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

FORM 10-K

x Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2008

OR

o Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

COMMISSION FILE NUMBER: 0-9376

INNOVATIVE FOOD HOLDINGS, INC.
(Name of Registrant as Specified in its Charter)

FLORIDA (State or other jurisdiction of incorporation or organization)	20-116776 (I.R.S. Employer Identification No.)
3845 Beck Blvd., Suite 805 Naples, Florida (Address of Principal Executive Offices)	34114 (Zip Code)

(239) 596-0204
(Registrant's Telephone Number, Including Area Code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:
COMMON STOCK, $0.0001 PAR VALUE PER SHARE
(Title of class)

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. o

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not 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-K or any amendment to this Form 10-K. o

Indicate by a check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer and smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

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

The aggregate market value of the voting and non-voting stock held by non-affiliates was approximately $330,718 as of April 10, 2009, based upon a closing price of $0.0025 for the issuer's common stock on such date.

On April 10, 2009, 178,577,038 shares of our common stock were outstanding.

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INNOVATIVE FOOD HOLDINGS, INC.

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FILED WITH THE SECURITIES AND EXCHANGE COMMISSION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

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FORWARD LOOKING INFORMATION
MAY PROVE INACCURATE

THIS ANNUAL REPORT ON FORM 10-K 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-K. 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. Business

Our History

We were initially formed in June 1979 as Alpha Solarco Inc., a Colorado corporation. From June 1979 through February 2003, we were either inactive or involved in discontinued business ventures. We changed our name to Fiber Application Systems Technology, Ltd in February 2003. In January 2004, we changed our state of incorporation by merging into Innovative Food Holdings, Inc. (IVFH), a Florida corporation formed for that purpose. As a result of the merger we changed our name to that of Innovative Food Holdings, Inc. In January 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, Food Innovations, Inc. (“FII”), which was incorporated in the state of 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 shipped directly from our network of vendors within 24 – 72 hours. Our customers include restaurants, hotels, country clubs, national chain accounts, casinos, and catering houses. In our business model, we take orders from our customers and then forward the orders to our various suppliers for fulfillment. In order to preserve freshness, we do not warehouse or store our products, thereby significantly reducing our overhead. Rather, we carefully select our suppliers based upon, among other factors, their reliability and access to overnight courier services.

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

Mushrooms - Fresh morels, Trumpet Royale, porcini powder, wild golden chanterelles

Cheese - Maytag blue, buffalo mozzarella, Spanish manchego, Italian gorgonzola dolce

In 2008 seafood accounted for 14% of sales, meat and game accounted for 21% of sales, specialty items accounted for 43% of sales, produce accounted for 5% of sales, cheese accounted for 13% of sales, and poultry accounted for 4% of sales.

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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 who are full-time employees of the Company, and who are 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 vendors to ensure our strict packaging requirements are in place at all times.

Relationship with U.S. Foodservice

In 2003, Next Day Gourmet, L.P., a subsidiary of USF, a $20 Billion broadline distributor then owned by Dutch grocer Royal Ahold, contracted FII to handle the distribution of over 3,000 perishable and specialty products. Under the current terms of the contract FII is the exclusive supplier of overnight delivered, perishable sea foods, fresh produce, and other exotic fresh foods. Such products are difficult for broadline food distributors to manage profitably and keep in warehouse stock due to their perishable nature and high-end limited customer base. Through USF's sales associates, FII's products are available to USF accounts nationwide, ensuring superior freshness and extended shelf life to their customers. The current contract with USF expires on September 11, 2009, During the years ended December 31, 2008, and 2007, sales through USF's sales associates accounted for 97% and 95% of total sales respectively. We believe that although a significant portion of our sales occur through the USF sales force, the success of the program is less contingent on a contract then on the actual performance and quality of our products. Other than our business arrangements with USF, we are not affiliated with either USF or Next Day Gourmet, L.P.

Growth Strategy

Restaurant food sales continue to grow, both in total dollars spent (from $295 billion in 1995 to over $565 billion projected for 2009) and projected to equal 4% of the U.S. gross domestic product. On a typical day in America in 2009, more than 130 million individuals will be projected to be foodservice patrons , according to the National Restaurant Association website (www.restaurant.org).

For our continued growth within the foodservice industry we rely heavily on the availability to our customers of our chefs' culinary skills, a high level of personal customer service, premium quality products, and sales available through our relationship with USF.

We anticipate attempting to grow our current business both through increased sales of products to our existing foodservice customers, increasing our foodservice customer base, and through the entry into additional markets such as the direct to consumer market through a variety of potential sales channels, and sales partnerships.

In addition to attempting to grow our current business, we believe that there are lateral opportunities in the food industry generally and such we may look into the possibility of acquiring a gourmet food manufacturer or gourmet distributor at some future point in time. 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.

General economic conditions and consumer confidence can affect the frequency of purchases and amounts spent by consumers for food-prepared-away-from-home and, in turn, can impact our customers and our sales. We believe the current general economic conditions, including pressure on consumer disposable income, may contribute to a decline in the foodservice market. We intend to continue our efforts to expand our market share and grow earnings by focusing on sales growth, margin management, productivity gains and supply chain management And product and service differentiation.

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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 customer service oriented quality chef driven perishables for delivery in 24 to 72 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 purveyors 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 also be adversely affected.

Employees

We currently employ 14 full-time employees, including 4 chefs and 2 executive officers. We believe that our relations with our employees are satisfactory. None of our employees are represented by a union.

