

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, 2016.

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

(State of Incorporation or Organization)

20-1884894

(I.R.S. Employer Identification No.)

400 Plaza Drive, 1st Floor, Secaucus, New Jersey

(Address of Principal Executive Offices)

07094

(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 1, 2016 was 33,616,327.

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Forward-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;
- the exposure to ingredient costs;
- 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 year ended December 31, 2015 (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. 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.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

FRESHPET, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,719,089	\$ 8,029,413
Short-term investments	—	3,250,000
Accounts receivable, net of allowance for doubtful accounts	8,226,216	7,030,719
Inventories, net	7,864,626	6,853,447
Prepaid expenses and other current assets	792,129	229,631
Total Current Assets	<u>18,602,060</u>	<u>25,393,210</u>
Property, plant and equipment, net	99,119,154	82,793,007
Deposits on equipment	2,959,216	3,243,519
Other assets	1,781,860	1,667,838
Total Assets	<u>\$ 122,462,290</u>	<u>\$ 113,097,574</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	7,397,999	6,668,643
Accrued expenses	4,960,313	2,274,557
Accrued warrants	232,489	204,314
Short-term borrowings under line of credit	8,000,000	—
Total Current Liabilities	<u>\$ 20,590,801</u>	<u>\$ 9,147,514</u>
Total Liabilities	<u>\$ 20,590,801</u>	<u>\$ 9,147,514</u>
STOCKHOLDERS' EQUITY:		
Common stock — voting, \$0.001 par value, 200,000,000 shares authorized, 33,573,804 and 33,536,940 issued and outstanding on June 30, 2016 and December 31, 2015, respectively	33,573	33,537
Additional paid-in capital	295,421,183	292,484,986
Accumulated deficit	(193,583,267)	(188,568,463)
Total Stockholders' Equity	<u>101,871,489</u>	<u>103,950,060</u>
Total Liabilities and Stockholders' Equity	<u>\$ 122,462,290</u>	<u>\$ 113,097,574</u>

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		For the Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
NET SALES	\$ 33,002,209	\$ 28,359,404	\$ 64,455,910	\$ 55,414,078
COST OF GOODS SOLD	18,090,405	14,699,240	34,656,218	28,500,895
GROSS PROFIT	14,911,804	13,660,164	29,799,692	26,913,183
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	17,886,746	15,738,247	34,373,829	31,415,845
LOSS FROM OPERATIONS	(2,974,942)	(2,078,083)	(4,574,137)	(4,502,662)
OTHER EXPENSES:				
Other Expenses, net	(93,768)	(24,888)	(134,637)	(134,844)
Interest Expense	(159,292)	(110,679)	(276,030)	(148,218)
	(253,060)	(135,567)	(410,667)	(283,062)
LOSS BEFORE INCOME TAXES	(3,228,002)	(2,213,650)	(4,984,804)	(4,785,724)
INCOME TAX EXPENSE	15,000	15,000	30,000	30,000
NET LOSS	(3,243,002)	(2,228,650)	(5,014,804)	(4,815,724)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (3,243,002)	\$ (2,228,650)	\$ (5,014,804)	\$ (4,815,724)
NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS				
-BASIC	\$ (0.10)	\$ (0.07)	\$ (0.15)	\$ (0.14)
-DILUTED	\$ (0.10)	\$ (0.07)	\$ (0.15)	\$ (0.14)
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING USED IN COMPUTING NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS				
-BASIC	33,554,395	33,484,997	33,545,837	33,477,415
-DILUTED	33,554,395	33,484,997	33,545,837	33,477,415

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,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (5,014,804)	\$ (4,815,724)
Adjustments to reconcile net loss to net cash flows provided by operating activities:		
Provision for losses on accounts receivable	10,403	24,001
Loss on disposal of equipment and deposits on equipment	158,612	80,679
Share based compensation	2,671,418	3,664,450
Fair value adjustment for outstanding warrants	28,175	70,163
Change in reserve for inventory obsolescence	128,112	(5,031)
Depreciation and amortization	4,237,677	3,624,282
Amortization of deferred financing costs and loan discount	72,069	70,974
Changes in operating assets and liabilities		
Accounts receivable	(1,205,900)	(961,132)
Inventories	(1,139,291)	(492,074)
Prepaid expenses and other current assets	(562,498)	601,725
Other assets	(160,372)	(44,947)
Accounts payable	1,534,916	739,238
Accrued expenses	2,685,756	(497,140)
Net cash flows provided by operating activities	<u>3,444,273</u>	<u>2,059,464</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of short-term investments	—	(7,499,205)
Proceeds from maturities of short-term investments	3,250,000	—
Acquisitions of property, plant and equipment, software and deposits on equipment	(21,248,425)	(10,035,332)
Acquisitions of land and building	—	(4,979,710)
Proceeds from sale of equipment	10,672	—
Net cash flows used in investing activities	<u>(17,987,753)</u>	<u>(22,514,247)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Exercise of options to purchase common stock	233,156	242,456
Proceeds from borrowings under line of credit	8,000,000	—
Net cash flows provided by financing activities	<u>8,233,156</u>	<u>242,456</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(6,310,324)	(20,212,327)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,029,413	36,259,252
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,719,089	\$ 16,046,925
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 131,302	\$ 99,744
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Property, plant and equipment purchases in accounts payable	\$ 1,232,743	\$ 1,975,350

See accompanying notes to the unaudited consolidated financial statements.

FRESHPET, INC. AND SUBSIDIARIES

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” or the “Company”), a Delaware corporation, manufactures and markets natural fresh meals and treats for dogs and cats. The Company’s products are distributed throughout the United States, Canada, and other international test markets 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 the Company’s wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation – The accompanying consolidated balance sheet as of June 30, 2016, statements of operations and comprehensive loss for the three and six months ended June 30, 2016 and 2015, and statements of cash flows for the six months ended June 30, 2016 and 2015 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, 2016, the results of its operations for the three and six months ended June 30, 2016 and 2015, and its cash flows for the six months ended June 30, 2016 and 2015. The financial data and other information disclosed in these notes related to the three and six months ended June 30, 2016 and 2015 are unaudited. The results for three and six months ended June 30, 2016 are not necessarily indicative of results to be expected for the year ending December 31, 2016, or 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 Annual Report on Form 10-K for the year ended December 31, 2015.

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.

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

Note 2 – Recently Issued Accounting Standards:

In May 2014, the FASB issued ASU No. 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. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In August 2015, the FASB amended the effective date of this ASU to fiscal years beginning after December 15, 2017, and early adoption is only permitted for fiscal years beginning after December 15, 2016. The standard permits the use of either the retrospective or cumulative effect transition method. 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.

FRESHPET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

In April 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 was adopted beginning January 1, 2016 and did not impact 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 replaces "lower of cost or market") if the first-in first-out (FIFO) or average cost methods are used. This new guidance is effective for the Company beginning after December 15, 2016. The effects of ASU 2015-11 will depend on future valuation of the Company's inventory.

In November 2015, the FASB issued ASU 2015-17, "Balance Sheet Classification of Deferred Taxes," which requires entities with a classified balance sheet to present all deferred tax assets and liabilities as noncurrent. The new guidance was adopted beginning January 1, 2016. The effects of ASU 2015-17 will change retrospectively how deferred tax assets and liabilities are classified within the balance sheet and notes thereto. Due to the Company's full valuation allowance, deferred tax assets and liabilities have not been disclosed within the consolidated balance sheet.

In February 2016, the FASB issued ASU 2016-02, "Leases," which requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The new guidance is effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The amendments should be applied at the beginning of the earliest period presented using a modified retrospective approach with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is currently evaluating the effects adoption of this guidance will have on its consolidated financial statements and financial statement disclosures.

In March 2016, the FASB issued ASU 2016-08, "Principal versus Agent Considerations," which clarifies the implementation of guidance on principal versus agent considerations. The effective date and transition requirements for the amendments in this update are the same as the effective date and transition requirements under update 2014-09. The Company is currently assessing the impact of ASU 2016-08 on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting," which simplifies several aspects of the accounting for share-based payment transactions including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company has elected to early adopt this amendment in the second quarter of 2016. The Company has elected to account for forfeitures when they occur rather than estimating the number of awards that are expected to vest. The impact to the Company's Consolidated Statements of Operations and Comprehensive Loss was not material. The amendments related to excess tax benefits are not material due to the Company's net operating losses.

