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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015.

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

Commission file number: 001-36729

FRESHPET, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**20-1884894**
(State of Incorporation or Organization)	(I.R.S. Employer Identification No.)
400 Plaza Drive, 1st Floor, Secaucus, New Jersey	**07094**
(Address of Principal Executive Offices)	(Zip Code)

(201) 520-4000
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Sections 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 ☐ No

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

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

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

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

The number of shares of the registrant's common stock, $0.001 par value per share, outstanding as of August 10, 2015 was 33,506,125.

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F orward-Looking Statements

This report contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this report are forward-looking statements. Forward-looking statements discuss our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “aim,” “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “outlook,” “potential,” “project,” “projection,” “plan,” “intend,” “seek,” “may,” “could,” “would,” “will,” “should,” “can,” “can have,” “likely,” the negatives thereof and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. They appear in a number of places throughout this report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- our ability to successfully implement our growth;
- our ability to generate sufficient cash flow or raise capital on acceptable terms;
- the loss of key members of our senior management team;
- allegations that our products cause injury or illness or fail to comply with government regulations;
- the loss of a significant customer;
- the effectiveness of our marketing and trade spending programs;
- our ability to introduce new products and improve existing products;
- our limited manufacturing capacity;
- the impact of government regulation, scrutiny, warning and public perception;
- the effect of false marketing claims;
- adverse weather conditions, natural disasters, pestilences and other natural conditions affecting our operations;
- our ability to develop and maintain our brand;
- volatility in the price of our common stock; and
- other factors discussed under the headings “Risk Factors” and “Business” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the Securities and Exchange Commission (the “Form 10-K”) and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this report.

While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are disclosed under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this report. All forward-looking statements are expressly qualified in their entirety by these cautionary statements. You should evaluate all forward-looking statements made in this report in the context of these risks and uncertainties.

Item 1. Financial Statements

FRESHPET, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 16,046,925	$ 36,259,252
Short-term investments	7,499,205	—
Accounts receivable, less allowance for doubtful accounts of $502,781 on June 30, 2015 and $359,425 on December 31, 2014	6,297,531	5,360,400
Inventories, net	7,811,256	7,314,151
Prepaid expenses and other current assets	689,654	1,291,379
Total Current Assets	38,344,571	50,225,182
Property, plant and equipment, net	69,183,959	57,825,961
Deposits on equipment	3,856,464	2,883,234
Other assets	1,492,825	1,527,483
Total Assets	$ 112,877,819	$ 112,461,860
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	7,154,534	5,423,905
Accrued expenses	2,406,790	2,938,316
Accrued warrants	777,103	706,940
Total Current Liabilities	$ 10,338,427	$ 9,069,161
Total Liabilities	$ 10,338,427	$ 9,069,161
STOCKHOLDERS' EQUITY:		
Common stock — voting, $0.001 par value, 200,000,000 shares authorized, 33,505,104 and 33,468,342 issued and outstanding on June 30, 2015 and December 31, 2014, respectively	33,505	33,468
Additional paid-in capital	292,179,262	288,216,882
Accumulated deficit	(189,673,375)	(184,857,651)
Total Stockholders' Equity	102,539,392	103,392,699
Total Liabilities and Stockholders' Equity	$ 112,877,819	$ 112,461,860

See accompanying notes to the unaudited consolidated financial statements.

FRESHPET , INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
NET SALES	$ 28,359,404	$ 20,386,038	$ 55,414,078	$ 39,736,235
COST OF GOODS SOLD	14,699,240	10,313,193	28,500,895	20,370,265
GROSS PROFIT	13,660,164	10,072,845	26,913,183	19,365,970
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	15,694,304	13,401,264	31,486,007	24,995,794
LOSS FROM OPERATIONS	(2,034,140)	(3,328,419)	(4,572,824)	(5,629,824)
OTHER EXPENSES:				
Other Expenses, net	(68,831)	(43,477)	(64,682)	(85,076)
Fees on Debt Guarantee	—	(1,807,969)	—	(3,645,216)
Interest Expense	(110,679)	(1,078,935)	(148,218)	(2,032,910)
	(179,510)	(2,930,381)	(212,900)	(5,763,202)
LOSS BEFORE INCOME TAXES	(2,213,650)	(6,258,800)	(4,785,724)	(11,393,026)
INCOME TAX EXPENSE	15,000	8,000	30,000	16,000
NET LOSS	(2,228,650)	(6,266,800)	(4,815,724)	(11,409,026)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (2,228,650)	$ (10,771,075)	$ (4,815,724)	$ (18,256,717)
NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS				
-BASIC	$ (0.07)	$ (0.77)	$ (0.14)	$ (1.30)
-DILUTED	$ (0.07)	$ (0.77)	$ (0.14)	$ (1.30)
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING USED IN COMPUTING NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS				
-BASIC	33,484,997	14,035,660	33,477,415	14,035,660
-DILUTED	33,484,997	14,035,660	33,477,415	14,035,660

See accompanying notes to the unaudited consolidated financial statements.

FRESHPET , INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months Ended June 30, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (4,815,724)	$ (11,409,026)
Adjustments to reconcile net loss to net cash flows provided by (used in) operating activities:		
Provision for losses on accounts receivable	24,001	211,565
Loss on disposal of equipment and deposits on equipment	80,679	70,710
Fees on debt guarantee	—	3,645,216
Share based compensation	3,664,450	485,852
Fair value adjustment for outstanding warrants	70,163	—
Change in reserve for inventory obsolescence	(5,031)	(79,292)
Depreciation and amortization	3,624,282	3,124,096
Amortization of deferred financing costs and loan discount	70,974	126,047
Changes in operating assets and liabilities		
Accounts receivable	(961,132)	(2,085,862)
Inventories	(492,074)	(161,317)
Prepaid expenses and other current assets	601,725	(1,115,719)
Other assets	(44,947)	(94,067)
Accounts payable	739,238	1,735,920
Accrued expenses and accrued interest on long-term debt	(497,140)	1,100,936
Net cash flows provided by (used in) operating activities	2,059,464	(4,444,941)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of short-term investments	(7,499,205)	—
Acquisitions of property, plant and equipment, software and deposits on equipment	(10,035,332)	(10,361,113)
Acquisitions of land and building	(4,979,710)	—
Proceeds from sale of equipment	—	234,127
Net cash flows used in investing activities	(22,514,247)	(10,126,986)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on long-term debt	—	7,500,000
Exercise of options to purchase common stock	242,456	—
Proceeds from preferred stock - Series C issued	—	6,550,996
Net cash flows provided by financing activities	242,456	14,050,996
NET CHANGE IN CASH AND CASH EQUIVALENTS	(20,212,327)	(520,931)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	36,259,252	2,444,754
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 16,046,925	$ 1,923,823
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 99,744	$ 1,884,534
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Preferred stock dividend accretion	$ —	$ 6,847,691
Property, plant and equipment purchases in accounts payable	$ 1,975,350	$ 2,192,628

See accompanying notes to the unaudited consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 – Nature of the Business and Summary of Significant Accounting Policies:

Nature of the Business – Freshpet, Inc. (hereafter referred to as "Freshpet," "we" or the "Company"), a Delaware corporation, manufactures and markets natural fresh, refrigerated meals and treats for dogs and cats. The Company's products are distributed throughout the United States and Canada into major retail classes including Grocery and Mass (which includes club) as well as Pet Specialty and Natural retail.

Principles of Consolidation – The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP"). The financial statements include the accounts of the Company as well as other wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation - The accompanying consolidated balance sheet as of June 30, 2015, statements of operations and comprehensive loss for the three and six months ended June 30, 2015 and 2014, and statements of cash flows for the six months ended June 30, 2015 and 2014 are unaudited. The interim unaudited financial statements have been prepared on the same basis as the annual audited financial statements and in accordance with the rules and regulations of the United States Securities and Exchange Commission. In the opinion of management, the interim unaudited financial statements reflect all adjustments, which include only normal recurring adjustments, necessary for the fair statement of the Company's financial position as of June 30, 2015, the results of its operations for the three and six months ended June 30, 2015 and 2014, and its cash flows for the six months ended June 30, 2015 and 2014. The financial data and other information disclosed in these notes related to the three and six months ended June 30, 2015 and 2014 are unaudited. The results for three and six months ended June 30, 2015 are not necessarily indicative of results to be expected for the year ending December 31, 2015, any other interim periods, or any future year or period.

These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes in Item 8 of Part II, "Financial Statements and Supplementary Data," of our Form 10-K.

Estimates and Uncertainties - The preparation of financial statements in conformity with U.S. GAAP 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, as determined at a later date, could differ from those estimates.

Short-Term Investments – The Company holds interest-bearing certificates of deposits with financial institutions with maturities ranging from three months to one year. Certificates of deposit are classified as short-term investments and interest is recorded as other expenses, net. Historically, interest income has not been material. The Company will continue to monitor interest income and will disclose separately if significant.

Reclassifications – Certain prior period amounts were reclassified to conform to the current year's presentation.

Note 2 – Recently Issued Accounting Standards:

On May 28, 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company on January 1, 2018. Early application is not permitted. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

On April 7, 2015, the FASB issued ASU 2015-03, "Interest—Imputation of Interest," which requires that debt issuance cost be presented on the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. This new guidance will be effective for the Company beginning January 1, 2016. ASU 2015-03 will not have an impact on the Company's consolidated financial statements other than presentation.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory," which requires that an entity carry its inventory at lower of cost or net realizable value (which rep laces "lower of cost or market") if the FIFO or average cost methods are used. This new guidance will be effective for the Company beginning January 1, 2016. The effects ASU 2015-11 will depend on future valuation of our inventory.