Transactions with Major Customers

Transactions with major customers and related economic dependence information is set forth under the heading Transactions with Major Customers in Note 14 to the Consolidated Financial Statements included in the Financial Statements section hereof and is incorporated herein by reference.

How to Contact Us

Our executive offices are located at 3845 Beck Blvd., Naples, Florida 34109; our Internet address is www.foodinno.com; and our telephone number is (239) 596-0204.

Risk Factors

We Have a History Of Losses Which May Continue, Requiring Us To Seek Additional Sources of Capital Which May Not Be Available, Requiring Us To Curtail Or Cease Operations.

We suffered a net loss of $2,421,122 for the year ended December 31, 2008. We cannot assure you that we can achieve or sustain profitability on a quarterly or annual basis in the future. If revenues grow more slowly than we anticipate, or if operating expenses exceed our expectations or cannot be adjusted accordingly, we will incur losses. We will also incur losses if the fair value of warrants, options, etc changes unfavorably. We will incur operating losses until we are able to establish significant sales. Our possible success is dependent upon the successful development and marketing of our services and products, as to which we can give no assurance. Any future success that we might enjoy will depend upon many factors, including factors out of our control or which cannot be predicted at this time. These factors may include changes in or increased levels of competition, including the entry of additional competitors and increased success by existing competitors, changes in general economic conditions, increases in operating costs, including costs of supplies, personnel, marketing and promotions, reduced margins caused by competitive pressures and other factors. These conditions may have a materially adverse effect upon us or may force us to reduce or curtail operations. In addition, we will require additional funds to sustain and expand our sales and marketing activities, particularly if a well-financed competitor emerges. We can give no assurance that financing will be available in amounts or on terms acceptable to us, if at all. Our inability to obtain sufficient funds from our operations or external sources would require us to curtail or cease operations.

If We Are Unable to Obtain Additional Funding Our Business Operations Will be Harmed and If We Do Obtain Additional Financing Our Then Existing Shareholders May Suffer Substantial Dilution.

Additional capital will be required to effectively support our operations and to otherwise implement our overall business strategy. However, we can give no assurance that financing will be available when needed on terms that are acceptable to us. Our inability to obtain additional capital will restrict our ability to grow and may reduce our ability to continue to conduct business operations. If we are unable to obtain additional financing, we will likely be required to curtail our marketing and development plans and possibly cease our operations. Any additional equity financing (or equity related financing such as convertible debt financing) may involve substantial dilution to our then existing shareholders.

Our Independent Auditors Have Expressed Substantial Doubt About Our Ability to Continue As a Going Concern, and We Concur With This Assessment

In their report dated April 7, 2009, our independent auditors stated that our financial statements for the year ended December 31, 2008 were prepared assuming that we would continue as a going concern. Our ability to continue as a going concern is an issue raised as a result of our significant losses from operations since inception and our working capital deficiency. We continue to experience net operating losses. Our ability to continue as a going concern is subject to our ability to generate a profit and/or obtain necessary funding from outside sources, including obtaining additional funding from the sale of our securities, increasing sales or obtaining loans and grants from various financial institutions where possible. Our continued net operating losses increase the difficulty in our meeting such goals and we can give no assurance that such methods will prove successful.

We Have Historically Derived Substantially All of Our Revenue From One Client and if We Were to Lose Such Client and Be Unable to Generate New Sales to Offset Such Loss, We May Be Forced to Cease or Curtail Our Operations.

In 2003, Next Day Gourmet, L.P. initially contracted with our subsidiary to handle the distribution of over 3,000 perishable and specialty food products to customers of US Food Services, Inc. (“USF”). Our current contract with USF expires in September 2009. Our sales through USF’s sales force generated gross revenues for us of $6,791,767 in the year ended December 31, 2008, and $6,519,721 in the year ended December 31, 2007. Those amounts contributed 97% and 95%, respectively of our total sales in those periods. Our sales efforts are for the most part dependent upon the efforts of the USF sales force. Although we have generated revenues from additional customers other than USF, if our relationship with USF were to be materially changed and we are unable to generate new sales to offset such loss, we may be forced to cease or curtail our operations.

We May Be Unable to Manage Our Growth Which Could Result in Our Being Unable to Maintain Our Operations.

Our strategy for growth is focused on continued enhancements and expansion to our existing business model, offering a broader range of services and products and affiliating with additional vendors and 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 We can give no assurance that we will be able to successfully implement our planned expansion, finance its growth, or manage the resulting larger operations. In addition, we can give 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 operations.

The Foodservice Industry is Very Competitive, Which May Result in Decreased Revenue for Us as Well as Increased Expenses Associated With Marketing Our Services and Products.

We compete against other providers of quality foods, 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.

Our Success Depends on Our Acceptance by the Chef Community and if the Chef Community Does Not Accept Our Products Then Our Revenue Will be Severely Limited.

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 Vendors and Shippers for Our Specialty Food Products and Interruption in the Supply of Our Products May Negatively Impact Our Revenues.

Shortages in supplies of the food products we sell may impair our ability to provide our services. Our vendors 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 as well as adverse weather conditions may result in our inability to deliver our products in a timely manner. Since our customers rely on us to deliver their orders within 24-72 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.

The Issuance of Shares Upon Conversion of Convertible Notes and Exercise of Outstanding Warrants May Cause Immediate and Substantial Dilution to Our Existing Stockholders.