Note 3 – Inventories:

	June 30, 2016	December 31, 2015
Raw Materials and Work in Process	\$ 2,208,301	\$ 1,493,654
Packaging Components Material	959,915	1,161,814
Finished Goods	4,798,854	4,374,494
	7,967,070	7,029,962
Reserve for Obsolete Inventory	(102,444)	(176,515)
	<u>\$ 7,864,626</u>	<u>\$ 6,853,447</u>

FRESHPET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 4 – Property, Plant and Equipment:

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

	June 30, 2016	December 31, 2015
Refrigeration Equipment	\$ 58,067,264	\$ 55,020,179
Machinery and Equipment	21,417,697	21,324,085
Building, Land, and Improvements	17,671,397	15,205,494
Furniture and Office Equipment	2,742,492	2,287,396
Automotive Equipment	317,615	317,292
Leasehold Improvements	141,726	140,672
Construction in Progress	32,872,634	19,388,195
	133,230,825	113,683,313
Less: Accumulated Depreciation and Amortization	(34,111,671)	(30,890,306)
	<u>\$ 99,119,154</u>	<u>\$ 82,793,007</u>

Depreciation expense related to property, plant and equipment totaled \$2,127,220 and \$4,161,502 for the three and six months ended June 30, 2016, of which \$740,099 and \$1,418,777 was recorded to cost of goods sold for the three and six months ended June 30, 2016, with the remainder of depreciation and amortization expense recorded to selling, general and administrative expense.

Depreciation expense related to property, plant and equipment totaled \$1,840,270 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.

Due to the continued growth of the Company's fresh pet food sales, the company has undertaken a capital expansion project at its Freshpet Kitchens manufacturing facility to expand plant capacity and increase distribution. The Company invested \$15.3 million during the first half of 2016. We expect to spend an additional approximately \$2.5 million to complete the project on time and on budget by the end of the third quarter.

Note 5 – Accrued Expenses:

	June 30, 2016	December 31, 2015
Accrued Compensation	\$ 1,091,718	\$ 451,819
Accrued Leadership Transition Expense (1)	1,181,565	—
Accrued Chiller Cost	993,685	559,957
Accrued Freight	351,690	337,233
Accrued Marketing	305,577	231,353
Accrued Insurance	284,561	218,134
Accrued Sales and Use Tax	45,886	45,886
Other Accrued Expenses	705,631	430,175
	<u>\$ 4,960,313</u>	<u>\$ 2,274,557</u>

(1) Accrued Leadership Transition Costs represent costs detailed within our former Chief Executive Officer's separation agreement as well as incremental costs associated with leadership transition.

Note 6 – Debt:

On November 13, 2014, 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

FRESHPET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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 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, 2016, the Company was in compliance with all the covenants in the Loan Agreement and had \$8.0 million in debt outstanding under the Credit Facilities. Accrued interest on the \$8.0 million revolver totaled \$0.1 million as of June 30, 2016. There was no accrued interest as of December 31, 2015. Interest expense and fees totaled \$0.1 million and \$0.2 million for the three and six months ended June 30, 2016, respectively. There was no interest expense recorded for the three and six months ended June 30, 2015.

See Note 11.

Note 7 – Equity Incentive Plans:

Total compensation cost for share-based payments recognized for the three months ended June 30, 2016 and 2015 was \$ 1,684,390 and \$ 1,832,141 , respectively. Total compensation cost for share-based payments recognized for the six months ended June 30, 2016 and 2015 was \$2,703,078 and \$3,719,961, 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). At June 30, 2016, there were zero shares available for grant as the plan is frozen.

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, as defined in the stock grant agreement . At June 30, 2016, there were zero shares available for grant as the plan is frozen.

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, 2016, the awards granted were either time-based (cliff vest over 3 years), performance-based (vest when performance targets are met, as defined in the stock option grant agreement), or restricted stock units (employee RSUs cliff vest over 3 years and non-employee director RSUs cliff vest over 1 year).

At June 30, 2016, there were 371,425 shares of common stock available to be issued or used for reference purposes under the 2014 Plan.

Service Period Stock Options

FRESHPET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table includes activity related to outstanding service period stock options during the six months ended June 30, 2016.

Service Period Stock Options	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2015	1,976,810	\$ 8.00
Granted	345,131	9.05
Forfeited, Canceled, Expired	(4,771)	8.95
Exercised	(36,864)	6.32
Outstanding at June 30, 2016	<u>2,280,306</u>	<u>\$ 8.18</u>

Performance-Vested Stock Options

The following table includes activity related to outstanding performance-vested stock options during the six months ended June 30, 2016.

Performance-Vested Stock Options	Number of Options (1)	Weighted Average Exercise Price
Outstanding at December 31, 2015	916,183	\$ 9.34
Granted	117,759	9.05
Forfeited, Canceled, Expired	(1,120)	15.00
Exercised	—	0.00
Outstanding at June 30, 2016	<u>1,032,822</u>	<u>\$ 9.30</u>

(1) As of June 30, 2016, 117,759 performance-vested stock options at a weighted average exercise price of \$9.05 have performance metrics that are probable of achievement. These shares are included in share-based compensation costs for the three and six months ended June 30, 2016.

Restricted Stock Units

The following table includes activity related to outstanding restricted stock units during the six months ended June 30, 2016.

Restricted Stock Units	Number of RSUs	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2015	—	—
Granted	105,313	\$ 9.05
Forfeited, Canceled, Expired	—	—
Issued Upon Vesting	—	—
Outstanding at June 30, 2016	<u>105,313</u>	<u>\$ 9.05</u>

Note 8 – Net Loss Attributable to Common Stockholders:

Basic net loss per share of common stock is calculated by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding for the period. Diluted net loss per share of common stock is computed by giving effect to all potentially dilutive securities. Diluted net loss per share of common stock is the

FRESHPET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

same as basic net loss per share of common stock, 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, 2016 and June 30, 2015.

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,	
	2016	2015	2016	2015
Service Period Stock Options	2,149,748	2,004,957	2,063,021	2,011,236
Restricted Stock Units	59,022	—	29,511	—
Warrants	61,117	61,117	61,117	61,117
Total	<u>2,269,887</u>	<u>2,066,074</u>	<u>2,153,649</u>	<u>2,072,353</u>

For the three and six months ended June 30, 2016 and 2015, there were no adjustments between net loss and net loss attributable to common stockholders.

Note 9 – Related Party Transactions:

Payments of \$1,606,521 and \$3,181,895 for the three and six months ended June 30, 2016, and \$1,405,293 and \$2,885,482 for the three and six months ended June 30, 2015, were made to one stockholder for the purchase of raw materials. We believe that all payments made to the shareholder are at market value and thus at arms-length.

Note 10 – 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, 2016 and 2015, net sales to one of our distributors, which sells directly to three of our customers, accounted for 22% of our net sales. For the three months ended June 30, 2016, no customer accounted for more than 10% of our net sales, while one customer accounted for more than 10% of our net sales during the same period in 2015.

For the six months ended June 30, 2016 and 2015, net sales to one of our distributors which sells directly to three of our customers, accounted for 21% of our net sales. For the six months ended June 30, 2016 no customer accounted for more than 10% of our net sales, while for the same period in 2015, one customer accounted for 11% of our net sales.

Major Suppliers —The Company purchased approximately 22% of its raw materials from one vendor during the three and six months ended June 30, 2016, and approximately 48% and 49% from three vendors during the three and six months ended June 30, 2015. Each of the respective vendors was over 10% of our purchased raw materials during the respective period.

The Company purchased approximately 87% and 79% of its packaging material from three vendors during the three and six months ended June 30, 2016, and 68% and 71% of its packaging material from three vendors during the three and six months ended June 30, 2015. Each of the respective vendors was over 10% of our purchased packaging material during the respective period.

The Company also purchased approximately 86% and 87% of its treats finished goods from four vendors for the three and six months ended June 30, 2016, and approximately 97% and 95% from three vendors for the three and six months ended June 30, 2015. Each of the respective vendors was over 10% of our purchased treats finished goods during the respective period.

FRESHPET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Grocery, Mass and Club	\$ 25,878,388	\$ 21,629,868	\$ 50,033,099	\$ 42,113,913
Pet Specialty, Natural and Other	7,123,821	6,729,536	14,422,811	13,300,165
Net Sales	\$ 33,002,209	\$ 28,359,404	\$ 64,455,910	\$ 55,414,078

Note 11 – 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 financial statements.

In July 2016, the Company drew an additional \$2.0 million under its Credit Facilities.