Note 3 – Inventories:

	June 30, 2015	December 31, 2014
Raw Materials	$ 1,565,204	$ 2,321,458
Packaging Components Material	1,155,470	1,158,967
Finished Goods	5,167,106	3,905,219
	7,887,780	7,385,644
Reserve for Obsolete Inventory	(76,524)	(71,493)
	$ 7,811,256	$ 7,314,151

Note 4 – Property, Plant and Equipment:

Property, plant and equipment, net are summarized as follows:

	June 30, 2015	December 31, 2014
Refrigeration Equipment	$ 51,273,422	$ 47,789,991
Machinery and Equipment	20,114,639	19,677,778
Building, Land and Improvements	14,982,550	9,985,917
Furniture and Office Equipment	2,003,443	1,826,249
Leasehold Improvements	140,672	627,962
Construction in Progress	7,501,985	1,941,754
Automotive Equipment	317,292	314,885
	96,334,003	82,164,536
Less: Accumulated Depreciation and Amortization	(27,150,044)	(24,338,575)
	$ 69,183,959	$ 57,825,961

Depreciation expense related to property, plant and equipment totaled $1,840,270 and $3,567,245 for the three and six months ended June 30, 2015, of which $632,476 and $1,251,730 was recorded to cost of goods sold for the three and six months ended June 30, 2015, with the remainder of depreciation and amortization expense recorded to selling, general and administrative expense. Depreciation expense related to property, plant and equipment totaled $1,521,953 and $3,098,094 for the three and six months ended June 30, 2014, of which $604,662 and $1,231,484 was recorded to cost of goods sold for the three and six months ended June 30, 2014, with the remainder of depreciation and amortization expense recorded to selling, general and administrative expense.

During the three months ended March 31, 2014, the Company completed a project to analyze the estimated future years of service on its existing refrigeration equipment. Based on this analysis, the Company estimates that the useful life of its refrigeration equipment increased from 6 to 9 years. The Company applied this change in estimate prospectively, which reduced depreciation by approximately $1.8 million for fiscal year 2014 and is expected to reduce depreciation by $2.0 million for fiscal year 2015. The useful life of the other classes of property, plant and equipment remains unchanged.

During the three months ended June 30, 2015, the Company purchased a building and 6.5 acres of land adjacent to the Company's manufacturing facility in Bethlehem, Pennsylvania. The assets have been recorded in Building, Land and Improvements at cost of approximately $5.0 million, of which approximately $2.1 million was the value of the land, with the remaining portion representing the value of the building. The previous owner is currently occupying the land and building through no later than April 1, 2016.

Note 5 – Accrued Expenses:

	June 30, 2015	December 31, 2014
Accrued Compensation	$ 1,189,186	$ 1,802,756
Other Accrued Expenses	400,392	406,179
Accrued Marketing	36,986	127,028
Accrued Freight	84,696	97,561
Accrued Chiller Maintenance	669,530	349,792
Accrued Sales and Use Tax	26,000	155,000
	$ 2,406,790	$ 2,938,316

Note 6 – Debt:

Prior to the Initial Public Offering ("IPO") and related debt refinancing, the Company's outstanding debt consisted of a $1.5 million stockholder note (the "Stockholder Note"), a $27.0 million revolving note payable (the "$27.0 Million Revolver"), a $62.5 million revolving note payable (the "$62.5 Million Revolver") and $2.0 million in shareholder convertible notes (the "Convertible Notes"). Each of these was repaid concurrent with the closing of the IPO.

On November 13, 2014, in connection with the IPO, the Company entered into senior secured credit facilities (the "Debt Refinancing") comprised of a 5-year $18.0 million term facility (the "Term Facility"), a 3-year $10.0 million revolving facility (the "Revolving Facility") and a $12.0 million additional term loan commitment earmarked primarily for capital expenditures (the "Capex Commitments" and together with the Term Facility and Revolving Facility, the "Credit Facilities" and such loan agreement, the "Loan Agreement").

On December 23, 2014, the Company repaid the outstanding $18.0 million and modified the terms of the $40.0 million Credit Facilities. The $18.0 million term facility was extinguished, the 3-year $10.0 million Revolving Facility remained unchanged, and the $12.0 million term loan commitment earmarked for capital expenditures was increased to $30.0 million.

Any drawn Capex Commitments (the "Capex Loans") will mature on the fifth anniversary of the execution of the Loan Agreement. Any undrawn Capex Commitments will expire on the third anniversary of the execution of the agreement. Under the terms of the Loan Agreement, the commitments for the Revolving Facility may be increased up to $20.0 million subject to certain conditions.

The Loan Agreement provides for the maintenance of various covenants, including financial covenants, and includes events of default that are customary for facilities of this type. As of June 30, 2015, the Company was in compliance with all the covenants in its credit agreement.

As of June 30, 2015, the Company had no debt outstanding.

Note 7 – Redeemable Preferred Stock:

Concurrent with the closing of the IPO on November 13, 2014, the Company redeemed all of the outstanding shares of Series B Preferred Stock ("Series B"), including cumulative dividends, for a cash payment of $34,998,957. Additionally, immediately prior to the closing of the IPO, the Company converted the outstanding shares of Series C Preferred Stock ("Series C") to 11,067,090 shares of common stock. Based on the Series C anti-dilutive clause, the conversion from Series C to common stock was to be equivalent to the 1-to-0.7396 common stock share split that occurred in connection with the IPO. The converted Series C included 2,477,756 Series C shares related to the Fees on Debt Guarantee, which were converted to 1,832,531 shares of common stock.

During the three and six months ended June 30, 2014 , t he Company issued an additional 771,6 22 and 1,247,808 shares , respectively, of Series C at $5.25 per share . The dividends accrued during the three months ended June 30, 2014 we re $ 1,198,304 for th e Series B and $ 3,305,970 for the Series C . The dividends accrued during the six months ended June 30, 2014 were $2,352,131 for the Series B and $4,495,559 for the Series C. There were no dividends accrued as of June 30, 2015 due to the redemption of Series B and conversion of Series C upon the close of the IPO.

Note 8 – Guarantee Agreement:

In connection with the $62.5 Million Revolver (see Note 6), the Company entered into a Fee and Reimbursement Agreement with certain stockholders who were also guarantors of the note. That agreement stipulated that the Company would pay each guarantor a contingent fee equal to 10% per annum of the amount that each guarantor had committed to guarantee. The payment was to be made in the form of newly issued shares of Series C at a price of $5.25 per share. The fee accrued only from and after the date that the guarantor entered into the guarantee, and if at any time any guarantor's obligation was terminated in full or in part, the fee would continue to accrue only with respect to the amount, if any, of such guarantor's remaining commitment under the credit agreement.

Immediately prior to the closing of the IPO, the Company converted outstanding fees under the guarantee into 2,477,756 shares of Series C, which were then converted into 1,832,531 shares of common stock.

The fees on debt guarantee were recognized as a liability by the Company and recorded at fair value at issuance. The instrument was then adjusted to its then fair value at each reporting period with changes in fair value recorded in the consolidated statement of operations and comprehensive loss. Historically, the Company measured the fair value of the outstanding fee on debt guarantee using an option pricing method with several possible distribution outcomes depending on the timing and kind of liquidity event. Expected volatility was estimated utilizing the historical volatility of similar companies. The risk-free interest rates were based on the U.S. Treasury yield for a period consistent with the expected contractual life.

Note 9 – Equity Incentive Plans:

Total compensation cost for share-based payments recognized for the three months ended June 30, 2015 and 2014 was $ 1,832,141 and $ 242,926 , respectively. Total compensation cost for share-based payments recognized for the six months ended June 30, 2015 and 2014 was $3,719,961 and $485,852, respectively.

2006 Stock Plan —In December 2006, the Company approved the 2006 Stock Plan (the "2006 Plan") under which options to purchase approximately 624,223 shares of the Company's common stock were granted to employees and affiliates of the Company. These options vest over 5 years. Certain option awards provide for accelerated vesting if there is a change in control (as defined in the 2006 Plan). The options granted have maximum contractual terms of up to 10 years. At June 30, 2015, there were zero shares available for grant as the plan is frozen.

During the three months ended June 30, 2015, 28,508 shares were exercised at a weighted average exercise price of $6.52. During the six months ended June 30, 2015, there were 30,898 shares exercised at a weighted average exercise price of $6.50.

2010 Stock Plan —In December 2010, the Company approved the 2010 Stock Plan (the "2010 Plan") under which options to purchase approximately 2,146,320 shares of the Company's common stock were granted to employees and affiliates of the Company (in 2012, the 2010 Plan was amended to allow for the granting of approximately 2,220,280 options to purchase shares of the Company's common stock). These options are either time-based (vest over 4 years), performance-based (vest when performance targets are met, as defined in the stock option grant agreement), or vest at the occurrence of an exit event which is defined as a Change of Control in the Company or an initial public offering registered under the Securities Act, as defined in the stock grant agreement .

In November, 2014, the Company made modifications that affected all performance-based awards and all exit-event awards under the 2010 Plan. Performance-based awards were modified to time vested awards that cliff vest over two years. At the time of modification, the original performance-based awards' vesting criteria was not considered probable.

The exit-event awards were modified to performance-based awards. At December 31, 2014 , the new performance-based awards ’ vesting criteria was considered probable. The modified awards were fair valued on the modification date. The options granted have maximum contractual terms of 10 years. The Board of Directors froze the 2010 Stock Plan such that no further grants may be issued under the 2010 Stock Plan.

During the six months ended June 30, 2015, there were 5,864 shares exercised at a weighted average exercise price of $7.10, all of which were exercised during the three months ended June 30, 2015.

2014 Omnibus Incentive Plan —In November 2014, the Company approved the 2014 Omnibus Incentive Plan (the “2014 Plan”) under which 1,479,200 shares of common stock may be issued or used for reference purposes as awards granted under the 2014 Plan. These awards may be in the form of stock options, stock appreciation rights, restricted stock, as well as other stock-based and cash-based awards. As of June 30, 2015, the stock options granted were either time-based (cliff vest over 3 years) or performance-based (vest when performance targets are met, as defined in the stock option grant agreement).