The issuance of shares upon conversion of convertible notes and exercise of warrants may result in substantial dilution to the interests of other stockholders since the note/warrant holders may ultimately convert or exercise and sell the full amount of shares issuable on conversion / exercise. Although, for the most part, such note/warrant holders may not convert their convertible notes and/or exercise their warrants if such conversion or exercise would cause them to own more than 4.99% of our outstanding common stock unless waived in writing by the investor with 61 day notice to the Company, this restriction does not prevent them from converting and/or exercising some of their holdings, selling off those shares, and then converting the rest of their holdings. In this way, they could sell more than this limit while never holding more than this limit. We anticipate that eventually, over time, the full amount of the convertible notes will be converted into shares of our common stock, in accordance with the terms of the secured convertible notes.

If We Are Required for any Reason to Repay Our Outstanding Convertible Notes We Would Be Required to Deplete Our Working Capital, If Available, or Raise Additional Funds.

We are required to repay our convertible notes commencing in June 2009 with respect to the convertible notes issued in connection with the December 2008 Securities Purchase Agreement. If we are required to repay the secured convertible notes, we would be required to use our limited working capital and/or raise additional funds (which may be unavailable) which would have the effect of causing further dilution and lowering shareholder value.

We Have a History of Being In Default Under Certain Convertible Notes Which Could Result in Legal Action Against Us, Which Could Require the Sale of Substantial Assets.

While we are not currently in default under any of our outstanding notes, we have a history of being in default under certain of our outstanding convertible notes, and possibly will be again in the future, which could require the early repayment of the convertible notes, including a default interest rate of 15% on the outstanding principal balance of the notes if the default is acted upon by the note holders and not cured within the specified grace period. If we were unable to repay the notes when required, the note holders could commence legal action against us and foreclose on all of our assets to recover the amounts due. Any such action would require us to curtail or cease operations.

Our Revenues Can be Affected by Price Increases Imposed by our Carriers.

We deliver our products to our customers through third party overnight or express delivery carriers. If the carriers we use raise their shipping rates or add surcharges such as fuel surcharges and other charges, we will either have to absorb the increased costs which will put pressure on our bottom line or pass on the cost to our customers which may result in reduced sales if our customers are unwilling to pay the higher prices. Either way, such an increase in shipping costs will likely have a negative impact on our results of operations.

Our Common Stock is Subject to the "Penny Stock" Rules of the SEC and the Trading Market in Our Securities is Limited, Which Makes Transactions in Our Stock Cumbersome and May Reduce the Value of an Investment in Our Stock.

The Securities and Exchange Commission has adopted Rule 15g-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than $5.00 per share (post-reverse split) or with an exercise price of less than $5.00 per share (post-reverse split), subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

- that a broker or dealer approve a person's account for transactions in penny stocks; and
- the broker or dealer receives from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

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In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

- obtain financial information and investment experience objectives of the person; and
- make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Commission relating to the penny stock market, which, in highlight form:

- sets forth the basis on which the broker or dealer made the suitability determination; and
- that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

ITEM 2. Properties

On October 17, 2008, we entered into a three-year lease with Grand Cypress Communities, Inc. for new premises consisting of 4,000 square feet at 3845 Beck Blvd., Naples, Florida. The commencement date of the lease is January 1, 2009. The annual rent and fees under the lease is approximately $54,000. The lease provides for a buyout option at the end of the lease with credit towards the purchase price received for the rental payments made during the term of the lease

ITEM 3. Legal Proceedings

In September 2006 we commenced an action in New York Supreme Court, Nassau County, against Pasta Italiana, Inc. Robert Yandolino and Lloyd Braider (collectively “Pasta”) to collect on outstanding promissory notes totaling $360,000 (plus interest and collection expenses) of which $65,000 was personally guaranteed by the two individual defendants. The defendants counterclaimed for an unspecified amount of damages due to our alleged breach of an agreement to purchase the corporate defendant.

On September 5, 2008, we reached a settlement agreement with Pasta. The settlement agreement (the “Pasta Settlement Agreement”) calls for Pasta to pay to the Company $165,000 of the principal amount of the note. Pasta is to make 36 monthly payments in the amount of $4,500 beginning in September, 2008 and a final payment of $3,000 The first of these 36 payments was received by the Company during the third quarter of 2008. Upon execution of the agreement, Pasta was also obligated to deliver to the Company 10% of its fully diluted common stock. This stock is valued at $0 in the Company’s financial statements for the period ended September 30, 2008. The Company was obligated to deliver to Pasta 1,500,000 shares of its common stock (valued at $9,000 at September 5, 2008) and warrants to purchase an additional 1,000,000 shares of common stock at a price of $0.012 (

valued at $5,977 at September 5, 2008). The Company recorded an impairment charge in the amount of $142,124 during the three months ended September 30, 2008, representing the difference between the net book value of the Pasta receivable prior to the Pasta Settlement Agreement and the amount of the new note receivable negotiated in the Pasta Settlement Agreement, plus the value of the Company's common stock and warrants provided to Pasta.

Interest will accrue at a rate of 8% on the unpaid portion of the $165,000. The accrued interest is to be paid semi-annually in shares of common stock of Pasta (the "Pasta Interest Shares"). The Pasta Interest Shares are valued at $0 in the financial statements of the Company, and no interest income is recorded by the Company for these shares during the three months ended September 30, 2008.