Item 2. Management's Discussion and Analysis of Financial Conditions 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 Annual Report on 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 Annual Report on 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 Annual Report on 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 ten 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 undertaken a capital expansion project at our Freshpet Kitchens manufacturing facility to expand our plant capacity and increase sales. During the first half of 2016, we invested \$15.3 million of capital expenditures. We expect to spend an additional approximately \$2.5 million to complete the project on time and on budget by the end of the third quarter. We believe the expansion will increase our production capacity at our Freshpet Kitchens by at least 130%. In order to fund the expansion, we borrowed \$8.0 million of our \$40.0 million revolver in the second quarter. In July 2016, the Company drew an additional \$2.0 million under its Credit Facilities. We expect to repay this indebtedness by the first half of fiscal 2017.

Components of our Operating Results

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 over 15,700 retail stores as of June 30, 2016. 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 46% of our net sales in 2015. 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, spoils, and inbound freight. As discussed above, we have also undertaken a capital expansion project at our Freshpet Kitchens facility that we believe will further increase our production capacity by at least 130%. Over time, 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 also 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.

Selling, General and Administrative Expenses

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

Outbound freight. Prior to the second quarter of 2016, outbound freight from our Freshpet Kitchens was managed by a national third party refrigerated and frozen human food manufacturer. As of June 30, 2016, we have transitioned to a new logistics provider. We expect our new third party logistics provider's infrastructure to result in cost efficiencies in logistics. Additionally, we sell through third-party distributors for the grocery, mass, club, pet specialty and natural classes in the United States and Canada.

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, 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. The cost are expensed as incurred.

Brokerage. We utilize third-party brokers to assist with monitoring our products 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, and maintain Freshpet Fridge appearance.

Other general & administrative costs. Other general and administrative costs include non-plant personnel salaries and benefits, as well as corporate general & administrative costs.

Selling, general and administrative costs. Selling, general & administrative ("SG&A") costs as a percentage of net sales have decreased from 62.7% in the year ended 2013 to 55.7% in the year ended 2014 and to 50.2% in the year ended 2015. SG&A costs as a percentage of net sales decreased from 56.7% in the six months ended June 30, 2015 to 53.3% in the six months ended June 30, 2016. We expect our SG&A expenses to continue to decrease as a percentage of net sales as we continue to expand our distribution footprint and grow our net sales.

Income Taxes

We had federal net operating loss ("NOL") carry forwards of approximately \$158.0 million as of December 31, 2015, which expire between 2025 and 2035. 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, 2015, we had approximately \$128.6 million of state NOLs, which expire between 2016 and 2035. At December 31, 2015, 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

Consolidated Statements of Operations Data	Three Months Ended June 30,				Six Months Ended June 30,			
	2016		2015		2016		2015	
	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales
Net sales	\$ 33,002	100%	\$ 28,359	100%	\$ 64,456	100%	\$ 55,414	100%
Cost of goods sold	18,090	55	14,699	52	34,656	54	28,501	51
Gross profit	14,912	45	13,660	48	29,800	46	26,913	49
Selling, general and administrative expenses	17,887	54	15,738	55	34,374	53	31,416	57
Loss from operations	(2,975)	(9)	(2,078)	(7)	(4,574)	(7)	(4,503)	(8)
Other expenses:								
Other expenses, net	(94)	(0)	(25)	(0)	(135)	(0)	(135)	(0)
Interest expense	(159)	(0)	(111)	(0)	(276)	(0)	(148)	(0)
Loss before income taxes	(3,228)	(10)	(2,214)	(8)	(4,985)	(8)	(4,786)	(9)
Income tax expense	15	0	15	0	30	0	30	0
Net loss	\$ (3,243)	(10)%	\$ (2,229)	(8)%	\$ (5,015)	(8)%	\$ (4,816)	(9)%

Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

Net Sales

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

	Three Months Ended June 30,					
	2016			2015		
	Amount	% of Net Sales	Store Count	Amount	% of Net Sales	Store Count
	(Dollars in thousands)					
Grocery, Mass and Club* (1)	\$ 25,878	78%	11,085	\$ 21,630	76%	10,036
Pet Specialty, Natural and Other (2)	7,124	22	4,710	6,730	24	4,318
Net Sales	\$ 33,002	100%	15,795	\$ 28,360	100%	14,354

(1) Stores at June 30, 2016 and June 30, 2015 consisted of 7,343 and 6,558 grocery and 3,742 and 3,478 mass, respectively.

(2) Stores at June 30, 2016 and June 30, 2015 consisted of 4,412 and 4,055 pet specialty and 298 and 263 natural, respectively.

* Includes sales from Freshpet Baked product of \$1.2 million and \$1.0 million, or 3.7% and 3.5% of total net sales, for the three months ended June 30, 2016 and 2015, respectively.

Net sales increased \$4.6 million, or 16%, to \$33.0 million for the three months ended June 30, 2016 as compared to the same period in the prior year. The increase in net sales was driven by increased velocity. The Company also experienced an increase of Freshpet Fridge store locations, which grew by 10.0% from 14,354 as of June 30, 2015 to 15,795 as of June 30, 2016.

Gross Profit

Gross profit increased \$1.3 million, or 9%, to \$14.9 million for the three months ended June 30, 2016 as compared to the same period in the prior year. The increase in gross profit was primarily driven by higher net sales. The increase in gross profit was partially offset by manufacturing throughput constraints associated with new product innovation, selling mix, as well as \$0.4 million of non-capitalizable start-up costs associated with the construction of the Freshpet Kitchens expansion.

Our gross profit margin of 45% for the three months ended June 30, 2016 decreased 298 basis points compared to the same period in the prior year. Start-up costs associated with the expansion of the Company's Freshpet Kitchens reduced gross margin by approximately 130 basis points in the second quarter of 2016. The remaining decrease was attributable to our new product introductions and selling mix. Our new product introductions have historically started with lower gross profit margins and increased over time. Generally we have been able to optimize the production of our new product introductions 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 product introductions, and cost benefits from our increased plant capacity.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$2.1 million, or 14%, to \$17.9 million for the three months ended June 30, 2016 as compared to the same period in the prior year. Key components of the dollar increase include additional outbound freight costs of \$0.1 million due to increased volume and sales, higher advertising expenses of \$0.4 million, higher depreciation of \$0.2 million, additional non-recurring costs of \$1.0 million, and incremental operating expenses of \$0.5 million, offset by lower share-based compensation expense of \$0.1 million. The increased operating expenses were primarily due to 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 to 54% for the three months ended June 30, 2016 from 55% for the three months ended June 30, 2015. After adjusting \$1.6 million and \$1.7 million for non-cash items related to share-based compensation in the second quarter of 2016 and 2015, respectively, \$1.6 million of leadership transition expenses in the second quarter of 2016, and \$0.6 million of costs associated with the secondary offering in the second quarter of 2015, Adjusted SG&A, which is a non-GAAP financial measure used by the Company that makes certain adjustments to SG&A calculated under GAAP, decreased as a percentage of net sales to 45% in the second quarter of 2016 compared to 47% of net sales in the second quarter of 2015.

Loss from Operations

Loss from operations increased \$0.9 million, or 43%, to \$3.0 million for the three months ended June 30, 2016 as compared to the same period in the prior year as a result of the factors mentioned above.

Interest Expense

For the three months ended June 30, 2016, interest expense was \$0.2 million, which related to fees and interest expense on our short-term borrowings of our 3-year \$10.0 million Revolving Facility and \$30.0 million term loan commitment earmarked for capital expenditures. Interest expense for the three months ended June 30, 2015 was \$0.1 million.

Other Expenses, net

Other expenses, net, did not fluctuate significantly in the three months ended June 30, 2016 compared to the same period in the prior year.

Net Loss

Net loss increased \$1.0 million, or 46%, to \$3.2 million for the three months ended June 30, 2016 as compared to the same period in the prior year.

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

Net Sales

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

	Six Months Ended June 30,					
	2016			2015		
	Amount	% of Net Sales	Store Count	Amount	% of Net Sales	Store Count
(Dollars in thousands)						
Grocery, Mass and Club* (1)	\$ 50,033	78%	11,085	\$ 42,114	76%	10,036
Pet Specialty, Natural and Other (2)	14,423	22	4,710	13,300	24	4,318
Net Sales	<u>\$ 64,456</u>	<u>100%</u>	<u>15,795</u>	<u>\$ 55,414</u>	<u>100%</u>	<u>14,354</u>

(1) Stores at June 30, 2016 and June 30, 2015 consisted of 7,343 and 6,558 grocery and 3,742 and 3,478 mass, respectively.

(2) Stores at June 30, 2016 and June 30, 2015 consisted of 4,412 and 4,055 pet specialty and 298 and 263 natural, respectively.

* Includes sales from Freshpet Baked product of \$2.7 million and \$1.5 million, or 4.2% and 2.8% of total net sales, for the six months ended June 30, 2016 and 2015, respectively.

