its address by written notice in accordance with this paragraph.

12.4 Term; Binding Effect. This Agreement shall (a) remain in full force and effect until payment and satisfaction in full of all of the Obligations; (b) be binding upon Innovative, and its successors and permitted assigns; and (c) inure to the benefit of the Collateral Agent, for the benefit of the Lenders and their respective successors and assigns. All the rights and benefits granted by Debtor to the Collateral Agent and Lenders in the Loan Documents and other agreements and documents delivered in connection therewith are deemed granted to both the Collateral Agent and Lenders.

12.5 Captions. The captions of Paragraphs, Articles and Sections in this Agreement have been included for convenience of reference only, and shall not define or limit the provisions hereof and have no legal or other significance whatsoever.

12.6 Governing Law; Venue; Severability. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts or choice of law, except to the extent that the perfection of the security interest granted hereby in respect of any item of Collateral may be governed by the law of another jurisdiction. Any legal action or proceeding against Innovative with respect to this Agreement may be brought in the courts in the State of New York or of the United States for the Southern District of New York, and, by execution and delivery of this Agreement, Innovative hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. Innovative hereby irrevocably waives any objection which they may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement brought in the aforesaid courts and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum. If any provision of this Agreement, or the application thereof to any person or circumstance, is held invalid, such invalidity shall not affect any other provisions which can be given effect without the invalid provision or application, and to this end the provisions hereof shall be severable and the remaining, valid provisions shall remain of full force and effect.

12.7 Counterparts/Execution. This Agreement may be executed in any number of counterparts and by the different signatories hereto on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument. This Agreement may be executed by facsimile signature and delivered by facsimile transmission.

[THIS SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned have executed and delivered this Security and Pledge Agreement, as of the date first written above.

"DEBTOR"
INNOVATIVE FOOD HOLDINGS, INC.
a Florida corporation

By: _____

Its: _____

"THE COLLATERAL AGENT"
BARBARA R. MITTMAN

_____

APPROVED BY "LENDERS":

ALPHA CAPITAL AKTIENGESELLSCHAFT

_____

WHALEHAVEN CAPITAL FUND LIMITED

_____

This Security and Pledge Agreement may be signed by facsimile signature and delivered by confirmed facsimile transmission.

SCHEDULE A TO SECURITY AND PLEDGE AGREEMENT

LENDERS	INITIAL CLOSING PURCHASE PRICE	CLASS A WARRANTS	CLASS B WARRANTS	CLASS C WARRANTS	SECOND CLOSING PURCHASE PRICE
ALPHA CAPITAL AKTIENGESELLSCHAFT Pradafant 7 9490 Furstentums Vaduz, Lichtenstein Fax: 011-42-32323196	$ 350,000.00				$ 120,000.00
WHALEHAVEN CAPITAL FUND LIMITED 3rd Floor, 14 Par-Laville Road Hamilton, Bermuda HM08 Fax: (441) 292-1373	$ 50,000.00				$ 30,000.00
TOTAL	**$ 400,000.00**				**$ 150,000.00**

ANNEX I

TO

SECURITY AND PLEDGE AGREEMENT

PLEDGE AMENDMENT

This Pledge Amendment, dated _____ __ 200_, is delivered pursuant to Section 4.3 of the Security and Pledge Agreement referred to below. The undersigned hereby agrees that this Pledge Amendment may be attached to the Security and Pledge Agreement, dated February ___, 2005, as it may heretofore have been or hereafter may be amended, restated, supplemented or otherwise modified from time to time and that the shares listed on this Pledge Amendment shall be hereby pledged and assigned to Collateral Agent and become part of the Collateral referred to in such Security and Pledge Agreement and shall secure all of the Obligations referred to in such Security and Pledge Agreement.

Name of Issuer	Number of Shares	Class	Certificate Number(s)

INNOVATIVE FOOD HOLDINGS, INC.

By: _____

Name:
Title:

SECURITY AND PLEDGE AGREEMENT
(Subsidiary)

1. Identification.

This Security and Pledge Agreement (the "Agreement"), dated as of February ___, 2005, is entered into by and between Food Innovations, Inc., a Florida corporation, ("Debtor"), and Barbara Mittman, as collateral agent acting in the manner and to the extent described in the Collateral Agent Agreement defined below (the "Collateral Agent"), for the benefit of the parties identified on Schedule A hereto (collectively, the "Lenders").

2. Recitals.

2.1 Debtor is a wholly-owned subsidiary of Innovative Food Holdings, Inc., a Florida ("Innovative"). The Lenders have made or are making loans and will make additional loans to Innovative (the "Loans"). It is beneficial to Debtor that the Loans were made, are being made and will be made. Debtor will obtain substantial benefit from the proceeds of the Loans.

2.2 The Loans are evidenced by certain eight percent (8%) convertible promissory notes (each a "Convertible Note") issued by Innovative on or about the date of this Agreement and issuable after the date of this Agreement, pursuant to subscription agreements (each a "Subscription Agreement") to which Debtor and Lenders are parties and which Convertible Notes are guaranteed by Debtor. The Notes are further identified on Schedule A hereto and were and will be executed by Debtor as "Borrower" or "Debtor" for the benefit of each Lender as the "Holder" or "Lender" thereof.

2.3 In consideration of the Loans made by Lenders to Innovative and for other good and valuable consideration, and as security for the performance by Innovative of its obligations under the Notes and as security for the repayment of the Loans and all other sums due from Debtor to Lenders arising under the Notes presently outstanding or to be outstanding in the future, Subscription Agreements, a Guaranty Agreement delivered by Debtor to the Collateral Agent and Lenders, and any other agreement between or among them (collectively, the "Obligations"), Debtor, for good and valuable consideration, receipt of which is acknowledged, has agreed to grant to the Collateral Agent, for the benefit of the Lenders, a security interest in the Collateral (as such term is hereinafter defined), on the terms and conditions hereinafter set forth. Obligations include all future advances by Lenders to Debtor advanced on a pro rata basis by all Lenders on substantially the same terms.

2.4 The Lenders have appointed Barbara Mittman as Collateral Agent pursuant to that certain Collateral Agent Agreement dated at or about February ___, 2005 ("Collateral Agent Agreement"), among the Lenders and Collateral Agent.

2.5 The following defined terms which are defined in the Uniform Commercial Code in effect in the State of New York on the date hereof are used herein as so defined: Accounts, Chattel Paper, Documents, Equipment, General Intangibles, Instruments, Inventory and Proceeds.

3. Grant of General Security Interest in Collateral.

3.1 As security for the Obligations of Debtor, Debtor hereby grants the Collateral Agent, for the benefit of the Lenders, a security interest in the Collateral.

3.2 "Collateral" shall mean all of the following property of Debtor:

(A) All now owned and hereafter acquired right, title and interest of Debtor in, to and in respect of all Accounts, Goods, real or personal property, all present and future books and records relating to the foregoing and all products and Proceeds of the foregoing, and as is set forth below:

(i) Accounts: All now owned and hereafter acquired right, title and interest of Debtor in, to and in respect of all: Accounts, interests in goods represented by Accounts, returned, reclaimed or repossessed goods with respect thereto and rights as an unpaid vendor; contract rights; Chattel Paper; investment property; General Intangibles (including but not limited to, tax and duty claims and refunds, registered and unregistered patents, trademarks, service marks, certificates, copyrights trade names, applications for the foregoing, trade secrets, goodwill, processes, drawings, blueprints, customer lists, licenses, whether as licensor or licensee, choses in action and other claims, and existing and future leasehold interests in equipment, real estate and fixtures); Documents; Instruments; letters of credit, bankers' acceptances or guaranties; cash moneys, deposits; securities, bank accounts, deposit accounts, credits and other property now or hereafter owned or held in any capacity by Debtor, as well as its affiliates, agreements or property securing or relating to any of the items referred to above;

(ii) Goods: All now owned and hereafter acquired right, title and interest of Debtor in, to and in respect of goods, including, but not limited to:

(a) All Inventory, wherever located, whether now owned or hereafter acquired, of whatever kind, nature or description, including all raw materials, work-in-process, finished goods, and materials to be used or consumed in Debtor's business; and all names or marks affixed to or to be affixed thereto for purposes of selling same by the seller, manufacturer, lessor or licensor thereof and all Inventory which may be returned to Debtor by its customers or repossessed by Debtor and all of Debtor' right, title and interest in and to the foregoing (including all of Debtor' rights as a seller of goods);

(b) All Equipment and fixtures, wherever located, whether now owned or hereafter acquired, including, without limitation, all machinery, motor vehicles, furniture and fixtures, and any and all additions, substitutions, replacements (including spare parts), and accessions thereof and thereto (including, but not limited to Debtor's rights to acquire any of the foregoing, whether by exercise of a purchase option or otherwise);

(iii) Property: All now owned and hereafter acquired right, title and interests of Debtor in, to and in respect of any real or other personal property in or upon which Debtor has or may hereafter have a security interest, lien or right of setoff;

(iv) Books and Records: All present and future books and records relating to any of the above including, without limitation, all computer programs, printed output and computer readable data in the possession or control of the Debtor, any computer service bureau or other third party; and

(v) Products and Proceeds: All products and Proceeds of the foregoing in whatever form and wherever located, including, without limitation, all insurance proceeds and all claims against third parties for loss or destruction of or damage to any of the foregoing.

(B) All now owned and hereafter acquired right, title and interest of Debtor in, to and in respect of the following:

(i) the shares of stock, partnership interests, member interests or other equity interests at any time and from time to time acquired by Debtor of any and all entities now or hereafter existing, all or a portion of such stock or other equity interests which are acquired by such entities at any time (such entities, together with the existing issuers, being hereinafter referred to collectively as the "Pledged Issuers" and individually as a "Pledged Issuer"), the certificates representing such shares, partnership interests, member interests or other interests all options and other rights, contractual or otherwise, in respect thereof and all dividends, distributions, cash, instruments, investment property and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares, partnership interests, member interests or other interests;

(ii) all additional shares of stock, partnership interests, member interests or other equity interests from time to time acquired by Debtor, of any Pledged Issuer, the certificates representing such additional shares, all options and other rights, contractual or otherwise, in respect thereof and all dividends, distributions, cash, instruments, investment property and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such additional shares, interests or equity; and

(iii) all security entitlements of Debtor in, and all Proceeds of any and all of the foregoing in each case, whether now owned or hereafter acquired by Debtor and howsoever its interest therein may arise or appear (whether by ownership, security interest, lien, claim or otherwise).

3.3 The Collateral Agent is hereby specifically authorized, after the Maturity Date (defined in the Notes) accelerated or otherwise, or after an Event of Default (as defined herein) and the expiration of any applicable cure period, to transfer any Collateral into the name of the Collateral Agent and to take any and all action deemed advisable to the Collateral Agent to remove any transfer restrictions affecting the Collateral.

4. Perfection of Security Interest.

4.1 Debtor shall prepare, execute and/or deliver to the Collateral Agent UCC-1 Financing Statements. The Collateral Agent is instructed to prepare and file at Debtor’s cost and expense, financing statements in such jurisdictions deemed advisable to the Collateral Agent, including but not limited to Florida. The Financing Statements are deemed to have been filed for the benefit of the Collateral Agent and Lenders identified on Schedule A hereto.

4.2 All other certificates and instruments constituting Collateral from time to time required to be pledged to Collateral Agent pursuant to the terms hereof (the "Additional Collateral") shall be delivered to Collateral Agent promptly upon receipt thereof by or on behalf of any of Debtor. All such certificates and instruments shall be held by or on behalf of Collateral Agent pursuant hereto and shall be delivered in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment or undated stock powers executed in blank, all in form and substance satisfactory to Collateral Agent. If any Collateral consists of uncertificated securities, unless the immediately following sentence is applicable thereto, Debtor shall cause Collateral Agent (or its custodian, nominee or other designee) to become the registered holder thereof, or cause each issuer of such securities to agree that it will comply with instructions originated by Collateral Agent with respect to such securities without further consent by Debtor. If any Collateral consists of security entitlements, Debtor shall transfer such security entitlements to Collateral Agent (or its custodian, nominee or other designee) or cause the applicable securities intermediary to agree that it will comply with entitlement orders by Collateral Agent without further consent by Debtor.

4.3 Within five (5) days after the receipt by Debtor of any Additional Collateral, a Pledge Amendment, duly executed by Debtor, in substantially the form of Annex I hereto (a "Pledge Amendment"), shall be delivered to Collateral Agent in respect of the Additional Collateral to be pledged pursuant to this Agreement. Debtor hereby authorizes Collateral Agent to attach each Pledge Amendment to this Agreement and agrees that all certificates or instruments listed on any Pledge Amendment delivered to Collateral Agent shall for all purposes hereunder constitute Collateral.

4.4 If Debtor shall receive, by virtue of Debtor's being or having been an owner of any Collateral, any (i) stock certificate (including, without limitation, any certificate representing a stock dividend or distribution in connection with any increase or reduction of capital, reclassification, merger, consolidation, sale of assets, combination of shares, stock split, spin-off or split-off), promissory note or other instrument, (ii) option or right, whether as an addition to, substitution for, or in exchange for, any Collateral, or otherwise, (iii) dividends payable in cash (except such dividends permitted to be retained by Debtor pursuant to Section 5.2 hereof) or in securities or other property or (iv) dividends or other distributions in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in surplus, Debtor shall receive such stock certificate, promissory note, instrument, option, right, payment or distribution in trust for the benefit of Collateral Agent, shall segregate it from Debtor's other property and shall deliver it forthwith to Collateral Agent, in the exact form received, with any necessary endorsement and/or appropriate stock powers duly executed in blank, to be held by Collateral Agent as Collateral and as further collateral security for the Obligations.

5. Distribution on Liquidation.

5.1 If any sum is paid as a liquidating distribution on or with respect to the Collateral, Debtor shall deliver same to the Collateral Agent to be applied to the Obligations, then due, in accordance with the terms of the Convertible Notes.

5.2 So long as no Event of Default exists, Debtor shall be entitled (i) to exercise all voting power pertaining to any of the Collateral, provided such exercise is not contrary to the interests of the Lenders and does not impair the Collateral and (ii) may receive and retain any and all dividends, interest payments or other distributions paid in respect of the Collateral.

5.3. Upon the occurrence and during the continuation of an Event of Default, all rights of Debtor, upon notice given by Collateral Agent, to exercise the voting power and receive payments, which it would otherwise be entitled to pursuant to Section 5.2, shall be suspended and all such rights shall thereupon become vested in Collateral Agent, which shall thereupon have the sole right to exercise such voting power and receive such payments

5.4 All dividends, distributions, interest and other payments which are received by Debtor contrary to the provisions of Section 5.3 shall be received in trust for the benefit of Collateral Agent, shall be segregated from other funds of Debtor, and shall be forthwith paid over to Collateral Agent as Collateral in the exact form received with any necessary endorsement and/or appropriate stock powers duly executed in blank, to be held by Collateral Agent as Collateral and as further collateral security for the Obligations

6. Further Action By Debtor; Covenants and Warranties.

6.1 Collateral Agent at all times shall have a perfected security interest in the Collateral. Debtor has and will continue to have full title to the Collateral free from any liens, leases, encumbrances, judgments or other claims. Collateral Agent's security interest in the Collateral constitutes and will continue to constitute a first, prior and indefeasible security interest in favor of Collateral Agent. Debtor will do all acts and things, and will execute and file all instruments (including, but not limited to, security agreements, financing statements, continuation statements, etc.) reasonably requested by Collateral Agent to establish, maintain and continue the perfected security interest of Collateral Agent in the Collateral, and will promptly on demand, pay all costs and expenses of filing and recording, including the costs of any searches reasonably deemed necessary by Collateral Agent from time to time to establish and determine the validity and the continuing priority of the security interest of Collateral Agent, and also pay all other claims and charges that, in the opinion of Collateral Agent, exercised in good faith, are reasonably likely to materially prejudice, imperil or otherwise affect the Collateral or Collateral Agent’s of Lenders’ security interests therein.

6.2 Other than in the ordinary course of business, and except for Collateral which is substituted by assets of identical or greater value or which has become obsolete or is of inconsequential in value, Debtor will not sell, transfer, assign or pledge those items of Collateral (or allow any such items to be sold, transferred, assigned or pledged), without the prior written consent of Collateral Agent other than a transfer of the Collateral to a wholly-owned subsidiary on prior notice to Collateral Agent, and provided the Collateral remains subject to the security interest herein described. Although Proceeds of Collateral are covered by this Agreement, this shall not be construed to mean that Collateral Agent consents to any sale of the Collateral, except as provided herein. Sales of Collateral in the ordinary course of business shall be free of the security interest of Lenders and Collateral Agent and Lenders and Collateral Agent shall promptly execute such documents (including without limitation releases and termination statements) as may be required by Debtor to evidence or effectuate the same.

6.3 Debtor will, at all reasonable times and upon reasonable notice, allow Collateral Agent or its representatives free and complete access to the Collateral and all of Debtor's records which in any way relate to the Collateral, for such inspection and examination as Collateral Agent reasonably deems necessary.

6.4 Debtor, at its sole cost and expense, will protect and defend this Security Agreement, all of the rights of Collateral Agent and Lenders hereunder, and the Collateral against the claims and demands of all other persons.

6.5 Debtor will promptly notify Collateral Agent of any levy, distraint or other seizure by legal process or otherwise of any part of the Collateral, and of any threatened or filed claims or proceedings that are reasonably likely to affect or impair any of the rights of Collateral Agent under this Security Agreement in any material respect.

6.6 Debtor, at its own expense, will obtain and maintain in force insurance policies covering losses or damage to those items of Collateral which constitute physical personal property. The insurance policies to be obtained by Debtor shall be in form and amounts reasonably acceptable to Collateral Agent. Debtor shall make the Collateral Agent a first loss payee thereon to the extent of its interest in the Collateral. Collateral Agent is hereby irrevocably (until the Obligations are paid in full) appointed Debtor' attorney-in-fact to endorse any check or draft that may be payable to Debtor so that Collateral Agent may collect the proceeds payable for any loss under such insurance. The proceeds of such insurance (subject to the rights of senior secured parties), less any costs and expenses incurred or paid by Collateral Agent in the collection thereof, shall be applied either toward the cost of the repair or replacement of the items damaged or destroyed, or on account of any sums secured hereby, whether or not then due or payable.

6.7 Collateral Agent may, at its option, and without any obligation to do so, pay, perform and discharge any and all amounts, costs, expenses and liabilities herein agreed to be paid or performed by Debtor. Upon Debtor' failure to do so, all amounts expended by Collateral Agent in so doing shall become part of the Obligations secured hereby, and shall be immediately due and payable by Debtor to Collateral Agent upon demand and shall bear interest at the lesser of 18% per annum or the highest legal amount from the dates of such expenditures until paid.

6.8 Upon the request of Collateral Agent, Debtor will furnish to Collateral Agent within five (5) business days thereafter, or to any proposed assignee of this Security Agreement, a written statement in form reasonably satisfactory to Collateral Agent, duly acknowledged, certifying the amount of the principal and interest and any other sum then owing under the Obligations, whether to its knowledge any claims, offsets or defenses exist against the Obligations or against this Security Agreement, or any of the terms and provisions of any other agreement of Debtor securing the Obligations. In connection with any assignment by Collateral Agent of this Security Agreement, Debtor hereby agrees to cause the insurance policies required hereby to be carried by Debtor, if any, to be endorsed in form satisfactory to Collateral Agent or to such assignee, with loss payable clauses in favor of such assignee, and to cause such endorsements to be delivered to Collateral Agent within ten (10) calendar days after request therefor by Collateral Agent.

6.9 Debtor will, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the Collateral Agent from time to time such vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports and other reasonable assurances or instruments and take further steps relating to the Collateral and other property or rights covered by the security interest hereby granted, as the Collateral Agent may reasonably require to perfect its security interest hereunder.

6.10 Debtor represents and warrants that it is the true and lawful exclusive owner of the Collateral, free and clear of any liens and encumbrances.

6.11 Debtor hereby agrees not to divest itself of any right under the Collateral except as permitted herein absent prior written approval of the Collateral Agent, except to a subsidiary organized and located in the United States on prior notice to Collateral Agent provided the Collateral remains subject to the security interest herein described.

6.12 Debtor shall cause each Subsidiary of Debtor not in existence on the date hereof to execute and deliver to Collateral Agent promptly and in any event within 10 days after the formation, acquisition or change in status thereof (A) a guaranty guaranteeing the Obligations and (B) a security and pledge agreement substantially in the form of this Agreement, together with (x) certificates evidencing all of the capital stock of any entity owned by such Subsidiary, (y) undated stock powers executed in blank with signature guaranteed, and (z) such opinion of counsel and such approving certificate of such Subsidiary as Collateral Agent may reasonably request in respect of complying with any legend on any such certificate or any other matter relating to such shares and (E) such other agreements, instruments, approvals, legal opinions or other documents reasonably requested by Collateral Agent in order to create, perfect, establish the first priority of or otherwise protect any lien purported to be covered by any such pledge and security Agreement or otherwise to effect the intent that all property and assets of such Subsidiary shall become Collateral for the Obligations. For purposes of this Agreement, "Subsidiary" means, with respect to any entity at any date, any corporation, limited or general partnership, limited liability company, trust, estate, association, joint venture or other business entity) of which more than 50% of (A) the outstanding capital stock having (in the absence of contingencies) ordinary voting power to elect a majority of the board of directors or other managing body of such entity, (B) in the case of a partnership or limited liability company, the interest in the capital or profits of such partnership or limited liability company or (C) in the case of a trust, estate, association, joint venture or other entity, the beneficial interest in such trust, estate, association or other entity business is, at the time of determination, owned or controlled directly or indirectly through one or more intermediaries, by such entity.

7. Power of Attorney.

After the occurrence and during the uncured continuation of an Event of Default as defined in Section 9 below, Debtor hereby irrevocably constitutes and appoints the Collateral Agent as the true and lawful attorney of Debtor, with full power of substitution, in the place and stead of Debtor and in the name of Debtor or otherwise, at any time or times, in the discretion of the Collateral Agent, to take any action and to execute any instrument or document which the Collateral Agent may deem necessary or advisable to accomplish the purposes of this Agreement. This power of attorney is coupled with an interest and is irrevocable until the Obligations are satisfied.

8. Performance By The Collateral Agent.

If Debtor fails to perform any material covenant, agreement, duty or obligation of Debtor under this Agreement, the Collateral Agent may, after any applicable cure period, at any time or times in its discretion, take action to effect performance of such obligation. All reasonable expenses of the Collateral Agent incurred in connection with the foregoing authorization shall be payable by Debtor as provided in Paragraph 12.1 hereof. No discretionary right, remedy or power granted to the Collateral Agent under any part of this Agreement shall be deemed to impose any obligation whatsoever on the Collateral Agent with respect thereto, such rights, remedies and powers being solely for the protection of the Collateral Agent.

9. Event of Default.

An event of default ("Event of Default") shall be deemed to have occurred hereunder upon the occurrence of any event of default as defined and described in this Agreement, in the Notes, Subscription Agreement, and any other agreement to which Debtor and Collateral Agent or a Lender are parties. Upon and after any Event of Default, after the applicable cure period, if any, any or all of the Obligations shall become immediately due and payable at the option of the Collateral Agent, for the benefit of the Lenders, and the Collateral Agent may dispose of Collateral as provided below. A default by Debtor of any of its material obligations pursuant to this Agreement shall be an Event of Default hereunder and an event of default as defined in the Notes, and Subscription Agreement.

10. Disposition of Collateral.

Upon and after any Event of Default which is then continuing,

10.1 The Collateral Agent may exercise its rights with respect to each and every component of the Collateral, without regard to the existence of any other security or source of payment for the Obligations. In addition to other rights and remedies provided for herein or otherwise available to it, the Collateral Agent shall have all of the rights and remedies of a lender on default under the Uniform Commercial Code then in effect in the State of New York.

10.2 If any notice to Debtor of the sale or other disposition of Collateral is required by then applicable law, five business (5) days prior written notice (which Debtor agrees is reasonable notice within the meaning of Section 9.612(a) of the Uniform Commercial Code) shall be given to Debtor of the time and place of any sale of Collateral which Debtor hereby agrees may be by private sale. The rights granted in this Section are in addition to any and all rights available to Collateral Agent under the Uniform Commercial Code.

10.3 The Collateral Agent is authorized, at any such sale, if the Collateral Agent deems it advisable to do so, in order to comply with any applicable securities laws, to restrict the prospective bidders or purchasers to persons who will represent and agree, among other things, that they are purchasing the Collateral for their own account for investment, and not with a view to the distribution or resale thereof, or otherwise to restrict such sale in such other manner as the Collateral Agent deems advisable to ensure such compliance. Sales made subject to such restrictions shall be deemed to have been made in a commercially reasonable manner.