Pasta made several payments required by the settlement agreement, totaling $19,000. Thereafter, Pasta defaulted on the next payment, and failed to cure its default within the required time period after a Notice of Default was sent to it. We are continuing discussions with Pasta in regards to resuming payments and continue examine all legal remedies available to us to insure compliance with the agreement. We intend to cost affectively pursue the monies owed to us under the Pasta Settlement Agreement

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

None.

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PART II

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

Market Information

Prices for our common stock are 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". 173,577,038 shares of common stock were outstanding as of December 31, 2008. The following table sets forth the high and low closing sales prices of our common stock as reported in the Pink Sheets for each full quarterly period within the two most recent fiscal years.

Fiscal Year Ending December 31, 2008	HIGH	LOW
First Quarter	$ 0.008	$ 0.003
Second Quarter	0.008	0.00304
Third Quarter	0.008	0.003
Fourth Quarter	0.0015	0.001

Fiscal Year Ending December 31, 2007		
First Quarter	$ 0.005	$ 0.002
Second Quarter	0.004	0.002
Third Quarter	0.005	0.002
Fourth Quarter	0.008	0.002

The quotations listed above reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions. On April 10, 2009 the closing price of our common stock as reported by the OTC Bulleting Board was $0.0025.

Security Holders

On December 31, 2008, there were approximately 5,200 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 three 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

During the twelve months ended December 31, 2008, the Company had the following transactions:

The Company issued 1,789,400 shares of common stock for the conversion of notes payable and accrued interest in the amount of $8,947.

All of the issuances described above were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933 for the following reasons: (1) none of the issuances involved a public offering or public advertising of the payment of any commissions or fees; (2) the issuances for cash were to “accredited investors”; (3) the issuances upon conversion of notes were for notes held at least 12 months and did not involve the payment of any other considerations; and (4) all issuances to affiliates and to non-affiliates holding the securities for less than 1 year carried restrictive legends.

Derivative Securities Currently Outstanding

As of December 31, 2008 and 2007, the Company has issued convertible notes payable in the aggregate principal amount of $1,465,000 and $1,126,000 , respectively, with accrued interest of $614,484 and $458,679 , respectively, which, if converted to common stock, will result in our issuance of approximately 395,043,320 and 298,168,520 shares , respectively, of common stock at conversion rates ranging from $0.005 to $0.010 per share.

The Company has warrants to purchase an additional 273,200,000 and 189,000,000 shares of common stock at December 31, 2008 and 2007, respectively. The Company also has outstanding options to purchase an additional 35,500,000 and 15,500,000 shares of common stock at December 31, 2008 and 2007, respectively. The Company also has outstanding obligations to issue a total of 110,280,000 additional shares of common stock at December 31, 2008 and 2007 pursuant to the terms of penalty agreements for failure to register shares underlying certain convertible notes payable. The company does not currently have sufficient shares of common stock authorized to satisfy these additional issuances of shares.

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Securities Authorized for Issuance Under Equity Compensation Plans

We do not currently have any equity compensation plans.

ITEM 6. Selected Financial Data

Not Applicable.

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

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

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

Our ability to raise capital necessary to sustain our anticipated operations and implement our business plan,

Our ability to implement our business plan,

Our ability to generate sufficient cash to pay our lenders and other creditors,

Our ability to employ and retain qualified management and employees,

Our dependence on the efforts and abilities of our current employees and executive officers,

Changes in government regulations that are applicable to our current or anticipated business,

Changes in the demand for our services,

The degree and nature of our competition,

The lack of diversification of our business plan, The general volatility of the capital markets and the establishment of a market for our shares, and

Disruption in the economic and financial conditions primarily from the impact of past terrorist attacks in the United States, threats of future attacks, police and military activities overseas and other disruptive worldwide political and economic events and weather conditions.

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

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Critical Accounting Policy and Estimates

Use of Estimates in the Preparation of Financial Statements

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

On August 25, 2005, the Company entered into contracts which obligated the company under certain circumstances to issue shares of common stock in excess of the number of shares of common stock authorized. Under accounting guidance provided by EITF 00-19, effective August 25, 2005 the Company began to account for all derivative financial instruments, including warrants, conversion features embedded in notes payable, and stock options, via the liability method of accounting. Accordingly, all these instruments are valued at issuance utilizing the Black-Scholes valuation method, and are re-valued at each period ending date, also using the Black-Scholes valuation method. Any gain or loss from revaluation is charged to operations during the period.

(a) Warrants:

The Company values warrants using the Black-Scholes valuation model. Warrants are valued upon issuance, and re-valued at each financial statement reporting date. Any change in value is charged to income or expense during the period. The following table illustrates certain key information regarding our warrants and warrant valuation assumptions at December 31, 2008 and 2007:

	December 31,	
	2008	2007
Number of warrants outstanding	273,200,000	189,000,000
Value at December 31	$ 1,388,287	$ 431,188
Number of warrants issued during the year	84,200,000	-
Value of warrants issued during the year	$ 374,557	$ -
Revaluation gain (loss) during the year	$ (588,519)	$ (19,116)
Black-Scholes model variables:		
Volatility	203.6% - 332.7%	178.2% - 194.5%
Dividends	$ 0	$ 0
Risk-free interest rates	0.27% - 2.41%	3.49% - 5.06%
Term (years)	1.15 - 5.00	2.15 - 4.13

b.) Embedded conversion features of notes payable:

The Company accounts for conversion options embedded in convertible notes in accordance with SFAS No. 133 ''Accounting for Derivative Instruments and Hedging Activities'' and EITF 00-19 ''Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock.'' SFAS 133 generally requires companies to bifurcate conversion options embedded in convertible notes and preferred shares from their host instruments and to account for them as free standing derivative financial instruments in accordance with EITF 00-19.