In addition to stock options granted under the 2014 Plan, the Company may issue restricted stock units to the board of directors as compensation for their services. The fair value of restricted stock units is based on the share price on the date of grant. Restricted stock units granted in 2014 vest over one year, and the Company will settle these awards by common stock transfer. During the three months ended June 30, 2015, there were no restricted stock units granted.

During the three months ended June 30, 2015, there were no grants or exercises. During the six months ended June 30, 2015 there were 6,550 units granted, at a weighted average exercise price of $17.00, and there were no exercises.

At June 30, 2015, there were 936,648 shares of common stock available to be issued or used for reference purposes under the 2014 Plan.

Note 10 – Net Loss Attributable to Common Stockholders:

Basic net loss per common share is calculated by dividing net loss attributable to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted net loss per common share is computed by giving effect to all potentially dilutive securities. Diluted net loss per common share is the same as basic net loss per common share, due to the fact that potentially dilutive securities would have an antidilutive effect as the Company incurred a net loss for the three and six months ended June 30, 2015 and June 30, 2014.

The potentially dilutive securities excluded from the determination of diluted loss per share, as their effect is antidilutive, are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Convertible Preferred Series C (on an as-if converted basis)	—	9,165,576	—	8,832,453
Service Period Stock Options	2,004,957	1,082,121	2,011,236	1,082,429
Warrants	61,117	61,117	61,117	61,117
	2,066,074	10,308,814	2,072,353	9,975,999

The computation of net income attributable to common stockholders is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net loss	$ (2,228,650)	$ (6,266,800)	$ (4,815,724)	$ (11,409,026)
Preferred stock dividends on Series B and Series C*	—	(4,504,275)	—	(6,847,691)
Net loss attributable to common stockholders	$ (2,228,650)	$ (10,771,075)	$ (4,815,724)	$ (18,256,717)

* See Note 7 – Redeemable Preferred Stock for further detail and discussion.

Note 11 – Related Party Transactions:

Payments made to a stockholder for distribution services totaled $2,463,805 and $4,964,241 during the three and six months ended June 30, 2015, and $2,239,980 and $4,075,684 during the three and six months ended June 30, 2014. Payments of $1,542,212 and $3,263,029 for the three and six months ended June 30, 2015, and $1,320,810 and $2,480,467 for the three and six months ended June 30, 2014, were made to stockholders for the purchase of raw materials. In addition, there were payments of $129,623 and $159,212 for the three and six months ended June 30, 2015, and $40,230 and $143,630 for the three and six months ended June 30, 2014, related to rent and associated utilities and maintenance to a stockholder who was also a landlord of one of our locations. The rent and associated utilities and maintenance cost were at market rates. As of June 30, 2015 the Company is no longer occupying the space, and as such, will no longer incur rent. None of the payments made above were to stockholders who are either an employee, board member, subsidiary, or affiliate of the Company.

In connection with the $62.5 Million Revolver, certain stockholders were guarantors of the note. That agreement stipulated that the Company pay each guarantor a contingent fee equal to 10% per annum of the amount that each guarantor has committed to guarantee. The $62.5 Million Revolver was repaid in connection with the IPO. See Note 8 for further detail.

Note 12 – Concentrations:

Concentration of Credit Risk —The Company maintains its cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to $250,000 each. At times, such balances may be in excess of the FDIC insurance limit.

Major Customers —For the three months ended June 30, 2015 and 2014, net sales to one of our distributors, which sells directly to three of our customers, accounted for 22% of our net sales in both periods. For the three months ended June 30, 2015, one customer accounted for 10% of our net sales, while for the same period in 2014, no customer accounted for more than 10% of our net sales.

For the six months ended June 30, 2015 and 2014, net sales to one of our distributors which sells directly to three of our customers, accounted for 21% and 23% of our net sales, respectively. For the six months ended June 30, 2015 one customer accounted for 11% of our net sales, while for the same period in 2014, no customer accounted for more than 10% of our net sales.

Major Suppliers —The Company purchased approximately 48% and 49% of its raw materials from three vendors during the three and six months ended June 30, 2015, and approximately 50% and 53% of its raw materials from three vendors during the three and six months ended June 30, 2014.

The Company also purchased approximately 97% and 95% of its treats finished goods from three vendors for the three and six months ended June 30, 2015, and approximately 91% and 89% from three vendors for the three and six months ended June 30, 2014.

The Company purchased approximately 68% and 71% of its packaging material from three vendors during the three and six months ended June 30, 2015, and approximately 79% and 77% of its packaging material from three vendors during the three and six months ended June 30, 2014.

Net Sales By Class of Retail – The following table sets forth net sales by class of retail:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Grocery, Mass and Club	$ 21,629,868	$ 15,271,944	$ 42,113,913	$ 29,851,193
Pet Specialty, Natural and Other	6,729,536	5,114,094	13,300,165	9,885,042
Net Sales	$ 28,359,404	$ 20,386,038	$ 55,414,078	$ 39,736,235

Note 13 – Subsequent Events:

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or unrecognized subsequent events that have required adjustment or disclosure in the financials.

I tem 2. Management's Discussion and Analysis of Financial Condi tions and Results of Operations

The following discussion summarizes the significant factors affecting our consolidated operating results, financial condition, liquidity and cash flows as of and for the periods presented below. The following discussion and analysis should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes in Item 1 and with the audited consolidated financial statements and the related notes included in our Form 10-K.

In addition to historical information, this discussion and analysis contains forward-looking statements based on current expectations that involve risks, uncertainties and assumptions, such as our plans, objectives, expectations, and intentions set forth under the sections entitled "Forward-Looking Statements" in this report and "Risk Factors" in our Form 10-K. Our actual results and the timing of events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the section entitled "Risk Factors" in our Form 10-K.

Overview

We started Freshpet with a single-minded mission to bring the power of real, fresh food to our dogs and cats. We were inspired by the rapidly growing view among pet owners that their dogs and cats are a part of their family, leading them to demand healthier pet food choices. Over the last nine years, we have created a comprehensive business model to deliver wholesome pet food that "pet parents" can trust, and in the process we believe we have become one of the fastest growing pet food companies in North America. Our business model is difficult for others to replicate and we see significant opportunity for future growth by leveraging the unique elements of our business, including our brand, our product know-how, our Freshpet Kitchens, our refrigerated distribution, our Freshpet Fridge and our culture.

Recent Developments

Due to our continued growth, we have commenced a capital expansion project at our Freshpet Kitchens manufacturing facility to expand our plant capacity and increase distribution . We expect to invest approximately $30.0 to $32.0 million in capital expenditures in the capital expansion project during 2015 and 2016, with $5.3 million of capital expenditures recorded during the six months ended June 30, 2015. We believe the expansion will increase our production capacity at our Freshpet Kitchens by at least 130%.

In addition to the expansion, during the second quarter of fiscal year 2015 we were able to acquire property directly adjacent to our Freshpet Kitchens in Bethlehem, Pennsylvania. The acquired property provides us with additional flexibility for our long term manufacturing, distribution, and any research and development needs. The cost of the property was $5.0 million, of which approximately $2.1 million was the value of the 6.5 acres of land, with the remaining portion representing the value of the building. The previous owner is currently occupying the land and building through no later than April 1, 2016.

During the first quarter of 2015, we introduced a new non-refrigerated product, Freshpet Baked, on a test basis at one of our retailers. We were pleased with the initial results and as such have decided to expand the test to a select group of retailers.

On May 5, 2015, the Company completed its secondary public offering (File No. 333-203368), in which the selling stockholders sold 6,110,353 shares of common stock, including 797,002 shares of common stock as a result of the full exercise of the underwriters' option to purchase additional shares, at a price to the public of $21.47 per share. The aggregate amount of gross consideration paid by the public for shares sold in the offering was approximately $131 million. The Company incurred approximately $0.6 million of fees associated with the secondary public offering. The Company did not receive any of the proceeds from the sale of shares in the secondary public offering.

Net Sales

Our net sales are derived from the sale of pet food to our customers, who purchase either directly from us or through third party distributors. Our products are sold to consumers through a fast-growing network of company-owned branded refrigerators, known as Freshpet Fridges, located in our customers' stores. We continue to roll out Freshpet Fridges across leading retailers across North America and have installed Freshpet Fridges in 14,354 retail stores as of June 30, 2015. All of our products are sold under the Freshpet brand name, with ingredients, packaging and labeling customized by class of retail. Sales are recorded net of discounts, slotting, returns and promotional allowances.

Our net sales growth is driven by the following key factors:

- Increasing sales velocity from the average Freshpet Fridge due to increasing awareness, trial and adoption of Freshpet products. Our investments in marketing and advertising help to drive awareness and trial at each point of sale.
- Continued innovation and new product introductions. New products introduced since 2011 represented 37% of our net sales in 2014. From time to time, we review our product line and may remove products that are not meeting sales or profitability goals.
- Increased penetration of Freshpet Fridge locations in major classes of retail, including grocery, mass, club, pet specialty and natural. The impact of new Freshpet Fridge installations on our net sales varies by retail class and depends on numerous factors including store traffic, refrigerator size, placement within the store, and proximity to other stores that carry our products.
- Consumer trends including growing pet ownership, pet humanization and a focus on health and wellness.

We believe that as a result of the above key factors, we will continue to penetrate the pet food marketplace and increase our share of the pet food category.

Gross Profit

Our gross profit is net of costs of goods sold, which include the costs of product manufacturing, product ingredients, packaging materials and inbound freight. The construction of our scalable manufacturing facility in Bethlehem, Pennsylvania was completed in November 2013, replacing our Quakertown, Pennsylvania facility, and has significantly improved our production efficiency. Growing capacity utilization of our new facility will allow us to leverage fixed costs and thereby expand our gross profit margins.

Our gross profit margins are impacted by the cost of ingredients and packaging materials. We expect to mitigate any adverse movement in input costs through a combination of cost management and price increases. We implemented modest price increases in 2011 and 2012 that offset increased ingredient costs and did not perceive a decline in demand. During the second quarter of 2015 we implemented a price increase for our beef products that offset increased ingredient costs.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses consist of the following:

Outbound freight. Outbound freight from our Freshpet Kitchens is managed by a national third party refrigerated and frozen human food manufacturer that delivers our product to grocery retailers in the United States. Additionally, we sell through third-party distributors for the mass, club, pet specialty and natural classes in the United States and Canada. As our sales volume increases, we expect our outbound freight costs to decrease as a percentage of net sales as we achieve benefits of scale.