10.4 All proceeds received by the Collateral Agent for the benefit of the Lenders in respect of any sale, collection or other enforcement or disposition of Collateral, shall be applied (after deduction of any amounts payable to the Collateral Agent pursuant to Paragraph 12.1 hereof) against the Obligations pro rata among the Lenders in proportion to their interests in the Obligations. Upon payment in full of all Obligations, Debtor shall be entitled to the return of all Collateral, including cash, which has not been used or applied toward the payment of Obligations or used or applied to any and all costs or expenses of the Collateral Agent incurred in connection with the liquidation of the Collateral (unless another person is legally entitled thereto),and if applicable, the Collateral Agent upon satisfaction of the Obligations will deliver form UCC-3 Financing Statement (Termination) to the Borrower. Any assignment of Collateral by the Collateral Agent to Debtor shall be without representation or warranty of any nature whatsoever and wholly without recourse. To the extent allowed by law, each Lender may purchase the Collateral and pay for such purchase by offsetting up to such Lender's pro rata portion of the proceeds with sums owed to such Lender by Debtor arising under the Obligations or any other source.

11. Waiver of Automatic Stay. Debtor acknowledges and agrees that should a proceeding under any bankruptcy or insolvency law be commenced by or against Debtor, or if any of the Collateral should become the subject of any bankruptcy or insolvency proceeding, then the Collateral Agent should be entitled to, among other relief to which the Collateral Agent or Lenders may be entitled under the Note, Subscription Agreement, Guaranty Agreement, and any other agreement to which the Debtor, Lenders or Collateral Agent are parties, (collectively "Loan Documents") and/or applicable law, an order from the court granting immediate relief from the automatic stay pursuant to 11 U.S.C. Section 362 to permit the Collateral Agent to exercise all of its rights and remedies pursuant to the Loan Documents and/or applicable law. Debtor EXPRESSLY WAIVES THE BENEFIT OF THE AUTOMATIC STAY IMPOSED BY 11 U.S.C. SECTION 362. FURTHERMORE, Debtor EXPRESSLY ACKNOWLEDGES AND AGREES THAT NEITHER 11 U.S.C. SECTION 362 NOR ANY OTHER SECTION OF THE BANKRUPTCY CODE OR OTHER STATUTE OR RULE (INCLUDING, WITHOUT LIMITATION, 11 U.S.C. SECTION 105) SHALL STAY, INTERDICT, CONDITION, REDUCE OR INHIBIT IN ANY WAY THE ABILITY OF THE COLLATERAL AGENT TO ENFORCE ANY OF ITS RIGHTS AND REMEDIES UNDER THE LOAN DOCUMENTS AND/OR APPLICABLE LAW. Debtor hereby consents to any motion for relief from stay which may be filed by the Collateral Agent in any bankruptcy or insolvency proceeding initiated by or against Debtor, and further agrees not to file any opposition to any motion for relief from stay filed by the Collateral Agent. Debtor represents, acknowledges and agrees that this provision is a specific and material aspect of this Agreement, and that the Collateral Agent would not agree to the terms of this Agreement if this waiver were not a part of this Agreement. Debtor further represents, acknowledges and agrees that this waiver is knowingly, intelligently and voluntarily made, that neither the Collateral Agent nor any person acting on behalf of the Collateral Agent has made any representations to induce this waiver, that Debtor has been represented (or has had the opportunity to be represented) in the signing of this Agreement and in the making of this waiver by independent legal counsel selected by Debtor and that Debtor has had the opportunity to discuss this waiver with counsel. Debtor further agrees that any bankruptcy or insolvency proceeding initiated by Debtor will only be brought in the Federal Court within the Southern District of New York.

12. Miscellaneous.

12.1 Expenses. Debtor shall pay to the Collateral Agent, on demand, the amount of any and all reasonable expenses, including, without limitation, attorneys' fees, legal expenses and brokers' fees, which the Collateral Agent may incur in connection with (a) sale, collection or other enforcement or disposition of Collateral; (b) exercise or enforcement of any the rights, remedies or powers of the Collateral Agent hereunder or with respect to any or all of the Obligations upon breach or threatened breach; or (c) failure by Debtor to perform and observe any agreements of Debtor contained herein which are performed by the Collateral Agent.

12.2 Waivers, Amendment and Remedies. No course of dealing by the Collateral Agent and no failure by the Collateral Agent to exercise, or delay by the Collateral Agent in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right, remedy or power of the Collateral Agent. No amendment, modification or waiver of any provision of this Agreement and no consent to any departure by Debtor therefrom, shall, in any event, be effective unless contained in a writing signed by the Collateral Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. The rights, remedies and powers of the Collateral Agent, not only hereunder, but also under any instruments and agreements evidencing or securing the Obligations and under applicable law are cumulative, and may be exercised by the Collateral Agent from time to time in such order as the Collateral Agent may elect after any applicable notice to Debtor.

12.3 Notices. All notices or other communications given or made hereunder shall be in writing and shall be personally delivered or deemed delivered the first business day after being faxed (provided that a copy is delivered by first class mail) to the party to receive the same at its address set forth below or to such other address as either party shall hereafter give to the other by notice duly made under this Section:

To Debtor:	c/o Innovative Food Holdings, Inc. 1923 Trade Center Way, Suite #1 Naples, FL 34109 Attn: Joe Dimaggio, CEO & President Fax: (239) 596-0204
With an additional copy by telecopier only to:	
	Thomas F. Pierson, Esq. 2501 E. Commercial Boulevard, Suite 212 Ft. Lauderdale, FL 33308 Fax: (954) 958-9439
To Lenders:	To the addresses and telecopier numbers set forth on Schedule A
To the Collateral Agent:	Barbara R. Mittman Grushko & Mittman, P.C. 551 Fifth Avenue, Suite 1601 New York, New York 10176 Fax: (212) 697-3575

Any party may change its address by written notice in accordance with this paragraph.

12.4 Term; Binding Effect. This Agreement shall (a) remain in full force and effect until payment and satisfaction in full of all of the Obligations; (b) be binding upon Debtor, and its successors and permitted assigns; and (c) inure to the benefit of the Collateral Agent, for the benefit of the Lenders and their respective successors and assigns. All the rights and benefits granted by Debtor to the Collateral Agent and Lenders in the Loan Documents and other agreements and documents delivered in connection therewith are deemed granted to both the Collateral Agent and Lenders.

12.5 Captions. The captions of Paragraphs, Articles and Sections in this Agreement have been included for convenience of reference only, and shall not define or limit the provisions hereof and have no legal or other significance whatsoever.

12.6 Governing Law; Venue; Severability. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts or choice of law, except to the extent that the perfection of the security interest granted hereby in respect of any item of Collateral may be governed by the law of another jurisdiction. Any legal action or proceeding against Debtor with respect to this Agreement may be brought in the courts in the State of New York or of the United States for the Southern District of New York, and, by execution and delivery of this Agreement, Debtor hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. Debtor hereby irrevocably waives any objection which they may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement brought in the aforesaid courts and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum. If any provision of this Agreement, or the application thereof to any person or circumstance, is held invalid, such invalidity shall not affect any other provisions which can be given effect without the invalid provision or application, and to this end the provisions hereof shall be severable and the remaining, valid provisions shall remain of full force and effect.

12.7 Counterparts/Execution. This Agreement may be executed in any number of counterparts and by the different signatories hereto on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument. This Agreement may be executed by facsimile signature and delivered by facsimile transmission.

[THIS SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned have executed and delivered this Security and Pledge Agreement, as of the date first written above.

"DEBTOR"
FOOD INNOVATIONS, INC.
a Florida corporation

By: _____

Its: _____

'**THE COLLATERAL AGENT**"
BARBARA R. MITTMAN

_____

APPROVED BY "LENDERS":

ALPHA CAPITAL AKTIENGESELLSCHAFT

WHALEHAVEN CAPITAL FUND LIMITED

This Security and Pledge Agreement may be signed by facsimile signature and delivered by confirmed facsimile transmission.

SCHEDULE A TO SECURITY AND PLEDGE AGREEMENT

LENDERS	INITIAL CLOSING PURCHASE PRICE	CLASS A WARRANTS	CLASS B WARRANTS	CLASS C WARRANTS	SECOND CLOSING PURCHASE PRICE
ALPHA CAPITAL AKTIENGESELLSCHAFT Pradafant 7 9490 Furstentums Vaduz, Lichtenstein Fax: 011-42-32323196	$350,000.00				$120,000.00
WHALEHAVEN CAPITAL FUND LIMITED 3rd Floor, 14 Par-Laville Road Hamilton, Bermuda HM08 Fax: (441) 292-1373	$50,000.00				$30,000.00
TOTAL	**$400,000.00**				**$150,000.00**

ANNEX I

TO

SECURITY AND PLEDGE AGREEMENT

PLEDGE AMENDMENT

This Pledge Amendment, dated _____ __ 200_, is delivered pursuant to Section 4.3 of the Security and Pledge Agreement referred to below. The undersigned hereby agrees that this Pledge Amendment may be attached to the Security and Pledge Agreement, dated February ___, 2005, as it may heretofore have been or hereafter may be amended, restated, supplemented or otherwise modified from time to time and that the shares listed on this Pledge Amendment shall be hereby pledged and assigned to Collateral Agent and become part of the Collateral referred to in such Security and Pledge Agreement and shall secure all of the Obligations referred to in such Security and Pledge Agreement.

Name of Issuer	Number of Shares	Class	Certificate Number(s)

FOOD INNOVATIONS, INC.

By: _____

Name:
Title:

SUPPLY AGREEMENT

This Supply Agreement (the "Agreement") is made and entered into this 11 day of September 2003, by and between Next Day Gourmet,L.P., an Indiana limited partnership (the "Buyer") and Food Innovations, Inc., a Delaware corporation (the "Supplier").

RECITALS

This Document sets forth the terms and conditions of the Agreement between the parties whereby Supplier shall provide Buyer overnight-delivered, perishable fresh food products consisting of fresh seafood, fresh produce and other exotic fresh foods for sale to Buyer's or its Affiliates' customers, as defined below.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the sufficiency of which is hereby acknowledged, Buyer and Supplier agree as follows:

1. **DEFINITIONS**. As used herein, the term:

(a) "Affiliate" shall mean any Person that directly or indirectly controls, is controlled by, or is under common control with the Person in question. For purposes of determining whether a Person is an Affiliate, the term "Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of securities, contract or otherwise, and such control must be verifiable through documentation.

(b) "Buyer Group" shall mean Buyerand its current Affiliates and subsidiaries as set forth on the attached Schedule "A". Future Affiliates and subsidiaries shall be added to or deleted from Schedule "A" during the Term of this Agreement upon giving of at least 30 days notice to Supplier.

(c) "Contract Year" shall be each of the three twelve (12) consecutive month periods during the Term of this Agreement, commencing on the date of this Agreement.

(d) "Effective Date" shall mean the date of this Agreement.

(e) "Person" shall mean any individual, corporation, unincorporated association, business, trust, estate, partnership, limited liability company, limited liability partnership, trust, government or any agency or political subdivision thereof, or any other entity.

(f) "Product(s)" shall include overnight-delivered, perishable fresh seafood, fresh produce and other exotic fresh foods, including those similar in nature to products being purchased by the Buyer Group from Supplier prior to the date hereof, as set forth on the attached Schedule "B". Future Products shall be added to or deleted from Schedule "B" during the Term upon agreement of the parties. "Products" shall not include items sold to Buyer by other

vendors, regardless of how similar such items may be to the Products. All Product supplied hereunder shall be named, branded, marked and/or copyrighted by Supplier as it shall determine in its sole discretion and Buyer shall have no rights, title or interest in the naming, branding, marking and/or protecting the labels or other marketing information regarding the Products. Supplier shall have no rights, title or interest in the naming, branding, marking and/or protecting the labels or other marketing information regarding any items, goods or products (other than the Products) which are named, branded, marked and/or copyrighted by the Buyer Group.

(g) "Term" shall have the meaning set forth in Section 5(a).

(h) "House Customers" shall mean Supplier's current customers (with whom Buyer has no relationship) as set forth on the attached Schedule "C". Future "House Customers" shall be added to or deleted from Schedule "C" during the Term of this Agreement upon the giving of no less than 30 days written notice to Buyer.

2. **PURCHASE AND SALE OF PRODUCTS.**

(a) Supplier shall supply to Buyer or directly to Buyer's customers, and Buyer shall purchase from Supplier, Products in quantities ordered by Buyer from time to time hereunder, it being understood that Buyer is under no obligation to purchase any Products or any specific volume of Products hereunder. Buyer agrees that Supplier shall be its exclusive supplier of Products during the Term, and during the Term Buyer shall not purchase Products from any other person or entity; provided, that if Supplier is unable to supply Buyer with any Product at the time Buyer orders the Product, Buyer may purchase such Product from an alternative source. Supplier agrees that during the Term, the Buyer Group shall be its exclusive prchaser of Products (other than Supplier's House Customers), and Supplier shall not directly or indirectly supply Products to any other customer, distributor, broker or any other Person

(b) Buyer shall order Products identified pursuant to purchase orders, each of which shall be placed electronicallyor sent by fax, and which shall be issued (i) by 11 a.m. Eastern time, if next-day delivery is required, or (ii) by close of business for delivery within 48 hours (as applicable, the "Applicable Lead Time"). Supplier shall ship all Products or cause all Products to be shipped directly from Supplier's vendors, to the address or addresses indicated on the purchase order, shall fill all purchase orders in full, and shall not ship any partial shipments. Partial shipments received by Buyer or Buyer's customers may be, at Buyer's or such customers' election, accepted or returned to Supplier, at Supplier's cost and expense. All shipments shall be F.O.B. Buyer's designated location of delivery, and Supplier shall retain all risk of loss until the Products are delivered to Buyer's designated location.

(c) Supplier shall deliver, or cause to be delivered, the Products ordered within the Applicable Lead Time from Supplier's receipt of a purchase order from Buyer or as otherwise agreed by the parties. Supplier shall provide Buyer with a Service Level of at least 98%. A "Service Level" shall mean within a calendar month, the percentage of total pieces delivered which provides Buyer with conforming Products fulfilling Buyer's order(s) (including the Applicable Lead Time) compared to the total pieces ordered within such order(s).

(d) Supplier shall provide Buyer with a Service Level report by the 5th day of each month, which report shall include (i) the Service Level for the previous month by Buyer receiving location, and (ii) the Service Level for the previous month in the aggregate, for all Buyer receiving locations. Buyer shall have fifteen (15) days after receipt of the monthly Service Level report to object to the Service Levels reported therein, and to provide Supplier with Buyer's calculation of the Service Levels. In the event that the Service Level for any consecutive two (2) calendar months or for any three (3) calendar months in a consecutive six (6) calendar month period is below the Service Level indicated above (either if as reported by Supplier in the monthly Service Level report or as calculated by Buyer in its objection to the monthly Service Level report), Supplier shall be deemed to be in material breach hereunder and, in addition to all other rights and remedies available to Buyer, Buyer shall be entitled to terminate this Agreement immediately.

(e) If Supplier is unable to fill any purchase order within the terms stated on its face, Supplier shall immediately notify Buyer, and Buyer shall advise Supplier if Buyer elects to revise the terms stated on the face of the purchase order, so that Supplier can meet such terms, or if Buyer elects to cancel the order. Supplier shall not be required to fill any purchase order unless it is for a minimum order of $250.00; however, achievement of the minimum order threshold shall be calculated in the aggregate for all orders placed at one time relative to one of Supplier's vendors, regardless of the locations to where such orders are to be shipped.

(f) Supplier acknowledges that it may receive purchase orders hereunder from any member of the Buyer Group, and Supplier agrees (i) to accept all such purchase orders and to ship deliveries of Products to the location or locations designated on all such purchase orders and (ii) that such members of the Buyer Group shall have all of the rights of "Buyer" under the terms of this Agreement. Buyer agrees to guaranty the payment of any undisputed outstanding bills or invoices by any member of Buyer Group which remain unpaid after the date that payment for such bills or invoices are due, provided Supplier provides Buyer with all required supporting documentation for such bills or invoices.

3. **PRICE AND TERMS**.

(a) Purchases and sales of Products shall be at selling prices set forth on the price list delivered weekly by Supplier (the "Price List"). The prices shown on the Price List shall be the delivered price, including all shipping costs, and shall be based on the geographic region to where the Products are to be delivered. All shipping costs shall be based on the gross weight of the Product, and not the size of the packing materials.

(b) Supplier shall invoice Buyer for its purchase of Products promptly upon shipment of such Products. Payment terms shall be net ten (10) days, calculated from the date Buyer receives Supplier's invoice.

4. **CLAIMS, WARRANTIES, INSURANCE AND LIMITATIONS OF LIABILITY**.

(a) Supplier expressly warrants that all Products sold hereunder shall be of merchantable quality, fit for the ordinary purposes for which such Products are normally used, wholesome and fit for human consumption, and that all Products will be manufactured, grown or farmed in accordance with applicable federal, state and local laws, rules, regulations and orders. The Products are further warranted to be:

(1) Not adulterated or misbranded (when bearing labels furnished by the vendor) within the meaning of the Federal Food, Drug, and Cosmetic Act, the Food Additive Amendment, and all other revisions and amendments thereto (the "FDA Act"), all regulations issued under the FDA Act and any other applicable federal, state, and local laws, rules or regulations, and not an article of food, drug, device or cosmetic which may not, under the provisions of Sections 404 or 505 of the FDA Act, be introduced into interstate commerce.

(2) Not adulterated, misbranded, or packaged in misbranded packages within the meaning of the terms of the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Hazardous Substances Labeling Act, the state Pure Food and Drug Acts, or any other applicable federal, state, or local laws, ordinances, rules or regulations and not an article of food, drug, device, or cosmetic which is in violation of, any federal, state, or local laws, ordinances, rules or regulations.

(3) Free from any artificial colorings and preservatives, which are not derived from a batch certified by Supplier's vendor in accordance with the FDA Act, and all other revisions and amendments thereto and all regulations issued under such act.

(b) Supplier agrees to assign, and hereby does assign, any warranties or indemnifications that it receives from its vendors related to the Products sold hereunder, to Buyer.

(c) Supplier warrants that the Products do not infringe on any United States or foreign patent, or on any other right of any other person. Supplier shall indemnify and hold the Buyer Group and its customers harmless against any claim of infringement of patent or intellectual property rights relating to the manufacture, sale or use of the Products, and shall bear all costs and expenses arising from or related to any such claim. As used herein, the term "claim" includes, without limitation, any claim for temporary or permanent injunctive relief in any action for such infringement of patent or other rights.

(d) The Supplier agrees to protect and indemnify, defend and hold harmless the Buyer Group and its customers from any loss, damage, liability, cost (including court costs and attorney's fees) and expense incurred in connection with the assessment of any fine or penalty by a governmental or regulatory body or the death or injury to persons or damage to property sustained or claimed to have been sustained by any individual, corporation or other person, directly or indirectly, arising out of, or in connection with, (i) the breach of any representations, warranties or covenants made hereunder, (ii) the growth, farming or other

manufacture of Products delivered or caused to be delivered hereunder by Supplier, or (iii) the consumption or use of any article of food or other Product from any shipment or delivery by the Supplier, its subsidiaries, affiliates, division, units or vendors, except to the extent such loss, damage, liability, cost, or expense is demonstrated by Supplier to be the direct result of negligent acts or willful misconduct of the Buyer Group or its customers. Supplier shall further indemnify and hold the Buyer Group harmless from the actual withdrawal and recall costs and expenses incurred by the Buyer Group due to defects in the manufacture or handling of Products, or if a recall of Products is ordered by a court of competent jurisdiction or governmental agency.

(e) Supplier shall assume all risk of loss or damage to the Products from any and all causes until the Products are actually received by Buyer or its customer in good condition. If Supplier or any third party engaged by Supplier shall deliver to Buyer any Product which at the time of receipt by Buyer or its customer was defaced, damaged, or in any respect not in conformity with the requirements of this Agreement, Supplier shall at its sole cost and expense replace any such returned Product by delivering to Buyer or such customer an undamaged Product which conforms in all respects to the requirements of this Agreement; provided, however, that Buyer or Buyer's customer shall be required to notify Supplier or Supplier's vendor within 12 hours of delivery of the Products of any defects, damages or non-conformities. Failure by Buyer or Buyer's customers to provide such notice shall relieve Supplier of its obligation to replace such Product if and only if such failure substantially impairs the quality of the Product that was originally delivered to Buyer or Buyer's customers.

(f) The Supplier agrees that during the term of this Agreement, and any extension thereof, the Supplier shall obtain and carry, in full force and effect, comprehensive general liability insurance, including broad form vendors and contractual liability endorsements, the policy limits for said coverage shall not be less than Two Million Dollars ($2,000,000.00) per occurrence and per annual aggregate and shall be placed with an insurance company reasonably acceptable to Buyer. The insurance coverage described in this paragraph shall be evidenced by a Certificate of Insurance, which shall be provided to Buyer upon request, shall name the Buyer Group as additional insureds and shall provide that such insurance shall be primary insurance without any right of contribution from any other insurance carried or maintained by the Buyer Group. Said insurance coverage shall not be cancelable by the Supplier except upon thirty (30) days written notice to Buyer by the insurer.

(g) This Agreement is continuing and shall be in full force and effect and shall be binding upon the Supplier with respect to each and every article of food or other Product shipped or delivered to the Buyer or its customers by the Supplier, its subsidiaries, affiliates, divisions, units or vendors.

(h) Supplier shall have the right to control the defense of any claim, suit or proceeding as to which it is indemnifying the Buyer Group pursuant to this Agreement, but the Buyer Group shall have the right to participate in the defense at the Buyer Group's expense.

(i) Buyer shall give Supplier written notice of any breach of a representation or warranty or other matter giving rise to a claim for indemnification hereunder promptly after

Buyer's discovery thereof, but Buyer's failure to give such notice shall not relieve the Supplier of any liability under this Section 4, except to the extent it is proved that Supplier suffered actual prejudice in connection with or in defending against a claim arising out of such breach, or except as otherwise set forth in Section 4(e) above.

5. **TERM AND TERMINATION.**

(a) This Agreement shall be effective as of the Effective Date and shall expire on the third anniversary of the Effective Date (the "Term").

(b) If either party shall suspend its business or become bankrupt or insolvent, or if a receiver or similar official is appointed for all or substantially all of its assets the other party may terminate this Agreement by giving thirty (30) days prior written notice to such party. If either party is in material breach of its obligations hereunder, and has not cured such breach within fifteen (15) days after receiving written notice of such breach, in addition to any remedies available at law or in equity, the non-breaching party may terminate this Agreement.

(c) Notwithstanding anything set forth herein to the contrary, either party may terminate this Agreement for any reason at any time upon giving ninety (90) days prior written notice to the other party.

(d) The termination or expiration of this Agreement shall not terminate any liability of either party arising under Section 4 and Section 6, or out of conduct prior to the actual date of termination.

6. **NON-SOLICITATION ~~[AND EXCLUSIVITY]~~.**

(a) Solicitations of Customers. For a period commencing on the Effective Date and ending on the date that is one year after the expiration or earlier termination of this Agreement, Supplier shall not, directly or indirectly, for Supplier's own account or as stockholder, member, partner, agent or otherwise for or on behalf of any Person other than Buyer, sell or broker, offer to sell or broker or solicit any orders for the purchase of any Products during the Measuring Period to or from any Person which was a customer of Buyer at any time during the Measuring Period. The "Measuring Period" shall be the one (1) year period preceding the date of expiration or earlier termination of this Agreement. For purposes of this Agreement, (a) "customers of Buyer" means and includes (i) any and all Persons which (A) have done business with any member of the Buyer Group as a customer during the relevant time period, or (B) have been contacted by any member of the Buyer Group for the purpose of purchasing the Products, and (ii) all Persons which control, or are controlled by, the same Person which controls, any such customer of Buyer. Supplier shall include any of Supplier's employees or agents who are directly or indirectly working with the Buyer Group in any way associated with the Products and services provided under this Agreement. Notwithstanding the foregoing, sales of Products to House Customers shall not constitute a violation of this Section 6(a).

(b) Solicitations of House Customers. For a period commencing on the Effective Date and ending on the date that is one year after the expiration or earlier termination

of this Agreement, Buyer shall not, directly or indirectly, for Buyer's own account or as stockholder, member, partner, agent or otherwise for or on behalf of any Person other than Buyer, sell or broker, offer to sell or broker or solicit any orders for the purchase of any Products during the Measuring Period to or from any House Customer during the Measuring Period. The "Measuring Period" shall be the one (1) year period preceding the date of expiration or earlier termination of this Agreement. Buyer shall include any of Buyer's employees or agents who are directly or indirectly working with Supplier in any way associated with the Products and services provided under this Agreement.

(c) Binding Effect; Third Party Beneficiaries. The provisions of this Section 6 shall inure to the benefit of the parties and their respective successors and assigns, as well as to the benefit of the Buyer Group. Supplier acknowledges and agrees that the members of the Buyer Group are intended to be beneficiaries of the covenants and agreements made by Supplier herein, even though not named herein, and that each member of the Buyer Group shall have the right to exercise all remedies available to it under the terms hereof in the event of any breach or threatened breach by Supplier of the covenants and agreements made by Supplier herein.

(d) Remedies for Breach. Supplier and Buyer further acknowledge and agree that each party's obligations under Section 6 of this Agreement are unique and that any breach or threatened breach of such obligations may result in irreparable harm and substantial damages to the other party. Accordingly, in the event of a breach or threatened breach of any of the provisions of Section 6 of this Agreement, Buyer and each member of the Buyer Group or Supplier, as applicable, shall have the right, in addition to exercising any other remedies at law or equity which may be available to it under this Agreement or otherwise, to obtain ex parte, preliminary, interlocutory, temporary or permanent injunctive relief, specific performance and other equitable remedies in any court of competent jurisdiction to prevent Supplier or Buyer, as applicable, from violating such provision or provisions or to prevent the continuance of any violation thereof, together with an award or judgment for any and all damages, losses, liabilities, expenses and costs incurred as a result of such breach or threatened breach including, but not limited to, reasonable attorneys' fees in connection with, or as a result of, the enforcement of this Agreement. The parties expressly waive any requirement based on any statute, rule or procedure, or other source, that a bond be posted as a condition of obtaining any of the above-described remedies.