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The Company values embedded conversion features utilizing the Black-Scholes valuation model. Warrants are valued upon issuance, and re-valued at each financial statement reporting date. Any change in value is charged to income or expense during the period. The following table illustrates certain key information regarding our warrants and warrant valuation assumptions at December 31, 2008 and 2007:

	December 31, 2008	December 31, 2007
Number of shares potentially issuable for conversion privileges outstanding	285,000,000	217,200,000
Value at December 31	$ 1,388,287	$ 431,188
Number of options issued during the year	69,400,000	42,800,000
Value of options issued during the year	$ 364,079	$ 166,640
Number of options exercised or underlying notes paid during the year	1,600,000	32,000,000
Value of options exercised or underlying notes paid during the year	$ 8,800	$ 149,747
Revaluation gain (loss) during the year	$ (182,583)	$ 11,098
Black-Scholes model variables:		
Volatility	193.7% to 332.7%	146.4% to194.5%
Dividends	0	0
Risk-free interest rates	0.27% - 2.41%	3.37% - 5.16%
Term (years)	1.00 - 10.00	10.00 – 10.00

c.) Stock options

The Company accounts for options in accordance SFAS 123(R) Share Based Payments". Options are valued upon issuance, and re-valued at each financial statement reporting date, utilizing the Black-Scholes valuation model. Option expense is recognized over the requisite service period of the related option award. Any change in value is charged to income or expense during the period. The following table illustrates certain key information regarding our options and option assumptions at December 31, 2008 and 2007:

	December 31, 2008	December 31, 2007
Number of options outstanding	35,500,000	15,500,000
Value at December 31	$ 174,691	$ 39,344
Number of options issued during the year	20,000,000	-
Value of options issued during the year	$ 138,262	-
Number of options recognized during the year pursuant to SFAS 123(R)	20,100,000	100,000
Value of options recognized during the year pursuant to SFAS 123(R)	$ 138,313.00	$ 37
Revaluation gain (loss) during the year	$ 5,717	$ (1,623)
Black-Scholes model variables:		
Volatility		

	203.7% to 332.7%	178.3% to 194.5%
Dividends	0	0
Risk-free interest rates	0.27% - 2.41%	3.09% - 5.06%
Term (years)	0.37 - 5.00	1.38 - 4.64

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Doubtful Accounts Receivable

The Company maintained an allowance in the amount of $15,877 for doubtful accounts receivable at December 31, 2008, and $10,000 at December 31, 2007 and 2006. Actual losses on accounts receivable were $0 for 2008, 2007 and 2006. The Company has an operational relationship of several years with our major customers, and we believe this experience provides us with a solid foundation from which to estimate our expected losses on accounts receivable. Should our sales mix change or if we develop new lines of business or new customers, these estimates and our estimation process will change accordingly. These estimates have been accurate in the past.

Fair Value of Financial Instruments

The Company measures its financial assets and liabilities in accordance with accounting principles generally accepted in the United States of America. The estimated fair values approximate their carrying value because of the short-term maturity of these instruments or the stated interest rates are indicative of market interest rates. These fair values also vary due to the market price of the Company's stock at the date of valuation. Generally, these liabilities will increase as the price of the Company's stock increases (with resultant gain), and decrease as the Company's stock decreases (yielding a loss). These fluctuations are likely to continue as long as the Company has large financial instrument liabilities on its balance sheet. Should the Company succeed in removing these liabilities from its balance sheet, either by satisfying them or by reclassifying them as equity, the amount of gains and losses recognized will be reduced.

Income Taxes

The Company has a history of losses, and as such has recorded no liability for income taxes. Until such time as the Company begins to generate a profit and provides evidence that a continued profit is a reasonable expectation, management will not determine that there is a basis for accruing an income tax liability. These estimates have been accurate in the past as the Company has not yet generated a profit

Background

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

In January 2004, we changed our state of incorporation by merging into Innovative Food Holdings, Inc. ("IVFH"), a Florida shell corporation. As a result of the merger we changed our name to that of Innovative Food Holdings, Inc. In February 2004 we also acquired Food Innovations, Inc. ("FII") a Delaware corporation incorporated on January 9, 2002 and through FII we are in 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) under the heading Transactions with Major Customers in Note 14 to the Consolidated Financial Statements, and (3) as the fourth item under Risk Factors.

RESULTS OF OPERATIONS

The following is a discussion of our financial condition and results of operations for the years ended December 31, 2008 and 2007, 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, 2008 Compared to Year Ended December 31, 2007

Revenue

Revenue increased by $236,328 or approximately 3.5% to $6,969,730 for the year ended December 31, 2008 from $6,733,402 in the prior year. The increase was attributable to an increase in sales of specialty items, cheese products, and poultry products, partially offset by decreases in meat and game products, and seafood. We continue to assess the potential of new revenue sources from the manufacture and sale of proprietary food products and additional sales channel opportunities and will implement that strategy if, based on our analysis, we deem it beneficial to us.

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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.