Marketing & advertising. Our marketing and advertising expenses primarily consist of national television media, digital marketing, social media, and grass roots marketing to drive brand awareness. These expenses may vary from quarter to quarter depending on the timing of our marketing and advertising campaigns. We expect our marketing & advertising costs to decrease as a percentage of net sales as we leverage national advertising spend across a growing network of Freshpet Fridges.

Freshpet Fridge operating costs. Freshpet Fridge operating costs consist of repair costs, installation fees to third-party service providers, and depreciation. The purchase and installation costs for new Freshpet Fridges are capitalized and depreciated over the estimated useful life. All new refrigerators are covered by a manufacturer warranty for one to three years. We subsequently incur maintenance and freight costs for repairs and refurbishments handled by third-party service providers.

Research & development. Research and development costs consist of expenses to develop and test new products. Through June 30, 2015, the Company has incurred approximately $0.7 million of research and development cost associated with our Freshpet Baked test.

Brokerage. We utilize third-party brokers to assist with monitori ng our Freshpet Fridges at the point-of-sale as well as representing us at headquarters for various customers. These brokers visit our retail customers' store locations and ensure items are stocked, maintain Freshpet Fridge appearance, and replace missing price tags.

Other general & administrative costs. Other general and administrative costs include non-plant personnel salaries and benefits, as well as corporate general & administrative costs. We expect to incur incremental annual costs of approximately $2.0 million to $2.3 million per year related to operating as a public company.

Selling, general and administrative costs as a percentage of net sales have decreased from 62.7% in the year ended 2013 to 56.1% in the year ended 2014, and from 62.9% in the six months ended June 30, 2014 to 56.8% in the six months ended June 30, 2015. We expect our selling, general, and administrative expenses to decrease as a percentage of net sales as we continue to expand our distribution footprint and grow our net sales.

Fees on Debt Guarantee

In connection with the $62.5 Million Revolver, we entered into a Fee and Reimbursement Agreement with certain stockholders. That agreement stipulated that we pay each guarantor a contingent fee of 10% per annum of the amount each guarantor committed to guarantee. The fees on debt guarantee recognized in each period was a function of the outstanding note payable and the fair value of the underlying guarantee. We used a portion of the proceeds from the IPO and the related debt refinancing to repay the borrowings under the $62.5 Million Revolver, relieving us of future fees on the debt guarantee. The fees on debt guarantee liability were settled in the form of shares of our Series C at a price of $5.25 per share, which were then converted into shares of common stock at a 1-to-0.7396 ratio. During the six months ended June 30, 2014 we incurred $3.6 million of fees on debt guarantee. All accrued fees were settled in connection with the IPO. There are no outstanding fees as of June 30, 2015.

Income Taxes

We had federal net operating loss ("NOL") carry forwards of approximately $163.0 million as of December 31, 2014, which expire between 2025 and 2034. We may be subject to certain limitations in our annual utilization of net operating loss carry forwards to off-set future taxable income pursuant to Section 382 of the Internal Revenue Code, which could result in NOLs expiring unused. At December 31, 2014, we had approximately $124.5 million of State NOLs, which expire between 2015 and 2034. At December 31, 2014, we had a full valuation allowance against our deferred tax assets as the realization of such assets was not considered more likely than not.

Results of Operations

	Three months ended June 30,				Six months ended June 30,			
	2015		2014		2015		2014	
	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales
Consolidated Statements of Operations Data								
Net sales	$28,359,404	100%	$20,386,038	100%	$55,414,078	100%	$ 39,736,235	100%
Cost of goods sold	14,699,240	52%	10,313,193	51%	28,500,895	51%	20,370,265	51%
Gross profit	13,660,164	48%	10,072,845	49%	26,913,183	49%	19,365,970	49%
Selling, general and administrative expenses	15,694,304	55%	13,401,264	66%	31,486,007	57%	24,995,794	63%
Loss from operations	(2,034,140)	(7)%	(3,328,419)	(16)%	(4,572,824)	(8)%	(5,629,824)	(14)%
Other expenses:								
Other expenses, net	(68,831)	0%	(43,477)	0%	(64,682)	0%	(85,076)	0%
Fees on debt guarantee	—	—	(1,807,969)	(9)%	—	—	(3,645,216)	(9)%
Interest expense	(110,679)	0%	(1,078,935)	(5)%	(148,218)	0%	(2,032,910)	(5)%
	(179,510)		(2,930,381)	(14)%	(212,900)		(5,763,202)	(15)%
Loss before income taxes	(2,213,650)	(8)%	(6,258,800)	(31)%	(4,785,724)	(9)%	(11,393,026)	(29)%
Income tax expense	15,000	0%	8,000	0%	30,000	0%	16,000	0%
Net loss	$ (2,228,650)	(8)%	$ (6,266,800)	(31)%	$ (4,815,724)	(9)%	$(11,409,026)	(29)%

Three Months Ended June 30 , 2015 Compared to Three Months Ended June 30 , 2014

Net Sales

The following table sets forth net sales by class of retail:

	Three months ended June 30,					
	2015			2014		
	Amount	Percentage of Net Sales	Store Count	Amount	Percentage of Net Sales	Store Count
Grocery, Mass and Club* (1)	$ 21,629,868	76%	10,036	$ 15,271,944	75%	8,560
Pet Specialty, Natural and Other (2)	6,729,536	24%	4,318	5,114,094	25%	4,033
Net Sales	$ 28,359,404	100%	14,354	$ 20,386,038	100%	12,593

(1) Stores at June 30, 2015 and June 30, 2014 consisted of 6,558 and 5,722 grocery and 3,478 and 2,838 mass, respectively.
(2) Stores at June 30, 2015 and June 30, 2014 consisted of 4,055 and 3,837 pet specialty and 263 and 196 natural, respectively.

* Includes sales from Freshpet Baked product test of $1.0 million, or 3% of total net sales, for the three months ended June 30, 2015.

Net sales increased $8.0 million, or 39%, to $28.4 million for the three months ended June 30, 2015 as compared to the same period in the prior year. Net sales include the impact of additional sales associated with the Freshpet Baked product test. Excluding the impact of the Freshpet Baked product test, net sales for the second quarter of 2015 increased 34% to $27.4 million as compared to the same period in the prior year. The increase in net sales was driven by increased velocity in Grocery and Mass, as well as Pet Specialty, Natural and Other channels. The Company also experienced an increase of Freshpet Fridges store locations, which grew by 14.0% from 12,593 as of June 30, 2014 to 14,354 as of June 30, 2015.

Gross Profit

Gross profit increased $3.6 million, or 36%, to $13.7 million for the three months ended June 30, 2015 as compared to the same period in the prior year. The increase in gross profit was primarily driven by higher refrigerated net sales, gross profit from our Freshpet Baked product test, and lower manufacturing costs per pound for our core Freshpet recipes due to greater efficiencies achieved at our Freshpet Kitchens in Bethlehem, Pennsylvania, which was completed in the fourth quarter of 2013 . The increase in gross profit was partially offset by increased cost of goods sold related to product sales mix as a result of our new innovative products . During the second quarter of 2015, our new innovative products, which historically start with lower gross profit margin, had greater than expected initial sales volume. As a result, the gross profit margin of 48% for the second quarter of 2015, decreased 120 basis points compared to the same period in 2014.

Excluding our Freshpet Baked product test, gross profit margin slightly decreased 50 basis points during the second quarter of 2015 compared to the same period in the prior year, attributable to our new innovative products. Generally we have been able to optimize the production of our new innovative products over time as they are incorporated into our core Freshpet recipes. As a result, we expect our gross profit margin to increase as we realize efficiencies of scale with increased sales volume of our current core and new innovative products.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $2.3 million, or 17%, to $15.7 million for the three months ended June 30, 2015 as compared to the same period in the prior year. Key components of the dollar increase include additional outbound freight costs of $0.6 million due to increased volume and sales, higher share-based compensation expense of $1.5 million, fees associated with the secondary public offering of $0.6 million, and incremental operating expenses of $1.0 million, which were partially offset by a decrease in advertising expenses and research and development of $1.3 million and $0.1 million, respectively. The increased operating expenses were primarily due to cost associated with a public company, new hires, increased employee benefit costs, and increased refrigerator repairs due to our growing Freshpet Fridge network. As a percentage of net sales, selling, general and administrative expenses decreased from 66% for the three months ended June 30, 2014 to 55% for the three months ended June 30, 2015. After adjusting $1.7 million and $0.2 million for non-cash items related to share-based compensation and the fair valuation of warrants in the second quarter of 2015 and 2014, respectively, as well as adjust $0.6 million of secondary costs during the second quarter of 2015, SG&A decreased as a percentage of net sales to 47% in the second quarter of 2015 compared to 65% of net sales in the second quarter of 2014.

Loss from Operations

Loss from operations decreased $1.3 million, or 39%, to $2.0 million for the three months ended June 30, 2015 as compared to the same period in the prior year as a result of the factors mentioned above.

Fees on Debt Guarantee

For the three months ended June 30, 2015, we did not incur any fees on debt guarantee. Fees on debt guarantee expense were $1.8 million for the three months ended June 30, 2014. All debt underlying the fees on debt guarantee was repaid upon the consummation of the IPO.

Interest Expense

For the three months ended June 30, 2015, interest expense was $0.1 million, which related to fees associated with our 3-year $10.0 million Revolving Facility and $30.0 million term loan commitment earmarked for capital expenditures ("Credit Facilities"). Interest expense for the three months ended June 30, 2014 was $1.1 million. All of the Company's outstanding debt was repaid upon the consummation of the IPO.