Net sales increased \$9.0 million, or 16%, to \$64.5 million for the six months ended June 30, 2016 as compared to the same period in the prior year. The increase in net sales was driven by increased velocity. The Company also experienced an increase of Freshpet Fridge store locations, which grew by 10.0% from 14,354 as of June 30, 2015 to 15,795 as of June 30, 2016.

Gross Profit

Gross profit increased \$2.9 million, or 11%, to \$29.8 million for the six months ended June 30, 2016 as compared to the same period in the prior year. The increase in gross profit was primarily driven by higher net sales. The increase in gross profit was partially offset by manufacturing throughput constraints associated with new product innovation, selling mix, as well as \$0.7 million of non-capitalizable start-up costs associated with the construction of the Freshpet Kitchens expansion.

Our gross profit margin of 46% for the six months ended June 30, 2016, decreased 233 basis points as compared to the same period in the prior year. Start-up costs associated with the expansion of the Company's Freshpet Kitchens reduced gross margin by approximately 100 basis points in the six months ended June 30, 2016. The remaining decrease was attributable to our new product introductions and selling mix. Our new product introductions have historically started with lower gross profit margins and increased over time. Generally we have been able to optimize the production of our new product introductions 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 product introductions, and cost benefits from our increased plant capacity.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$3.0 million, or 9%, to \$34.4 million for the six months ended June 30, 2016 as compared to the same period in the prior year. Key components of the dollar increase include additional outbound freight costs of \$0.4 million due to increased volume, higher advertising expenses of \$1.4 million, higher depreciation of \$0.4 million, additional non-recurring costs of \$1.0 million, and incremental operating expenses of \$0.8 million, offset by lower share-based compensation expense of \$1.0 million. The increased operating expenses were primarily due to 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 to 53% for the six months ended June 30, 2015 from 57% for the six months ended June 30, 2016. After adjusting \$2.6 million and \$3.5 million for non-cash items related to share-based compensation in the second quarter of 2016 and 2015, respectively, \$1.6 million of leadership transition expenses in the six months ended June 30, 2016, and \$0.6 million of costs associated with the secondary offering in the six months ended June 30, 2015, Adjusted SG&A, which is a non-GAAP financial measure used by the Company that makes certain adjustments to SG&A calculated under GAAP, decreased as a percentage of net sales to 47% in the first six months of 2016 compared to 49% of net sales in the same period of 2015.

Loss from Operations

Loss from operations increased \$0.1 million, or 2%, to \$4.6 million for the six months ended June 30, 2016 as compared to the same period in the prior year as a result of the factors mentioned above.

Interest Expense

For the six months ended June 30, 2016, interest expense was \$0.3 million, which related to fees and interest expense on our short-term borrowings of our 3-year \$10.0 million Revolving Facility and \$30.0 million term loan commitment earmarked for capital expenditures. Interest expense for the six months ended June 30, 2015 was \$0.2 million.

Other Expenses, net

Other expenses, net, did not fluctuate significantly in the six months ended June 30, 2016 as compared to the same period in the prior year.

Net Loss

Net loss increased \$0.2 million, or 4%, to \$5.0 million for the six months ended June 30, 2016 as compared to the same period in the prior year.

Non-GAAP Financial Measures

Freshpet uses the following non-GAAP financial measures in its financial communications. These non-GAAP financial measures should be considered as supplements to the GAAP reported measures, should not be considered replacements for, or superior to, the GAAP measures and may not be comparable to similarly named measures used by other companies.

- Adjusted SG&A expenses
- Adjusted SG&A expenses as a % of net sales
- EBITDA
- Adjusted EBITDA

Adjusted SG&A Expenses, EBITDA and Adjusted EBITDA are not financial measures prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. As used herein, Freshpet defines Adjusted SG&A Expenses as SG&A Expenses before non-cash items related to share-based compensation, leadership transition expenses, and secondary fees. As used herein, EBITDA represents net loss plus depreciation and amortization, interest expense, and income tax expense. As used herein, Adjusted EBITDA represents EBITDA plus loss on disposal of equipment, plant startup expense, share-based compensation, warrant fair valuation, launch expenses, secondary fees, and leadership transition costs.

We present Adjusted SG&A Expenses, 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 U.S. GAAP results and the reconciliation to net loss set forth below, provides a more complete understanding of our business than could be obtained absent this disclosure. We use Adjusted SG&A Expenses, EBITDA and Adjusted EBITDA, together with financial measures prepared in accordance with U.S. GAAP, such as net sales, gross profit margins, and cash flow from operations, 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.

Adjusted SG&A Expenses, 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.

Adjusted SG&A Expenses, 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 U.S. 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 SG&A Expenses and 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 Adjusted SG&A Expenses, EBITDA and Adjusted EBITDA have limitations as analytical financial measures. For example, neither Adjusted SG&A Expenses, EBITDA nor Adjusted EBITDA reflects:

- our capital expenditures or future requirements for capital expenditures;
- the 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 Adjusted SG&A Expenses, 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 non-capitalizable 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 Adjusted SG&A Expenses, 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 U.S. GAAP:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(Dollars in thousands)			
Net income (loss)	\$ (3,243)	\$ (2,229)	\$ (5,015)	\$ (4,816)
Depreciation and amortization	2,166	1,869	4,237	3,624
Interest expense	159	111	276	148
Income tax expense	15	15	30	30
EBITDA	\$ (903)	\$ (234)	\$ (472)	\$ (1,014)
Loss on disposal of equipment	15	72	159	81
Launch expense (a)	588	596	1,310	1,400
Plant startup expenses and processing (b)	430	—	668	—
Noncash stock based compensation (c)	1,665	1,804	2,671	3,664
Warrant fair valuation (d)	86	(44)	28	70
Secondary fees (e)	—	593	—	593
Leadership transition expenses (f)	1,580	—	1,580	—
Adjusted EBITDA	\$ 3,461	\$ 2,787	\$ 5,944	\$ 4,794

(a) Represents new store marketing allowance of \$1,000 for each store added to our distribution network as well as the non-capitalized freight costs associated with Freshpet Fridge replacements. The expense enhances the overall marketing spend to support our growing distribution network.

(b) Represents additional operating costs incurred in 2016 in connection with the startup of our new manufacturing lines as part of the Freshpet Kitchens expansion project.

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

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

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

(f) Represents charges associated within our former Chief Executive Officer's separation agreement as well as incremental costs associated with leadership transition.

The following table provides a reconciliation of Adjusted SG&A Expenses to SG&A Expenses which is the most directly comparable financial measure presented in accordance with U.S. GAAP:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
SG&A Expenses (as reported)	\$ 17,887	\$ 15,738	\$ 34,374	\$ 31,416
Noncash stock based compensation (a)	1,609	1,733	2,566	3,519
Secondary fees (b)	—	593	—	593
Leadership transition expenses (c)	1,580	—	1,580	—
Adjusted SG&A Expenses	\$ 14,698	\$ 13,412	\$ 30,228	\$ 27,304
Adjusted SG&A Expenses as a % of sales				
Adjusted SG&A Expenses	\$ 14,698	\$ 13,412	\$ 30,228	\$ 27,304
Net Sales	\$ 33,002	\$ 28,359	\$ 64,456	\$ 55,414
Adjusted SG&A Expense as a % of sales	44.5%	47.3%	46.9%	49.3%

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

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

(c) Represents charges associated within our former Chief Executive Officer's separation agreement as well as incremental costs associated with leadership transition.

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 agreements.

Additionally, our ability to make payments on, and to refinance, any indebtedness under our credit facility 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 flow 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 ability 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 maintain 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 unattractive. 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.

Working Capital consists of current assets net of current liabilities. The working capital decrease to \$(2.0) million at June 30, 2016 compared with \$16.2 million at December 31, 2015 is primarily related to a decrease in cash and cash equivalents as a result of \$21.2 million of capital expenditures related to the Freshpet Kitchens expansion project, recurring capital expenditures, and investment in fridges, partially offset by cash flows from operations of \$3.4 million and other activities.

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. During the first half of 2016, we invested \$15.3 million of capital expenditures for the Freshpet Kitchens expansion project. We expect to spend an additional approximately \$2.5 million to complete the project on time and on budget by the end of the third quarter. We expect to be able to use our current liquidity position, which includes borrowings available under our credit facilities and future operating cash flows, to fund the plant expansion. With the wind down of the expansion project, we expect to run the business and payback short-term borrowings with cash flow from operations.