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

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

Cost of good sold

Our cost of goods sold for the year ended December 31, 2008 was $5,628,101, an increase of $576,472 or approximately 11.4% compared to cost of goods sold of $5,051,629 for the year ended December 31, 2007. Cost of goods sold is primarily made up of the following expenses for the year ended December 31, 2008: shipping expenses in the amount of $1,556,297; and cost of good of specialty, meat, game, cheese poultry and other sales categories in the amount of $4,012,789

In 2008 we made a strategic decision to aggressively price our products in order to gain market share and increase the number of our end users. We were successful in doing so and increased the number of our end users by approximately 17.7% to more than 10,238 end users. We currently expect if market conditions remain constant that our cost of goods sold will stabilize and likely improve to historical levels in the first half of 2009

Selling, general, and administrative expenses

Selling, general, and administrative expenses increased by $130,047 or approximately 7.4%, to $1,879,239 during the year ended December 31, 2008 from $1,749,192 for the year ended December 31, 2007. The increase was due mainly to increased professional fees relating to fees for the Pasta litigation and legal and accounting fees relating to our SEC filings. Selling, general and administrative expenses were primarily made up of the following for the year ended December 31, 2008: payroll and related expenses in the amount of $1,012,480, including non-cash costs of $132,596 related to stock options; consulting and professional fees in the amount of $438,754; facilities and related expenses in the amount of $160,853; insurance costs in the amount of $97,059; amortization and depreciation expense in the amount of $39,316; travel and entertainment expenses in the amount of $28,788; dues and subscriptions in the amounts of $20,945; advertising expenses in the amount of $14,023; marketing and public relations expenses in the amount of $13,390; bank and finance charges in the amount of $7,729; and food show expenses in the amount of $5,516. We expect our legal fees to decrease in 2009 due to (i) an expected reduction in costs related to the Pasta litigation (ii) our continued negotiation of flat billing fees rates with several of our professional service providers including for much of our legal fees going forward.. We also expect to incur reduced accounting fees in 2009 as we have primarily addressed the SEC's comments to our previous filings. We do however expect to increase our spending on advertising and marketing fees in 2009.

Impairment of investment in note receivable

During the twelve months ended December 31, 2008, the Company renegotiated the terms of its loan to Pasta Italiana. These revised terms resulted in recording an impairment in the amount of $142,124. There was no such impairment recorded during the twelve months ended December 31, 2007. (See "Item 3 – Legal Proceedings".)

Interest (income) expense, net

Interest (income) expense, net decreased by $130,444 or approximately 26% to $372,175 during the twelve months ended December 31, 2008, compared to $502,619 during the twelve months ended December 31, 2007. The primary reason for the decrease was a decrease in the amortization of the discount on notes payable as many of these discounts were fully amortized.

Loss on extinguishment of debt

During the year ended December 31, 2008, the Company extended certain of its notes payable, and as consideration for these extensions the Company provided the lender with warrants to purchase an aggregate 43,200,000 shares of the Company's common stock. This resulted in a loss on extinguishment of debt in the amount of $168,620. There was no such transaction during the comparable period of the prior year.

Penalty for late registration of shares

Pursuant to a registration rights agreement, the Company is obligated to register shares of common stock underlying certain convertible notes payable. The Company failed to register these shares in timely fashion, and accordingly is subject to a penalty payable in additional shares of common stock (the "Penalty Shares"). During the During the twelve months ended December 31, 2008, the Company had no accrual for the issuance of Penalty Shares, as the maximum number of Penalty Shares issuable had been reached during the prior year. During the twelve months ended December 31, 2007, the Company charged to operations the amount of $64,984 representing the fair value of the liability for Penalty Shares incurred. At December 31, 2008 and 2007, there were a total of 110,280,000 Penalty Shares issuable.

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Loss from revaluation of penalty shares

During the years ended December 31, 2008 and 2007, the Company revalued the 110,280,000 Penalty Shares using the Black-Scholes valuation model, and at December 31, 2008 and 2007 recorded liabilities in the amount of $551,400 and $330,840, respectively. These revaluations resulted in recording losses in the amount of $220,564 and $3,296 during the twelve months ended December 31, 2008 and 2007, respectively.

Fair value of warrants issued in excess of discount on notes payable

During the twelve months ended December 31, 2008, the Company issued convertible notes payable along with detachable warrants to purchase shares of common stock. The fair value of these warrants exceeded the principal amount of the notes payable, and the Company charged this excess in the amount of $99,960 to operations. There was no such charges during the prior year.

Loss from change in fair value of warrant liability

At December 31, 2008, the Company has outstanding warrants to purchase an aggregate 273,200,000 shares of the Company's common stock. The Company valued this warrant liability at December 31, 2008 at $1,388,287. This revaluation resulted in a loss of $582,541 which the Company charged to operations during the year ended December 31, 2008. This is an increase $563,425 or approximately 2,947% compared to a loss of $19,116 from the revaluation of the warrant liability which the Company recorded during the twelve months ended December 31, 2007.

Fair value of conversion option liability

During the twelve months ended December 31, 2008, the Company charged to operations the amount of $114,945 representing the fair value of a conversion option liabilities issued in excess of the amount of the discount on the related convertible notes payable. There was no such charge during the prior year.

(Gain) loss from Change in Fair Value of Conversion Option Liability

At December 31, 2008, the Company had outstanding a liability to issue an aggregate of 285,000,000 shares of the Company's common stock pursuant to convertible notes payable. The Company revalued this liability at December 31, 2008 at $1,150,000. This revaluation resulted in a loss of $182,583 which the Company included in operations for the year ended December 31, 2008. This is an increase of $193,681 or approximately 1,745% compared to a gain of $11,098 from the revaluation of the conversion option liability which the Company recorded during the twelve months ended December 31, 2007.