Net Loss

Net loss decreased $4.0 million, or 64%, to $2.2 million for the three months ended June 30, 2015 as compared to the same period in the prior year. Net loss was 8% of net sales for the three months ended June 30, 2015 as compared to a net loss of 31% of net sales for the same period in the prior year .

Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

Net Sales

The following table sets forth net sales by class of retail:

	Six months ended June 30,					
	2015			2014		
	Amount	Percentage of Net Sales	Store Count	Amount	Percentage of Net Sales	Store Count
Grocery, Mass and Club* (1)	$ 42,113,913	76%	10,036	$ 29,851,193	75%	8,560
Pet Specialty, Natural and Other (2)	13,300,165	24%	4,318	9,885,042	25%	4,033
Net Sales	$ 55,414,078	100%	14,354	$ 39,736,235	100%	12,593

(1) Stores at June 30, 2015 and June 30, 2014 consisted of 6,558 and 5,722 grocery and 3,478 and 2,838 mass, respectively.
(2) Stores at June 30, 2015 and June 30, 2014 consisted of 4,055 and 3,837 pet specialty and 263 and 196 natural, respectively.
* Includes sales from Freshpet Baked product test of $1.5 million, or 3% of total net sales, for the six months ended June 30, 2015.

Net sales increased $15.7 million, or 39%, to $55.4 million for the six months ended June 30, 2015 as compared to the same period in the prior year. Net sales include the impact of additional sales associated with the Freshpet Baked product test. Excluding the impact of the Freshpet Baked product test, net sales for the second quarter of 2015 increased 36% to $53.9 million as compared to the same period in the prior year. The increase in net sales was driven by increased velocity in Grocery and Mass, as well as Pet Specialty, Natural and Other channels. The Company also experienced an increase of Freshpet Fridges store locations, which grew by 14.0% from 12,593 as of June 30, 2014 to 14,354 as of June 30, 2015.

Gross Profit

Gross profit increased $7.5 million, or 39%, to $26.9 million for the six months ended June 30, 2015 as compared to the same period in the prior year. The increase in gross profit was primarily driven by higher refrigerated net sales, gross profit from Freshpet Baked product test, and lower manufacturing costs per pound on our core Freshpet recipes due to the greater efficiencies achieved at our Freshpet Kitchens in Bethlehem, Pennsylvania, which was completed in the fourth quarter of 2013 . The increase in gross profit was partially offset by increased cost of goods sold related to product sales mix as a result of our new innovative products . During the second quarter of 2015, our new innovative products, which historically start with lower gross profit margin, had greater than expected initial sales volume. As a result, the gross profit margin remained relatively consistent at 49% for six months June 30, 2015, compared to the same period in 2014.

Excluding our Freshpet Baked product test, gross profit margin slightly increased 40 basis points during the six months ended June 30, 2015 to 49.1% compared to the same period in the prior year , attributable to our new innovated products . Generally we have been able to optimize the production of our new innovative products over time as they are incorporated into our core Freshpet recipes . As a result , we expect our gross profit margin to increase as we realize ef ficiencies of scale with increased sales volume of our current core and new innovative products.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $6.5 million, or 26%, to $31.5 million for the six months ended June 30, 2015 as compared to the same period in the prior year. Key components of the dollar increase include additional outbound freight costs of $1.2 million due to increased volume and sales, higher share-based compensation expense of $3.1 million, warrant expense related to the fair valuation of the outstanding warrants of $0.1 million, research and development cost related to the Freshpet Baked product test of $0.7 million, fees associated with the secondary offering of $0.6 million and incremental operating expenses of $1.8 million, slightly offset by a decrease in advertising cost of $0.9 million and research and development of $0.1 million. The increased operating expenses were primarily due to cost associated with a public company, new hires, increased employee benefit costs, and increased refrigerator repairs due to our growing Freshpet Fridge network. As a percentage of net sales, selling, general and administrative expenses decreased from 63% for the six months ended June 30, 2014 to 57% for the six months ended June 30, 2015. After adjusting $3.6 million and $0.4 million for non-cash items related to share-based compensation and the fair valuation of warrants in the six months ended June 30, 2015 and 2014, respectively, as well as adjust $0.6 million of secondary cost during the second quarter of 2015, SG&A decreased as a percentage of net sales to 49% in 2015 compared to 62% of net sales in 2014.

Loss from Operations

Loss from operations decreased $1.1 million, or 19%, to $4.6 million for the six months ended June 30, 2015 as compared to the same period in the prior year as a result of the factors mentioned above.

Fees on Debt Guarantee

For the six months ended June 30, 2015 we did not incur any fees on debt guarantee. Fees on debt guarantee expense were $3.6 million for the six months ended June 30, 2014. All debt underlying the fees on debt guarantee was repaid upon the consummation of the IPO.

Interest Expense

For the six months ended June 30, 2015, interest expense was $0.1 million, which related to fees associated with our 3-year $10.0 million Revolving Facility and $30.0 million term loan commitment earmarked for capital expenditures (“Credit Facilities”). Interest expense for the six months ended June 30, 2014 was $2.0 million. All of the Company’s outstanding debt was repaid upon the consummation of the IPO.

Net Loss

Net loss decreased $6.6 million, or 58%, to $4.8 million for the six months ended June 30, 2015 as compared to the same period in the prior year. Net loss was 9% of net sales for the six months ended June 30, 2015 as compared to a net loss of 29% of net sales for the same period in the prior year .

Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA are not financial measures prepared in accordance with U.S. generally accepted accounting principles, or GAAP. As used herein, EBITDA represents net loss plus depreciation and amortization, interest expense (including fees on debt guarantee, which we believe were a cost of our prior financing arrangement akin to interest expense), and income tax expense. As used herein, Adjusted EBITDA represents EBITDA plus loss on disposal of equipment, new plant startup expense and processing, share based compensation, warrant fair valuation, launch expenses, and secondary fees.

We present EBITDA and Adjusted EBITDA because we believe each of these measures provides an additional metric to evaluate our operations and, when considered with both our GAAP results and the reconciliation to net loss set forth below, provides a mo re complete understanding of our business than could be obtained absent this disclosure. We use EBITDA and Adjusted EBITDA, together with financial measures prepared in accordance with GAAP, such as sales, gross profit margins, and cash flow from operation s, to assess our historical and prospective operating performance, to provide meaningful comparisons of operating performance across periods, to enhance our understanding of our operating performance and to compare our performance to that of our peers and competitors.

Adjusted EBITDA is further utilized for our covenant requirements under our credit agreement, and additionally as an important component of internal budgeting and setting management compensation.

EBITDA and Adjusted EBITDA are presented here because we believe they are useful to investors in assessing the operating performance of our business without the effect of non-cash items, and other items as detailed below.

EBITDA and Adjusted EBITDA should not be considered in isolation or as alternatives to net loss, income from operations or any other measure of financial performance calculated and prescribed in accordance with GAAP. Neither EBITDA nor Adjusted EBITDA should be considered a measure of discretionary cash available to us to invest in the growth of our business. Our Adjusted EBITDA may not be comparable to similarly titled measures in other organizations because other organizations may not calculate Adjusted EBITDA in the same manner as we do.

Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by the expenses that are excluded from that term or by unusual or non-recurring items. We recognize that both EBITDA and Adjusted EBITDA have limitations as analytical financial measures. For example, neither EBITDA nor Adjusted EBITDA reflects:

- our capital expenditures or future requirements for capital expenditures;
- the interest expense (including fees on debt guarantee, which we believe were a cost of our prior financing arrangement akin to interest expense), or the cash requirements necessary to service interest expense or principal payments, associated with indebtedness;
- depreciation and amortization, which are non-cash charges, although the assets being depreciated and amortized will likely have to be replaced in the future, nor does EBITDA or Adjusted EBITDA reflect any cash requirements for such replacements; and
- changes in or cash requirements for our working capital needs.

Additionally, Adjusted EBITDA excludes (i) non-cash stock based compensation expense, which is and will remain a key element of our overall long term incentive compensation package, and (ii) certain costs essential to our sales growth and strategy, including an allowance for marketing expenses for each new store added to our network and uncapitalizable freight costs associated with Freshpet Fridge replacements. Adjusted EBITDA also excludes certain cash charges resulting from matters we consider not to be indicative of our ongoing operations. Other companies in our industry may calculate EBITDA and Adjusted EBITDA differently than we do, limiting their usefulness as comparative measures.

The following table provides a reconciliation of EBITDA and Adjusted EBITDA to net loss which is the most directly comparable financial measure presented in accordance with GAAP:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(Dollars in thousands)		(Dollars in thousands)	
Net Loss	$ (2,229)	$ (6,267)	$ (4,816)	$ (11,409)
Fees on debt guarantee (a)	—	1,808	—	3,645
Depreciation and amortization	1,869	1,536	3,624	3,124
Interest expense	111	1,079	148	2,033
Income tax expense	15	8	30	16
EBITDA	**$ (234)**	**$ (1,836)**	**$ (1,014)**	**$ (2,591)**
Loss on disposal of equipment	72	36	81	71
Launch expense (b)	596	1,202	1,400	2,334
New plant startup expenses and processing (c)	—	—	—	113
Noncash stock based compensation (d)	1,804	243	3,664	486
Warrant fair valuation (e)	(44)	—	70	—
Secondary fees (f)	593	—	593	—
Adjusted EBITDA	**$ 2,787**	**$ (355)**	**$ 4,794**	**$ 413**

(a) Represents fees paid to certain stockholders for acting as guarantors for a portion of our prior payment obligations under the $62.5 Million Revolver. Pursuant to a Fee and Reimbursement Agreement, the Company was obligated to pay each guarantor a contingent fee equal to 10% per annum of the amount each guarantor committed to guarantee. Portions of the proceeds from our IPO and related debt refinancing were used to repay the borrowings under the $62.5 Million Revolver, relieving us of our future fees on the debt guarantee. Concurrently, with the closing of the IPO, the outstanding guarantee fees were converted into shares of our Series C, which were then converted into common stock. See our consolidated financial statements and the notes thereto for additional information.