(e) Divisibility. Supplier agrees that the provisions of this Section 6 are divisible and separable so that if any provision or provisions hereof shall be held to be unreasonable, unlawful or unenforceable, such holding shall not impair the remaining provisions hereof. If any provision hereof is held to be unreasonable, unlawful or unenforceable in duration, geographical scope or character of restriction by any court of competent jurisdiction, such provision shall be modified to the extent necessary in order that any such provision or portion thereof shall be legally enforceable to the fullest extent permitted by law, and the parties hereto do hereby expressly authorize any court of competent jurisdiction to enforce any such provision or portion thereof or to modify any such provision or portion thereof in order that any such provision or portion thereof shall be enforced by such court to the fullest extent permitted by applicable law.

7. **OTHER AGREEMENTS OF THE PARTIES.**

(a) At Supplier's expense, Supplier agrees to provide training to Buyer's salespeople, as reasonably requested by Buyer, to educate Buyer's salespeople with respect to the Products sold hereunder. Supplier shall also accompany Buyer's salespeople on visits to Buyer's customers, to assist in the promotion and marketing of the Products, as requested.

8. **ARBITRATION OF DISPUTES.**

(a) Supplier and Buyer mutually desire that friendly collaboration be maintained between themselves. Accordingly, they shall initially attempt to resolve in a friendly manner all disagreements and misunderstandings connected with their respective rights and obligations under this Agreement, including any amendments hereof

(b) To the extent that any dispute cannot be resolved agreeably in a friendly manner the dispute may, but need not be, mediated by a mutually acceptable mediator as may be chosen by Supplier and Buyer within twenty (20) days after delivery of written notice by the party seeking mediation to the other party. The parties may also agree to attempt some other form of alternate dispute resolution ("ADR") in lieu of mediation, including by way of example and without limitation neutral fact-finding or a mini-trial. Neither party, however, is obligated to proceed under the terms of this Section 8(b) unless all parties to such dispute mutually agree.

(c) To the extent that any misunderstanding or dispute is not resolved pursuant to the procedures set forth in Section 8(a) and 8(b), and except for any dispute arising out of or related to the provisions of Section 6 of this Agreement with respect to which Buyer elects to seek equitable relief, either party shall, if it wishes to resolve such misunderstanding or dispute, invoke arbitration by giving written notice of arbitration to the other party. All disputes submitted to arbitration pursuant to this Agreement shall be settled in accordance with the Commercial Arbitration Rules of the American Arbitration Association by three arbitrators, one selected by Buyer, one selected by Supplier and the third selected by the first two arbitrators. In cases where an arbitration proceeding will involve legal matters, the arbitrators shall apply Maryland substantive law. All arbitration proceedings shall be conducted in Columbia, Maryland or such other location as Buyer and Supplier may mutually select. The decision of the arbitration panel shall be final and binding upon the parties and enforceable in any court of competent jurisdiction

d) Each of Buyer and Supplier shall bear its costs of mediation or ADR or arbitration, but Buyer and Supplier agree to share equally the costs of the arbitrator, mediator or other persons or forum to whom or to which the parties jointly appeal for assistance in resolving a dispute. The prevailing party in any arbitration proceeding conducted in accordance with Section(c) shall be entitled to recover all of the legal fees and expenses it reasonably incurred in connection with the arbitration proceeding from the other party and the panel of arbitrators shall be instructed to include an award of attorneys' fees consistent with this provision in their ruling.

9. **FORCE MAJEURE**. The obligations of the parties hereto, and their permitted assigns, except the obligation to pay monies when due hereunder, shall be subject to all acts of God: riots and insurrections; interference by civil, military or naval authorities; governmental actions; accidents; storms, fire or other casualty; and other similar events of force majeure which are beyond the reasonable control of the party obligated to perform hereunder (provided that such affected party uses good faith and diligent efforts to perform its obligations despite the occurrence of such event), and such performance obligation shall be suspended during the period of such force majeure; provided that in the event of any such force majeure, the Contract Year during which such force majeure occurs shall be extended by the length of such force majeure, and the Term shall be extended for a corresponding time period; and provided further, however, if any party intends to rely on an event of force majeure to suspend its obligation to perform hereunder, such party shall provide written notice to the other party of its intent to rely on such a force majeure event and identify specifically such event. In the event that as a result of any force majeure event, Supplier is unable to satisfy fully orders for one or more Products ordered by Buyer and for similar products ordered by other customers of Supplier, Supplier shall allocate at least that percentage of such Products as are available to Supplier among Buyer's orders for such Products and orders for similar products by other customers of Supplier in the same proportion as Buyer's historic (or projected) purchases of such Products from Supplier bears to the historic purchases of similar products by such other customers of Supplier to whom Supplier has a contractual commitment to supply similar product

10. **ASSIGNMENT; THIRD PARTY BENEFICIARY**. Except as expressly permitted in this Section 10, this Agreement may not be assigned by either party without the prior written consent of the other party, which consent shall not be unreasonably withheld or unduly delayed; provided, however that the Buyer may assign this Agreement to any member of the Buyer Group without obtaining the consent of the Supplier. This Agreement is intended to and shall benefit the Buyer and each other member of the Buyer Group.

11. **ENTIRE AGREEMENT**

(a) This Agreement supersedes all prior communications, representations or agreements between the parties, whether verbal or written, including any printed terms and conditions which may appear on Buyer's or Supplier's purchase orders, invoices or other forms to the extent such terms are different from or inconsistent herewith, provided, however, that Buyer's instructions and requests relating solely to date and method of delivery of the Products which are stated on the face of any purchase order and/or release form, and agreed upon by the parties, shall be complied with and supersede all terms and conditions contained herein with respect to such individual orders.

(b) This Agreement contains the entire agreement between the parties with respect to the subject matter hereof, and prior or collateral representations, promises or conditions in connection with or in respect to the subject matter hereof that are not incorporated herein are not binding upon either of the parties. Any modification of this Agreement must be in writing and signed by the party or parties to be charged.

(c) The invalidity, illegality or unenforceability of any one or more provisions of this Agreement shall in no way affect or impair the validity, legality or enforceability of the remaining provisions hereof, which shall remain in full force and effect.

12. **WAIVER**. The remedies reserved to Buyer or Supplier herein shall be cumulative and in addition to all other or further remedies provided by law. No waiver by either party of any breach, default or violation of any term, warranty, representation, agreement, covenant, condition or provision hereof shall constitute a waiver of any subsequent breach, default or violation of the same or other term, warranty, representation, agreement, covenant, condition or provision.

13. **LIMIT OF AUTHORITY**. Both parties are independent contractors and this Agreement does not constitute either party as the legal representative of the other for any purpose whatsoever. Neither party has authority to assume or create any obligation whatsoever, expressed or implied, on behalf or in the name of the other party, nor to bind the other in any manner whatsoever.

14. **MODIFICATIONS**. No modification, amendment, extension, renewal, rescission, termination or waiver of any of the provisions contained herein, or any future representation, promise or condition in connection with the subject matter hereof, shall be binding upon either party unless in writing and signed by an officer on its behalf

15. **GOVERNING LAW**. The validity, construction and performance of this Agreement shall be governed by the laws of the State of Maryland.

16. **NOTICES**. Any notice, request, instruction or other document or communication required or permitted to be given under this Agreement shall be in writing and shall only be deemed given (a) upon delivery in person, (b) one business day after delivery to a reputable overnight courier service, such as Federal Express, or (c) five business days after being deposited in the mail, postage prepaid, certified or registered mail, as follows:

If to Buyer, delivered or addressed to:

Next Day Gourmet, Inc.
c/o U.S. Foodservice, Inc.
9755 Patuxent Woods Drive
Columbia, Maryland 21046
Attention: Rick Barnhardt and Steve Horan

with a required copy to:

U.S. Foodservice, Inc.
9755 Patuxent Woods Drive
Columbia, Maryland 21046
Attention: General Counsel

John B. Frisch, Esquire
Miles & Stockbridge P.C.
10 Light Street
Baltimore, Maryland 21202

If to Supplier, delivered or addressed to:

Food Innovations, Inc.
1923 Trade Center Way, Suite #1
Naples, FL 34109
Attention: Chf 1 Liaias COO

with a required copy to:

Casey Wolff, Esq.
Mark Slack, Esq.
Paulich, Slack & Wolff, P.A.
801 Anchor Rode Drive, Suite 203
Naples, FL 34103
Tele. (239) 261-0544
E-mail: caseywolff@earthlink.net

Notice of any change in any such address shall also be given in the manner set forth above.

IN WITNESS WHEREOF, Buyer and Supplier have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

NEXT DAY GOURMET, L.P.
by Next Day Gourmet, Inc., General Partner

By: Rich Bamberger
EVP Purchasing & Marketing

FOOD INNOVATIONS, INC.

By: Joe Mahfet
CEO/Chairman

SCHEDULE A

Subsidiaries and Affiliates included in Buyer's Group

U.S. Foodservice
U.S. Foodservice, Inc.
Allen Foods, Inc.
Superior Products Catalog Company, LLC
USF/Parkway Foodservice, LLC
U.S. Foodservice of Buffalo, Inc.
E & H Distributing Co.
PYA/Monarch, LLC
Alliant Foodservice, Inc.
Alliant/Atlantic Foodservice, Inc.
Stock Yards Meat Packing Company, LLC
City Meats & Provisions Company, Inc.
Keener's Incorporated

SCHEDULE B

List of Products

SCHEDULE C

Supplier's House Customers

SUBSCRIPTION AGREEMENT

THIS SUBSCRIPTION AGREEMENT (this "**Agreement**"), dated as of February ___, 2005, by and among Innovative Food Holdings, Inc., a Florida corporation (the "**Company**"), and the subscribers identified on the signature page hereto (each a "**Subscriber**" and collectively "**Subscribers**").

WHEREAS, the Company and the Subscribers are executing and delivering this Agreement in reliance upon an exemption from securities registration afforded by the provisions of Section 4(2), Section 4(6) and/or Regulation D ("**Regulation D**") as promulgated by the United States Securities and Exchange Commission (the "**Commission**") under the Securities Act of 1933, as amended (the "**1933 Act**").

WHEREAS, the parties desire that, upon the terms and subject to the conditions contained herein, the Company shall issue and sell to the Subscribers, as provided herein, and the Subscribers, in the aggregate, shall purchase up to $550,000 (the "**Purchase Price**") of principal amount of promissory notes of the Company ("**Note**" or "**Notes**") convertible into shares of the Company's common stock, $.00001 par value (the "**Common Stock**"), and share purchase warrants (the "**Warrants**"), in the form attached hereto as **Exhibits A1, A2 and A3**, to purchase shares of Common Stock (the "**Warrant Shares**") (the "**Offering**"). Four Hundred Thousand Dollars ($400,000) of the Purchase Price shall be payable on the Initial Closing Date ("**Initial Closing Purchase Price**"). Up to One Hundred and Fifty Thousand Dollars ($150,000) of the Purchase Price will be payable within five (5) business days after the actual effectiveness ("**Actual Effective Date**") of the Registration Statement as defined in Section 11.1(iv) of this Agreement, provided the Company is already listed on the OTC Bulletin Board ("**Bulletin Board**") ("**Second Closing Purchase Price**"). The Notes, shares of Common Stock issuable upon conversion of the Notes (the "**Shares**"), the Warrants and the Warrant Shares are collectively referred to herein as the "**Securities**"; and

WHEREAS, the aggregate proceeds of the sale of the Notes and the Warrants contemplated hereby shall be held in escrow pursuant to the terms of a Funds Escrow Agreement to be executed by the parties substantially in the form attached hereto as **Exhibit B** (the "**Escrow Agreement**").

NOW, THEREFORE, in consideration of the mutual covenants and other agreements contained in this Agreement the Company and the Subscribers hereby agree as follows:

1. Initial Closing. Subject to the satisfaction or waiver of the terms and conditions of this Agreement, on the Initial Closing Date, each Subscriber shall purchase and the Company shall sell to each Subscriber a Note in the principal amount designated on the signature page hereto ("**Initial Closing Notes**"). The aggregate amount of the Notes to be purchased by the Subscribers on the Initial Closing Date shall, in the aggregate, be equal to the Initial Closing Purchase Price. The "**Initial Closing Date**" shall be the date that subscriber funds representing the net amount due the Company from the Initial Closing Purchase Price of the Offering is transmitted by wire transfer or otherwise to or for the benefit of the Company.

2. Second Closing.

(a) Second Closing. The closing date in relation to the Second Closing Purchase Price shall be on or before the fifth (5^{th}) business day after the Actual Effective Date (the "**Second Closing Date**"). Subject to the satisfaction or waiver of the terms and conditions of this Agreement on the Second Closing Date, each Subscriber shall purchase and the Company shall sell to each Subscriber a Note in the principal amount designated on the signature page hereto ("**Second Closing Notes**"). The aggregate Purchase Price of the Second Closing Notes for all Subscribers shall be equal to the Second Closing Purchase Price. The Second Closing Note shall be identical to the Note issuable on the Initial Closing Date except that the maturity date of such Notes shall be two (2) years after the Second Closing Date. The Fixed Conversion Price (defined in Section 2.1 (a) of the Note) shall be equitably adjusted to offset the effect of stock splits, stock dividends, pro rata distributions of property or equity interests to the Company's shareholders after the Initial Closing Date.

(b) Conditions to Second Closing. The occurrence of the Second Closing is expressly contingent on (i) the truth and accuracy, on the Effective Date, Actual Effective Date and the Second Closing Date of the representations and warranties of the Company and Subscriber contained in this Agreement, (ii) continued compliance with the covenants of the Company set forth in this Agreement, (iii) the non-occurrence of any Event of Default (as defined in the Note) or other default by the Company of its obligations and undertakings contained in this Agreement, (iv) the delivery on the Second Closing Date of Second Closing Notes for which the Company Shares issuable upon conversion have been included in the Registration Statement, which must be effective as of the Second Closing Date, and (v) the delivery of the Second Closing Warrants for which the Warrant Shares issuable upon exercise have been included in the Registration Statement which must be effective as of the Second Closing Date. The exercise prices of the Warrants issuable on the Second Closing Date shall be adjusted to offset the effect of stock splits, stock dividends, pro rata distributions of property or equity interests to the Company's shareholders after the Initial Closing Date.

(c) Second Closing Deliveries. On the Second Closing Date, the Company will deliver the Second Closing Notes and Second Closing Warrants to the Escrow Agent and each Subscriber will deliver his portion of the respective Purchase Price to the Escrow Agent. On the Second Closing Date, the Company will deliver a certificate ("**Second Closing Certificate**") signed by its chief executive officer or chief financial officer (i) representing the truth and accuracy of all the representations and warranties made by the Company contained in this Agreement, as of the Initial Closing Date, the Actual Effective Date, and the Second Closing Date, as if such representations and warranties were made and given on all such dates, (ii) adopting the covenants and conditions set forth in Sections 9, 10, 11, and 12 of this Agreement in relation to the Second Closing Notes and Second Closing Warrants, (iii) representing the timely compliance by the Company with the Company's registration requirements set forth in Section 11 of this Agreement, (iv) representing its timely compliance by the Company of the Company's listing requirements set forth in Sections 9(d) and 9(q) of this Agreement, and (v) certifying that an Event of Default has not occurred. A legal opinion nearly identical to the legal opinion referred to in Section 6 of this Agreement shall be delivered to each Subscriber at the Second Closing in relation to the Company, Second Closing Notes, and Second Closing Warrants ("**Second Closing Legal Opinion**"). The Second Closing Legal Opinion must also state that all of the Registrable Securities have been included for registration in an effective registration statement effective as of the Actual Effective Date and Second Closing Date.

3. Warrants.

(a) Class A Warrants. On the Closing Date, the Company will issue and deliver Class A Warrants to the Subscribers. One Class A Warrant will be issued for each Share which would be issued on the Closing Date assuming the complete conversion of the Notes issued on the Closing Date at the Conversion Price in effect on the Closing Date. The per Warrant Share exercise price to acquire a Warrant Share upon exercise of a Class A Warrant shall be equal to 115% of the closing bid price of the Common Stock as reported by Bloomberg LP for the Principal Market (as hereinafter defined) for the last trading day preceding the Closing Date. The Class A Warrants shall be exercisable until five (5) years after the Closing Date.

(b) Class B Warrants. On the Closing Date, the Company will issue and deliver Class B Warrants to the Subscribers. One Class B Warrant will be issued for each four Shares which would be issued on the Closing Date assuming the complete conversion of the Notes issued on the Closing Date at the Conversion Price in effect on the Closing Date. The per Warrant Share exercise price to acquire a Warrant Share upon exercise of a Class B Warrant shall be equal to 110% of the closing bid price of the Common Stock as reported by Bloomberg LP for the Principal Market (as hereinafter defined) for the last trading day preceding the Closing Date. The Class B Warrants shall be exercisable from the Closing Date until the Registration Statement (as defined in Section 11.1(iv) of this Agreement) has been effective for the public unrestricted resale of the Registrable Securities (as defined in Section 11.1(i) of this Agreement) for one hundred and eighty (180) days.

(c) Class C Warrants. On the Closing Date, the Company will issue and deliver Class C Warrants to the Subscribers. Four Class C Warrants will be issued for each ten Shares which would be issued on the Closing Date assuming the complete conversion of the Notes issued on the Closing Date at the Conversion Price in effect on the Closing Date. The per Warrant Share exercise price to acquire a Warrant Share upon exercise of a Class C Warrant shall be $0.005. The Class C Warrants shall be exercisable from the Closing Date until the Registration Statement has been effective for the public unrestricted resale of the Registrable Securities for five months.

(d) Collectively, the Class A, Class B and Class C Warrants are referred to herein as Warrants.

4. Subscriber's Representations and Warranties. Each Subscriber hereby represents and warrants to and agrees with the Company only as to such Subscriber that:

(a) Information on Company. The Subscriber has been furnished with or has had access to the Company's unaudited financial statements for the years ended December 31, 2003 and December 31, 2004 (hereinafter referred to collectively as the "**Reports**"). In addition, the Subscriber has received in writing from the Company such other information concerning its operations, financial condition and other matters as the Subscriber has requested in writing (such other information is collectively, the "**Other Written Information**"), and considered all factors the Subscriber deems material in deciding on the advisability of investing in the Securities.

(b) Information on Subscriber. The Subscriber is, and will be at the time of the conversion of the Notes and exercise of any of the Warrants, an "**accredited investor**", as such term is defined in Regulation D promulgated by the Commission under the 1933 Act, is experienced in investments and business matters, has made investments of a speculative nature and has purchased securities of United States publicly-owned companies in private placements in the past and, with its representatives, has such knowledge and experience in financial, tax and other business matters as to enable the Subscriber to utilize the information made available by the Company to evaluate the merits and risks of and to make an informed investment decision with respect to the proposed purchase, which represents a speculative investment. The Subscriber has the authority and is duly and legally qualified to purchase and own the Securities. The Subscriber is able to bear the risk of such investment for an indefinite period and to afford a complete loss thereof. The information set forth on the signature page hereto regarding the Subscriber is accurate.

(c) Purchase of Notes and Warrants. On each Closing Date, the Subscriber will purchase the Notes and Warrants as principal for its own account for investment only and not with a view toward, or for resale in connection with, the public sale or any distribution thereof.

(d) Compliance with Securities Act. The Subscriber understands and agrees that the Securities have not been registered under the 1933 Act or any applicable state securities laws, by reason of their issuance in a transaction that does not require registration under the 1933 Act (based in part on the accuracy of the representations and warranties of Subscriber contained herein), and that such Securities must be held indefinitely unless a subsequent disposition is registered under the 1933 Act or any applicable state securities laws or is exempt from such registration. In any event, and subject to compliance with applicable securities laws, the Subscriber may enter into only lawful hedging transactions with third parties, which may in turn engage in lawful short sales of the Securities in the course of hedging the position they assume and the Subscriber may also enter into only lawful short positions or other derivative transactions relating to the Securities, or interests in the Securities, and deliver the Securities, or interests in the Securities, to close out their short or other positions or otherwise settle short sales or other transactions, or loan or pledge the Securities, or interests in the Securities, to third parties that in turn may dispose of these Securities.

(e) Shares Legend. The Shares and the Warrant Shares shall bear the following or similar legend:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THESE SHARES MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAW OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO INNOVATIVE FOOD HOLDINGS, INC. THAT SUCH REGISTRATION IS NOT REQUIRED."

(f) Warrants Legend. The Warrants shall bear the following or similar legend:

"THIS WARRANT AND THE COMMON SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THIS WARRANT AND THE COMMON SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THIS WARRANT UNDER SAID ACT OR ANY APPLICABLE STATE SECURITIES LAW OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO INNOVATIVE FOOD HOLDINGS, INC. THAT SUCH REGISTRATION IS NOT REQUIRED."

(g) Note Legend. The Note shall bear the following legend:

"THIS NOTE AND THE COMMON SHARES ISSUABLE UPON CONVERSION OF THIS NOTE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THIS NOTE AND THE COMMON SHARES ISSUABLE UPON CONVERSION OF THIS NOTE MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THIS NOTE UNDER SAID ACT OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO INNOVATIVE FOOD HOLDINGS, INC. THAT SUCH REGISTRATION IS NOT REQUIRED."

(h) Communication of Offer. The offer to sell the Securities was directly communicated to the Subscriber by the Company. At no time was the Subscriber presented with or solicited by any leaflet, newspaper or magazine article, radio or television advertisement, or any other form of general advertising or solicited or invited to attend a promotional meeting otherwise than in connection and concurrently with such communicated offer.

(i) Authority; Enforceability. This Agreement and other agreements delivered together with this Agreement or in connection herewith have been duly authorized, executed and delivered by the Subscriber and are valid and binding agreements enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights generally and to general principles of equity; and Subscriber has full corporate power and authority necessary to enter into this Agreement and such other agreements and to perform its obligations hereunder and under all other agreements entered into by the Subscriber relating hereto.

(j) Restricted Securities. Subscriber understands that the Securities have not been registered under the 1933 Act and such Subscriber will not sell, offer to sell, assign, pledge, hypothecate or otherwise transfer any of the Securities unless pursuant to an effective registration statement under the 1933 Act or an exemption from registration for such transfer is available. Notwithstanding anything to the contrary contained in this Agreement, such Subscriber may transfer (without restriction and without the need for an opinion of counsel) the Securities to its Affiliates (as defined below) provided that each such Affiliate is an "**accredited investor**" under Regulation D and such Affiliate agrees to be bound by the terms and conditions of this Agreement. For the purposes of this Agreement, an "**Affiliate**" of any person or entity means any other person or entity directly or indirectly controlling, controlled by or under direct or indirect common control with such person or entity. For purposes of this definition, "control" means the power to direct the management and policies of such person or firm, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

(k) No Governmental Review. Each Subscriber understands that no United States federal or state agency or any other governmental or state agency has passed on or made recommendations or endorsement of the Securities or the suitability of the investment in the Securities nor have such authorities passed upon or endorsed the merits of the offering of the Securities.

(l) Correctness of Representations. Each Subscriber represents as to such Subscriber that the foregoing representations and warranties are true and correct as of the date hereof and, unless a Subscriber otherwise notifies the Company prior to each Closing Date shall be true and correct as of each Closing Date.

(m) Survival. The foregoing representations and warranties shall survive the Second Closing Date for a period of two years.

5. Company Representations and Warranties. The Company represents and warrants to and agrees with each Subscriber that:

(a) Due Incorporation. Except as set forth in the attached Schedule 5(a), the Company and each of its Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the respective jurisdictions of their incorporation and have the requisite corporate power to own their properties and to carry on their business as now being conducted. Except as set forth in the attached Schedule 5(a), the Company and each of its Subsidiaries is duly qualified as a foreign corporation to do business and is in good standing in each jurisdiction where the nature of the business conducted or property owned by it makes such qualification necessary, other than those jurisdictions in which the failure to so qualify would not have a Material Adverse Effect. For purpose of this Agreement, a "**material adverse effect**" shall mean a material adverse effect on the financial condition, results of operations, properties or business of the Company taken as a whole. For purposes of this Agreement, "**Subsidiary**" means, with respect to any entity at any date, any corporation, limited or general partnership, limited liability company, trust, estate, association, joint venture or other business entity) of which more than 50% of (i) the outstanding capital stock having (in the absence of contingencies) ordinary voting power to elect a majority of the board of directors or other managing body of such entity, (ii) in the case of a partnership or limited liability company, the interest in the capital or profits of such partnership or limited liability company or (iii) in the case of a trust, estate, association, joint venture or other entity, the beneficial interest in such trust, estate, association or other entity business is, at the time of determination, owned or controlled directly or indirectly through one or more intermediaries, by such entity. All the Company's Subsidiaries as of the Closing Date are set forth on **Schedule 5(a)** hereto. All representations made by or relating to the Company of a historical or prospective nature and all undertakings described in Sections 9(g) through 9(l) shall relate and refer to the Company and the Subsidiaries.