Net Loss

For the reasons above, the Company had a net loss for the period ended December 31, 2008 of $2,421,122, an increase of $1,774,786 or approximately 275% to compared a net loss of $646,336 during the twelve months ended December 31, 2007.

Liquidity and Capital Resources at December 31, 2008

As of December 31, 2008, the Company had current assets of $469,111, consisting of cash of $160,545, loans receivable of $ 60,000, other current assets of $9,000, and trade accounts receivable of $239,566. Also, at December 31, 2008, the Company had current liabilities of $6,033,769, consisting of accounts payable and accrued liabilities of $959,284 (of which $126,671 is payable to a related party); accrued interest of $437,269; accrued interest – related parties of $173,471; current portion of notes payable, net of discounts of $938,364; current portion of notes payable – related parties, net of discounts of $261,002; warrant liability of $1,388,287; option liability of $174,692; conversion option liability of $1,150,000; and penalty for late registration of shares of $551,400. This resulted in a working capital deficit of $5,530,658.

During the twelve months ended December 31, 2008, the Company had cash used by operating activities of $113,070. The Company charged to operations $39,332 for depreciation and amortization, $168,621 for the loss on extinguishment of debt, $99,960 for the value of new warrants issued, $138,312 for the value of new options issued, $114,945 for the value of new conversion options liability, $78,137 for the amortization of the discount on notes payable, $35,360 for the amortization of the discount on accrued interest, $5,877 for the reverse on bad debt, $582,541 for the revaluation of the warrant liability, $182,586 for the revaluation of the conversion option liability, $220,560 for the revaluation of penalty shares, and recorded a gain of $5,717 for the revaluation of the option liability, The Company's results also reflect an increase working capital deficiency of $2,335,172.

The Company had cash provided by investing act ivies of $3,871, which consisted of payments made on a loan receivable of $12,000 and acquisitions of property and equipment of $8,129.

The Company cash provided by financing activities of $195,134, which consisted of proceeds from notes payable of $200,000 and principal payments on debt of $4,866.

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.

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The Company's cash on hand may be insufficient to fund its planned operating needs. Management is continuing to pursue new debt and/or equity financing and is continually evaluating the Company's cash and capital needs.

The Company expects that any sale of additional equity securities or convertible debt will result in additional dilution to our stockholders. The Company can give no assurance that it will be able to generate adequate funds from operations, that funds will be available, or the Company will be able to obtain such funds on favorable terms and conditions. If the Company cannot secure additional funds it will not be able to continue as a going concern.

By adjusting its operation and development to the level of available resources, management believes it has sufficient capital resources to meet projected cash flow through the next twelve months. The Company also intends to increase market share and cash flow from operations by focusing its sales activities on specific market segments. However, if thereafter, the Company is not successful in generating sufficient liquidity from operations or in raising sufficient capital resources, on terms acceptable to us, this could have a material adverse effect on our business, results of operations, liquidity and financial condition. Currently, we do not have any material long-term obligations other than those described in Note 8 to 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.

The independent auditors report on our December 31, 2008 financial statements state that our recurring losses raise substantial doubts about our ability as a going concern.

2009 Plans

During 2009, in addition to our efforts to increase sales in our existing foodservice operations we plan to expand our business by extending our focus from a purely wholesale foodservice business directed towards chefs to commencing retail sales by making sales direct to consumers through a variety of direct to consumer sales channel relationships which are currently being explored. In addition we are currently exploring the introduction of a variety of new product categories, to leverage our existing foodservice customer base.

As discussed above, we also expect to improve our financial position, especially with respect to cash flows, by reducing our expenditures for professional fees to our attorneys and accountants, and by further improving our selling efforts.

No assurances can be given that any of these plans will come to fruition or that if implemented that they will necessarily yield positive results.

Off-Balance Sheet Arrangements

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

Inflation

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

Transactions With Major Customers

The Company's largest customer, US Foodservice, Inc. and its affiliates, accounted for approximately and 97% and 95% of total sales in the years ended December 31, 2008, and 2007, respectively. A contract with Next Day Gourmet, LP, a subsidiary of U.S. Foodservice, expires September 11, 2009. Negotiations are underway to extend the existing contract or to sign a new contract, and the Company has continued to have US Foodservice, Inc. as a customer. Of our remaining active customers in the year ended December 31, 2008, 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

Use of Estimates in the Preparation of Financial Statements

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

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Doubtful Accounts Receivable

The Company maintained an allowance in the amount of $15,877 and $10,000 for doubtful accounts receivable at December 31, 2008, 2007, respectively. Actual losses on accounts receivable were $0 for 2008 and 2007. The Company has an operational relationship of several years with our major customers, and we believe this experience provides us with a solid foundation from which to estimate our expected losses on accounts receivable. Should our sales mix change or if we develop new lines of business or new customers, these estimates and our estimation process will change accordingly. These estimates have been accurate in the past.