(b) Represents new store marketing allowance of $1,000 for each store added to our distribution network as well as the uncapitalized freight costs associated with Freshpet Fridge replac ements. The expense enhances the overall marketing spend to support our growing distribution network.

(c) Represents additional operating costs incurred in 2013 and in the first quarter of 2014 in connection with the opening of our manufacturing facility i n Bethlehem, Pennsylvania, which was completed in the fourth quarter of 2013.

(d) Represents non-cash stock based compensation expense.

(e) Represents the change of fair value for the outstanding warrants.

(f) Represents fees associated with the secondary public offering of our common stock, which was completed on May 5, 2015.

Liquidity and Capital Resources

Developing our business will require significant capital in the future. To meet our capital needs, we expect to rely on our current and future cash flow from operations, and our current available borrowing capacity. Our ability to obtain additional funding will be subject to various factors, including general market conditions, our operating performance, the market’s perception of our growth potential, lender sentiment and our ability to incur additional debt in compliance with other contractual restrictions, such as financial covenants under our debt documents.

Additionally, our ability to make payments on, and to refinance, any indebtedness under our Credit Facilities and to fund planned expenditures for our growth plans will depend on our ability to generate cash in the future. If our business does not achieve the levels of profitability or generate the amount of cash that we anticipate or if we expand faster than anticipated, we may need to seek additional debt or equity financing to operate and expand our business. Future third-party financing may not be available on favorable terms or at all.

We believe that cash and cash equivalents, expected cash f low from operations and planned borrowing capacity are adequate to fund debt service requirements, operating lease obligations, capital expenditures and working capital obligations for the foreseeable future. However, our ability to continue to meet these requirements and obligations will depend on, among other things, our ability to achieve anticipated levels of revenue and cash flow from operations and our ability to manage costs and working capital successfully. Additionally, our cash flow generation abi lity is subject to general economic, financial, competitive, legislative and regulatory factors and other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations in an amount sufficient to enable us to fund our liquidity needs. Further, our capital requirements may vary materially from those currently planned if, for example, our revenues do not reach expected levels or we have to incur unforeseen capital expenditures and make investments to mainta in our competitive position. If this is the case, we may seek alternative financing, such as selling additional debt or equity securities, and we cannot assure you that we will be able to do so on favorable terms, if at all. Moreover, if we issue new debt securities, the debt holders would have rights senior to common stockholders to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. If we issue additional equity or convertible debt securities, existing stockholders may experience dilution, and such new securities could have rights senior to those of our common stock. These factors may make the timing, amount, terms and conditions of additional financings unattractiv e. Our inability to raise capital could impede our growth or otherwise require us to forego growth opportunities and could materially adversely affect our business, financial condition and results of operations.

	June 30, 2015	December 31, 2014
	(Dollars in thousands)	
Cash and cash equivalents	$ 16,047	$ 36,259
Short-term investments	7,499	—
Accounts receivable, net	6,298	5,360
Inventory	7,811	7,314
Prepaid expense and other (a)	690	1,292
Accounts payable	(7,155)	(5,424)
Accrued expenses	(2,407)	(2,938)
Accrued warrants	(777)	(707)
Working capital	$ 28,006	$ 41,156

Working capital consists of current assets net of current liabilities. The decrease in working capital for June 30, 2015 compared to December 31, 2014 is primarily due to a decrease in cash and cash equivalents and short-term investments, primarily due to increased capital expenditures, an increase in accounts receivable due to higher net sales, and increased inventory due to a higher net sales run-rate. The changes in prepaid expense and other, accounts payable and accrued expenses are due to timing.

Our primary cash needs are for ingredients, purchases and operating expenses, marketing expenses and capital expenditures to procure Freshpet Fridges and expand and improve our manufacturing plant to support our net sales growth. We expect to invest approximately $30 to $32 million in capital expenditures to expand our plant capacity and increase distribution of which $5.3 million was recorded within capital expenditures for the six months ended June 30, 2015. We expect to be able to use our current liquidity position, which includes our available Credit Facilities, and future operating cash flows, to fund the plant expansion.

We normally carry three to four weeks of finished goods inventory. The average duration of our accounts receivable is approximately three weeks.

As of June 30, 2015, our capital resources consisted primarily of $16.0 million cash on hand and $7.5 million of short-term investments with maturities ranging from three months to one year, primarily related to the IPO proceeds, and $40 million available under our Credit Facilities.

The following table sets forth, for the periods indicated, our beginning balance of cash, net cash flows provided by (used in) operating, investing and financing activities and our ending balance of ca sh.

	Six months ended June 30,	
	2015	2014
	(Dollars in thousands)	
Cash at the beginning of period	$ 36,259	$ 2,445
Net cash provided by (used in) operating activities	2,059	(4,445)
Net cash used in investing activities	(22,514)	(10,127)
Net cash provided by financing activities	242	14,051
Cash at the end of period	$ 16,047	$ 1,924

Net Cash Used in Operating Activities.

Cash provided by (used in) operating activities consists primarily of net income adjusted for certain non-cash items (provision for loss on receivables, loss on disposal of equipment, fees on debt guarantee, depreciation and amortization, share based compensation, and the fair valuation of warrants).

For the six months ended June 30, 2015, net cash provided by operating activities was $2.1 million, which primarily consisted of adjusted net income of $2.7 million, which excludes $7.5 million of non-cash items primarily relating to $3.7 million of share based compensation and $3.6 million of depreciation and amortization. Proceeds were slightly offset by a change in operating assets and liabilities of $0.7 million. The changes in operating assets and liabilities were due to the increase of net assets being greater than the decrease of net liabilities. The increase in accounts receivable and inventory is primarily due to growth in net sales, as well as an increase in the number of stores with a Freshpet fridge. The increase in liabilities was due to timing of payments.

For the six months ended June 30, 2014, net cash used in operating activities was $4.4 million, which consisted of an adjusted net loss of $3.8 million, which excludes $7.6 million of non-cash items primarily relating to $3.6 million of fees on debt guarantee and $3.1 million of depreciation and amortization. Cash used was offset by a change in operating assets and liabilities of $0.6 million. The changes in operating assets and liabilities were due to the increase of net payables and accrued expense of $2.8 million, related to timing of payments, being greater than the increase of accounts receivable, inventory, and other assets of $2.3 million, related to sales growth.

Net Cash Used in Investing Activities

Net cash used in investing activities was $22.5 million and $10.1 million for the six months ended June 30, 2015 and 2014, respectively. Net cash used in investing activities for the six months ended June 30, 2015 relates primarily to purchases of short-term investments of $7.5 million, capital expenditures related to the Freshpet Kitchens of $5.5 million (including the Freshpet Kitchens expansion of $5.3 million and recurring capital expenditures of $0.2 million), purchase of a building with 6.5 acres of land adjacent to our Freshpet Kitchens for $5.0 million and investment in fridges as well as other miscellaneous capital spend of $4.5 million. The capital spending during the six months ended June 30, 2014 was mainly related to new fridges as well as other capitalized costs of $7.8 million and Freshpet Kitchens of $2.5 million, partially offset by proceeds from sale of equipment related to the Quakertown, Pennsylvania facility of $0.2 million.

Net Cash from Financing Activities

Net cash from financing activities was $0.2 million for the six months ended June 30, 2015 and $14.1 million for the six months ended June 30, 2014. The net cash from financing activities was attributable to the exercise of stock options in the six months ended June 30, 2015 and increases in notes payable and an increase in proceeds from the issuance of our preferred stock for the six months ended June 30, 2014.

Indebtedness

Prior to the IPO and related debt refinancing, the Company's outstanding debt consisted of a $1.5 million stockholder note (the "Stockholder Note"), a $27.0 million revolving note payable (the "$27.0 Million Revolver"), a $62.5 million revolving note payab le (the “$62.5 Million Revolver”), and $2.0 million in shareholder convertible notes (the “Convertible Notes”). Each of these was repaid concurrent with the closing of the IPO.

On November 13, 2014, in connection with the IPO, the Company entered into senior secured credit facilities (the “Debt Refinancing”) comprised of a 5-year $18.0 million term facility (the “Term Facility”), a 3-year $10.0 million revolving facility (the “Revolving Facility”) and a $12.0 million additional term loan commitment earmarked primarily for capital expenditures (the “Capex Commitments” and together with the Term Facility and Revolving Facility, the “Credit Facilities” and such loan agreement, the “Loan Agreement”). On December 23, 2014, the Company repaid the outstanding $18.0 million and modified the terms of the $40.0 million Credit Facilities. The $18.0 million term facility was extinguished, the 3-year $3.0 million Revolving Facility remained unchanged, and the $2.0 million term loan commitment earmarked for capital expenditures was increased to $30 million. Any undrawn Capex Commitments will expire on the third anniversary of the execution of the agreement. Under the terms of the Loan Agreement, the commitments for the Revolving Facility may be increased up to $20.0 million subject to certain conditions. The Loan Agreement provides for the maintenance of various covenants, including financial covenants, and includes events of default that are customary for facilities of this type.

Any borrowings under the Credit Facilities bear interest at variable rates depending on our election, either at a base rate or at LIBOR, in each case, plus an applicable margin. The initial applicable margin is 3.75% for base rate loans and 4.75% for LIBOR loans. Thereafter, subject to our leverage ratio, the applicable base rate margin will vary from 2.75% and 3.75% and the applicable LIBOR rate margin will vary from 3.75% and 4.75%. The Credit Facilities are secured by substantially all of our assets. The Loan Agreement provides for the maintenance of various covenants, including financial covenants. The Loan Agreement includes events of default that are usual for facilities and transactions of this type. As of June 30, 2015, we had no debt outstanding and were in compliance with the covenants under the Loan Agreement.

Contractual Obligations

There were no material changes in our commitments under contractual obligations, as disclosed in our Form 10-K.

Off Balance Sheet Arrangements

We have no off balance sheet arrangements or any holdings in variable interest entities.