(b) Outstanding Stock. All issued and outstanding shares of capital stock of the Company and each of its Subsidiaries have been duly authorized and validly issued and are fully paid and nonassessable.

(c) Authority; Enforceability. This Agreement, the Note, the Warrants, Security Agreement (described in Section 13 of this Agreement), Collateral Agent Agreement (described in Section 13 of this Agreement), the Escrow Agreement and any other agreements delivered together with this Agreement or in connection herewith (collectively "**Transaction Documents**") have been duly authorized, executed and delivered by the Company and are valid and binding agreements enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights generally and to general principles of equity. The Company has full corporate power and authority necessary to enter into and deliver the Transaction Documents and to perform its obligations thereunder.

(d) Additional Issuances. There are no outstanding agreements or preemptive or similar rights affecting the Company's common stock or equity and no outstanding rights, warrants or options to acquire, or instruments convertible into or exchangeable for, or agreements or understandings with respect to the sale, issuance or registration of any shares of common stock or equity of the Company or other equity interest in any of the Subsidiaries of the Company except as described on **Schedule 5(d)**.

(e) Consents. No consent, approval, authorization or order of any court, governmental agency or body or arbitrator having jurisdiction over the Company, or any of its Affiliates, the Pink Sheets Electronic Quotation Service ("**Pink Sheets**") nor the Company's shareholders is required for the execution by the Company of the Transaction Documents and compliance and performance by the Company of its obligations under the Transaction Documents, including, without limitation, the issuance and sale of the Securities.

(f) No Violation or Conflict. Assuming the representations and warranties of the Subscribers in Section 4 are true and correct, neither the issuance and sale of the Securities nor the performance of the Company's obligations under this Agreement and all other agreements entered into by the Company relating thereto by the Company will:

(i) violate, conflict with, result in a breach of, or constitute a default (or an event which with the giving of notice or the lapse of time or both would be reasonably likely to constitute a default) under (A) the articles or certificate of incorporation, charter or bylaws of the Company or Subsidiaries, (B) to the Company's knowledge, any decree, judgment, order, law, treaty, rule, regulation or determination applicable to the Company or any Subsidiary of any court, governmental agency or body, or arbitrator having jurisdiction over the Company or any Subsidiary or over the properties or assets of the Company or any Subsidiary, (C) the terms of any bond, debenture, note or any other evidence of indebtedness, or any agreement, stock option or other similar plan, indenture, lease, mortgage, deed of trust or other instrument to which the Company or any Subsidiary is a party, by which the Company or any Subsidiary is bound, or to which any of the properties of the Company or any Subsidiary is subject, or (D) the terms of any "**lock-up**" or similar provision of any underwriting or similar agreement to which the Company, or any Subsidiary is a party except the violation, conflict, breach, or default of which would not have a Material Adverse Effect on the Company; or

(ii) result in the creation or imposition of any lien, charge or encumbrance upon the Securities or any of the assets of the Company, Subsidiaries or any of its Affiliates; or

(iii) result in the activation of any anti-dilution rights or a reset or repricing of any debt or security instrument of any other creditor or equity holder of the Company, or Subsidiary nor result in the acceleration of the due date of any obligation of the Company or Subsidiary; or

(iv) result in the activation of any piggy-back registration rights of any person or entity holding securities of the Company or having the right to receive securities of the Company.

(g) The Securities. The Securities upon issuance:

(i) are, or will be, free and clear of any security interests, liens, claims or other encumbrances, subject to restrictions upon transfer under the 1933 Act and any applicable state securities laws;

(ii) have been, or will be, duly and validly authorized and on the date of conversion of the Notes and upon exercise of the Warrants, the Shares and Warrant Shares will be duly and validly issued, fully paid and nonassessable (and if registered pursuant to the 1933 Act, and resold pursuant to an effective registration statement will be free trading and unrestricted, provided that each Subscriber complies with the prospectus delivery requirements of the 1933 Act);

(iii) will not have been issued or sold in violation of any preemptive or other similar rights of the holders of any securities of the Company;

(iv) will not subject the holders thereof to personal liability by reason of being such holders; and

(v) will not result in a Section 5 violation under the 1933 Act.

(h) Litigation. There is no pending or, to the best knowledge of the Company, threatened action, suit, proceeding or investigation before any court, governmental agency or body, or arbitrator having jurisdiction over the Company, or any of its Affiliates or Subsidiaries that would affect the execution by the Company or the performance by the Company of its obligations under the Transaction Documents. Except as disclosed in the Reports, there is no pending or, to the best knowledge of the Company, basis for or threatened action, suit, proceeding or investigation before any court, governmental agency or body, or arbitrator having jurisdiction over the Company, or any of its Affiliates or Subsidiaries which litigation if adversely determined would have a Material Adverse Effect on the Company.

(i) No Market Manipulation. The Company and its Affiliates have not taken, and will not take, directly or indirectly, any action designed to, or that might reasonably be expected to, cause or result in stabilization or manipulation of the price of the Common Stock of the Company to facilitate the sale or resale of the Securities or affect the price at which the Securities may be issued or resold.

(j) Information Concerning Company. The Reports contain all information relating to the Company and its operations and financial condition as of their respective dates which information is required to be disclosed therein. Since the date of the financial statements included in the Reports, and except as modified in the Other Written Information or in the Schedules hereto, there has been no material adverse change in the Company's business, financial condition or affairs not disclosed in the Reports. The Reports do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances when made.

(k) Stop Transfer. The Company will not issue any stop transfer order or other order impeding the sale, resale or delivery of any of the Securities, except as may be required by any applicable federal or state securities laws and unless contemporaneous notice of such instruction is given to the Subscriber.

(l) Defaults. The Company and each Subsidiary is not in violation of its articles of incorporation, bylaws or formation documents. The Company and each Subsidiary is (i) not in default under or in violation of any other material agreement or instrument to which it is a party or by which it or any of its properties are bound or affected, which default or violation would have a Material Adverse Effect on the Company, (ii) not in default with respect to any order of any court, arbitrator or governmental body or subject to or party to any order of any court or governmental authority arising out of any action, suit or proceeding under any statute or other law respecting antitrust, monopoly, restraint of trade, unfair competition or similar matters, or (iii) to its knowledge not in violation of any statute, rule or regulation of any governmental authority which violation would have a Material Adverse Effect on the Company.

(m) No Integrated Offering. Neither the Company, nor any of its Affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales of any security or solicited any offers to buy any security under circumstances that would cause the offer of the Securities pursuant to this Agreement to be integrated with prior offerings by the Company for purposes of the 1933 Act or any applicable stockholder approval provisions, including, without limitation, under the rules and regulations of the Pink Sheets. Nor will the Company or any of its Affiliates or Subsidiaries take any action or steps that would cause the offer of the Securities to be integrated with other offerings. The Company will not conduct any offering other than the transactions contemplated hereby that will be integrated with the offer or issuance of the Securities.

(n) No General Solicitation. Neither the Company, nor any of its Affiliates, nor to its knowledge, any person acting on its or their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D under the 1933 Act) in connection with the offer or sale of the Securities.

(o) Listing. The Company's common stock is quoted on the Pink Sheets. The Company has not received any oral or written notice that its common stock is not eligible nor will become ineligible for quotation on the Pink Sheets nor that its common stock does not meet all requirements for the continuation of such quotation and the Company satisfies all the requirements for the continued quotation of its common stock on the Pink Sheets.

(p) No Undisclosed Liabilities. The Company and each Subsidiary has no liabilities or obligations which are material, individually or in the aggregate, which are not disclosed in the Reports and Other Written Information, other than those incurred in the ordinary course of their businesses since December 31, 2004 and which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect other than as set forth in **Schedule 5(p)**.

(q) No Undisclosed Events or Circumstances. Since December 31, 2004, no event or circumstance has occurred or exists with respect to the Company and each Subsidiary or their businesses, properties, operations or financial condition, that, under applicable law, rule or regulation, requires public disclosure or announcement prior to the date hereof by the Company but which has not been so publicly announced or disclosed in the Reports.

(r) Capitalization. The authorized and outstanding capital stock of the Company as of the date of this Agreement and the Closing Date are set forth on **Schedule 5(d)**. Except as set forth in the Reports and Other Written Information and **Schedule 5(d)**, there are no options, warrants, or rights to subscribe to, securities, rights or obligations convertible into or exchangeable for or giving any right to subscribe for any shares of capital stock of the Company or Subsidiaries. All of the outstanding shares of Common Stock of the Company and Subsidiaries have been duly and validly authorized and issued and are fully paid and nonassessable.

(s) Dilution. The Company's executive officers and directors understand the nature of the Securities being sold hereby and recognize that the issuance of the Securities will have a potential dilutive effect on the equity holdings of other holders of the Company's equity or rights to receive equity of the Company. The board of directors of the Company has concluded, in its good faith business judgment, that the issuance of the Securities is in the best interests of the Company. The Company specifically acknowledges that its obligation to issue the Shares upon conversion of the Notes, and the Warrant Shares upon exercise of the Warrants is binding upon the Company and enforceable regardless of the dilution such issuance may have on the ownership interests of other shareholders of the Company or parties entitled to receive equity of the Company.

(t) No Disagreements with Accountants and Lawyers. There are no disagreements of any kind presently existing, or reasonably anticipated by the Company to arise, between the Company and the accountants and lawyers formerly or presently employed by the Company, including but not limited to disputes or conflicts over payment owed to such accountants and lawyers.

(u) Investment Company. The Company is not an Affiliate of an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(v) Correctness of Representations. The Company represents that the foregoing representations and warranties are true and correct as of the date hereof in all material respects, and, unless the Company otherwise notifies the Subscribers prior to each Closing Date, shall be true and correct in all material respects as of each Closing Date.

(w) Survival. The foregoing representations and warranties shall survive the Second Closing Date for a period of two years.

6. Regulation D Offering. The offer and issuance of the Securities to the Subscribers is being made pursuant to the exemption from the registration provisions of the 1933 Act afforded by Section 4(2) or Section 4(6) of the 1933 Act and/or Rule 506 of Regulation D promulgated thereunder. On the Closing Date, the Company will provide an opinion reasonably acceptable to Subscriber from the Company's legal counsel opining on the availability of an exemption from registration under the 1933 Act as it relates to the offer and issuance of the Securities and other matters reasonably requested by Subscribers. A form of the legal opinion is annexed hereto as **Exhibit C**. The Company will provide, at the Company's expense, such other legal opinions in the future as are reasonably necessary for the issuance and resale of the Common Stock issuable upon conversion of the Notes and exercise of the Warrants.

7.1. Conversion of Note.

(a) Upon the conversion of a Note or part thereof, the Company shall, at its own cost and expense, take all necessary action, including obtaining and delivering, an opinion of counsel to assure that the Company's transfer agent shall issue stock certificates in the name of Subscriber (or its nominee) or such other persons as designated by Subscriber and in such denominations to be specified at conversion representing the number of shares of common stock issuable upon such conversion. The Company warrants that no instructions other than these instructions have been or will be given to the transfer agent of the Company's Common Stock and that, unless waived by the Subscriber, the Shares will be free-trading, and freely transferable, and will not contain a legend restricting the resale or transferability of the Shares provided the Shares are being sold pursuant to an effective registration statement covering the Shares or are otherwise exempt from registration.

(b) Subscriber will give notice of its decision to exercise its right to convert the Note, interest, any sum due to the Subscriber arising under the Transaction Documents including Liquidated Damages, or part thereof by delivering via telecopier an executed and completed Notice of Conversion (a form of which is annexed as **Exhibit A** to the Note) to the Company via confirmed telecopier transmission or otherwise pursuant to Section 13(a) of this Agreement. The Subscriber will not be required to surrender the Note until the Note has been fully converted or satisfied. Each date on which a Notice of Conversion is telecopied to the Company in accordance with the provisions hereof shall be deemed a **Conversion Date**. The Company will itself or cause the Company’s transfer agent to transmit the Company's Common Stock certificates representing the Shares issuable upon conversion of the Note to the Subscriber via express courier for receipt by such Subscriber within three (3) business days after receipt by the Company of the Notice of Conversion (such third day being the "**Delivery Date**"). In the event the Shares are electronically transferable, then delivery of the Shares must be made by electronic transfer provided request for such electronic transfer has been made by the Subscriber. A Note representing the balance of the Note not so converted will be provided by the Company to the Subscriber if requested by Subscriber, provided the Subscriber delivers an original Note to the Company. To the extent that a Subscriber elects not to surrender a Note for reissuance upon partial payment or conversion, the Subscriber hereby indemnifies the Company against any and all loss or damage attributable to a third-party claim in an amount in excess of the actual amount then due under the Note.

(c) The Company understands that a delay in the delivery of the Shares in the form required pursuant to Section 7.1 hereof, or the Mandatory Redemption Amount described in Section 7.2 hereof, later than two business days after the Delivery Date or later than the Mandatory Redemption Payment Date (as hereinafter defined) could result in economic loss to the Subscriber. As compensation to the Subscriber for such loss, the Company agrees to pay (as liquidated damages and not as a penalty) to the Subscriber for late issuance of Shares in the form required pursuant to Section 7.1 hereof upon Conversion of the Note in the amount of $100 per business day after the Delivery Date for each $10,000 of Note principal amount being converted, of the corresponding Shares which are not timely delivered. The Company shall pay any payments incurred under this Section in immediately available funds upon demand. Furthermore, in addition to any other remedies which may be available to the Subscriber, in the event that the Company fails for any reason to effect delivery of the Shares by the Delivery Date or make payment by the Mandatory Redemption Payment Date, the Subscriber will be entitled to revoke all or part of the relevant Notice of Conversion or rescind all or part of the notice of Mandatory Redemption by delivery of a notice to such effect to the Company whereupon the Company and the Subscriber shall each be restored to their respective positions immediately prior to the delivery of such notice, except that the liquidated damages described above shall be payable through the date notice of revocation or rescission is given to the Company.

(d) Nothing contained herein or in any document referred to herein or delivered in connection herewith shall be deemed to establish or require the payment of a rate of interest or other charges in excess of the maximum permitted by applicable law. In the event that the rate of interest or dividends required to be paid or other charges hereunder exceed the maximum permitted by such law, any payments in excess of such maximum shall be credited against amounts owed by the Company to the Subscriber and thus refunded to the Company.

7.2. Mandatory Redemption at Subscriber's Election. In the event the Company is prohibited from issuing Shares, or fails to timely deliver Shares on a Delivery Date, or upon the occurrence of any other Event of Default (as defined in the Note or in this Agreement), then at the Subscriber's election, the Company must pay to the Subscriber ten (10) business days after request by the Subscriber, at the Subscriber's election, a sum of money determined by (i) multiplying up to the outstanding principal amount of the Note designated by the Subscriber by 120%, or (ii) multiplying the number of Shares otherwise deliverable upon conversion of an amount of Note principal and/or interest designated by the Subscriber (with the date of giving of such designation being a "**Deemed Conversion Date**") at the then Conversion Price that would be in effect on the Deemed Conversion Date by the highest closing price of the Common Stock on the principal market for the period commencing on the Deemed Conversion Date until the day prior to the receipt of the Mandatory Redemption Payment, whichever is greater, together with accrued but unpaid interest thereon and any other sums arising and outstanding under the Transaction Documents ("**Mandatory Redemption Payment**"). The Mandatory Redemption Payment must be received by the Subscriber on the same date as the Company Shares otherwise deliverable or within ten (10) business days after request, whichever is sooner ("**Mandatory Redemption Payment Date**"). Upon receipt of the Mandatory Redemption Payment, the corresponding Note principal and interest will be deemed paid and no longer outstanding. Liquidated damages calculated pursuant to Section 7.1(c) hereof, that have been paid or accrued for the twenty day period prior to the actual receipt of the Mandatory Redemption Payment by the Subscriber shall be credited against the Mandatory Redemption Payment calculated pursuant to subsections (i) and (ii) above of this Section 7.2. In the event of a "**Change in Control**" (as defined below), the Subscriber may demand, and the Company shall pay, a Mandatory Redemption Payment equal to 105% of the outstanding principal amount of the Note designated by the Subscriber together with accrued but unpaid interest thereon and any other sums arising and outstanding under the Transaction Documents. For purposes of this Section 7.2, "**Change in Control**" shall mean (i) the Company no longer having a class of shares publicly tradable and listed on a Principal Market, (ii) the Company becoming a Subsidiary of another entity, (iii) a majority of the board of directors of the Company as of the Closing Date no longer serving as directors of the Company, or (iv) if the holders of the Company's Common Stock as of the Closing Date beneficially own at any time after the Closing Date less than fifty percent of the Common stock owned by them on the Closing Date.

7.3. Maximum Conversion. The Subscriber shall not be entitled to convert on a Conversion Date that amount of the Note in connection with that number of shares of Common Stock which would be in excess of the sum of (i) the number of shares of common stock beneficially owned by the Subscriber and its Affiliates on a Conversion Date, and (ii) the number of shares of Common Stock issuable upon the conversion of the Note with respect to which the determination of this provision is being made on a Conversion Date, which would result in beneficial ownership by the Subscriber and its Affiliates of more than 4.99% of the outstanding shares of common stock of the Company on such Conversion Date. For the purposes of the provision to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13d-3 thereunder. Subject to the foregoing, the Subscriber shall not be limited to aggregate conversions of only 4.99% and aggregate conversions by the Subscriber may exceed 4.99%. The Subscriber may waive the conversion limitation described in this Section 7.3, in whole or in part, upon and effective after 61 days prior written notice to the Company. The Subscriber may allocate which of the equity of the Company deemed beneficially owned by the Subscriber shall be included in the 4.99% amount described above and which shall be allocated to the excess above 4.99%.

7.4. Injunction - Posting of Bond. In the event a Subscriber shall elect to convert a Note or part thereof or exercise the Warrant in whole or in part, the Company may not refuse conversion or exercise based on any claim that such Subscriber or any one associated or affiliated with such Subscriber has been engaged in any violation of law, or for any other reason, unless, an injunction from a court, on prior notice to Subscriber, restraining and or enjoining conversion of all or part of said Note or exercise of all or part of said Warrant shall have been sought and obtained by the Company and the Company has posted a surety bond for the benefit of such Subscriber in the amount of 130% of the amount of the Note, or aggregate purchase price of the Warrant Shares which are subject to the injunction, which bond shall remain in effect until the completion of arbitration/litigation of the dispute and the proceeds of which shall be payable to such Subscriber to the extent Subscriber obtains judgment.

7.5. Buy-In. In addition to any other rights available to the Subscriber, if the Company fails to deliver to the Subscriber such shares issuable upon conversion of a Note by the Delivery Date and if seven (7) business days after the Delivery Date the Subscriber purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by such Subscriber of the Common Stock which the Subscriber was entitled to receive upon such conversion (a "**Buy-In**"), then the Company shall pay in cash to the Subscriber (in addition to any remedies available to or elected by the Subscriber) the amount by which (A) the Subscriber's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (B) the aggregate principal and/or interest amount of the Note for which such conversion was not timely honored, together with interest thereon at a rate of 15% per annum, accruing until such amount and any accrued interest thereon is paid in full (which amount shall be paid as liquidated damages and not as a penalty). For example, if the Subscriber purchases shares of Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted conversion of $10,000 of note principal and/or interest, the Company shall be required to pay the Subscriber $1,000, plus interest. The Subscriber shall provide the Company written notice indicating the amounts payable to the Subscriber in respect of the Buy-In.

7.6 Adjustments. The Conversion Price, Warrant exercise price and amount of Shares issuable upon conversion of the Notes and exercise of the Warrants shall be equitably adjusted to offset the effect of stock splits, stock dividends, pro rata distributions of property or equity interests to the Company’s shareholders.

7.7. Optional Redemption. Provided an Event of Default (as defined in this Agreement and the Note) has not occurred, whether or not such Event of Default has been cured, the Company will have the option of prepaying the outstanding principal amount of the Note ("**Optional Redemption**"), in whole or in part, together with the interest accrued thereon, by paying to the Subscriber a sum of money equal to one hundred twenty percent (120%) of the Principal Amount to be redeemed, together with accrued but unpaid interest thereon and interest that will accrue until the actual repayment date and any and all other sums due, accrued or payable to the Subscriber arising under the Note, the Subscription Agreement or any Transaction Document (the "**Redemption Amount**") on the day written notice of redemption (the "**Notice of Redemption**") is given to the Subscriber. The Notice of Redemption shall specify the date for such Optional Redemption (the "**Redemption Payment Date**"), which date shall be not less than ten (10) business days after the date of the Notice of Redemption (the "**Redemption Period**"). A Notice of Redemption shall not be effective with respect to any portion of the Note for which the Subscriber has a pending election to convert, or for Conversion notices given by the Subscriber prior to the Redemption Payment Date. On the Redemption Payment Date, the Redemption Amount shall be paid in good funds to the Subscriber. In the event the Company fails to pay the Redemption Amount on the Redemption Payment Date as set forth herein, then (i) such Notice of Redemption will be null and void, (ii) Company will have no further right to deliver another Notice of Redemption, and (iii) Company’s failure may be deemed by Subscriber to be a non-curable Event of Default.

8. Legal Fees. The Company shall pay to Grushko & Mittman, P.C., a fee of $12,500 (“**Legal Fees**”) (of which $5,000 has already been paid) as reimbursement for services rendered to the Subscribers in connection with this Agreement and the purchase and sale of the Notes and Warrants and acting as Escrow Agent for the Offering, plus an additional fee of $7,500 as payment of an outstanding balance due and owing. The balance of the Legal Fees will be payable out of funds held pursuant to the Escrow Agreement.

9. Covenants of the Company. The Company covenants and agrees with the Subscribers as follows:

(a) Stop Orders. The Company will advise the Subscribers, promptly after it receives notice of issuance by the Commission, any state securities commission or any other regulatory authority of any stop order or of any order preventing or suspending any offering of any securities of the Company, or of the suspension of the qualification of the Common Stock of the Company for offering or sale in any jurisdiction, or the initiation of any proceeding for any such purpose.

(b) Listing. The Company shall promptly secure the listing of the shares of Common Stock and the Warrant Shares upon each national securities exchange, or electronic or automated quotation system upon which they are or become eligible for listing (subject to official notice of issuance) and shall maintain such listing so long as any Warrants are outstanding. The Company will maintain the listing of its Common Stock on the Pink Sheets, American Stock Exchange, Nasdaq SmallCap Market, Nasdaq National Market System, Bulletin Board, or New York Stock Exchange (whichever of the foregoing is at the time the principal trading exchange or market for the Common Stock (the "**Principal Market**"), and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Principal Market, as applicable. The Company will provide the Subscribers copies of all notices it receives notifying the Company of the threatened and actual delisting of the Common Stock from any Principal Market. As of the date of this Agreement and the Closing Date, the Pink Sheets is and will be the Principal Market.

(c) Market Regulations. The Company shall notify the Commission, the Principal Market and applicable state authorities, in accordance with their requirements, of the transactions contemplated by this Agreement, and shall take all other necessary action and proceedings as may be required and permitted by applicable law, rule and regulation, for the legal and valid issuance of the Securities to the Subscribers and promptly provide copies thereof to Subscriber.

(d) Reporting Requirements. From the date of this Agreement and until the sooner of (i) two (2) years after the Second Closing Date, or (ii) until all the Shares and Warrant Shares have been resold or transferred by all the Subscribers pursuant to the Registration Statement or pursuant to Rule 144, without regard to volume limitation, the Company will use its best efforts to (v) cause its Common Stock to be registered under Section 12(b) or 12(g) of the 1934 Act, (x) comply in all respects with its reporting and filing obligations under the 1934 Act, (y) comply with all reporting requirements that are applicable to an issuer with a class of shares registered pursuant to Section 12(b) or 12(g) of the 1934 Act, as applicable, and (z) comply with all requirements related to any registration statement filed pursuant to this Agreement. The Company will use its best efforts not to take any action or file any document (whether or not permitted by the 1933 Act or the 1934 Act or the rules thereunder) to terminate or suspend such registration or to terminate or suspend its reporting and filing obligations under said acts until two (2) years after the Second Closing Date. Until the earlier of the resale of the Common Stock and the Warrant Shares by each Subscriber or two (2) years after the Warrants have been exercised, the Company will use its best efforts to continue the listing or quotation of the Common Stock on the Principal Market or other market with the reasonable consent of Subscribers holding a majority of the Shares and Warrant Shares, and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Principal Market. The Company agrees to timely file a Form D with respect to the Securities if required under Regulation D and to provide a copy thereof to each Subscriber promptly after such filing.

(e) Use of Proceeds. The proceeds of the Offering will be employed by the Company for the purposes set forth on **Schedule 9.1(e)** hereto. A deviation of more than 5% of any single stated use of proceeds or a deviation in the aggregate of more than 10% will be an Event of Default under the Note. Except as set forth on **Schedule 9.1(e)**, the Purchase Price may not and will not be used for accrued and unpaid officer and director salaries, payment of financing related debt, redemption of outstanding notes or equity instruments of the Company nor non-trade obligations outstanding on a Closing Date. The proceeds will be retained in escrow pursuant to the Escrow Agreement and disbursed over time in compliance with the purposes set forth on **Schedule 9.1(e)**.