Fair Value of Financial Instruments

The Company measures its financial assets and liabilities in accordance with accounting principles generally accepted in the United States of America. The estimated fair values approximate their carrying value because of the short-term maturity of these instruments or the stated interest rates are indicative of market interest rates. These fair values also vary due to the market price of the Company's stock at the date of valuation. Generally, these liabilities will increase as the price of the Company's stock increases (with resultant gain), and decrease as the Company's stock decreases (yielding a loss). These fluctuations are likely to continue as long as the Company has large financial instrument liabilities on its balance sheet. Should the Company succeed in removing these liabilities from its balance sheet, either by satisfying them or by reclassifying them as equity, the amount of gains and losses recognized will be reduced.

Income Taxes

The Company has a history of losses, and as such has recorded no liability for income taxes. Until such time as the Company begins to generate a profit and provides evidence that a continued profit is a reasonable expectation, management will not determine that there is a basis for accruing an income tax liability. These estimates have been accurate in the past as the Company has not yet generated a profit.

Stock-based Compensation

Effective January 1, 2006, the Company adopted SFAS No. 123 (revised), "Share-Based Payment" (SFAS 123(R)) utilizing the modified prospective approach. Prior to the adoption of SFAS 123(R) we accounted for stock option grant in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees" (the intrinsic value method), and accordingly, recognized compensation expense for stock option grants.

Under the modified prospective approach, SFAS 123(R) applies to new awards and to awards that were outstanding on January 1, 2006 that are subsequently modified, repurchased or cancelled. Under the modified prospective approach, compensation cost recognized in the nine months of fiscal 2006 includes compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS 123, and compensation cost for all share-based payments granted subsequent to January 1, 2006 based on the grant-date fair value estimated in accordance with the provisions of SFAS 123(R). Prior periods were not restated to reflect the impact of adopting the new standard.

A summary of option activity as of December 31, 2007, and changes during the period ended December 31, 2008 are presented below:

	Options	Weighted Average Exercise

		Price
Outstanding as December 31,2007	15,500,000	$ 0.021
Non-vested at December 31, 2007	200,000	$ 0.500
Exercisable at December 31, 2007	15,300,000	$ 0.010
Issued	20,000,000	$ 0.007
Exercised	--	--
Forfeited or expired	--	--
Outstanding at December 31, 2008	35,500,000	$ 0.013
Non-vested at December 31, 2008	35,400,000	$ 0.012
Exercisable at December 31, 2008	100,000	$ 0.500

Aggregate intrinsic value of options outstanding and exercisable at December 31, 2007 and 2008 was $0. Aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of the fiscal period, which was $0.003 and $0.005 as of December 31, 2007 and 2008, respectively, and the exercise price multiplied by the number of options outstanding. As of December 31, 2007 and 2008, total unrecognized stock-based compensation expense related to stock options was $0. During the years ended December 31, 2007 and 2008, the Company charged $0 and $67,500, respectively, to operations related to recognized stock-based compensation expense for employee stock options.

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ITEM 8. Financial Statements

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 consolidated balance sheets of Innovative Food Holdings, Inc and subsidiaries ("the Company") as of December 31, 2008 and 2007 and the related consolidated statements of operations, stockholders' deficiency, and cash flows for the 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 audit 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. The Company is not required to have nor were we engaged to perform, an audit of its Internal Control over financial reporting. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2008 and 2007 and the results of its operations and its cash flows for the 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 15, 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 15. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Bernstein & Pinchuk LLP
New York, New York
April 7, 2009

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Innovative Food Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets

	December 31, 2008	2007 (Restated)
ASSETS		
Current assets		
Cash and cash equivalents	$ 160,545	$ 74,610
Accounts receivable, net	239,566	243,148
Interest receivable	-	7,147
Loan receivable, current portion net	60,000	285,000
Other current assets	9,000	7,030
Total current assets	469,111	616,935
Loan receivable, net	93,000	-
Property and equipment, net	52,620	83,823
	$ 614,731	$ 700,758
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities	$ 832,613	$ 692,586
Accrued liabilities- related parties	126,671	73,027
Accrued interest, net	437,269	316,058
Accrued interest - related parties, net of discount	173,471	142,621
Notes payable, current portion, net of discount	938,364	927,870
Notes payable - related parties, current portion, net of discount	261,002	278,000
Warrant liability	1,388,287	431,188
Option liability	174,692	42,097
Conversion option liability	1,150,000	612,134
Penalty for late registration of shares	551,400	330,840
Total current liabilities	6,033,769	3,846,421
Note payable	10,723	16,083
	6,044,492	3,862,504
Stockholders' deficiency		
Common stock, $0.0001 par value; 500,000,000 shares authorized; 183,577,038 and 181,787,638 shares issued, and 173,577,038 and 171,787,638 shares outstanding at December 31, 2008 and 2007, respectively	18,358	18,179

Additional paid-in capital		1,985,335		1,832,407
Accumulated deficit		(7,433,454)		(5,012,332)
Total stockholders' deficiency		(5,429,761)		(3,161,746)
	$	614,731	$	700,758

See notes to consolidated financial statements.

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

	Year Ended December 31, 2008	Year Ended December 31, 2007 (Restated)
Revenue	$ 6,969,730	$ 6,733,402
Cost of goods sold	5,628,101	5,051,629
Gross margin	1,341,629	1,681,773
Selling, General and administrative expenses	1,879,239	1,749,192
Operating loss	(537,610)	(67,419)
Other (income) expense:		
Impairment of notes receivable	142,124	-
Interest (income) expense, net	372,175	502,619
Loss on extinguishment of debt	168,620	-
Cost of penalty for late registration of shares	-	64,984
Loss on revaluation of penalty shares	220,564	3,296