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, 2016, our capital resources consisted primarily of \$1.7 million cash on hand and \$32.0 million available under our Credit Facilities. As noted above, we have undertaken a capital expansion project at our Freshpet Kitchens manufacturing facility. In order to fund the expansion, we borrowed \$8.0 million of our \$40.0 million revolver in the second quarter. We expect to repay this indebtedness by the first half of fiscal 2017.

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 cash.

	Six Months Ended	
	June 30,	
	2016	2015
	(Dollars in thousands)	
Cash at the beginning of period	\$ 8,029	\$ 36,259
Net cash provided by operating activities	3,444	2,059
Net cash used in investing activities	(17,988)	(22,514)
Net cash provided by financing activities	8,233	242
Cash at the end of period	<u>\$ 1,719</u>	<u>\$ 16,047</u>

Net Cash Provided by Operating Activities.

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

For the six months ended June 30, 2016, net cash provided by operating activities was \$3.4 million, primarily consisting of adjusted net income of \$2.3 million, which excludes \$7.3 million of non-cash items primarily relating to \$2.7 million of share based compensation and \$4.2 million of depreciation and amortization. Proceeds were offset by a change in operating assets and liabilities of \$1.2 million. Change in assets of \$3.0 million is primarily related to growth in accounts receivable, which is primarily due to growth in net sales, offset by favorable days outstanding, as well as an increase in the number of stores with a Freshpet fridge. The increase in liabilities of \$4.2 million was due to timing of payments and accrued leadership transition costs. The increase in liabilities was due to timing of payments.

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. The changes in operating assets and liabilities were due to the decrease of net assets being greater than the increase 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 increase in business size and timing of payments.

Net Cash Used in Investing Activities

Net cash used in investing activities was \$18.0 million for the six months ended June 30, 2016, relating primarily to June 30, 2016 capital expenditures for Freshpet Kitchens of \$17.0 million (including the Freshpet Kitchens expansion of \$15.3 million and recurring capital expenditures of \$1.7 million) and investment in fridges and other capital spend of \$4.3 million. The cash used in investing activities was partially offset by maturities of short-term investments of \$3.3 million.

Net cash used in investing activities was \$22.5 million for the six months ended June 30, 2015, relating 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.

Net Cash from Financing Activities

Net cash from financing activities was \$8.2 million for the six months ended June 30, 2016, attributable to the exercise of stock options and the proceeds from borrowing under our line of credit of \$8.0 million.

Net cash from financing activities was \$0.2 million for the six months ended June 30, 2015, attributable to the exercise of stock options.

Indebtedness

On November 13, 2014, 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 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, 2016, the Company was in compliance with all the covenants in the Loan Agreement and had \$8.0 million in debt outstanding under the Credit Facilities. Accrued interest on the \$8.0 million revolver totaled \$0.1 million as of June 30, 2016. There was no accrued interest as of December 31, 2015. Interest expense totaled \$0.2 million and \$0.3 million for the three and six months ended June 30, 2016, respectively.

Contractual Obligations

There were no material changes to our commitments under contractual obligations, as disclosed in our Form 10-K, with the exception for \$1.1 million of accrued leadership transition costs due in less than one year, \$0.1 million of accrued leadership transition costs due between one and three years, and \$8.0 million drawn under the Credit Facilities due between three and five years.

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 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

In May 2014, the FASB issued ASU No. 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. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In August 2015, the FASB amended the effective date of this ASU to fiscal years beginning after December 15, 2017, and early adoption is only permitted for fiscal years beginning after December 15, 2016. The standard permits the use of either the retrospective or cumulative effect transition method. 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.

In April 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 was adopted beginning January 1, 2016 and did not impact 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 replaces "lower of cost or market") if the FIFO or average cost methods are used. This new guidance is effective for the Company beginning after December 15, 2016. The effects of ASU 2015-11 will depend on future valuation of the Company's inventory.

In November 2015, the FASB issued ASU 2015-17, "Balance Sheet Classification of Deferred Taxes," which requires entities with a classified balance sheet to present all deferred taxes assets and liabilities as noncurrent. The new guidance was adopted beginning January 1, 2016. The effects of ASU 2015-17 will change retrospectively how deferred tax assets and liabilities are classified within the balance sheet and notes thereto. Due to the Company's full valuation allowance, deferred tax assets and liabilities have not been disclosed within the consolidated balance sheet.

In February 2016, the FASB issued ASU 2016-02, "Leases," which requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The new guidance is effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The amendments should be applied at the beginning of the earliest period presented using a modified retrospective approach with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is currently evaluating the effects adoption of this guidance will have on its consolidated financial statements and financial statement disclosures.

In March 2016, the FASB issued ASU 2016-08, "Principal versus Agent Considerations," which clarifies the implementation of guidance on principal versus agent considerations. The effective date and transition requirements for the amendments in this update are the same as the effective date and transition requirements under update 2014-09. The Company is currently assessing the impact of ASU 2016-08 on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting," which simplifies several aspects of the accounting for share-based payment transactions including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company has elected to early adopt this amendment in the second quarter of 2016. We have elected to account for forfeitures when they occur rather than estimating the number of awards that are expected to vest. The impact to the Company's Consolidated Statements of Operations and Comprehensive Loss was not material. The amendments related to excess tax benefits are not material due to the Company's net operating losses.

Item 3. Quantitative and Qualitative Disclosures About Market Risks

Interest Rate Risk

We are sometimes exposed to market risks 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, 2016, we borrowed \$8.0 million under our \$40.0 Million Credit Facility. A change in interest rates of 100 basis points would cause a \$0.1 million increase or decrease in annual interest expense.

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 President and Chief Operating 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 President and Chief Operating 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

The Company has become aware through press releases issued between April 21 and April 27, 2016, that a securities lawsuit, Curran v. Freshpet, Inc. et al, Docket No. 2:16-cv-02263 (D.N.J. Apr 21, 2016), has been filed against us and certain of our executive officers and directors on behalf of certain purchasers of our common stock. The lawsuit purportedly seeks to recover damages for investors under the federal securities laws. We have not been served with a copy of the complaint. The Company believes that the plaintiffs' allegations are without merit, and intend to vigorously defend against the claims. Because the Company is in the early stages of this litigation matter, the Company is unable to estimate a reasonably possible range of loss, if any, that may result from this matter.

In addition, 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 or proceedings, most of which are covered by insurance, are expected to 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 Annual Report on Form 10-K for the year ended December 31, 2015.

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

None.

Item 6. Exhibits

Exhibit No.	Description
10.1	Employment Agreement, dated as of July 27, 2016, by and between Freshpet, Inc. and William B. Cyr
31.1	Certification of President and Chief Operating 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 President and Chief Operating 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 report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 8, 2016

FRESHPET, INC.

/s/ Scott Morris

Scott Morris
President and Chief Operating Officer
(Principal Executive Officer)

/s/ Richard Kassir

Richard Kassir
Chief Financial Officer
(Principal Financial and Accounting Officer)

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the “Agreement”) by and between Freshpet, Inc., a Delaware corporation (the “Company”), and William B. Cyr (the “Executive”), is dated as of July 27, 2016.

In consideration of the mutual covenants herein contained and of the mutual benefits herein provided, the Company and the Executive agree as follows:

1. Representations and Warranties. The Executive represents and warrants to the Company that the Executive is not bound by any restrictive covenants and has no prior or other obligations or commitments of any kind that would in any way prevent, restrict, hinder or interfere with the Executive’s acceptance of continued employment or the performance of all duties and services hereunder to the fullest extent of the Executive’s ability and knowledge. The Executive agrees to indemnify and hold harmless the Company for any liability the Company may incur as the result of the existence of any such covenants, obligations or commitments.

2. Term of Employment. The Company will employ the Executive and the Executive accepts employment by the Company on the terms and conditions herein contained for a period beginning on September 6, 2016 (the “Effective Date”) and ending as provided in Section 5 (the “Employment Period”).

3. Duties and Functions.

(a) (1)The Executive shall be employed as the Chief Executive Officer of the Company. The Executive shall report solely and directly to the Board of Directors (the “Board”). In addition, during the Employment Period and so long as the Executive remains the Company’s Chief Executive Officer, the Board will nominate the Executive for election and/or re-election as a member of the Board at the expiration of the then current term; *provided* that the foregoing will not be required to the extent prohibited by applicable legal or regulatory requirements. So long as the Executive remains an employee of the Company, the Executive’s service on the Board will be without any additional compensation.