Critical Accounting Policies and Significant Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and the related disclosure of contingent assets and liabilities, revenue and expenses at the date of the financial statements. Generally, we base our estimates on historical experience and on various other assumptions in accordance with U.S. GAAP that we believe to be reasonable under the circumstances. Actual results may differ from these estimates.

There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our Form 10-K.

Recent Accounting Pronouncements

On May 28, 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers,” which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company on January 1, 2018. Early application is not permitted. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

On April 7, 2015, the FASB issued ASU 2015-03, “Interest—Imputation of Interest,” which requires that debt issuance cost be presented on the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums . This new guidance will be effective for the Company beginning January 1, 2016 . ASU 2015-03 will not have an impact on the Co mpany's consolidated financial statements other than presentation.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory," which requires that an entity carry its inventory at lower of cost or net realizable value (which replaces "lower of cost or market") if the FIFO or average cost methods are used. This new guidance will be effective for the Company beginning January 1, 2016. The effects ASU 2015-11 will depend on future valuation of our inventory.

Item 3. Quantitative and Qualitative Disclosures About Market Risks

Interest Rate Risk

We are sometimes exposed to market risk from changes in interest rates on debt and changes in commodity prices. Our exposure to interest rate fluctuations is limited to our outstanding indebtedness under our credit agreements, which bears interest at variable rates. As of June 30, 2015, there were no outstanding borrowings under our $40.0 million Credit Facilities . As a result, we were not exposed to interest expense fluctuation risk at June 30, 2015.

Commodity Price Risk

We purchase certain products that are affected by commodity prices and are, therefore, subject to price volatility caused by weather, market conditions and other factors which are not considered predictable or within our control. In many cases, we believe we will be able to address material commodity cost increases by either increasing prices or reducing operating expenses. However, increases in commodity prices, without adjustments to pricing or reduction to operating expenses, could increase our operating costs as a percentage of our net sales.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a- 15(e) and 15d- 15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15 (d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We are currently involved in various claims and legal actions that arise in the ordinary course of our business, including claims resulting from employment related matters. None of these claims, most of which are covered by insurance, has had a material effect on us, and as of the date of this report, we are not party to any material pending legal proceedings and are not aware of any claims that could have a material adverse effect on our business, financial condition, results of operations or cash flows. However, a significant increase in the number of these claims or an increase in amounts owing under successful claims could materially and adversely affect our business, financial condition, results of operations or cash flows.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in our Form 10-K.

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

b) Use of Proceeds

As previously disclosed, on November 6, 2014, our registration statement (the "Registration Statement") on Form S-1 (File No. 333-198724) was declared effective by the Securities and Exchange Commission for our IPO, pursuant to which we sold an aggregate of 11,979,167 shares of common stock at a price to the public of $15.00 per share. There have been no material change in the planned use of proceeds from our IPO as described in the Registration Statement.

Item 6. Exhibits

Exhibit No.	Description
10.1	Amendment No. Five to Second Amended and Restated Loan and Security Agreement by and among the Company and City National Bank, a national banking association, as the arranger and administrative agent, and the Lenders thereto
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
EX-101.INS	XBRL Instance Document
EX-101.SCH	XBRL Schema Documents
EX-101.CAL	XBRL Calculation Linkbase Document
EX-101.LAB	XBRL Labels Linkbase Document
EX-101.PRE	XBRL Presentation Linkbase Document
EX-101.DEF	XBRL Definition Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Secaucus, State of New Jersey, on this 13 th day of August 2015.

FRESHPET, INC.
/s/ Richard Thompson
Richard Thompson
Chief Executive Officer and Director
(Principal Executive Officer)

/s/ Richard Kassar
Richard Kassar
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 10.1

AMENDMENT NUMBER FIVE TO SECOND
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT AND CONSENT

THIS AMENDMENT NUMBER FIVE TO SECOND AMENDED AND RESTATED **LOAN AND SECURITY AGREEMENT AND CONSENT** (this " Amendment "), dated as of May 14, 2015 is entered into by and among, on the lenders identified on the signature pages hereof (such lenders, together with their respective successors and permitted assigns, are referred to hereinafter each individually as a " Lender " and collectively as the " Lenders "), **CITY NATIONAL BANK** , a national banking association (" CNB "), as the arranger and administrative agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, " Agent "), and **FRESHPET, INC.** , a Delaware corporation (" Borrower "), and in light of the following:

W I T N E S S E T H

WHEREAS , Borrower, Agent and the Lenders are parties to that certain Second Amended and Restated Loan and Security Agreement, dated as of November 13, 2014 (as amended, restated, supplemented, or otherwise modified from time to time, the " Loan Agreement ");

WHEREAS, Borrower is required to deliver to Agent a Control Agreement from each Cash Management Bank (other than Agent) set forth on Schedule 2.7(a) of the Loan Agreement within 150 days after the Restatement Effective Date (the " Control Agreement Deadline ").

WHEREAS, Borrower has requested that Agent and the Lenders (a) make certain amendments to the Loan Agreement, and (b) consent to the extension of the Control Agreement Deadline; and

WHEREAS, upon the terms and conditions set forth herein, Agent and the Lenders are willing to accommodate Borrower's requests.

NOW, THEREFORE , in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Defined Terms . All initially capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Loan Agreement.

2. Consent . The provisions of the Loan Agreement and the other Loan Documents to the contrary notwithstanding, and subject to the satisfaction of the conditions precedent set forth in Section 4 below, Agent and Lenders hereby extend the Control Agreement Deadline to June 10, 2015.

3. Amendment to Loan Agreement . Upon the satisfaction of the conditions precedent set forth in Section 4 below, Section 3.2(b) of the Loan Agreement is hereby amended by replacing the reference to "150" appearing therein with "180".

4. Conditions Precedent to Amendment . The satisfaction of each of the following shall constitute conditions precedent to the effectiveness of the Amendment (such date being the " Amendment Effective Date "):

(a) Agent shall have received this Amendment, duly executed by the parties hereto, and the same shall be in full force and effect.

(b) The representations and warranties herein and in the Loan Agreement and the other Loan Documents shall be true and correct in all respects on and as of the date hereof, as though made on such date (except to the extent that such representations and warranties relate solely to an earlier date).

(c) No injunction, writ, restraining order, or other order of any nature prohibiting, directly or indirectly, the consummation of the transactions contemplated herein shall have been issued and remain in force by any Governmental Authority against Borrower or Agent.

(d) No Default or Event of Default shall have occurred and be continuing or shall result from the consummation of the transactions contemplated herein.

(e) All other documents and legal matters in connection with the transactions contemplated by this Amendment shall have been delivered, executed, or recorded and shall be in form and substance reasonably satisfactory to Agent.

5. Representations and Warranties . Borrower hereby represents and warrants to Agent and the Lender as follows:

(a) It (i) is duly organized and existing and in good standing under the laws of the jurisdiction of its organization, (ii) is qualified to do business in any state where the failure to be so qualified reasonably could be expected to result in a Material Adverse Change, and (iii) has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to enter into the Loan Documents to which it is a party and to carry out the transactions contemplated thereby.

(b) The execution, delivery, and performance by it of this Amendment and the performance by it of each Loan Document to which it is or will be a party (i) have been duly authorized by all necessary action, and (ii) do not and will not (A) violate any material provision of federal, state or local law, rule or regulation, or any order, judgment, decree, writ, injunction or award of any arbitrator, court or governmental authority finding on it or its Subsidiaries, the Governing Documents of it or its Subsidiaries, or any order, judgment or decree of any court or other Governmental Authority binding on it or its Subsidiaries, (B) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligation of it or its Subsidiaries, except to the extent that any such conflict, breach or default could not individually or in the aggregate reasonably be expected to have a Material Adverse Change, (C) result in or require the creation or imposition of any Lien of any nature whatsoever upon any properties or assets of Borrower, other than Permitted Liens, or (D) require any approval of Borrower's interestholders or any approval or consent of any Person under any material contractual obligation of Borrower, other than consents or approvals that have been obtained and that are still in force and effect and except, in the case of a material contractual obligation, for consents or approvals, the failure to obtain could not individually or in the aggregate reasonably be expected to cause a Material Adverse Change.

(c) The execution, delivery and performance by Borrower of the Loan Documents and the consummation of the transactions contemplated by the Loan Documents do not and will not require any registration with, consent, or approval of, or notice to, or other action with or by, any Governmental Authority or any other Person, other than consents or approvals that have been obtained and that are still in force and effect.

(d) This Amendment is, and each other Loan Document to which it is or will be a party, when executed and delivered by each Person that is a party thereto, will be the legally valid and binding obligation of such Person, enforceable against such Person in accordance with its respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally.

(e) No injunction, writ, restraining order, or other order of any nature prohibiting, directly or indirectly, the consummation of the transactions contemplated herein has been issued and remains in force by any Governmental Authority against Borrower or any member of the Lender Group.

(f) No Default or Event of Default has occurred and is continuing as of the date of the effectiveness of this Amendment, and no condition exists which constitutes a Default or an Event of Default.

(g) The representations and warranties set forth in this Amendment, the Loan Agreement, as amended by this Amendment, and the other Loan Documents to which it is a party are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representation or warranty to the extent that such representation or warranty is qualified or modified by materiality in the text thereof, in which case such representation and warranties shall be true in all respects) on and as of the date hereof, as though made on such date (except to the extent that such representations and warranties relate solely to an earlier date.)

(h) This Amendment has been entered into without force or duress, of the free will of Borrower, and the decision of Borrower to enter into this Amendment is a fully informed decision and Borrower is aware of all legal and other ramifications of each decision.

(i) It has read and understands this Amendment, has consulted with and been represented by independent legal counsel of its own choosing in negotiations for and the preparation of this Amendment, has read this Amendment in full and final form, and has been advised by its counsel of its rights and obligations hereunder and thereunder.