(f) Reservation. Prior to the Closing Date, the Company undertakes to reserve, pro rata, on behalf of each holder of a Note or Warrant, from its authorized but unissued common stock, a number of common shares equal to 150% of the amount of Common Stock necessary to allow each holder of a Note to be able to convert all such outstanding Notes and interest and reserve the amount of Warrant Shares issuable upon exercise of the Warrants. Failure to have sufficient shares reserved pursuant to this Section 9(f) for three (3) consecutive business days or ten (10) days in the aggregate shall be a material default of the Company's obligations under this Agreement and an Event of Default under the Note.

(g) Taxes. From the date of this Agreement and until the sooner of (i) two (2) years after the Second Closing Date, or (ii) until all the Shares and Warrant Shares have been resold or transferred by all the Subscribers pursuant to the Registration Statement or pursuant to Rule 144, without regard to volume limitations, the Company will promptly pay and discharge, or cause to be paid and discharged, when due and payable, all lawful taxes, assessments and governmental charges or levies imposed upon the income, profits, property or business of the Company; provided, however, that any such tax, assessment, charge or levy need not be paid if the validity thereof shall currently be contested in good faith by appropriate proceedings and if the Company shall have set aside on its books adequate reserves with respect thereto, and provided, further, that the Company will pay all such taxes, assessments, charges or levies forthwith upon the commencement of proceedings to foreclose any lien which may have attached as security therefore.

(h) Insurance. From the date of this Agreement and until the sooner of (i) two (2) years after the Second Closing Date, or (ii) until all the Shares and Warrant Shares have been resold or transferred by all the Subscribers pursuant to the Registration Statement or pursuant to Rule 144, without regard to volume limitations, the Company will keep its assets which are of an insurable character insured by financially sound and reputable insurers against loss or damage by fire, explosion and other risks customarily insured against by companies in the Company's line of business, in amounts sufficient to prevent the Company from becoming a co-insurer and not in any event less than one hundred percent (100%) of the insurable value of the property insured; and the Company will maintain, with financially sound and reputable insurers, insurance against other hazards and risks and liability to persons and property to the extent and in the manner customary for companies in similar businesses similarly situated and to the extent available on commercially reasonable terms.

(i) Books and Records. From the date of this Agreement and until the sooner of (i) two (2) years after the Second Closing Date, or (ii) until all the Shares and Warrant Shares have been resold or transferred by all the Subscribers pursuant to the Registration Statement or pursuant to Rule 144, without regard to volume limitations, the Company will keep true records and books of account in which full, true and correct entries will be made of all dealings or transactions in relation to its business and affairs in accordance with generally accepted accounting principles applied on a consistent basis.

(j) Governmental Authorities. From the date of this Agreement and until the sooner of (i) two (2) years after the Second Closing Date, or (ii) until all the Shares and Warrant Shares have been resold or transferred by all the Subscribers pursuant to the Registration Statement or pursuant to Rule 144, without regard to volume limitations, the Company shall duly observe and conform in all material respects to all valid requirements of governmental authorities relating to the conduct of its business or to its properties or assets.

(k) Intellectual Property. From the date of this Agreement and until the sooner of (i) two (2) years after the Second Closing Date, or (ii) until all the Shares and Warrant Shares have been resold or transferred by all the Subscribers pursuant to the Registration Statement or pursuant to Rule 144, without regard to volume limitations, the Company shall maintain in full force and effect its corporate existence, rights and franchises and all licenses and other rights to use intellectual property owned or possessed by it and reasonably deemed to be necessary to the conduct of its business.

(l) Properties. From the date of this Agreement and until the sooner of (i) two (2) years after the Second Closing Date, or (ii) until all the Shares and Warrant Shares have been resold or transferred by all the Subscribers pursuant to the Registration Statement or pursuant to Rule 144, without regard to volume limitation, the Company will keep its properties in good repair, working order and condition, reasonable wear and tear excepted, and from time to time make all necessary and proper repairs, renewals, replacements, additions and improvements thereto; and the Company will at all times comply with each provision of all leases to which it is a party or under which it occupies property if the breach of such provision could reasonably be expected to have a Material Adverse Effect.

(m) Confidentiality/Public Announcement. From the date of this Agreement and until the sooner of (i) two (2) years after the Second Closing Date, or (ii) until all the Shares and Warrant Shares have been resold or transferred by all the Subscribers pursuant to the Registration Statement or pursuant to Rule 144, without regard to volume limitations, the Company agrees that except in connection with a Form 8-K or the Registration Statement, it will not disclose publicly or privately the identity of the Subscribers unless expressly agreed to in writing by a Subscriber or only to the extent required by law and then only upon five days prior notice to Subscriber. In any event and subject to the foregoing, the Company undertakes to file a Form 8-K or make a public announcement describing the Offering on the Closing Date. In the Form 8-K or public announcement, the Company will specifically disclose the amount of common stock outstanding immediately after each Closing. A form of the proposed Form 8-K or public announcement to be employed in connection with each Closing Date is annexed hereto as **Exhibit D**.

(n) Further Registration Statements. Except for a registration statement filed on behalf of the Subscribers pursuant to Section 11 of this Agreement or in connection with the securities identified on **Schedule 11.1** hereto, the Company will not file any registration statements or amend any already filed registration statement with the Commission or with state regulatory authorities without the consent of the Subscriber until the sooner of (i) the Registration Statement shall have been current and available for use in connection with the unrestricted public resale of the Shares and Warrant Shares for 270 days, (ii) until all the Shares have been resold or transferred by the Subscribers pursuant to the Registration Statement or Rule 144, without regard to volume limitations, or (iii) the date the Note has been fully paid ("**Exclusion Period**").

(o) Non-Public Information. The Company covenants and agrees that neither it nor any other Person acting on its behalf will provide any Subscriber or its agents or counsel with any information that the Company believes constitutes material non-public information, unless prior thereto such Subscriber shall have agreed in writing to receive such information. The Company understands and confirms that each Subscriber shall be relying on the foregoing representations in effecting transactions in securities of the Company.

(p) Limited Standstill. The Company will deliver to the Subscribers on or before the Closing Date and enforce the provisions of irrevocable lockup agreements ("**Limited Standstill Agreements**") in the forms annexed hereto as **Exhibit H**, with the parties identified on **Schedule 9.1(p)** hereto.

(q) Reporting Company. The Company is a publicly-held company and will use its best efforts to become subject to the reporting obligations pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the "**1934 Act**") and will have a class of common shares registered pursuant to Section 12(g) of the 1934 Act. Pursuant to the provisions of the 1934 Act, the Company will timely filed all reports and other materials required to be filed thereunder with the Commission.

(r) The Company undertakes to use its best efforts to be listed on the OTC Bulletin Board within ninety-five (95) days of the Closing Date.

10. Covenants of the Company and Subscriber Regarding Indemnification.

(a) The Company agrees to indemnify, hold harmless, reimburse and defend the Subscribers, the Subscribers' officers, directors, agents, Affiliates, control persons, and principal shareholders, against any claim, cost, expense, liability, obligation, loss or damage (including reasonable legal fees) of any nature, incurred by or imposed upon the Subscriber or any such person which results, arises out of or is based upon (i) any material misrepresentation by Company or breach of any warranty by Company in this Agreement or in any Exhibits or Schedules attached hereto, or other agreement delivered pursuant hereto; or (ii) after any applicable notice and/or cure periods, any breach or default in performance by the Company of any covenant or undertaking to be performed by the Company hereunder, or any other agreement entered into by the Company and Subscriber relating hereto.

(b) Each Subscriber agrees to indemnify, hold harmless, reimburse and defend the Company and each of the Company's officers, directors, agents, Affiliates, control persons against any claim, cost, expense, liability, obligation, loss or damage (including reasonable legal fees) of any nature, incurred by or imposed upon the Company or any such person which results, arises out of or is based upon (i) any material misrepresentation by such Subscriber in this Agreement or in any Exhibits or Schedules attached hereto, or other agreement delivered pursuant hereto; or (ii) after any applicable notice and/or cure periods, any breach or default in performance by such Subscriber of any covenant or undertaking to be performed by such Subscriber hereunder, or any other agreement entered into by the Company and Subscribers, relating hereto.

(c) In no event shall the liability of any Subscriber or permitted successor hereunder or under any other agreement delivered in connection herewith be greater in amount than the dollar amount of the net proceeds actually received by such Subscriber upon the sale of Registrable Securities (as defined herein).

(d) The procedures set forth in Section 11.6 shall apply to the indemnification set forth in Sections 10(a) and 10(b) above.

11.1. Registration Rights. The Company hereby grants the following registration rights to holders of the Securities.

(i) On one occasion, for a period commencing one hundred and ninety-one (191) days after the Closing Date, but not later than two (2) years after the Closing Date ("**Request Date**"), upon a written request therefor from any record holder or holders of more than 50% of the Shares issued and issuable upon conversion of the Notes and Warrant Shares actually issued upon exercise of the Warrants, the Company shall prepare and file with the Commission a registration statement under the 1933 Act registering the Shares, and Warrant Shares (which shall include the Warrant Shares issuable to the Subscribers and Placement Agent) (collectively "**Registrable Securities**") which are the subject of such request for unrestricted public resale by the holder thereof. For purposes of Sections 11.1(i) and 11.1(ii), Registrable Securities shall not include Securities which are (A) registered for resale in an effective registration statement, (B) included for registration in a pending registration statement, or (C) which have been issued without further transfer restrictions after a sale or transfer pursuant to Rule 144 under the 1933 Act. Upon receipt of such request, the Company shall promptly give written notice to all other record holders of the Registrable Securities that such registration statement is to be filed and shall include in such registration statement Registrable Securities for which it has received written requests within ten (10) days after the Company gives such written notice. Such other requesting record holders shall be deemed to have exercised their demand registration right under this Section 11.1(i).

(ii) If the Company at any time proposes to register any of its securities under the 1933 Act for sale to the public, whether for its own account or for the account of other security holders or both, except with respect to registration statements on Forms S-4, S-8 or another form not available for registering the Registrable Securities for sale to the public, provided the Registrable Securities are not otherwise registered for resale by the Subscribers or Holder pursuant to an effective registration statement, each such time it will give at least fifteen (15) days' prior written notice to the record holder of the Registrable Securities of its intention so to do. Upon the written request of the holder, received by the Company within ten (10) days after the giving of any such notice by the Company, to register any of the Registrable Securities not previously registered, the Company will cause such Registrable Securities as to which registration shall have been so requested to be included with the securities to be covered by the registration statement proposed to be filed by the Company, all to the extent required to permit the sale or other disposition of the Registrable Securities so registered by the holder of such Registrable Securities (the "**Seller**" or "**Sellers**"). In the event that any registration pursuant to this Section 11.1(ii) shall be, in whole or in part, an underwritten public offering of common stock of the Company, the number of shares of Registrable Securities to be included in such an underwriting may be reduced by the managing underwriter if and to the extent that the Company and the underwriter shall reasonably be of the opinion that such inclusion would adversely affect the marketing of the securities to be sold by the Company therein; provided, however, that the Company shall notify the Seller in writing of any such reduction. Notwithstanding the foregoing provisions, or Section 11.4 hereof, the Company may withdraw or delay or suffer a delay of any registration statement referred to in this Section 11.1(ii) without thereby incurring any liability to the Seller.

(iii) If, at the time any written request for registration is received by the Company pursuant to Section 11.1(i), the Company has determined to proceed with the actual preparation and filing of a registration statement under the 1933 Act in connection with the proposed offer and sale for cash of any of its securities for the Company's own account and the Company actually does file such other registration statement, such written request shall be deemed to have been given pursuant to Section 11.1(ii) rather than Section 11.1(i), and the rights of the holders of Registrable Securities covered by such written request shall be governed by Section 11.1(ii).

(iv) The Company shall file with the Commission not later than the sooner of eighty (80) calendar days after the Initial Closing Date (the "**Filing Date**"), and cause to be declared effective within one hundred and ninety-five (195) days after the Initial Closing Date (the "**Effective Date**"), a Form SB-2 registration statement (the "**Registration Statement**") (or such other form that it is eligible to use) in order to register the Registrable Securities for resale and distribution under the 1933 Act. The Company will register not less than a number of shares of common stock in the aforedescribed registration statement that is equal to 150% of the Shares issuable upon conversion of the Notes and all of the Warrant Shares issuable pursuant to this Agreement. The Registrable Securities shall be reserved and set aside exclusively for the benefit of each Subscriber and Warrant holder, pro rata, and not issued, employed or reserved for anyone other than each such Subscriber and Warrant holder. The Registration Statement will immediately be amended or additional registration statements will be immediately filed by the Company as necessary to register additional shares of Common Stock to allow the public resale of all Common Stock included in and issuable by virtue of the Registrable Securities. Without the written consent of the Subscriber, no securities of the Company other than the Registrable Securities will be included in the Registration Statement except as disclosed on **Schedule 11.1**.

11.2. Registration Procedures. If and whenever the Company is required by the provisions of Section 11.1(i), 11.1(ii), or (iv) to effect the registration of any Registrable Securities under the 1933 Act, the Company will, as expeditiously as possible:

(a) subject to the timelines provided in this Agreement, prepare and file with the Commission a registration statement required by Section 11, with respect to such securities and use its best efforts to cause such registration statement to become and remain effective for the period of the distribution contemplated thereby (determined as herein provided), and promptly provide to the holders of the Registrable Securities copies of all filings and Commission letters of comment and notify Subscribers and Grushko & Mittman, P.C. (by telecopier and by email to Counslers@aol.com) within one (1) business day after (i) notice that the Commission has no comments or no further comments on the Registration Statement, and (ii) the declaration of effectiveness of the registration statement, (failure to timely provide notice as required by this Section 11.2(a) shall be a material breach of the Company's obligation and an Event of Default as defined in the Notes);

(b) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective until such registration statement has been effective for a period of two (2) years, and comply with the provisions of the 1933 Act with respect to the disposition of all of the Registrable Securities covered by such registration statement in accordance with the Sellers' intended method of disposition set forth in such registration statement for such period;

(c) furnish to the Sellers, at the Company's expense, such number of copies of the registration statement and the prospectus included therein (including each preliminary prospectus) as such persons reasonably may request in order to facilitate the public sale or their disposition of the securities covered by such registration statement;

(d) use its best efforts to register or qualify the Sellers' Registrable Securities covered by such registration statement under the securities or "blue sky" laws of New York, and such other jurisdictions as the Sellers shall request in writing, provided, however, that the Company shall not for any such purpose be required to qualify generally to transact business as a foreign corporation in any jurisdiction where it is not so qualified or to consent to general service of process in any such jurisdiction;

(e) if applicable, list the Registrable Securities covered by such registration statement with any securities exchange on which the Common Stock of the Company is then listed;

(f) immediately notify the Sellers when a prospectus relating thereto is required to be delivered under the 1933 Act, of the happening of any event of which the Company has knowledge as a result of which the prospectus contained in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing; and

(g) provided same would not be in violation of the provision of Regulation FD under the 1934 Act, make available for inspection by the Sellers, and any attorney, accountant or other agent retained by the Seller or underwriter, all publicly available, non-confidential financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors and employees to supply all publicly available, non-confidential information reasonably requested by the seller, attorney, accountant or agent in connection with such registration statement.

11.3. Provision of Documents. In connection with each registration described in this Section 11, each Seller will furnish to the Company in writing such information and representation letters with respect to itself and the proposed distribution by it as reasonably shall be necessary in order to assure compliance with federal and applicable state securities laws.

11.4. Non-Registration Events. The Company and the Subscribers agree that the Sellers will suffer damages if the Registration Statement is not filed by the Filing Date and not declared effective by the Commission by the Effective Date, and any registration statement required under Section 11.1(i) or 11.1(ii) is not filed within 60 days after written request and declared effective by the Commission within 120 days after such request, and maintained in the manner and within the time periods contemplated by Section 11 hereof, and it would not be feasible to ascertain the extent of such damages with precision. Accordingly, if (A) the Registration Statement is not filed on or before the Filing Date, (B) is not declared effective on or before the Effective Date, (C) if the Registration Statement is not declared effective within five (5) business days after receipt by the Company of a written or oral communication from the Commission that the Registration Statement will not be reviewed or that the Commission has no further comments, (D) if the registration statement described in Sections 11.1(i) or 11.1(ii) is not filed within 60 days after such written request, or is not declared effective within 120 days after such written request, or (E) any registration statement described in Sections 11.1(i), 11.1(ii) or 11.1(iv) is filed and declared effective but shall thereafter cease to be effective (without being succeeded within fifteen (15) business days by an effective replacement or amended registration statement) for a period of time which shall exceed 30 days in the aggregate per year (defined as a period of 365 days commencing on the date the Registration Statement is declared effective) or more than 20 consecutive days (each such event referred to in clauses (A) through (E) of this Section 11.4 is referred to herein as a "**Non-Registration Event**"), then the Company shall deliver to the holder of Registrable Securities, as Liquidated Damages, an amount equal to two percent (2%) for each thirty (30) days or part thereof, of the Purchase Price of the Notes remaining unconverted and purchase price of Shares issued upon conversion of the Notes owned of record by such holder which are subject to such Non-Registration Event.

The Company must pay the Liquidated Damages in cash or an amount equal to two hundred percent of such cash Liquidated Damages if paid in additional shares of registered unlegended free-trading shares of Common Stock. Such Common Stock shall be valued at the Conversion Price in effect on each 30th day or shorter period for which Liquidated Damages are payable. The Liquidated Damages must be paid within ten (10) days after the end of each thirty (30) day period or shorter part thereof for which Liquidated Damages are payable. The Company must pay the Liquidated Damages in cash within ten (10) days after the end of each thirty (30) day period or shorter part for which Liquidated Damages are payable. In the event a Registration Statement is filed by the Filing Date but is withdrawn prior to being declared effective by the Commission, then such Registration Statement will be deemed to have not been filed. It shall be deemed a Non-Registration Event if at any time after the Actual Effective Date the Company has registered for unrestricted resale on behalf of the Subscriber fewer than 125% of the amount of Common Shares issuable upon full conversion of all sums due under the Notes and 100% of the Warrant Shares issuable upon exercise of the Warrants. All oral or written comments received from the Commission relating to the Registration Statement must be satisfactorily responded to within ten (10) business days after receipt of the comments from the Commission. Failure to timely respond is a Non-Registration Event for which Liquidated Damages shall accrue and be payable by the Company to the holders of Registrable Securities at the same rate set forth above. Notwithstanding the foregoing, the Company shall not be liable to the Subscriber under this Section 11.4 for any events or delays occurring as a consequence of the acts or omissions of the Subscribers contrary to the obligations undertaken by Subscribers in this Agreement. Liquidated Damages will not accrue or be payable pursuant to this Section 11.4 nor will a Non-Registration Event be deemed to have occurred for times during which Registrable Securities are transferable by the holder of Registrable Securities pursuant to Rule 144(k) under the 1933 Act.

11.5. Expenses. All expenses incurred by the Company in complying with Section 11, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel and independent public accountants for the Company, fees and expenses (including reasonable counsel fees) incurred in connection with complying with state securities or “blue sky” laws, fees of the National Association of Securities Dealers, Inc., transfer taxes, fees of transfer agents and registrars, costs of insurance and fee of one counsel for all Sellers are called “Registration Expenses.” All underwriting discounts and selling commissions applicable to the sale of Registrable Securities, including any fees and disbursements of any additional counsel to the Seller, are called "**Selling Expenses**." The Company will pay all Registration Expenses in connection with the registration statement under Section 11. Selling Expenses in connection with each registration statement under Section 11 shall be borne by the Seller and may be apportioned among the Sellers in proportion to the number of shares sold by the Seller relative to the number of shares sold under such registration statement or as all Sellers thereunder may agree.

11.6. Indemnification and Contribution.

(a) In the event of a registration of any Registrable Securities under the 1933 Act pursuant to Section 11, the Company will, to the extent permitted by law, indemnify and hold harmless the Seller, each officer of the Seller, each director of the Seller, each underwriter of such Registrable Securities thereunder and each other person, if any, who controls such Seller or underwriter within the meaning of the 1933 Act, against any losses, claims, damages or liabilities, joint or several, to which the Seller, or such underwriter or controlling person may become subject under the 1933 Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such Registrable Securities was registered under the 1933 Act pursuant to Section 11, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances when made, and will subject to the provisions of Section 11.6(c) reimburse the Seller, each such underwriter and each such controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company shall not be liable to the Seller to the extent that any such damages arise out of or are based upon an untrue statement or omission made in any preliminary prospectus if (i) the Seller failed to send or deliver a copy of the final prospectus delivered by the Company to the Seller with or prior to the delivery of written confirmation of the sale by the Seller to the person asserting the claim from which such damages arise, (ii) the final prospectus would have corrected such untrue statement or alleged untrue statement or such omission or alleged omission, or (iii) to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished by any such Seller, or any such controlling person in writing specifically for use in such registration statement or prospectus.

(b) In the event of a registration of any of the Registrable Securities under the 1933 Act pursuant to Section 11, each Seller severally but not jointly will, to the extent permitted by law, indemnify and hold harmless the Company, and each person, if any, who controls the Company within the meaning of the 1933 Act, each officer of the Company who signs the registration statement, each director of the Company, each underwriter and each person who controls any underwriter within the meaning of the 1933 Act, against all losses, claims, damages or liabilities, joint or several, to which the Company or such officer, director, underwriter or controlling person may become subject under the 1933 Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the registration statement under which such Registrable Securities were registered under the 1933 Act pursuant to Section 11, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Company and each such officer, director, underwriter and controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action, provided, however, that the Seller will be liable hereunder in any such case if and only to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with information pertaining to such Seller, as such, furnished in writing to the Company by such Seller specifically for use in such registration statement or prospectus, and provided, further, however, that the liability of the Seller hereunder shall be limited to the net proceeds actually received by the Seller from the sale of Registrable Securities covered by such registration statement.

(c) Promptly after receipt by an indemnified party hereunder of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party hereunder, notify the indemnifying party in writing thereof, but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to such indemnified party other than under this Section 11.6(c) and shall only relieve it from any liability which it may have to such indemnified party under this Section 11.6(c), except and only if and to the extent the indemnifying party is prejudiced by such omission. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in and, to the extent it shall wish, to assume and undertake the defense thereof with counsel satisfactory to such indemnified party, and, after notice from the indemnifying party to such indemnified party of its election so to assume and undertake the defense thereof, the indemnifying party shall not be liable to such indemnified party under this Section 11.6(c) for any legal expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation and of liaison with counsel so selected, provided, however, that, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be reasonable defenses available to it which are different from or additional to those available to the indemnifying party or if the interests of the indemnified party reasonably may be deemed to conflict with the interests of the indemnifying party, the indemnified parties, as a group, shall have the right to select one separate counsel and to assume such legal defenses and otherwise to participate in the defense of such action, with the reasonable expenses and fees of such separate counsel and other expenses related to such participation to be reimbursed by the indemnifying party as incurred.

(d) In order to provide for just and equitable contribution in the event of joint liability under the 1933 Act in any case in which either (i) a Seller, or any controlling person of a Seller, makes a claim for indemnification pursuant to this Section 11.6 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 11.6 provides for indemnification in such case, or (ii) contribution under the 1933 Act may be required on the part of the Seller or controlling person of the Seller in circumstances for which indemnification is not provided under this Section 11.6; then, and in each such case, the Company and the Seller will contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (after contribution from others) in such proportion so that the Seller is responsible only for the portion represented by the percentage that the public offering price of its securities offered by the registration statement bears to the public offering price of all securities offered by such registration statement, provided, however, that, in any such case, (y) the Seller will not be required to contribute any amount in excess of the public offering price of all such securities sold by it pursuant to such registration statement; and (z) no person or entity guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) will be entitled to contribution from any person or entity who was not guilty of such fraudulent misrepresentation.

11.7. Delivery of Unlegended Shares.

(a) Within three (3) business days (such third (3rd) business day being the "**Unlegended Shares Delivery Date**") after the business day on which the Company has received (i) a notice that Registrable Securities have been sold either pursuant to the Registration Statement or Rule 144 under the 1933 Act, (ii) a representation that the prospectus delivery requirements, or the requirements of Rule 144, as applicable, have been satisfied, and (iii) the original share certificates representing the shares of Common Stock that have been sold, and (iv) in the case of sales under Rule 144, customary representation letters of the Subscriber and/or Subscriber's broker regarding compliance with the requirements of Rule 144, the Company at its expense, (y) shall deliver, and shall cause legal counsel selected by the Company to deliver, to its transfer agent (with copies to Subscriber) an appropriate instruction and opinion of such counsel, directing the delivery of shares of Common Stock without any legends including the legend set forth in Section 4(e) above, issuable pursuant to any effective and current Registration Statement described in Section 11 of this Agreement or pursuant to Rule 144 under the 1933 Act (the "**Unlegended Shares**"); and (z) cause the transmission of the certificates representing the Unlegended Shares together with a legended certificate representing the balance of the unsold shares of Common Stock, if any, to the Subscriber at the address specified in the notice of sale, via express courier, by electronic transfer or otherwise on or before the Unlegended Shares Delivery Date. Transfer fees shall be the responsibility of the Seller.