(2)The Executive agrees to undertake the duties and responsibilities commensurate with the position of the Chief Executive Officer, which may encompass different or additional duties as may, from time to time, be reasonably assigned by the Board, and the duties and responsibilities undertaken by the Executive may be reasonably altered or modified from time to time by the Board, so long as that Executive’s responsibilities as the Chief Executive Officer are not materially reduced, and the Executive’s reporting relationship is not materially altered or modified in an adverse way.

(b) During the Employment Period, the Executive will devote the Executive’s full business time and efforts to the business of the Company. The Executive may engage in non-competitive business or charitable activities for reasonable periods of time each month so long as such activities do not interfere with the Executive’s responsibilities under this Agreement. In addition, the Executive may, with the prior written consent of the Board (not to

be unreasonably withheld), serve on the board of directors of up to two (2) non-profit organizations whose purposes are unrelated to the business of the Company and selected by the Executive, and up to one (1) non-competitive for profit organization, so long as such activities do not interfere with the Executive's responsibilities under this Agreement.

4. Compensation.

(a) Base Salary: As compensation for the Executive's services hereunder, during the Executive's employment as the Chief Executive Officer, the Company agrees to pay the Executive a base salary at the rate of \$600,000 per annum, payable in accordance with the Company's normal payroll schedule (which will be no less frequently than one-twelfth of the annual salary amount during each calendar month, which normal payroll schedule shall be the "Normal Payment Schedule"). The Company may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation. In no event shall the Executive's base salary be reduced below the Executive's current base salary (or, subsequent to any increases, below the Executive's then current base salary, which then current base salary shall be referred to herein as the "Base Salary"). The Executive's Base Salary shall be subject to annual review, based on corporate policy and contributions made by the Executive to the Company.

(b) Participation in Stock Option Program: The Executive shall be eligible to participate in the Company's equity incentive programs, as such programs may exist on the date hereof or from time to time hereafter.

(c) Other Expenses: In addition to the compensation provided for above, the Company agrees to pay or to reimburse the Executive during the Executive's employment for all reasonable, ordinary, and necessary, properly vouchered, client-related business or entertainment expenses incurred in the performance of the Executive's services hereunder in accordance with Company policy in effect from time to time. The Executive shall submit vouchers and receipts for all expenses for which reimbursement is sought.

Any reimbursements or in-kind benefits to be provided pursuant to this Agreement that are taxable to the Executive shall be subject to the following restrictions: (a) each reimbursement must be paid no later than the last day of the calendar year following the Executive's tax year during which the expense was incurred; (b) the amount of expenses or in-kind benefits provided during a tax year of the Executive may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other tax year of the Executive; and (c) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

(d) Vacation: During each calendar year, the Executive shall be entitled to five (5) weeks of vacation to be accrued and taken in accordance with Company policy as in effect from time to time.

(e) Fringe Benefits: In addition to the Executive's compensation provided by the foregoing, the Executive shall be entitled to the benefits available generally to Company

employees pursuant to, and subject to the terms of, Company programs, including, by way of illustration, personal leave, paid holidays, sick leave, profit-sharing, retirement, disability, dental, vision, group sickness, accident or health insurance programs of the Company which may now or, if not terminated, shall hereafter be in effect, or in any other or additional such programs which may be established by the Company, as and to the extent any such programs are or may from time to time be in effect, as determined by the Company.

(f) Annual Bonus: The Executive shall be eligible to participate in any annual cash bonus plan as established by the Board (or a committee thereof) in its sole discretion with an annual target bonus opportunity of at least 75% of the Executive's Base Salary (the "Target Bonus") based on the achievement of pre-established performance goals established by the Board (or a committee thereof) in its sole discretion. Any annual bonus payable hereunder shall be paid on or before March 31 of the calendar year following the calendar year to which such bonus relates or at the same time such annual bonuses are paid to other senior executives of the Company, whichever occurs first (the "Payment Date"), subject to the Executive's continued employment with the Company through the earlier of such dates (except as otherwise provided in Section 5 hereof). Notwithstanding anything to the contrary contained herein, the Executive shall receive a prorated annual bonus in respect of calendar year 2016, which shall be calculated by multiplying the Target Bonus in respect of calendar year 2016 (*i.e.*, \$450,000) by a fraction, the numerator of which is the number of days beginning on the Effective Date through December 31, 2016 and the denominator of which is three hundred sixty-six (366), which annual bonus shall be payable on the Payment Date, subject to the Executive's continued employment with the Company through such Payment Date.

(g) Relocation: The Executive shall relocate to the vicinity of the Company's current headquarters by January 1, 2019 (the "Relocation"). In connection with the Relocation, the Company shall pay or reimburse the Executive for the reasonable moving and relocation expenses and costs, including transaction costs (but not losses, fix-up costs or similar costs) involved with the sale of the Executive's current principal residence and the purchase of the Executive's new residence, not exceeding \$35,000 in the aggregate. All amounts payable under this Section 4(g) shall be reimbursed only during the Employment Period and subject to the Executive's presentment to the Company of appropriate documentation and shall be subject to the limitations and procedures set forth in the Company's relocation program as in effect from time to time. To the extent the amounts payable under this Section 4(g) constitute taxable income to the Executive, such amounts shall be grossed-up so that the after-tax amount received by the Executive is equal to the amounts provided herein.

(h) Stock Ownership Guidelines: No later than on the fifth anniversary of the Effective Date and at all times thereafter during the Employment Period, the Executive shall hold shares of the Company's common stock equal in value to at least four (4) times the Executive's Base Salary on or prior to the fifth anniversary of the Effective Date, calculated based on the "Fair Market Value" (as defined under the Company 2014 Omnibus Incentive Plan (the "Incentive Plan")) of the Company's common stock (the "Stock Ownership Requirement"). If the Executive reaches the Stock Ownership Requirement but thereafter fails to meet the Stock Ownership Requirement as a result of the decline in value of the common stock, the Executive

shall have a period of twelve (12) months within which to increase his stock ownership to meet the Stock Ownership Requirement. For purposes of determining whether the Executive has met the Stock Ownership Requirement, stock ownership shall be measured by (1) shares owned individually, either directly or indirectly, by the Executive, (2) shares owned jointly with the Executive, or separately by spouse, domestic partner and/or minor children, either directly or indirectly, and (3) shares underlying vested stock unit awards held by the Executive. Until the Executive meets the requirements of this Section 4(h), the Executive shall be required to retain at least fifty percent (50%) of the Executive's vested stock options granted to the Executive pursuant to the Incentive Plan or otherwise.

5. Employment Period; Termination.

(a) The Executive's employment under this Agreement shall continue unabated until terminated by either party pursuant to the terms of this Agreement.

(b) The Employment Period shall continue until terminated upon the earlier to occur of the following events: (i) the close of business on the first anniversary of the Effective Date (the initial one (1) year term of this Agreement shall be referred to herein as the "Initial Term") or (ii) the death or Permanent Disability (as defined in Section 5(f)) of the Executive or other termination event described in this Section 5, *provided, however, that*, on the first anniversary of the Effective Date, and on every subsequent annual anniversary, and unless either party has given the other party written notice at least ninety (90) days prior to the such anniversary date, the term of this Agreement and the Employment Period shall be renewed for a term ending one (1) year subsequent to such date (each such one-year term shall be referred to herein as a "Renewal Term"), unless sooner terminated as provided herein. For the purposes of this Agreement, the Initial Term and each Renewal Term shall collectively be referred to as the "Employment Period."

(c) Notwithstanding the provisions of Sections 5(a) and (b) above, the Executive may terminate the employment relationship at any time for any reason by giving the Company written notice at least thirty (30) days prior to the effective date of termination. Unless otherwise provided by this Section, all compensation and benefits paid by the Company to the Executive shall cease upon the Executive's last day of employment; *provided, however, that* if the Executive terminates the Executive's employment for "Good Reason" pursuant to the terms and conditions set forth below, (i) the Executive shall receive all Base Salary accrued but unpaid as of the date of termination; (ii) the Company shall reimburse the Executive for all reimbursable expenses described in Section 4(c) incurred by the Executive prior to termination but not yet paid (together with clause (i), the "Accrued Benefits"); (iii) the Company will continue to pay the Executive an amount equal to one and one-half times (1.5x) the sum of the Executive's Base Salary and Target Bonus (the "Severance Amount") pursuant to the Normal Payment Schedule for a period of eighteen (18) months from the effective date of termination (the "Severance Period"); (iv) the Company shall pay the Executive any earned but unpaid annual bonus described in Section 4(f) relating to the calendar year prior to the calendar year in which the effective date of termination occurs (the "Prior Year's Bonus"); and (v) the Company will pay the premiums for continuation of group health coverage for the Executive (including the

Executive's eligible dependents) under the Company's plans under COBRA at the active employee rates and subject to the Executive's timely election of COBRA beginning on the date of the Executive's Separation from Service (as defined in Internal Revenue Code Section 409A) for the Severance Period (the "Continued Health Insurance") (collectively, items (i) through (v) are referred to herein as the "Severance Benefits"). The Company may include the premiums for the Continued Health Insurance in the Executive's taxable income to the extent the Company determines is necessary to comply with legal and regulatory requirements or guidance. Notwithstanding the foregoing, in the event that providing the Continued Health Insurance would result in the imposition of excise taxes on the Company for failure to comply with the nondiscrimination requirements of the Patient Protection and Affordable Care Act of 2010, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended (to the extent applicable), the parties hereby agree to negotiate in good faith to modify the Continued Health Insurance in such manner as to avoid the imposition of such excise taxes while also maintaining, to the maximum extent reasonably possible, the original intent and economic benefits to the Executive and the Company under this Section 5(c). The Executive acknowledges and agrees that the non-competition and non-solicitation restrictions set forth in Section 7 of this Agreement will remain in full force and effect for the twenty four (24) month period after the termination of the Executive's employment under this section, and the confidentiality and rights to inventions obligations established in Sections 8 and 9 of this Agreement will survive the termination of this Agreement pursuant to this section.