6. Payment of Costs and Fees . Borrower shall pay to Agent all reasonable and documented costs, out-of-pocket expenses, fees and charges in connection with the preparation, negotiation, execution and delivery of this Amendment and any documents and instruments relating hereto. In addition thereto, Borrower agrees to reimburse Agent on demand for its reasonable and documented costs arising out of this Amendment and all documents or instruments relating hereto (which costs may include the reasonable fees and expenses of any attorneys retained by Agent).

7. Choice of Law . This Amendment and the rights of the parties hereunder, shall be governed by, and construed in accordance with, the laws of the State of California applicable to contracts made and to be performed in the State of California.

8. Amendments . This Amendment cannot be altered, amended, changed or modified in any respect or particular unless each such alteration, amendment, change or modification shall have been agreed to by each of the parties and reduced to writing in its entirety and signed and delivered by each party.

9. Counterpart Execution . This Amendment may be executed in any number of counterparts, all of which when taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Amendment by signing any such counterpart. Delivery of an executed counterpart of this Amendment by telefacsimile or electronic mail shall be equally as effective as delivery of an original executed counterpart of this Amendment. Any party delivering an executed counterpart of this Amendment by telefacsimile or electronic mail also shall deliver an original executed counterpart of this Amendment, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment.

10. Effect on Loan Documents .

(a) The Loan Agreement, as amended hereby, and each of the other Loan Documents shall be and remain in full force and effect in accordance with their respective terms and hereby are ratified and confirmed in all respects. The execution, delivery, and performance of this Amendment shall not operate, except as expressly set forth herein, as a modification or waiver of any right, power, or remedy of any member of the Lender Group under the Loan Agreement or any other Loan Document. The waivers, consents and modifications herein are limited to the specifics hereof (including facts or occurrences on which the same are based), shall not apply with respect to any facts or occurrences other than those on which the same are based, shall not excuse any non-compliance with the Loan Documents, and shall not operate as a consent to any matter under the Loan Documents. Except for the amendments to the Loan Agreement expressly set forth herein, the Loan Agreement, the other Loan Documents and the other Schedules thereto shall remain unchanged and in full force and effect. The execution, delivery and performance of this Amendment shall not operate as a waiver of or, except as expressly set forth herein, as an amendment of, any right, power or remedy of any member of the Lender Group in effect prior to the date hereof. The amendments and waivers set forth herein are limited to the specifics hereof, shall not apply with respect to any facts or occurrences other than those on which the same are based, and except as expressly set forth herein, shall neither excuse any future non-compliance with the Loan Agreement, nor operate as a waiver of any Default or Event of Default. To the extent any terms or provisions of this Amendment conflict with those of the Loan Agreement or other Loan Documents, the terms and provisions of this Amendment shall control.

(b) Upon and after the effectiveness of this Amendment, each reference in the Loan Agreement to "this Agreement", "hereunder", "herein", "hereof" or words of like import referring to the Loan Agreement, and each reference in the other Loan Documents to "the Loan Agreement", "thereunder", "therein", "thereof" or words of like import referring to the Loan Agreement, shall mean and be a reference to the Loan Agreement as modified and amended hereby.

(c) To the extent that any terms and conditions in any of the Loan Documents shall contradict or be in conflict with any terms or conditions of the Loan Agreement, such terms and conditions are hereby deemed modified or amended accordingly to reflect the terms and conditions of the Loan Agreement as modified or amended hereby.

(d) This Amendment is a Loan Document.

(e) Unless the context of this Amendment clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the terms "includes" and "including" are not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or".

11. Entire Agreement . This Amendment, and terms and provisions hereof, the Loan Agreement and the other Loan Documents constitute the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersedes any and all prior or contemporaneous amendments or understandings with respect to the subject matter hereof, whether express or implied, oral or written.

12. Integration . This Amendment, together with the other Loan Documents, incorporates all negotiations of the parties hereto with respect to the subject matter hereof and is the final expression and agreement of the parties hereto with respect to the subject matter hereof.

13. Release .

(a) Effective on the date hereof, each of Borrower and, for itself and on behalf of its successors, assigns, and officers, directors, employees, agents and attorneys, and any Person acting for or on behalf of, or claiming through such Person, hereby waives, releases, remises and forever discharges each member of the Lender Group, each of their respective Affiliates, and each of their respective successors in title, past, present and future officers, directors, employees, limited partners, general partners, investors, attorneys, assigns, subsidiaries, shareholders, trustees, agents and other professionals and all other persons and entities to whom any member of the Lender Group or their respective Affiliates would be liable if such persons or entities were found to be liable to Borrower (each a " Releasee " and collectively, the "Releasees"), from any and all past, present and future claims, suits, liens, lawsuits, adverse consequences, amounts paid in settlement, debts, deficiencies, diminution in value, disbursements, demands, obligations, liabilities, causes of action, damages, losses, costs and expenses of any kind or character, whether based in equity, law, contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law (each a " Claim " and collectively, the " Claims "), whether known or unknown, fixed or contingent, direct, indirect, or derivative, asserted or unasserted, matured or unmatured, foreseen or unforseen, past or present, liquidated or unliquidated, suspected or unsuspected, which Borrower ever had from the beginning of the world, now has, or might hereafter have against any such Releasee which relates, directly or indirectly to the Loan Agreement, any other Loan Document, or to any acts or omissions of any such Releasee with respect to the Loan Agreement or any other Loan Document, or to the lender-borrower relationship evidenced by the Loan Documents, except for the duties and obligations set forth in this Amendment. As to each and every claim released hereunder, Borrower hereby represents that it has received the advice of legal counsel with regard to the releases contained herein, and having been so advised, specifically waives the benefit of the provisions of Section 1542 of the Civil Code of California which provides as follows:

" A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR ."

(b) Borrower acknowledges that it may hereafter discover facts different from or in addition to those now known or believed to be true with respect to such claims, demands, or causes of action and agrees that this instrument shall be and remain effective in all respects notwithstanding any such differences or additional facts. Borrower understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(c) Borrower, for itself and on behalf of its successors, assigns, and officers, directors, employees, agents and attorneys, and any Person acting for or on behalf of, or claiming through it, hereby absolutely, unconditionally and irrevocably, covenants and agrees with and in favor of each Releasee above that it will not sue (at law, in equity, in any regulatory proceeding or otherwise) any Releasee on the basis of any claim released, remised and discharged by such Person pursuant to the above release. Borrower further agrees that it shall not dispute the validity or enforceability of the Loan Agreement or any of the other Loan Documents or any of its obligations thereunder, or the validity, priority, enforceability or the extent of Agent's Lien on any item of Collateral under the Loan Agreement or the other Loan Documents. If Borrower or any of its successors, assigns, or officers, directors, employees, agents or attorneys, or any Person acting for or on behalf of, or claiming through it violate the foregoing covenant, such Person, for itself and its successors, assigns and legal representatives, agrees to pay, in addition to such other damages as any Releasee may sustain as a result of such violation, all attorneys' fees and costs incurred by such Releasee as a result of such violation.

14. Acknowledgments .

(a) Acknowledgement of Security Interests . Borrower hereby acknowledges, confirms and agrees that Agent, for the benefit of the Lender Group, has and shall continue to have valid, enforceable and perfected first-priority liens upon and security interests in the Collateral granted to Agent, for the benefit of the Lender Group, pursuant to the Loan Documents or otherwise granted to or held by Agent.

(b) No Disregard of Loan Documents . Borrower hereby acknowledges that the parties hereto have not entered into a mutual disregard of the terms and provisions of the Loan Agreement or the other Loan Documents, or engaged in any course of dealing in variance with the terms and provisions of the Loan Agreement or the Loan Documents, within the meaning of any applicable law of the State of California, or otherwise.

15. Reaffirmation of Obligations . Borrower hereby reaffirms its obligations under each Loan Document to which it is a party. Borrower hereby further ratifies and reaffirms the validity and enforceability of all of the liens and security interests heretofore granted, pursuant to and in connection with any Loan Document to Agent, for the benefit of the Lender Group, as collateral security for the obligations under the Loan Documents in accordance with their respective terms, and acknowledges that all of such liens and security interests, and all collateral heretofore pledged as security for such obligations, continues to be and remain collateral for such obligations from and after the date hereof.

16. Ratification . Borrower hereby restates, ratifies and reaffirms each and every term and condition set forth in the Loan Agreement and the Loan Documents effective as of the date hereof and as amended hereby.

17. Severability . In case any provision in this Amendment shall be invalid, illegal or unenforceable, such provision shall be severable from the remainder of this Amendment and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

[Signature pages to follow.]

IN WITNESS WHEREOF, the parties have entered into this Amendment as of the date first above written.

FRESHPET, INC.,
a Delaware corporation, as Borrower

By: /s/ Stephen Macchiaverna
Name: Stephen Macchiaverna
Title: SVP Controller and Secretary

[SIGNATURE PAGE TO AMENDMENT NUMBER FIVE TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT AND CONSENT]

CITY NATIONAL BANK,
a national banking association, as Agent and as a Lender

By: /s/ Garen Papazyan
Name: Garen Papazyan
Title: Senior Vice President

[SIGNATURE PAGE TO AMENDMENT NUMBER FIVE TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT AND CONSENT]

ONEWEST BANK N.A.,
a national banking association, as a Lender

By: /s/ David Ligon
Name: David Ligon
Title: Executive Vice President

[SIGNATURE PAGE TO AMENDMENT NUMBER FIVE TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT AND CONSENT]

Exhibit 31.1

CERTIFICATIONS

I, Richard Thompson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Freshpet, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal 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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the

audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control 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.

Date: August 13, 2015

/s/ Richard Thompson
Richard Thompson
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Richard Kassar, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Freshpet, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal 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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the

audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control 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.

Date: August 13, 2015

/s/ Richard Kassar
Richard Kassar
Chief Financial Officer

Exhibit 32.1

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

In connection with the filing of the Quarterly Report on Form 10-Q of Freshpet, Inc., a Delaware corporation (the "Company"), for the quarter ended June 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: August 13, 2015

/s/ Richard Thompson
Richard Thompson
Chief Executive Officer

/s/ Richard Kassar
Richard Kassar
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.