(b) In lieu of delivering physical certificates representing the Unlegended Shares, if the Company's transfer agent is participating in the Depository Trust Company ("**DTC**") Fast Automated Securities Transfer program, upon request of a Subscriber, so long as the certificates therefor do not bear a legend and the Subscriber is not obligated to return such certificate for the placement of a legend thereon, the Company shall cause its transfer agent to electronically transmit the Unlegended Shares by crediting the account of Subscriber's prime Broker with DTC through its Deposit Withdrawal Agent Commission system. Such delivery must be made on or before the Unlegended Shares Delivery Date.

(c) The Company understands that a delay in the delivery of the Unlegended Shares pursuant to Section 11 hereof later than two business days after the Unlegended Shares Delivery Date could result in economic loss to a Subscriber. As compensation to a Subscriber for such loss, the Company agrees to pay late payment fees (as liquidated damages and not as a penalty) to the Subscriber for late delivery of Unlegended Shares in the amount of $100 per business day after the Delivery Date for each $10,000 of purchase price of the Unlegended Shares subject to the delivery default. If during any 360 day period, the Company fails to deliver Unlegended Shares as required by this Section 11.7 for an aggregate of thirty (30) days, then each Subscriber or assignee holding Securities subject to such default may, at its option, require the Company to redeem all or any portion of the Shares and Warrant Shares subject to such default at a price per share equal to 120% of the Purchase Price of such Common Stock and Warrant Shares. The Company shall pay any payments incurred under this Section in immediately available funds upon demand.

(d) In addition to any other rights available to a Subscriber, if the Company fails to deliver to a Subscriber Unlegended Shares as required pursuant to this Agreement, within seven (7) business days after the Unlegended Shares Delivery Date and the Subscriber purchases (in an open market transaction or otherwise) shares of common stock to deliver in satisfaction of a sale by such Subscriber of the shares of Common Stock which the Subscriber was entitled to receive from the Company (a "Buy-In"), then the Company shall pay in cash to the Subscriber (in addition to any remedies available to or elected by the Subscriber) the amount by which (A) the Subscriber's total purchase price (including brokerage commissions, if any) for the shares of common stock so purchased exceeds (B) the aggregate purchase price of the shares of Common Stock delivered to the Company for reissuance as Unlegended Shares, together with interest thereon at a rate of 15% per annum, accruing until such amount and any accrued interest thereon is paid in full (which amount shall be paid as liquidated damages and not as a penalty). For example, if a Subscriber purchases shares of Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to $10,000 of purchase price of shares of Common Stock delivered to the Company for reissuance as Unlegended Shares, the Company shall be required to pay the Subscriber $1,000, plus interest. The Subscriber shall provide the Company written notice indicating the amounts payable to the Subscriber in respect of the Buy-In.

(e) In the event a Subscriber shall request delivery of Unlegended Shares as described in Section 11.7 and the Company is required to deliver such Unlegended Shares pursuant to Section 11.7, the Company may not refuse to deliver Unlegended Shares based on any claim that such Subscriber or any one associated or affiliated with such Subscriber has been engaged in any violation of law, or for any other reason, unless, an injunction or temporary restraining order from a court, on notice, restraining and or enjoining delivery of such Unlegended Shares or exercise of all or part of said Warrant shall have been sought and obtained and the Company has posted a surety bond for the benefit of such Subscriber in the amount of 130% of the amount of the aggregate purchase price of the Common Stock and Warrant Shares which are subject to the injunction or temporary restraining order, which bond shall remain in effect until the completion of arbitration/litigation of the dispute and the proceeds of which shall be payable to such Subscriber to the extent Subscriber obtains judgment in Subscriber’s favor.

12. (a) Right of First Refusal. Until the Registration Statement has been effective for the unrestricted public resale of the Shares and Warrant Shares for 365 days (which period shall be tolled during the pendency of an Event of Default), the Subscribers shall be given not less than seven (7) business days prior written notice of any proposed sale by the Company of its common stock or other securities or debt obligations, except in connection with (i) as full or partial consideration in connection with merger, consolidation or purchase of substantially all of the securities or assets of any corporation or other entity, and (ii) as has been described in the Reports or Other Written Information filed with the Commission delivered to the Subscribers prior to the Closing Date (collectively “**Excepted Issuances**”). The Subscribers who exercise their rights pursuant to this Section 12(a) shall have the right during the seven (7) business days following receipt of the notice to purchase such offered common stock, debt or other securities in accordance with the terms and conditions set forth in the notice of sale in the same proportion to each other as their purchase of Notes in the Offering in an amount equal to up to 40% of the principal dollar amount to be sold by the Company. In the event such terms and conditions are modified during the notice period, the Subscribers shall be given prompt notice of such modification and shall have the right during the original notice period or for a period of seven (7) business days following the notice of modification, whichever is longer, to exercise such right.

(b) Offering Restrictions. From the date of this Agreement and until the Effective Date of the Registration Statement or during the pendency of an Event of Default or when any liquidated damages described in this Agreement are accruing or outstanding, except in connection with the Excepted Issuances, the Company will not enter into any agreement to, nor issue any equity, convertible debt or other securities convertible into Common Stock without the prior written consent of the Subscribers, which consent may be withheld for any reason.

(c) Favored Nations Provision. Other than the Excepted Issuances, if at any time Notes or Warrants are outstanding the Company shall offer, issue or agree to issue any common stock or securities convertible into or exercisable for shares of common stock (or modify any of the foregoing which may be outstanding) to any person or entity at a price per share or conversion or exercise price per share which shall be less than the Conversion Price described in Section 2.1(b)(i) or Section 2.1(b)(ii) of the Note in respect of the Shares, or if less than the Warrant exercise price in respect of the Warrant Shares, without the consent of each Subscriber holding Notes, Shares and/or Warrants, or Warrant Shares, then the Company shall issue, for each such occasion, additional shares of Common Stock to each Subscriber so that the average per share purchase price of the shares of Common Stock issued to the Subscriber (of only the Common Stock or Warrant Shares still owned by the Subscriber) is equal to such other lower price per share and the Conversion Price and Warrant Exercise Price shall automatically be reduced to such other lower price per share. The average Purchase Price of the Shares and average exercise price in relation to the Warrant Shares shall be calculated separately for the Shares and Warrant Shares. The foregoing calculation and issuance shall be made separately for Shares received upon conversion of Notes and separately for Warrant Shares. The delivery to the Subscriber of the additional shares of Common Stock shall be not later than the closing date of the transaction giving rise to the requirement to issue additional shares of Common Stock. The Subscriber is granted the registration rights described in Section 11 hereof in relation to such additional shares of Common Stock except that the Filing Date and Effective Date vis-à-vis such additional common shares shall be, respectively, the sixtieth (60^{th}) and one hundred and twentieth (120^{th}) date after the closing date giving rise to the requirement to issue the additional shares of Common Stock. For purposes of the issuance and adjustment described in this paragraph, the issuance of any security of the Company carrying the right to convert such security into shares of Common Stock or of any warrant, right or option to purchase Common Stock shall result in the issuance of the additional shares of Common Stock upon the sooner of the agreement to or actual issuance of such convertible security, warrant, right or option and again at any time upon any subsequent issuances of shares of Common Stock upon exercise of such conversion or purchase rights if such issuance is at a price lower than the Conversion Price or Warrant exercise price in effect upon such issuance. The rights of the Subscriber set forth in this Section 12 are in addition to any other rights the Subscriber has pursuant to this Agreement, the Note, any Transaction Document, and any other agreement referred to or entered into in connection herewith.

(d) Maximum Exercise of Rights. In the event the exercise of the rights described in Sections 12(a) and 12(c) would result in the issuance of an amount of common stock of the Company that would exceed the maximum amount that may be issued to a Subscriber calculated in the manner described in Section 7.3 of this Agreement, then the issuance of such additional shares of common stock of the Company to such Subscriber will be deferred in whole or in part until such time as such Subscriber is able to beneficially own such common stock without exceeding the maximum amount set forth calculated in the manner described in Section 7.3 of this Agreement. The determination of when such common stock may be issued shall be made by each Subscriber as to only such Subscriber.

13. Security Interest. The Subscribers will be granted a security interest in all the assets of the Company including ownership of the Subsidiaries (as defined in Section 5(a) of this Agreement) to be memorialized in a "**Security and Pledge Agreement**", a form of which is annexed hereto as **Exhibit E**. The Subscribers will also be granted a security interest in all the assets of Food Innovations Inc., a Florida corporation and wholly-owned subsidiary of the Company ("**Guarantor**") to be memorialized in a security and pledge agreement substantially similar to the Security and Pledge Agreement. Guarantor will also provide to the Subscribers a "**Guaranty Agreement**" substantially in the form annexed hereto as **Exhibit F**. The Company will execute such other agreements, documents and financing statements to be filed at the Company's expense with such jurisdictions, states and counties designated by the Subscribers. The Company will also execute all such documents reasonably necessary in the opinion of Subscriber to memorialize and further protect the security interest described herein. The Subscribers will appoint a Collateral Agent to represent them collectively in connection with the security interest to be granted in the assets of the Company. The appointment will be pursuant to a "**Collateral Agent Agreement**", a form of which is annexed hereto as **Exhibit G**.

14. Prior Offering. On October 29, 2004, Alpha Capital Aktiengesellschaft ("Alpha"), a Subscriber herein, purchased Convertible Notes, and Warrants for $100,000 (the "Prior Offering"). Alpha is acquiring Notes and Warrants in the Offering in the principal amounts of $375,000. A like portion of the Purchase Price payable by Alpha will be deemed paid by Alpha upon Closing by the automatic cancellation of the Notes and Warrants received in the Prior Offering by Alpha. Alpha and the Company waive all rights, obligations and claims against each other arising under the Prior Offering except that accrued interest and any payments outstanding under the Notes from the Prior Offering due on the Notes issued in the Prior Offering shall be payable and deemed accrued on the Notes issued to Alpha.

15. Miscellaneous.

(a) Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be: (i) if to the Company, to: Innovative Food Holdings, Inc., 1923 Trade Center Way, Suite #1, Naples, FL 34109, Attn: Joe Dimaggio, CEO & President, telecopier number: (239) 596-0204, with an additional copy by telecopier only to: Thomas F. Pierson, Esq., 2501 E. Commercial Boulevard, Suite 212, Ft. Lauderdale, FL 33308, telecopier number: (954) 958-9439, and (ii) if to the Subscribers, to: the one or more addresses and telecopier numbers indicated on the signature pages hereto, with an additional copy by telecopier only to: Grushko & Mittman, P.C., 551 Fifth Avenue, Suite 1601, New York, New York 10176, telecopier number: (212) 697-3575.

(b) Closing. The consummation of the transactions contemplated herein shall take place at the offices of Grushko & Mittman, P.C., 551 Fifth Avenue, Suite 1601, New York, New York 10176, upon the satisfaction of all conditions to Closing set forth in this Agreement. Each of the Initial Closing Date and Second Closing Date is referred to as a "**Closing Date**".

(c) Entire Agreement; Assignment. This Agreement and other documents delivered in connection herewith represent the entire agreement between the parties hereto with respect to the subject matter hereof and may be amended only by a writing executed by both parties. Neither the Company nor the Subscribers have relied on any representations not contained or referred to in this Agreement and the documents delivered herewith. No right or obligation of either party shall be assigned by that party without prior notice to and the written consent of the other party.

(d) Counterparts/Execution. This Agreement may be executed in any number of counterparts and by the different signatories hereto on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument. This Agreement may be executed by facsimile signature and delivered by facsimile transmission.

(e) Law Governing this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Agreement shall be brought only in the state courts of New York or in the federal courts located in the state of New York. **The parties and the individuals executing this Agreement and other agreements referred to herein or delivered in connection herewith on behalf of the Company agree to submit to the jurisdiction of such courts and waive trial by jury.** The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement.

(f) Specific Enforcement, Consent to Jurisdiction. The Company and Subscriber acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which any of them may be entitled by law or equity. Subject to Section 15(e) hereof, each of the Company, Subscriber and any signator hereto in his personal capacity hereby waives, and agrees not to assert in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction in New York of such court, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper. Nothing in this Section shall affect or limit any right to serve process in any other manner permitted by law.

(g) Independent Nature of Subscribers. The Company acknowledges that the obligations of each Subscriber under the Transaction Documents are several and not joint with the obligations of any other Subscriber, and no Subscriber shall be responsible in any way for the performance of the obligations of any other Subscriber under the Transaction Documents. The Company acknowledges that the decision of each Subscriber to purchase Securities has been made by such Subscriber independently of any other Subscriber and independently of any information, materials, statements or opinions as to the business, affairs, operations, assets, properties, liabilities, results of operations, condition (financial or otherwise) or prospects of the Company which may have been made or given by any other Subscriber or by any agent or employee of any other Subscriber, and no Subscriber or any of its agents or employees shall have any liability to any Subscriber (or any other person) relating to or arising from any such information, materials, statements or opinions. The Company acknowledges that nothing contained in any Transaction Document, and no action taken by any Subscriber pursuant hereto or thereto (including, but not limited to, the (i) inclusion of a Subscriber in the SB-2 Registration Statement and (ii) review by, and consent to, such Registration Statement by a Subscriber) shall be deemed to constitute the Subscribers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Subscribers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. The Company acknowledges that each Subscriber shall be entitled to independently protect and enforce its rights, including without limitation, the rights arising out of the Transaction Documents, and it shall not be necessary for any other Subscriber to be joined as an additional party in any proceeding for such purpose. The Company acknowledges that it has elected to provide all Subscribers with the same terms and Transaction Documents for the convenience of the Company and not because Company was required or requested to do so by the Subscribers. The Company acknowledges that such procedure with respect to the Transaction Documents in no way creates a presumption that the Subscribers are in any way acting in concert or as a group with respect to the Transaction Documents or the transactions contemplated thereby.

[THIS SPACE INTENTIONALLY LEFT BLANK]

SIGNATURE PAGE TO SUBSCRIPTION AGREEMENT (A)

Please acknowledge your acceptance of the foregoing Subscription Agreement by signing and returning a copy to the undersigned whereupon it shall become a binding agreement between us.

INNOVATIVE FOOD HOLDINGS, INC.
a Florida corporation

By: _____

Name: Joe Dimaggio
Title: CEO & President

Dated: February _____, 2005

SUBSCRIBER	INITIAL CLOSING PURCHASE PRICE	SECOND CLOSING PURCHASE PRICE
ALPHA CAPITAL AKTIENGESELLSCHAFT Pradafant 7 9490 Furstentums Vaduz, Lichtenstein Fax: 011-42-32323196	$ 350,000.00	$ 120,000.00

_____
(Signature)
By:

SIGNATURE PAGE TO SUBSCRIPTION AGREEMENT (B)

Please acknowledge your acceptance of the foregoing Subscription Agreement by signing and returning a copy to the undersigned whereupon it shall become a binding agreement between us.

INNOVATIVE FOOD HOLDINGS, INC.
a Florida corporation

By: _____

Name: Joe Dimaggio
Title: CEO & President

Dated: February _____, 2005

SUBSCRIBER	INITIAL CLOSING PURCHASE PRICE	SECOND CLOSING PURCHASE PRICE
WHALEHAVEN CAPITAL FUND LIMITED 3rd Floor, 14 Par-Laville Road Hamilton, Bermuda HM08 Fax: (441) 292-1373	$ 50,000.00	$ 30,000.00

_____
(Signature)
By:

LIST OF EXHIBITS AND SCHEDULES

Attachment 1	Disclosure Schedule consisting of the following:
Exhibit A1	Form of Class A Warrant
Exhibit A2	Form of Class B Warrant
Exhibit A3	Form of Class C Warrant
Exhibit B	Escrow Agreement
Exhibit C	Form of Legal Opinion
Exhibit D	Form of Public Announcement or Form 8-K
Exhibit E	Security and Pledge Agreement
Exhibit F	Guaranty Agreement
Exhibit G	Collateral Agent Agreement
Exhibit H	Form of Limited Standstill Agreement
Schedule 5(d)	Additional Issuances / Capitalization
Schedule 5(p)	Undisclosed Liabilities
Schedule 9.1(e)	Use of Proceeds
Schedule 9.1(p)	Providers of Limited Standstill Agreement
Schedule 11.1	Other Securities to be Registered

AGREEMENT AND PLAN OF REORGANIZATION

This AGREEMENT AND PLAN OF ACQUISITION ("Agreement"), dated as of January 29, 2004, by and among INNOVATIVE FOOD HOLDINGS, INC., a Florida corporation (hereinafter ""IVFH") as successor by merger with FIBER APPLICATION SYSTEMS TECHNOLOGY, LTD., a Colorado corporation, (hereinafter "FBSN"), the stockholders of Food Innovations, Inc. as listed on the signature page (collectively, the "Stockholders"), and FOOD INNOVATIONS, INC., a Delaware corporation ("FII"). The corporate parties hereto are sometimes hereinafter referred to collectively as the "Companies," or individually as a "Company."

WHEREAS, the respective Boards of Directors of the Companies deem it advisable and in the best interests of their respective stockholders that FII be acquired by and become a wholly owned subsidiary of IVFH and, in furtherance thereof, the Boards of Directors of the Companies have approved, as applicable, the share exchange provided for herein; and

WHEREAS, for federal income tax purposes, it is intended that the share exchange shall qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), but a IRS ruling or opinion of counsel is not being sought and such tax treatment is not a condition to closing the share exchange herein;

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants, and agreements set forth herein, the parties hereto agree as follows:

ARTICLE I

THE SHARE EXCHANGE

1.1 *The Share exchange.* Subject to the terms and conditions of this Agreement, at the Effective Time (as defined in Section 1.2 hereof), FII shall issue its shares of common stock in exchange for the common stock of FII as set forth on the signature page (the "Transaction") whereby FII shall become a wholly owned subsidiary of IVFH subsequent to the re-domicile to Florida.

1.2 *Effective Time of the Share exchange.* The Transaction shall become effective (the "Effective Time") upon the completion of the share exchange as provided herein.

ARTICLE II

IVFH AS THE SURVIING CORPORATION

2.1 *Articles of Incorporation of the Surviving Corporation. The articles of incorporation of IVFH, shall be the articles of incorporation of the surviving corporation*

2.2 *Bylaws of the Surviving Corporation. The Bylaws of IVFH shall be the bylaws of the surviving entity.*

ARTICLE III

CONVERSION OF SHARES

3.1 *Exchange Ratio.* At the Effective Time and subject to Section 7, by virtue of the Transaction:

a.) The common stock of FII ("FII Common Share") issued and outstanding immediately prior to the Effective Time (other than FII Shares held by FBSN), shall be exchanged for 25,000,000 share(s) of restricted common stock, par value $.0001 per share, of FBSN (the "FBSN Shares"). The aggregate number of FBSN Shares to be received by the FII shareholders shall be 25,000,000. The FII Common Shares are also referred to as the "FII Shares."

b.) If, prior to the Effective Time, except as required to meet the terms of this Plan of Re-Organization, FBSN should split or combine any of its outstanding stock or securities, or pay a stock dividend or other stock distribution in, then the FII Exchange Ratio shall be appropriately adjusted to reflect such split, combination, dividend, or other distribution.

c.) Each FII Share held in treasury (or a subsidiary, as such term is defined in Article IV hereof) immediately prior to the Effective Time shall be canceled and retired and cease to exist, and no FBSN Shares shall be issued in exchange therefore.

3.2 *Exchange of Shares.*

(a) Prior to the Effective Time, FBSN shall select and enter into an agreement with an attorney, transfer agent or trust company to act as Exchange Agent hereunder (the "Exchange Agent"). No later than the Effective Time, FBSN shall make available, to the Stockholders or Stockholders Representative of FII, the FBSN Shares that the Stockholders shall be entitled to receive in the Transaction for delivery to the Stockholders in exchange for the FII Shares. The FBSN Shares for which the FII Shares shall be exchanged in the Transaction shall be deemed to have been issued at the Effective Time.

(b) In the event that any stock certificate representing FII Shares shall have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen, or destroyed, FBSN shall issue or cause to be issued in exchange for such lost, stolen, or destroyed certificate the number of FBSN Shares into which such shares are exchanged in the Transaction in accordance with this Article III. When authorizing such issuance in exchange therefore, the Board of Directors of FBSN may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen, or destroyed certificate to give FBSN a bond in such sum as it may direct as indemnity, or such other form of indemnity as it shall direct, against any claim that may be made against FBSN with respect to the certificate alleged to have been lost, stolen, or destroyed.

3.3 *Dividends; Transfer Taxes.* No dividends that are declared on FBSN Shares shall be paid to persons entitled to receive certificates representing FBSN Shares until such persons surrender their certificates representing FII Shares. Upon such surrender, there shall be paid to the person in whose name the certificates representing such FBSN Shares shall be issued any dividends which shall have become payable with respect to such FBSN Shares between the Effective Time and the time of such surrender. In no event shall the person entitled to receive such dividends be entitled to receive interest on such dividends. If any certificates for any FBSN Shares are to be issued in a name other than that in which the certificate representing FII Shares surrendered in exchange therefore is registered, it shall be a condition of such exchange that the person requesting such exchange shall pay to the Exchange Agent any transfer or other taxes required by reason of the issuance of certificates for such FBSN Shares in a name other than that of the registered holder of the certificate surrendered, or shall establish to the satisfaction of the Exchange Agent that such tax has been paid or is not applicable. Notwithstanding the foregoing, neither the Exchange Agent nor any party hereto shall be liable to a holder of Shares for any FBSN Shares or dividends thereon or, in accordance with Section 3.4 hereof, the cash payment for fractional interests, delivered to a public official pursuant to applicable escheat laws.

3.4 *No Fractional Securities.* No certificates or scrip representing fractional FBSN Shares shall be issued upon the surrender for exchange of certificates representing Shares pursuant to this Article III and no dividend, stock split-up, or other change in the capital structure of FBSN shall relate to any fractional security, and such fractional interests shall not entitle the owner thereof to vote or to any rights of a security holder. Any fractional shares to be issued to the Stockholders shall be increased to the next whole share.

3.5 *Closing* The closing of the transactions contemplated by this Agreement (the "Closing") shall take place via facsimile or in person on the day on which the parties execute this Agreement and on which all of the conditions set forth in Article VIII hereof are satisfied or waived (other than those conditions which are to be satisfied at Closing), or at such other date, time and place as the Companies shall agree.

3.6 *Supplementary Action.* If at any time after the Effective Time, any further assignments or assurances in law or any other things are necessary or desireble to vest or to perfect or confirm of record in the Surviving Corporation the title to any property or rights of either FBSN or FII, or otherwise to carry out the provisions of this Agreement, the officers and directors of the Surviving Corporation are hereby authorized and empowered on behalf of each, in the name of and on behalf of them as appropriate, to execute and deliver any and all things necessary or proper to vest or to perfect or confirm title to such property or rights in the Surviving Corporation, and otherwise to carry out the purposes and provisions of this Agreement.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF FII

As used in this Agreement, (i) the term "Material Adverse Effect" means, with respect to FBSN or FII, as the case may be, a material adverse effect on the business, assets, results of operations, or financial condition of such party and its subsidiaries taken as a whole or in the ability of such party to perform its obligations hereunder, and (ii) the word "subsidiary" when used with respect to any party means any corporation or other organization, whether incorporated or unincorporated, of which such party or any other subsidiary of such party is a general partner (excluding partnerships the general partnership interests of which held by such party or any subsidiary of such party do not have a majority of the voting interests in such partnership) or of which at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the Board of Directors or others performing similar functions with respect to such corporations or other organizations is directly or indirectly owned or controlled by such party and/or by any one or more of the subsidiaries.

FII represents and warrants, with respect to FII and its subsidiaries, except as disclosed to FBSN in the FII Schedule of Exceptions (the "FII Schedule"), attached hereto and incorporated herein by this reference, as follows:

4.1 *Organization.* Each of FII and its subsidiaries is a corporation or limited liability company duly organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation and has the corporate or other power to carry on its business as it is now being conducted or presently proposed to be conducted. Each of FII and its subsidiaries is duly qualified as a foreign corporation or entity to do business, and is in good standing (to the extent the concept of good standing exists), in each jurisdiction where the character of its properties owned or held under lease or the nature of its activities makes such qualification necessary, except where the failure to be so qualified shall not have a Material Adverse Effect.

4.2 *Capitalization.* The authorized capital stock of FII and each of its subsidiaries is as set forth in Section 4.2 of the FII Schedule. All of the issued and outstanding Shares of FII are validly issued, fully paid, and non-assessable and free of preemptive rights or similar rights created by statute, the Articles of Incorporation or Bylaws of FII or any agreement by which FII or any of its subsidiaries is a party or by which it is bound. Except (a) as set forth above or, (b) as disclosed in Section 4.2 of the FII Schedule,

there are not as of the date of this Agreement any shares of capital stock of FII issued or outstanding or any options, warrants, subscriptions, calls, rights, convertible securities, or other agreements or commitments obligating FII to issue, transfer, or sell any shares of its capital stock. As of the date hereof, no bonds, debentures, notes, or other indebtedness having the right to vote (or convertible into or exercisable for securities having the right to vote) on any matters on which shareholders of FII may vote ("Voting Debt") were issued and outstanding.

4.3 *Authority Relative to this Agreement.* FII has the corporate power to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement by FII and the consummation by FII of the transactions contemplated hereby have been duly authorized by its Board of Directors, and, except for approval by the requisite votes cast by FII's shareholders at the meeting provided for herein or the Required Stockholders' Consent, no other corporate proceedings on the part of FII are necessary to approve this Agreement or the transactions contemplated hereby.