For purposes of this Agreement, "Good Reason" is defined as any one of the following: (i) Company's material breach of any provision of this Agreement; (ii) any material adverse change in the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities, or any other action by the Company made without the Executive's permission (other than a change due to the Executive's Permanent Disability or as an accommodation under the Americans With Disabilities Act) which results in: (A) a diminution in any material respect in the Executive's position, authority, duties, responsibilities or compensation, which diminution continues in time over at least thirty (30) days, such that it constitutes an effective demotion; or (B) a material diversion from the Executive's performance of the functions of the Executive's position (including but not necessarily limited to the Executive's authority to hire, direct, and/or fire employees, the Executive's authority to oversee the general direction and focus of the Company), excluding for this purpose material adverse changes made with the Executive's written consent or due to the Executive's termination for Cause or termination by the Executive without Good Reason; or (iii) following the Relocation, relocation of the Company's headquarters to a location which requires the Executive to travel more than thirty (30) additional miles from the Executive's residence than the Executive must already travel to arrive at the Company's headquarters without the Executive's written consent; *provided, however*, that it shall not constitute Good Reason unless the Executive shall have provided the Company with written notice of its alleged actions constituting Good Reason (which notice shall specify in reasonable detail the particulars of such Good Reason) within ninety (90) days following the first occurrence of such event and Company has not cured any such alleged Good Reason within thirty (30) days of Company's receipt of such written notice. The Executive must actually terminate employment within thirty (30) days following the expiration of the Company's cure period set forth above. For the avoidance of doubt, a

termination of the Executive's employment as a result of a non-renewal of this Agreement by the Executive pursuant to Section 5(b)) shall be deemed a voluntary resignation without Good Reason for all purposes hereunder.

(d) If the Executive's employment is terminated for "Cause," the Executive shall not be entitled to receive severance pay. In such case, the Executive shall receive the Accrued Benefits; provided, that solely in the event (i) the Company failed to pay the Executive the Prior Year's Bonus by March 31 of the calendar year in which the Executive's termination for Cause occurs and (ii) the Executive's termination for Cause occurs after such March 31, the Executive shall receive the Prior Year's Bonus (to the extent the Prior Year's Bonus remains unpaid as of the termination of employment) in addition to the Accrued Benefits. As used in this Agreement, the term "Cause" shall include a termination for (A) fraud (including but not limited to any acts of embezzlement or misappropriation of funds); (B) serious dereliction of fiduciary obligation; (C) conviction of a felony, plea of guilty or *nolo contendere* to a felony charge or any criminal act involving moral turpitude (which, through lapse of time or otherwise, is not subject to appeal); (D) repeatedly being under the influence of drugs or alcohol (other than prescription medicine or other medically-related drugs to the extent that they are taken in accordance with their directions) during the performance of the Executive's duties under this Agreement, or, while under the influence of such drugs or alcohol, engaging in grossly inappropriate conduct during the performance of the Executive's duties under this Agreement; (E) a refusal to substantially perform the Executive's duties hereunder; (F) willful misconduct or gross negligence; or (G) material breach of this Agreement or a violation of the Company's written code of conduct or other written policy, both as provided to the Executive before the alleged breach, except in the event of the Executive's Permanent Disability as set forth in Section 5(f). Anything herein to the contrary notwithstanding, the Company shall give the Executive written notice prior to terminating this Agreement or the Executive's employment based upon (B), (E), or (G) above, which notice shall set forth the exact nature of the alleged conduct and the conduct required to cure such breach. The Executive shall have thirty (30) days from the giving of such notice within which to cure. The Executive acknowledges and agrees that the non-competition and non-solicitation restrictions set forth in Section 7 of this Agreement will remain in full force and effect for the twenty-four (24) month period after the termination of the Executive's employment under this section, and the confidentiality and rights to inventions obligations established in Sections 8 and 9 of this Agreement will survive the termination of this Agreement pursuant to this section.

(e) Upon sixty (60) days written notice, the Company shall retain the right to terminate the Executive without Cause (which, for the avoidance of doubt, shall include a non-renewal of this Agreement by the Company pursuant to Section 5(b)). If the Executive's employment is terminated by the Company without Cause, the Executive shall receive the Severance Benefits. The Company may include the premiums for the Continued Health Insurance during the Severance Period in the Executive's taxable income to the extent the Company determines is necessary to comply with legal and regulatory requirements or guidance. Notwithstanding the foregoing, in the event that providing the Continued Health Insurance would result in the imposition of excise taxes on the Company for failure to comply with the nondiscrimination requirements of the Patient Protection and Affordable Care Act of 2010, as

amended, and the Health Care and Education Reconciliation Act of 2010, as amended (to the extent applicable), the parties hereby agree to negotiate in good faith to modify the Continued Health Insurance in such manner as to avoid the imposition of such excise taxes while also maintaining, to the maximum extent reasonably possible, the original intent and economic benefits to the Executive and the Company under this Section 5(e). The Executive acknowledges and agrees that the non-competition and non-solicitation restrictions set forth in Section 7 of this Agreement will remain in full force and effect for the twenty-four (24) month period after the termination of the Executive's employment under this section, and the confidentiality and rights to inventions obligations established in Sections 8 and 9 of this Agreement will survive the termination of this Agreement pursuant to this section.

(f) In the event of the Executive's Permanent Disability during employment with the Company, the Company may terminate this Agreement by giving thirty (30) days' notice to the Executive of its intent to terminate, and unless the Executive resumes performance of the duties set forth in Section 3 within five (5) days of the date of the notice and continues performance for the remainder of the notice period, this Agreement shall terminate at the end of the thirty (30) day period. If the Executive is terminated pursuant to this Section 5(f), (i) the Executive shall receive the Accrued Benefits and the Prior Year's Bonus (to the extent the Prior Year's Bonus remains unpaid as of the termination of employment); and (ii) the Company shall provide to the Executive the Continued Health Insurance. The Company may include the premiums for the Continued Health Insurance during the Severance Period in the Executive's taxable income to the extent the Company determines is necessary to comply with legal and regulatory requirements or guidance. Notwithstanding the foregoing, in the event that providing the Continued Health Insurance would result in the imposition of excise taxes on the Company for failure to comply with the nondiscrimination requirements of the Patient Protection and Affordable Care Act of 2010, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended (to the extent applicable), the parties hereby agree to negotiate in good faith to modify the Continued Health Insurance in such manner as to avoid the imposition of such excise taxes while also maintaining, to the maximum extent reasonably possible, the original intent and economic benefits to the Executive and the Company under this Section 5(f). "Permanent Disability" for the purposes of this Agreement means the inability, due to physical or mental ill health, to perform the Executive's duties for one hundred eighty (180) days during any one employment year, irrespective of whether such days are consecutive, or one hundred twenty (120) consecutive days during any one employment year. In the event of any dispute under this Section, the Executive shall submit to a physical examination by a licensed physician mutually satisfactory to the Company and the Executive, the cost of such examination to be paid by the Company, and the determination of such physician shall be determinative. The Executive acknowledges and agrees that the non-competition and non-solicitation restrictions set forth in Section 7 of this Agreement will remain in full force and effect for the twenty four (24) month period after the termination of the Executive's employment under this section, and the confidentiality and rights to inventions obligations established in Sections 8 and 9 of this Agreement will survive the termination of this Agreement pursuant to this section.