4.4 *Consents and Approvals; No Violations.* No filing with, and no permit, authorization, consent, or approval of, any public body or authority is necessary for the consummation by FII of the transactions contemplated by this Agreement. Except as set forth in Section 4.4 of the FII Schedule, neither the execution and delivery of this Agreement by FII, nor the consummation by it of the transactions contemplated hereby, nor compliance by FII with any of the provisions hereof, shall (a) result in any breach of the Articles of Incorporation or Bylaws of FII, (b) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation, or acceleration) under, any of the terms, conditions, or provisions of any note, bond, mortgage, indenture, license, contract, agreement, or other instrument or obligation to which FII or any of its subsidiaries is a party or by which any of them or any of their properties or assets may be bound or (c) violate any order, writ, injunction, decree, statute, rule, or regulation applicable to FII, any of its subsidiaries or any of their properties or assets, except in the case of clauses (b) and (c) for violations, breaches, or defaults that would not have a Material Adverse Effect.

4.5 *Financial Statements.* Except as set forth in Section 4.5 of the FII Schedule, the un-audited financial statements dated December 31, 2000, December 31, 2001 and the September 30, 2003 (FII Un-Audited Statements) fairly presents in all material respects the consolidated financial position of FII and its subsidiaries as of the respective dates thereof, and the other related statements included therein fairly present in all material respects the results of operations, changes in stockholders' equity and cash flows of FII and its subsidiaries for the respective periods or as of the respective dates set forth therein, all in conformity with generally accepted accounting principles consistently applied during the periods involved, except as otherwise noted therein and subject, in the case of the un-audited interim financial statements, to normal year-end adjustments and any other adjustments described therein and the absence of any notes thereto. The FII Un-audited Statements may collectively be referred to as FII Financial Statements.

4.6 *Absence of Certain Changes or Events; Undisclosed Liabilities.*

(a) Since December 31, 2003, except as set forth in Section 4.6 of the FII Schedule, neither FII nor any of its subsidiaries has: (i) taken any of the actions set forth in Sections 6.1 hereof; (ii) incurred any liability material to FII and its subsidiaries on a consolidated basis, except in the ordinary course of its business, consistent with past practices; (iii) suffered a change, or any event involving a prospective change, in the business, assets, financial condition, or results of operations of FII or any of its subsidiaries which has had, or is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect, (other than as a result of changes or proposed changes in federal or state regulations of general applicability or interpretations thereof, changes in generally accepted accounting principles, and changes that could, under the circumstances, reasonably have been anticipated in light of disclosures made in writing by FII to FBSN pursuant hereto); or (iv) subsequent to the date hereof, except as permitted by Section 6.1 hereof, conducted its business and operations other than in the ordinary course of business and consistent with past practices.

(b) Neither FII nor any of its subsidiaries has any liability (and there is no basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim, or

the jurisdiction of incorporation or organization. All of the outstanding shares of capital stock or other equity interests of each of the subsidiaries are (i) held by FII or one of such wholly-owned subsidiaries; (ii) fully paid and non-assessable; and (iii) owned by FII or one of such wholly owned subsidiaries free and clear of any claim, lien, or encumbrance.

4.13 *Intellectual Property.*

(a) Except to the extent that the inaccuracy of any of the following (or the circumstances giving rise to such inaccuracy) does not have or could not reasonably be expected to have a Material Adverse Effect:

(i) FII and each of its subsidiaries owns, or is licensed or otherwise has the legally enforceable right to use (in each case, clear of any liens or encumbrances of any kind), all Intellectual Property (as hereinafter defined) used in or necessary for the conduct of its business as currently conducted;

(ii) no claims are pending or, to the best knowledge of FII, threatened that FII or any of its subsidiaries is infringing on or otherwise violating the rights of any person with regard to any Intellectual Property used by, owned by, and/or licensed to FII or any of its subsidiaries and, to the best knowledge of FII, there are no valid grounds for any such claims;

(iii) except as set forth on Schedule 4.13(a)(iii) of the FII Schedule, to the best knowledge of FII, no person is infringing on or otherwise violating any right of FII or any of its subsidiaries with respect to any Intellectual Property owned by and/or licensed to FII or any of its subsidiaries;

(iv) to the best knowledge of FII, there are no valid grounds for any claim challenging the ownership or validity of any Intellectual Property owned by FII or any of its subsidiaries or challenging FII's or any of its subsidiaries' license or legally enforceable right to use any Intellectual Property licensed by it; and

(v) to the best knowledge of FII, all patents, registered trademarks, service marks, and copyrights held by FII and each of its subsidiaries are valid and subsisting.

(b) For purposes of this Agreement, "Intellectual Property" means trademarks (registered or unregistered), service marks, brand names, certification marks, trade dress, assumed names, trade names, and other indications of origin, the goodwill associated with the foregoing and registrations in any jurisdiction of, and applications in any jurisdiction to register, the foregoing, including any extension, modification or renewal of any such registration or application; inventions, discoveries and ideas, whether patented, patentable, or not in any jurisdiction; trade secrets and confidential information and rights in any jurisdiction to limit the use or disclosure thereof by any person; writings and other works of authorship, whether copyrighted, copyrightable, or not in any jurisdiction; registration or applications for registration of copyrights in any jurisdiction, and any renewals or extensions thereof; any similar intellectual property or proprietary rights and computer programs and software (including source code, object code, and data); licenses, immunities, covenants not to sue, and the like relating to the foregoing; and any claims or causes of action arising out of or related to any infringement or misappropriation of any of the foregoing. Section 4.13(c) of the FII Schedule sets forth a list of all domain names, tradenames, copyrights and trademarks owned by FII. FII has full and complete ownership of all domain names.

4.14 *Disclosure of the Representations and Warranties.* The representations and warranties in this Section 4 do not knowingly contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements and information contained in this Section 4 in light of the circumstances when made not misleading.

4.15 *FII Shareholders.* Shareholders of FII are either accredited investors as such term is defined in the Securities Act of 1933 as amended or are investors who have acquired their shares pursuant to

demand against any of them giving rising to any liability) except for (i) liability set forth on the face of the September 30, 2003 balance sheet and (ii) liabilities which have risen after the December 31, 2002 balance sheet in the ordinary course of business (none of which results from, arises out of, relates to, is in the nature of, or was caused by any breach of contract, tort, infringement, or violation of law).

4.7 *Litigation* As of the date of this Agreement, (i) there is no action, suit, judicial, or administrative proceeding, arbitration or investigation pending or, to the best knowledge of FII, threatened against or involving FII or any of its subsidiaries, or any of their properties or rights, before any court, arbitrator, or administrative or governmental body; (ii) there is no judgment, decree, injunction, rule, or order of any court, governmental department, commission, agency, instrumentality, or arbitrator outstanding against FII or any of its subsidiaries; and (iii) FII and its subsidiaries are not in violation of any term of any judgments, decrees, injunctions, or orders outstanding against them. FII has furnished to FBSN in writing, a copy of which is set forth in Section 4.7 of the FII Schedule, a description of all litigation, actions, suits, proceedings, arbitrations, investigations known to it, judgments, decrees, injunctions or orders pending; or to its best knowledge, threatened against or involving FII or any of its subsidiaries, or any of their properties or rights as of the date hereof.

4.8 *Contracts.*

(a) Each of the material contracts, instruments, mortgages, notes, security agreements, leases, agreements, or understandings, whether written or oral, to which FII or any of its subsidiaries is a party that relates to or affects the assets or operations of FII or any of its subsidiaries or to which FII or any of its subsidiaries or their respective assets or operations may be bound or subject is a valid and binding obligation of FII and in full force and effect (with respect to FII or such subsidiary), except for where the failure to be in full force and effect would not, individually or in the aggregate, have a Material Adverse Effect. Section 4.8(a) of the FII Schedule sets forth a complete list of all material contracts. For purposes of this Agreement a material contract shall be any contract or agreement, which involves consideration in excess of $25,000. Except to the extent that the consummation of the transactions contemplated by this Agreement may require the consent of third parties, as disclosed in the FII Schedule, there are no existing defaults by FII or any of its subsidiaries thereunder or, to the knowledge of FII, by any other party thereto, which defaults, individually or in the aggregate, would have a Material Adverse Effect; and no event of default has occurred, and no event, condition, or occurrence exists, that (whether with or without notice, lapse of time, or the happening or occurrence of any other event) would constitute a default by FII or any of its subsidiaries thereunder which default would, individually or in the aggregate, have a Material Adverse Effect.

(b) Except for this Agreement and those set forth on Section 4.8(b) of the FII Schedule, neither FII nor any of its subsidiaries is a party to any oral or written (i) consulting agreement not terminable on 60 days' or less notice requiring the payment of more than $25,000 per annum, in the case of any such agreement with an individual; (ii) joint venture agreement; (iii) non-competition or similar agreements that restricts FII or its subsidiaries from engaging in a line of business; (iv) agreement with any executive officer or other employee of FII or any subsidiary the benefits of which are contingent, or the terms of which are materially altered, upon the occurrence of a transaction involving FII of the nature contemplated by this Agreement and which provides for the payment of in excess of $10,000; (v) agreement with respect to any executive officer of FII or any subsidiary providing any term of employment or compensation guaranty in excess of $15,000 per annum; or (vi) agreement or plan, including any stock option plan, stock appreciation rights plan, restricted stock plan, or stock purchase plan, any of the benefits of which shall be increased, or the vesting of the benefits of which shall be accelerated, by the occurrence of any of the transactions contemplated by this Agreement or the value of any of the benefits of which shall be calculated on the basis of any of the transactions contemplated by this Agreement.

(c) Except as set forth in Section 4.8(c) of the FII Schedule, all employment, consulting, stock option or other similar agreements of FII and subsidiaries will be terminated at the Effective

Time and no obligations or liabilities of FII or its subsidiaries will exist thereunder or as the result of such termination or otherwise.

4.9 *Employee Benefit Plans.*

(a) Disclosed in Section 4.9 of the FII Schedule is a true and complete list of each written employee benefit plan (including, without limitation, any "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) policy or agreement that is maintained (all of the foregoing, the "Benefit Plans"), or is or was contributed to by FII or any trade or business, whether or not incorporated (an "ERISA Affiliate"), which together with FII would be deemed a "single employer" within the meaning of Section 4001 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). A copy of each Benefit Plan as currently in effect and, if applicable, the most recent Annual Report (Form 5500 Series), Actuarial Report or Valuation, Summary Plan Description, Trust Agreement, and a Determination Letter issued by the IRS for each Benefit Plan have heretofore been delivered to FBSN. No Benefit Plan was or is subject to Title IV of ERISA or Section 412 of the Code (including any "multiemployer plan," as defined in Section 3(37) of ERISA).

(b) Each of the Benefit Plans that are subject to ERISA is in substantial compliance with ERISA; each of the Benefit Plans intended to be "qualified" within the meaning of Section 401 (a) of the Internal Revenue Code of 1986, as amended (the "Code") is so qualified; and no event has occurred, and to FII's knowledge, there exists no condition or set of circumstances, in connection with which FII or any ERISA Affiliate is or could be subject to liability (except liability for benefit claims and funding obligations payable in the ordinary course) under ERISA, the Code, or any other applicable law with respect to any Benefit Plan.

4.10 *Taxes.* For the purposes of this section, the term "tax" shall include all taxes, charges, withholdings, fees, levies, penalties, additions, interest, or other assessments imposed by any United States federal, state, or local authority or any other taxing authority on FII or any of its Tax Affiliates (as hereinafter defined) as to their respective income, profit, franchise, gross receipts, payroll, sales, employment, worker's compensation, use, property, withholding, excise, occupancy, environmental, and other taxes, duties, or assessments of any nature, whatsoever. Except as set forth in Section 4.10 of the FII Schedule, FII has filed or caused to be filed timely all material federal, state, local, and foreign tax returns required to be filed by each of its and any member of its consolidated, combined, unitary, or similar group (each such member a "Tax Affiliate"). Such returns, reports, and other information are accurate and complete in all material respects. FII has paid or caused to be paid or has made adequate provision or set up an adequate accrual or reserve for the payment of, all taxes shown to be due in respect of the periods for which returns are due, and has established (or shall establish at least quarterly) an adequate accrual or reserve for the payment of all taxes payable in respect of the period subsequent to the last of said periods required to be so accrued or reserved. Neither FII nor any of its Tax Affiliates has any material liability for taxes in excess of the amount so paid or accruals or reserves so established. Except as set forth in Section 4.10 of the FII Schedule, neither FII nor any of its Tax Affiliates is delinquent in the payment of any tax in excess of the amount reserved or provided therefore, and no deficiencies for any tax, assessment, or governmental charge in excess of the amount reserved or provided therefore have been threatened, claimed, proposed, or assessed. No waiver or extension of time to assess any taxes has been given or requested. The Internal Revenue Service or comparable state agencies have never audited FII's federal and state income tax returns.

4.11 *Compliance With Applicable Law.* FII and each of its subsidiaries holds all material licenses, franchises, permits, variances, exemptions, orders, approvals, and authorizations necessary for the lawful conduct of its business under and pursuant to, and the business of each of FII and its subsidiaries is not being conducted in violation of, any provision of any material federal, state, local, or foreign statute, law, ordinance, rule, regulation, judgment, decree, order, concession, grant, franchise, permit or license, or other governmental authorization or approval applicable to FII or any of its subsidiaries.

4.12 *Subsidiaries.* Section 4.12 of the FII Schedule lists all the subsidiaries of FII as of the data of this Agreement and indicates for each such corporate or limited liability company subsidiary as of such date

Regulation S. FII acknowledges that each certificate representing a FBSN Share shall contain the following legend:

This security has not been registered under the Securities Act of 1933, as amended, or any state securities laws. Securities may not be transferred, signed, sold or offered for sale except pursuant to an effective registration under said Act in any applicable state securities law or an opinion of counsel, in form and substance acceptable to FBSN, that registration is not required because of any applicable exemption from such registration requirements.

4.16 Shareholder Approval. FII has obtained the consent to this Agreement and the transactions reflected hereby by the majority of FII's Principal Stock holders, such Principal Stockholders have agreed to vote their Shares in favor of the Share Exchange.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF FBSN AND THE PRINCIPAL SHAREHOLDERS OF FBSN

FBSN represents and warrants, with respect to FBSN and its subsidiaries, except as disclosed to FII in the FBSN Schedule of Exceptions (the "FBSN Schedule"), attached hereto and incorporated herein by this reference, as follows:

5.1 *Organization.* Each of FBSN and its subsidiaries is a corporation duly organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation and has the corporate power to carry on its business as it is now being conducted or presently proposed to be conducted. Each of FBSN and its subsidiaries is duly qualified as a foreign corporation, and is in good standing (to the extent the concept of good standing exists), in each jurisdiction where the character of its properties owned or held under lease or the nature of its activities makes such qualification necessary, except where the failure to be so qualified shall not have a Material Adverse Effect.

5.2 *Capitalization.* As of the Date hereof, the authorized capital stock of FBSN and each of its subsidiaries is as set forth in Section 5.2 of the FBSN Schedule. All of the issued and outstanding shares of the capital stock of FBSN, are or will be validly issued, fully paid, and non-assessable and free of preemptive rights or similar rights created by statute, the Articles of Incorporation or Bylaws of FBSN or any agreement by which FBSN or any of its subsidiaries is a party or by which it is bound. Except (a) as set forth above or, (b) except as disclosed in Section 5.2 of the FBSN Schedule and herein below, there are not as of the date of this Agreement, any shares of capital stock of FBSN issued or outstanding or any options, warrants, subscriptions, calls, rights, convertible securities, or other agreements or commitments obligating FBSN to issue, transfer, or sell any shares of its capital stock.

5.3 Authority Relative to this Agreement. FBSN has the corporate power to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement by FBSN and the consummation by FBSN of the transactions contemplated hereby have been duly authorized by its Board of Directors, no other corporate proceedings on the part of FBSN are necessary to approve this Agreement or the transactions contemplated hereby.

5.4 *Consents, Approvals and Delinquent Filings; No Violations.*

(a) Except for applicable requirements, the Securities Act of 1933 and the Securities Exchange Act of 1934 ("34 Act"), state law relating to takeovers, if applicable, state securities or blue sky laws, and, as applicable, filing and recordation of Articles of Share exchange under the FBCA, no filing with, and no permit, authorization, consent, or approval of, any public body or authority is necessary for the consummation by FBSN of the transactions contemplated by this Agreement. Neither the execution and delivery of this Agreement by FBSN, nor the consummation by it of the transactions contemplated

hereby, nor compliance by FBSN with any of the provisions hereof, shall (a) result in any breach of the Articles of Incorporation or Bylaws of FBSN, (b) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation, or acceleration) under, any of the terms, conditions, or provisions of any note, bond, mortgage, indenture, license, contract, agreement, or other instrument or obligation to which FBSN or any of its subsidiaries is a party or by which any of them or any of their properties or assets may be bound or (c) violate any order, writ, injunction, decree, statute, rule, or regulation applicable to FBSN, any of its subsidiaries or any of their properties or assets, except in the case of clauses (b) and (c) for violations, breaches, or defaults that would not have a Material Adverse Effect.

5.5 *Financial Statements.* Except as set forth in Section 5.5 of the FBSN Schedule, the audited financial statements (the "FBSN audited Statements") dated September 30, 2003 ("FBSN Un-Audited Statements") fairly presents in all material respects the consolidated financial position of FBSN and its subsidiaries as of the respective dates thereof, and the other related statements (including in the case of the audited balance sheet, the related notes) included therein fairly present in all material respects the results of operations, changes in stockholders' equity and cash flows of FBSN and its subsidiaries for the respective periods or as of the respective dates set forth therein, all in conformity with generally accepted accounting principles consistently applied during the periods involved, except as otherwise noted therein and subject, in the case of the un-audited interim financial statements, to normal year-end adjustments and any other adjustments described therein and the absence of any notes thereto. Section 5.5 of the FBSN Schedules is a list of FBSN's payables as of September 30, 2003 and January 29, 2004.

5.5 Absence of Certain Changes or Events; Undisclosed Liabilities. Since September 30, 2003 except as set forth in Section 5.6 of the FBSN schedule, neither FBSN nor any of its subsidiaries has: (i) taken any of the actions as set forth in Sections 6.2 hereof; (ii) incurred any liability material to FBSN and its subsidiaries on a consolidated basis, except in the ordinary course of its business, consistent with past practices; (iii) suffered a change, or any event involving a prospective change, in the business, assets, financial condition, or results of operations of FBSN or any of its subsidiaries which has had, or is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect, (other than as a result of changes or proposed changes in federal or state regulations of general applicability or interpretations thereof, changes in generally accepted accounting principles, and changes that could, under the circumstances, reasonably have been anticipated in light of disclosures made in writing by FBSN to FBSN pursuant hereto); or (iv) subsequent to the date hereof, except as permitted by Section 6.1 hereof, conducted its business and operations other than in the ordinary course of business and consistent with past practices.

Neither FBSN nor any of its subsidiaries has any liability (and there is no basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand against any of them giving rising to any liability) except for (i) liability set forth on the face of the September 30, 2003 balance sheet and (ii) liabilities which have risen after the December 31, 2003 balance sheet in the ordinary course of business (none of which results from, arises out of, relates to, is in the nature of, or was caused by any breach of contract, tort, infringement, or violation of law).

5.6 *Litigation.* As of the date of this Agreement, (i) there is no action, suit, judicial, or administrative proceeding, arbitration or investigation pending or, to the best knowledge of FBSN, threatened against or involving FBSN or any of its subsidiaries, or any of their properties or rights, before any court, arbitrator, or administrative or governmental body; (ii) there is no judgment, decree, injunction, rule, or order of any court, governmental department, commission, agency, instrumentality, or arbitrator outstanding against FBSN or any of its subsidiaries; and (iii) FBSN and its subsidiaries are not in violation of any term of any judgments, decrees, injunctions, or orders outstanding against them. FBSN has furnished to FII in writing, a copy of which is set forth

in Section 5.7 of the FBSN Schedule, a description of all litigation, actions, suits, proceedings, arbitrations, investigations known to it, judgments, decrees, injunctions or orders pending; or to its best knowledge, threatened against or involving FBSN or any of its subsidiaries, or any of their properties or rights as of the date hereof.

5.7 *Taxes* For the purposes of this section, the term "tax" shall include all taxes, charges, withholdings, fees, levies, penalties, additions, interest, or other assessments imposed by any United States federal, state, or local authority or any other taxing authority on FBSN or any of its Tax Affiliates (as hereinafter defined) as to their respective income, profit, franchise, gross receipts, payroll, sales, employment, worker's compensation, use, property, withholding, excise, occupancy, environmental, and other taxes, duties, or assessments of any nature, whatsoever. Except as set forth in Section 5.8 of the FBSN Schedule, FBSN has filed or caused to be filed timely all material federal, state, local, and foreign tax returns required to be filed by each of its and any member of its consolidated, combined, unitary, or similar group (each such member a "Tax Affiliate"). Such returns, reports, and other information are accurate and complete in all material respects. FBSN has paid or caused to be paid or has made adequate provision or set up an adequate accrual or reserve for the payment of, all taxes shown to be due in respect of the periods for which returns are due, and has established (or shall establish at least quarterly) an adequate accrual or reserve for the payment of all taxes payable in respect of the period subsequent to the last of said periods required to be so accrued or reserved. Neither FBSN nor any of its Tax Affiliates has any material liability for taxes in excess of the amount so paid or accruals or reserves so established. Except as set forth in Section 5.7 of the FBSN Schedule, neither FBSN nor any of its Tax Affiliates is delinquent in the payment of any tax in excess of the amount reserved or provided therefore, and no deficiencies for any tax, assessment, or governmental charge in excess of the amount reserved or provided therefore have been threatened, claimed, proposed, or assessed. No waiver or extension of time to assess any taxes has been given or requested. To the best of current management's knowledge, the Internal Revenue Service, or comparable state have never audited FBSN's federal and state income tax returns.

5.8 *Compliance With Applicable Law.* FBSN and each of its subsidiaries holds all licenses, franchises, permits, variances, exemptions, orders, approvals, and authorizations necessary for the lawful conduct of its business under and pursuant to, and the business of each of FBSN and its subsidiaries is not being conducted in violation of, any provision of any federal, state, local, or foreign statute, law, ordinance, rule, regulation, judgment, decree, order, concession, grant, franchise, permit or license, or other governmental authorization or approval applicable to FBSN or any of its subsidiaries.

5.9 *Absence of Certain Changes or Events.* Except as disclosed in the FBSN financial statements, since September 30, 2003, neither FBSN nor any of its subsidiaries has: (a) incurred any liability material to FBSN and its subsidiaries on a consolidated basis, except in the ordinary course of its business, consistent with past practices; (b) suffered a change, or any event involving a prospective change, in the business, assets, financial condition, or results of operations of FBSN or any of its subsidiaries which has had, or is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect, (other than as a result of changes or proposed changes in federal or state regulations of general applicability or interpretations thereof, changes in generally accepted accounting principles, and changes that could, under the circumstances, reasonably have been anticipated in light of disclosures made in writing by FBSN to FII pursuant hereto).

5.10 *Absence of liabilities as of the Effective Time.* Notwithstanding anything to the contrary set forth herein or in any Schedule, financial statement or other document delivered or referred to herein, as of the Effective Date FBSN and its subsidiaries will not have any debt, liability or obligation of any nature, whether accrued, absolute, contingent or otherwise, and whether due or to become due, in excess of $500 unless the parties agree otherwise with respect to existing convertible note conversions.

ARTICLE VI

CONDUCT OF BUSINESS PENDING THE SHARE EXCHANGE

6.1 *Conduct of FII's Business Pending the Share exchange.* FII agrees on its own behalf and on behalf of its subsidiaries that, during the period from the date of this Agreement and continuing until the Effective Time:

(a) except as set forth in Schedule 6.1, the respective businesses of FII and its subsidiaries shall be conducted only in the ordinary and usual course of business and consistent with past practices;

(b) FII and its subsidiaries shall not (i) sell or pledge or agree to sell or pledge any stock owned by it in any of its subsidiaries; (ii) amend its Articles of Incorporation or Bylaws; or (iii) split, combine, or reclassify any shares of its outstanding capital stock or declare, set aside, or pay any dividend or other distribution payable in cash, stock, or property in respect of its capital stock, or directly or indirectly redeem, purchase, or otherwise acquire any shares of its capital stock or other securities or shares of the capital stock or other securities of any of its subsidiaries;

(c) FII and its subsidiaries shall not (i) authorize for issuance, issue, sell, pledge, dispose of, encumber, deliver, or agree or commit to issue, sell, pledge, or deliver any additional shares of, or rights of any kind to acquire any shares of, its capital stock of any class or exchangeable into shares of stock of any class or any Voting Debt (whether through the issuance or granting of options, warrants, commitments, subscriptions, rights to purchase, or otherwise), except that FII may issue Shares required to be issued upon exercise of existing stock options, warrants, or similar plans, or under other contractual commitments previously made, which options, warrants, plans, or commitments have been disclosed in writing to FBSN in the FII Schedule; (ii) acquire, dispose of, transfer, lease, license, mortgage, pledge, or encumber any fixed or other substantial assets other than in the ordinary course of business and consistent with past practices; (iii) incur, assume, or prepay any material indebtedness, liability, or obligation or any other material liabilities or issue any debt securities other than in the ordinary course of business and consistent with past practices; (iv) assume, guarantee, endorse, or otherwise become liable or responsible (whether directly, contingently, or otherwise) for the obligations any other person (other than a subsidiary) in a material amount other than in the ordinary course of business and consistent with past practices; (v) make any material loans, advances, or capital contributions to, or investments in, any other person, other than to subsidiaries, other than in the ordinary course of business and consistent with past practices; (vi) fail to maintain adequate insurance consistent with past practices for their businesses and properties; or (vii) enter into any contract, agreement, commitment, or arrangement with respect to any of the foregoing;

(d) FII shall preserve intact the business organization of FII and its subsidiaries, to keep available the services of its and their present officers and key employees, and to preserve the goodwill of those having business relationships with it and their respective subsidiaries; provided, however, that no breach of this covenant shall be deemed to have occurred if a failure to comply with this Section 6.1(d) occurs as a result of any matter arising out of the transactions contemplated by this Agreement;

(e) FII and its subsidiaries shall not knowingly take or allow to be taken or fail to take any action which act or omission would jeopardize qualification of the Transaction as a "reorganization" within the meaning of Section 368(a) of the Code; and

(f) FII and its subsidiaries shall use all reasonable efforts to prevent any representation or warranty of FII herein from becoming untrue or incorrect in any material respect.

(g) Notwithstanding anything to the contrary herein, FII shall be able to sell its existing urgent care facilities and enter into agreements related to its urgent care facility business

or make changes in the management and operations of its urgent care facilities and no such actions shall be restricted or constitute a violation of the terms of this agreement.

6.2 *Conduct of FBSN's Business Pending the Share exchange.* FBSN agrees that, during the period from the date of this Agreement and continuing until the Effective Time, except as provided herein:

(a) except as set forth in Schedule 6.2, the businesses of FBSN shall be conducted only in the ordinary and usual course of business and consistent with past practices except as may be required to restructure for purposes of this share exchange;

(b) FBSN shall not (i) sell or pledge or agree to sell or pledge any stock owned by it in any of its subsidiaries; (ii) amend its Articles of Incorporation or Bylaws; or (iii) split, combine, or reclassify any shares of its outstanding capital stock or declare, set aside, or pay any dividend or other distribution payable in cash, stock, or property in respect of its capital stock, or directly or indirectly redeem, purchase, or otherwise acquire any shares of its capital stock or other securities or shares of the capital stock or other securities of any of its subsidiaries;

(c) FBSN shall not (i) authorize for issuance, issue, sell, pledge, dispose of, encumber, deliver, or agree or commit to issue, sell, pledge, or deliver any additional shares of, or rights of any kind to acquire any shares of, its capital stock of any class or exchangeable into shares of stock of any class or any Voting Debt (whether through the issuance or granting of options, warrants, commitments, subscriptions, rights to purchase, or otherwise), except that FBSN may issue Shares required to be issued upon exercise of existing stock options, warrants, or similer plans, or under other contractual commitments previously made, which options, warrants, plans, or commitments have been disclosed in writing to FBSN in the FBSN Schedule; (ii) acquire, dispose of, transfer, lease, license, mortgage, pledge, or encumber any fixed or other substantial assets other than in the ordinary course of business and consistent with past practices; (iii) incur, assume, or prepay any material indebtedness, liability, or obligation or any other material liabilities or issue any debt securities other than in the ordinary course of business and consistent with past practices; (iv) assume, guarantee, endorse, or otherwise become liable or responsible (whether directly, contingently, or otherwise) for the obligations any other person (other than a subsidiary) in a material amount other than in the ordinary course of business and consistent with past practices; (v) make any material loans, advances, or capital contributions to, or investments in, any other person, other than to subsidiaries, other than in the ordinary course of business and consistent with past practices; (vi) fail to maintain adequate insurance consistent with past practices for their businesses and properties; or (vii) enter into any contract, agreement, commitment, or arrangement with respect to any of the foregoing;

(d) FBSN shall preserve intact the business organization of FBSN, to keep available the services of its present officers; provided, however, that no breach of this covenant shall be deemed to have occurred if a failure to comply with this Section 6.2(d) occurs as a result of any matter arising out of the transactions contemplated by this Agreement;

(e) FBSN shall not knowingly take or allow to be taken or fail to take any action which act or omission would jeopardize quallfication of the Transaction as a "reorganization" within the meaning of Section 368(a) of the Code; and

(f) FBSN shall use all reasonable efforts to prevent any representation or warranty of FBSN herein from becoming untrue or incorrect in any material respect.

6.3 *Current Information.* From the date of this Agreement to the Effective Time, FII shall cause one or more of its designated representatives to confer on a regular and frequent basis with representatives of FBSN and each shall report the general status of their ongoing operations and to deliver to the FBSN or FII as the case may be, monthly un-audited consolidated balance sheets and related consolidated statements of income for the period since the last such report.

6.4 *Legal Conditions to Share exchange.* Each of FBSN and FII shall, and shall cause their subsidiaries (if applicable) to, use all reasonable efforts (a) to take, or cause to be taken, all actions

necessary to comply promptly with all legal requirements which may be imposed on such party or its subsidiaries with respect to the Transaction and to consummate the transactions contemplated by this Agreement, subject to the appropriate vote or consent of shareholders, and (b) to obtain (and to cooperate with the other party to obtain) any consent, authorization, order or approval of, or any exemption by, any governmental entity and/or any other public or private third party which is required to be obtained or made by such party or any of its subsidiaries in connection with the Transaction and the transactions contemplated by this Agreement. Each of FBSN and FII shall promptly cooperate with and furnish information to the other in connection with any requirement imposed upon, any of them or any of their subsidiaries in connection with the foregoing.

6.5 *Advice of Changes; Government Filings.* Each party shall confer on a regular and frequent basis with the other, report on operational matters and promptly advise the other orally and in writing of any change or event having, or which, insofar as can reasonably be foreseen, could have, a Material Adverse Effect on such party or which would cause or constitute a material breach of any of the representations, warranties, or covenants of such party contained herein. FBSN shall file all reports required by regulation to be filed by it with any regulatory body between the date of this Agreement and the Effective Time and shall deliver to the other party copies of all such reports promptly after the same are filed.

ARTICLE VII

ADDITIONAL AGREEMENTS

7.1 *Access and Information.*

(a) FII and FBSN shall afford to the other party and its financial advisors, legal counsel, accountants, consultants, and other representatives access during normal business hours throughout the period from the date hereof to thirty days subsequent to the date hereof to all of its books, records, properties, facilities, personnel commitments, and records (including but not limited to Tax Returns) and, during such period, each shall furnish promptly all information concerning its business, properties, and personnel as such other party may reasonably request in order for such other party to fully investigate the business and affairs of FII or FBSN, as applicable prior to the Effective Time (the "Inspection").

(b) All information furnished by a party pursuant hereto shall be treated as the sole property of the furnishing party until consummation of the Transaction contemplated hereby.

7.2 *Public Announcements.* So long as this Agreement is in effect, each Company agrees that it shall obtain the approval of the other party prior to issuing any press release and shall use its best efforts to consult with the others before otherwise making any public statement or responding to any press inquiry with respect to this Agreement or the transactions contemplated hereby, except as may be required by law or any governmental agency if required by such agency or the rules of the NASD Stock Market.

7.3 *Expenses.* Subject to Section 9.2 and 5.10 hereof, whether or not the Transaction is consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby and thereby shall be paid by the party incurring such expenses, except that FBSN shall be responsible for any and all expenses incurred regarding the re-domiciling as contemplated herein and as set forth in Section 8.3(f) below herein.

7.4 *Additional Agreements.*

(a) Subject to the terms and conditions herein provided, including without limitation those set forth in the proviso to Section 6.4 hereof, each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper, or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement,

including using all reasonable efforts to obtain all necessary waivers, consents, and approvals, and to effect all necessary registrations and filings. In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement, the proper officers and/or directors of the Companies shall take all such necessary action.

(b) Subject to the terms and conditions herein provided, including without limitation those set forth in the proviso to Section 6.4 hereof, each Company shall cooperate with the others and use all reasonable efforts to prepare all necessary documentation to effect promptly all necessary filings and to obtain all necessary permits, consents, approvals, orders, and authorizations of or any exemptions by, all third parties and governmental bodies necessary to consummate the transactions contemplated by this Agreement.

(c) At the Effective Time, all members of the FBSN Board of Directors shall elect the individuals ("New Board of Directors") listed on Schedule 7.4 to serve on the FBSN Board of Directors and as officers in accordance with FBSN's Articles of Incorporation and Bylaws and thereupon resign.

(d) The parties hereby agree to binding arbitration for the resolution of any dispute arising from this Agreement and further agree that the prevailing party in any such arbitration shall be entitled to all costs and a reasonable sum for attorney fees. Jurisdiction and venue for any such arbitration shall be in Winston-Salem, N.C. and shall be governed by the commercial rules of the American Arbitration Association.

(e) No reverse split of the common shares shall occur for a period of 12 months from the date of closing without the consent of Daniel Starczewski.

7.5 *Survival of Representations and Warranties.* The respective representations and warranties of FBSN and FII contained in this Agreement shall survive the Closing Date for a period of two years (the "Survival Period"), at the end of which Survival Period no claim may be made with respect to any such representation or warranty unless such claim shall have been asserted in writing to the Indemnifying Party during such period.

7.6 *Issuance of Securities.* For the period commencing as of the date hereof and ending as of the Effective Time, FBSN agrees that it shall not issue any shares of common stock except as required under this Agreement.

7.7 FBSN Agreements.

Prior to the Effective Time, FBSN shall have obtained director approval and shareholder consent approving the following:

a. Approval of FII acquisition and re-domicile to Florida
b. Approval of a name change to Innovative Food Holdings, Inc. or as determined by FII.

ARTICLE VIII

CONDITIONS TO CONSUMMATION OF THE SHARE EXCHANGE

8.1 *Conditions to the Companies' Obligation to Effect the Share exchange* The respective obligations of all Companies to effect the transactions contemplated herein shall be subject to the satisfaction at or prior to the Effective Time of the following conditions, any one of which may be waived by a writing signed by FBSN and FII:

(a) This Agreement shall have been executed by the holders of at least 90% of FII's outstanding common stock (the "Required Stockholders' Consent").

(b) No preliminary or permanent injunction or other order by any federal, state, or foreign court of competent jurisdiction which prohibits the consummation of any Transaction shall have been issued and remain in effect. No statute, rule, regulation, executive order, stay, decree, or judgment shall have been enacted, entered, issued,

promulgated, or enforced by any court or governmental authority which prohibits or restricts the consummation of the Share exchange. Other than the filing of Articles of Meger with the Department of State for the State of Florida, all authorizations, consents, orders or approvals of, or declarations or filings with, and all expirations of waiting periods imposed by, any governmental entity (all of the foregoing, "Consents") which are necessary for the consummation of the Transaction, other than Consents the failure to obtain which would have no material adverse effect on the consummation of the Transaction or on the Surviving Corporation and its subsidiaries, taken as a whole, shall have been filed, occurred, or been obtained (all such permits, approvals, filings, and consents and the lapse of all such waiting periods being referred to as the "Requisite Regulatory Approvals") and all such Requisite Regulatory Approvals shall be in full force and effect.

(c) There shall not be any action taken, or any statute, rule, regulation, or order enacted, entered, enforced, or deemed applicable to any Share exchange, by any federal or state governmental entity which, in connection with the grant of a Requisite Regulatory Approval, imposes any condition or restriction upon any Surviving Corporation or its subsidiaries (or, in the ease of any disposition of assets required in connection with such Requisite Regulatory Approval, upon any Company or its subsidiaries), including, without limitation, requirements relating to the disposition of assets, which in any such case would so materially adversely impact the economic or business benefits of the transactions contemplated by this Agreement as to render inadvisable the consummation of the Share exchange.

(d) Each Company shall have performed in all material respects its obligations under this Agreement required to be performed by it at or prior to the Effective Time and the representations and warranties of each Company contained in this Agreement shall be true and correct in all material respects at and as of the Effective Time as if made at and as of such time, except as contemplated by this Agreement, and each Company shall have received a certificate of the Chairman of the Board, the President, or an Executive Vice President of the other Company as to the satisfaction of this condition.

(e) Each Company shall have obtained the consent or approval of each person whose consent or approval shall be required in connection with the transactions contemplated hereby, under any loan or credit agreement, note, mortgage, indenture, lease, license, or other agreement or instrument, except those for which failure to obtain such consents and approvals would not, individually or in the aggregate, have a material adverse effect on the Surviving Corporation and its subsidiaries taken as a whole or upon the consummation of the transactions contemplated hereby.

8.2 *Conditions to Obligations of FBSN.* The obligations of FBSN to carry out the transactions contemplated by this Agreement are subject, at the option of FBSN, to the satisfaction, or waiver by FBSN, of the following conditions:

(a) No proceeding which FII shall be a debtor, defendant, or party seeking an order for its own relief or reorganization shall have been brought or be pending by or against such person under any United States or state bankruptcy or insolvency law.

(b) FII shall have delivered a certificate of an officer of FII that it shall have performed in all material respects its obligations under this Agreement required to be performed by it at or prior to the Effective Time and the representations and warranties of FII contained in this Agreement shall be true and correct in all material respects at and as of the Effective Time as if made at and as of such time, except as contemplated by this Agreement.

FBSN shall have received evidence, satisfactory to it that transactions contemplated by this Agreement, can be consummated in accordance with an exemption from applicable state and federal securities laws.

8.3 *Conditions to Obligations of FII.* The obligations of FII to carry out the transactions contemplated by this Agreement are subject, at the option of FII, to the satisfaction, or waiver by FII, of the following conditions:

(a) No proceeding which FBSN shall be a debtor, defendant, or party seeking an order for its own relief or reorganization shall have been brought or be pending by or against such person under any United States or state bankruptcy or insolvency law.
(b) FBSN shall deliver the resignations of the members of the FBSN Board of Directors, in a form satisfactory to FII and appointment of the persons specified by FII as directors and officers of FBSN.
(c) FBSN and its subsidiaries shall have no debt, liability or obligation of any nature, whether accrued, absolute, contingent or otherwise, and whether due or to become due, in excess of $500, except as provided for herein.
(d) FBSN shall have delivered a certificate of an officer of FBSN that (i) it shall have performed in all material respects its obligations under this Agreement required to be performed by it at or prior to the Effective Time and (ii) the representations and warranties of FBSN contained in this Agreement shall be true and correct in all material respects at and as of the Effective Time as if made at and as of such time, except as contemplated by this Agreement.
(e) FII shall have received evidence, satisfactory to it that transactions contemplated by this Agreement, can be consummated in accordance with an exemption from applicable state and federal securities laws.
(f) FBSN shares shall continue to be approved to trade on the Pink Sheet Quotation System. FBSN shall assume responsibility for any and all costs associated with re-domiciling as agreed upon herein above, including but not limited to state or federal filing fees, registered agent fees and CUSIP fees but not fees associated with the issuance of shares.
(g) The shareholders of FBSN have entered into agreements concerning sale and transfer of their FBSN stock satisfactory to FII.
(h) Fiber Application Systems Technology, Ltd, a Colorado corporation, shall have merged into Innovative Food Holdings, Inc., a Florida corporation and no shareholders of the Colorado corporation shall have sought to dissent or seek appraisal rights in connection with such transaction.

ARTICLE IX

TERMINATION, AMENDMENT AND WAIVER

9.1 *Termination.* This Agreement may be terminated and the Transaction contemplated hereby abandoned at any time prior to the Effective Time, whether before or after approval by the shareholders of FII:

(a) By mutual written consent of all of the Companies.
(b) By either FBSN or FII if the Transaction shall not have been consummated on or before February 25, 2004, through no fault of the terminating party.
(c) By FBSN or FII if there shall have been any material breach of a material obligation of the other hereunder and, if such breach is curable, such default shall have not been remedied within 10 days after receipt by the other Company, as the case may be, of notice in writing from such Company specifying such breach and requesting that it be remedied; provided, that such 10-day period shall be extended for so long as the other Company shall be making diligent attempts to cure such default.
(d) By either FBSN or FII if any court of competent jurisdiction in the United States or other United States governmental body shall have issued an order, decree, or ruling or taken any other action restraining, enjoining, or otherwise prohibiting the Transaction and such order, decree, ruling, or any other action shall have become final and non-appealable.

9.2 *Effect of Termination.* In the event of termination of this Agreement as provided above, this Agreement shall forthwith become of no further effect and, except for a termination resulting from a breach by a party to this Agreement, there shall be no liability or obligation on the part of any Company or their respective officers or directors (except as set forth in Section 7.1 hereof which shall survive the termination). Nothing contained in this Section 9.2 shall relieve any party from liability for willful breach of this Agreement that results in termination of this Agreement. Upon request therefore, each party shall redeliver all documents, work papers, and other material of any other party relating to the transactions contemplated hereby, whether obtained before or after the execution hereof, to the party furnishing same.

9.3 *Amendment.* This Agreement may be amended by action taken at any time before or after approval hereof by the shareholders of FII, but, after any such approval, no amendment shall be made which alters the Exchange Ratio or which in any way materially adversely affects the rights of such shareholders, without the further approval of such shareholders. This Agreement may not be amended, except by an instrument in writing signed by each of the parties hereto.

9.4 *Waiver* At any time prior to the Effective Time, the parties hereto may (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto, and (c) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. Such extensions or waivers shall be in writing, executed by each of FBSN and FII. Such waiver shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

ARTICLE X

GENERAL PROVISIONS

10.1 *Brokers.* Each Company represents and warrants to the others that no broker, finder, or financial advisor is entitled to any brokerage, finder's, or other fee or commission in connection with the Transaction or the transactions contemplated by this Agreement based upon arrangements made by or on behalf of any party hereto, except as reflected in the FII Schedule or the FBSN Schedule.

10.2 *Notices.* All notices, claims, demands and other communications hereunder shall be in writing and shall be deemed given if delivered personally or by telex or telecopy or mailed by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address as shall be submitted in writing):

Fiber Application Systems Technology, Ltd.
c.o Dan Starczewski
1020-60 Brookstown Ave.
Winston-Salem, N.C. 27101

Copy to: Thomas F. Pierson, P.C.
1140 Highway 287, Suite 400-274
Broomfield, Co. 80020
240-266-5659 fax
thomaspiersonpc@yahoo.com

If to FII to: Mr. Joe DiMaggio, President
Food Innovations, Inc.
123 Trade Center Way #1
Naples, Florida 34109.

Copy to:

10.3 *Descriptive Headings.* The headings contained in this Agreement are for reference Purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

10.4 *Entire Agreement; Assignment.* This Agreement (including the Exhibits, Schedules, and other documents and instruments referred to herein) (a) constitute the entire agreement and supersede all other prior agreements and understandings, both written and oral, among the parties or any of them, with respect to the subject matter hereof; and (b) shall not be assigned by operation of law or otherwise.

10.5 *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of Florida without giving effect to the provisions thereof relating to conflicts of law.

10.6 *Parties in Interest.* Nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any rights, benefit, or remedies of any nature whatsoever or by reason of this Agreement.

10.7 *Counterparts.* This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.[include a facsimiles provision]

10.8 *Validity.* The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, which shall remain in full force and effect.

10.9 *Jurisdiction and Venue.* Each Party hereto hereby agrees that any proceeding relating to this Agreement and the Transaction shall be brought in the United States District Court in Florida. Each party hereto hereby consents to personal jurisdiction in any such action brought in such court, consents to service of process by registered mail made upon such party and such party's agent and waives any objection to venue in any such court or to any claim that such court is an inconvenient form.

10.10 *Investigation.* The respective representations and warranties of each Company contained herein or in the certificates or other documents delivered prior to the Closing shall not be deemed waived or otherwise affected by any investigation made by any party hereto.

10.11 *Consents.* For purposes of any provision of this Agreement requiring, permitting, or providing for the consent of any or Company, the written consent of the Chief Executive Officer or President of a Company shall be sufficient to constitute such consent.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each Company has caused this Agreement to be executed on its behalf by its officers thereunto duly authorized, all as of the date first above written.

FIBER APPLICATION SYSTEMS TECHNOLOGY, LTD.,
a Colorado Corporation

By: _____
Name: Dan Starczewski,
Title: President

FOOD INNOVATIONS, INC., a Delaware corporation

By: _____
Name: JOE DIMAGGIO JR.
Title: CEO / FOUNDER

PRINCIPAL STOCKHOLDERS:

_____
Joe DiMaggio, Jr.

_____
MIKE FERRONE

(BAP/207808.0001/N0405326_1)

IN WITNESS WHEREOF, each Company has caused this Agreement to be executed on its behalf by its officers thereunto duly authorized, all as of the date first above written.

FIBER APPLICATION SYSTEMS TECHNOLOGY, LTD., a Colorado corporation

By: _____
Name: Dan Starczewski
Title: President

FOOD INNOVATIONS, INC., a Delaware corporation

By: _____
Name: [illegible] DiMaggio Jr.
Title: CEO / Founder

PRINCIPAL STOCKHOLDERS:

_____
Joe DiMaggio, Jr.

_____
Mike Ferrone

This Code of Ethics (the “Code”) has been adopted by the Board of Directors (the “Board”) of Innovative Food holdings, Inc. (the “Company”) in accordance with the requirements of Rule 406 of Regulation S-B promulgated under the Securities Act of 1933, as amended, and summarizes the standards applicable to the Company’s employees, including its executive officers, and the members of the Board (the “Covered Parties”).

As a public company, it is of critical importance that filings with the Securities and Exchange Commission and others be accurate and timely. The Covered Parties bear a special responsibility for promoting integrity throughout the Company, with responsibilities to stakeholders both inside and outside of the Company. The Covered Parties have a special role both to adhere to these principles themselves, and also to ensure that a culture exists throughout the Company as a whole that ensures the fair, timely and accurate reporting of the Company’s financial results and condition.

Because of this special role, the Covered Parties are bound by this Code to:

- act with honesty and integrity, practice and promote ethical conduct, and disclose to the Board (or any member thereof) or any committee (or member thereof) established by the Company for the purpose of receiving such disclosures (the “Committee”), any material transaction or relationship that reasonably could be expected to give rise to actual or apparent conflicts of interest between any Covered Party’s personal and professional relationships;

- provide information in the Covered Party’s possession that is complete, objective, relevant, and otherwise necessary to ensure the Company provides full, fair, accurate, timely and understandable disclosure in the reports and documents that the Company files with, or submits, to, the Securities and Exchange Commission or others, and in other public communications made by the Company;

- comply with applicable laws, rules, standards, best practices and regulations of federal, state, provincial and local governments, and other appropriate private and public regulatory, listing and standard-setting agencies; and

- avoid any breach of fiduciary duty, any self-interested transactions with the Company without full disclosure to the Board or Committee, and promptly report to the Board or the Committee (or any members thereof) any conduct that he or she believes is or may be in violation of law, regulations, business ethics or of any provision of this Code, including any transaction or relationship that reasonably could be expected to give rise to such a violation.

Any waiver of or amendment to this Code may only be made by the Board and will be promptly disclosed in accordance with applicable laws, rules and regulations. Requests for waivers of any provision of this Code must be made in writing to the Board.

If a Covered Party is faced with a difficult ethical decision or has doubts as to the appropriate course of action in a particular situation, he or she should consult with a member of the Board or the Committee. Each Covered Party will be held accountable for adherence to this Code. Violations of this Code, including failures to report actual or potential violations by others, will be viewed by the Company as a severe disciplinary matter that may result in a personnel action, up to and including termination of employment. If a Covered Party believes that a violation of this Code has occurred, he or she is required to promptly inform a member of the Board or the Committee, other than the member so implicated.

Innovative Food Holdings, Inc.

Schedule of Subsidiaries of IVFH

1. Food Innovations, Inc

RADE CENTER WAY • NAPLES,FLORIDA • 34109
PHONE: 888.352.3663 • FAX: 239.254.7900

Exhibit 31.1

CERTIFICATIONS

I, Jonathan Steckler, certify that:

I have reviewed this annual report on Form 10-KSB of Innovative Food Holdings, Inc. ("Registrant");

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ JONATHAN STECKLER

Jonathan Steckler
President

Date: September 15, 2005

Exhibit 31.2

I, Carol Houston, certify that:

I have reviewed this annual report on Form 10-KSB of Innovative Food Holdings, Inc. ("Registrant");

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ CAROL HOUSTON

Carol Houston
Principal Financial Officer

Date: September 15, 2005

Exhibit 32.1

Written Statement of the President Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Innovative Food Holdings, Inc. ("Registrant"), hereby certifies that the Registrant's Annual Report on Form 10-KSB for the twelve months ended December 31, 2004 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ JONATHAN STECKLER

Jonathan Steckler
President

Date: September 15, 2005

Exhibit 32.2

Written Statement of the Principal Financial Officer Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Innovative Food Holdings, Inc. ("Registrant"), hereby certifies that the Registrant's Annual Report on Form 10-KSB for the twelve months ended December 31, 2004 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ CAROL HOUSTON

Carol Houston
Principal Financial Officer

Date: September 15, 2005