(g) This Agreement will terminate immediately upon the Executive's death. In that event, the Company shall pay to the Executive's estate the Accrued Benefits and the Prior

Year's Bonus (to the extent the Prior Year's Bonus remains unpaid as of the termination of employment) and the Company shall not have any further liability or obligation to the Executive, the Executive's executors, heirs, assigns or any other person claiming under or through the Executive's estate.

(h) The severance benefits under Section 5(c), 5(e) and 5(f) (other than the Accrued Benefits) shall only be payable if the Executive delivers to the Company and does not revoke a general release of claims in favor of the Company in substantially the form attached on Exhibit A hereto, except if the Executive is incapable of signing a release due to a Permanent Disability, in which case the Executive shall not be required to deliver such a general release of claims. Such release shall be executed and delivered (and no longer subject to revocation, if applicable) within sixty (60) days following termination. Notwithstanding the provisions of Section 5(c), 5(e) and 5(f), to the extent that the payment of any severance amount subject to the release requirement under this Section 5(h) constitutes "nonqualified deferred compensation" for purposes of 409A (as defined in Section 17(d)), any such payment scheduled to occur during the first sixty (60) days following termination of employment shall not be paid until the sixtieth (60th) day following such termination and shall include payment of any amount that was otherwise scheduled to be paid prior thereto.

(i) If it is determined that any payment or distribution in the nature of compensation (as defined in Internal Revenue Code Section 280G(b)(2)) to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Parachute Payment"), would constitute an "excess parachute payment" as defined in Internal Revenue Code Section 280G, then the Company shall pay to the Executive whichever of the following gives the Executive the highest net after-tax amount (after taking into account all applicable federal, state, local and social security taxes): (i) the Parachute Payment, or (ii) the amount that would not result in the imposition of excise tax on the Executive under Internal Revenue Code Section 4999. Any required reduction in the Parachute Payments pursuant to the foregoing shall be accomplished solely by reducing the amount of severance payment payable pursuant to Section 5 of this Agreement. All determinations to be made under this Section 5(i) shall be made by an independent public accounting firm selected by the Company immediately prior to an event giving rise to a potential Parachute Payment (the "Accounting Firm"), which shall provide its determinations and any supporting calculations to both the Company and the Executive within thirty (30) days after such event. Any such determination by the Accounting Firm shall be binding upon the Company and the Executive. All of the fees and expenses of the Accounting Firm in performing the determinations referred to in this paragraph 5(i) shall be borne solely by the Company.

6. Company Property. All correspondence, records, documents, software, promotional materials, and other Company property, including all copies, which come into the Executive's possession by, through or in the course of the Executive's employment, regardless of the source and whether created by the Executive, are the sole and exclusive property of the Company, and immediately upon the termination of the Executive's employment, or any time at the Company's request, the Executive shall return to the Company all such property of the Company.

7 . Non-Competition; Non-Solicitation.

(a) The Executive agrees that, in consideration of the Executive's employment with the Company pursuant to this Agreement, and other good and valuable consideration, the receipt of which is hereby acknowledged, during the Executive's employment with the Company and for twenty four (24) months after termination thereof, the Executive will not either on the Executive's own behalf or on behalf of any third party, except on behalf of the Company, directly or indirectly (other than through the Executive's ownership of equity interest in the Company), as an individual proprietor, partner, stockholder, officer, employee, director, joint venturer, investor, lender, or in any other capacity whatsoever (other than as the holder of not more than five percent (5%) of the total outstanding stock of a publicly-held company), (i) engage in the manufacture, sale or distribution of any pet food, whether dry, fresh, refrigerated, frozen or raw; (ii) divert, take away, or attempt to divert or take away, the business or patronage (with respect to products or services of the kind or type developed, produced, marketed, furnished or sold by the Company) of any of the Company's clients, customers, vendors, business or strategic partners, or accounts, or prospective clients, customers, vendors, business or strategic partners, or accounts, that were contacted, solicited, or served by the Executive while employed by the Company, or (iii) persuade any client, customer, vendor, strategic or business partner, or account of the Company to cease to do business, invest in, participate with, or otherwise work with the Company, or to reduce the amount of business, investment, participation or work that any such client, customer, vendor, or strategic or business partner has customarily done or actively contemplates doing with the Company.

(b) During the Executive's employment with the Company and for twenty four (24) months after termination thereof, the Executive agrees that the Executive shall not, except in the furtherance of the Executive's duties hereunder, directly or indirectly, individually or on behalf of any other person, firm, corporation or other entity, solicit, aid or induce any employee, representative or agent of the Company or any of its affiliates to leave such employment or retention or to accept employment with or render services to or with any other person, firm, corporation or other entity unaffiliated with the Company or hire or retain any such employee, representative or agent, or take any action to materially assist or aid any other person, firm, corporation or other entity in identifying, hiring or soliciting any such employee, representative or agent. An employee, representative or agent shall be deemed covered by this Section 7(b) while so employed or retained and for a period of twelve (12) months thereafter.

(c) If any restriction set forth in Section 7 is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or geographic area, it shall be interpreted to extend over the maximum period of time, range of activities or geographic areas as to which it may be enforceable.

(d) The Executive acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 7 or Section 8 would be inadequate and, in recognition of this fact, the Executive agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting

any bond or other security, shall be entitled to obtain equitable relief in the form of specific performance, a temporary restraining order, a temporary or permanent injunction or any other equitable remedy which may then be available, without the necessity of showing actual monetary damages. In the event of a violation by the Executive of Section 7 or Section 8, any severance being paid to the Executive pursuant to this Agreement or otherwise shall immediately cease.

(e) The provisions of Section 7 and Section 8 shall survive termination of this Agreement.

8. Protection of Confidential Information. The Executive agrees that all information, whether or not in writing, relating to the business, technical, or financial affairs of the Company and that is generally understood in the pet food industry (and any other related or relevant industry) as being confidential and/or proprietary information, is the exclusive property of the Company. The Executive agrees to hold in a fiduciary capacity for the sole benefit of the Company all secret, confidential or proprietary information, knowledge, data, or trade secret (“Confidential Information”) relating to the Company or any of its affiliates or their respective clients, which Confidential Information shall have been obtained during the Executive’s employment with the Company. By way of illustration, but not limitation, Confidential Information includes information regarding the Company’s projects, methodologies, business or vendor relationships, relationships with strategic or business partners, and all information and know-how (whether or not patentable, copyrightable or otherwise able to be registered or protected under laws governing intellectual property) owned, possessed, or used by the Company, including, without limitation, any invention, existing or future product, formula, method, manufacturing techniques and procedures, composition, compound, project, development, plan, market research, vendor information, supplier information, customer lists or information, apparatus, equipment, trade secret, process, research, reports, clinical data, financial data, technical data, test data, know-how, computer program, software, software documentation, source code, hardware design, technology, marketing or business plan, forecast, unpublished financial statement, budget, license, patent applications, contracts, joint ventures, price, cost and personnel data, any trade names, trademarks or slogans, but shall not include information that (i) is or becomes public knowledge through legal means without fault by the Executive, (ii) is already public knowledge prior to the signing of this Agreement, (iii) was available to the Executive on a non-confidential basis prior to its disclosure by the Company, (iv) was disclosed by the Executive in the performance of the Executive’s duties hereunder, or (v) must be disclosed pursuant to applicable law or court order.

The Executive agrees that the Executive will not at any time, either during the Term of this Agreement or after its termination, except as reasonably necessary in the scope and course of the Executive’s duties, disclose to anyone any Confidential Information, or utilize such Confidential Information for the Executive’s own benefit, or for the benefit of third parties without written approval by an officer of the Company. The Executive further agrees that all memoranda, notes, records, data, schematics, sketches, computer programs, prototypes, or written, photographic, magnetic or other documents or tangible objects compiled by the Executive or made available to the Executive during the Term of the Executive’s employment concerning the business of the Company and/or its clients, including any copies of such

materials, shall be the property of the Company and shall be delivered to the Company on the termination of the Executive's employment, or at any other time upon request of the Company.

18 U.S.C. § 1833(b) provides: "An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that—(A) is made—(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal." Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b). Accordingly, the parties to this Agreement have the right to disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. The parties also have the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

9. Publicity. Neither party shall issue, without consent of the other party, any press release or make any public announcement with respect to this Agreement or the employment relationship between them. Following the Effective Date and regardless of any dispute that may arise in the future, the Executive and the Company jointly and mutually agree that they will not disparage, criticize or make statements which are negative, detrimental or injurious to the other to any individual, company or client, including within the Company.

10. Binding Agreement. This Agreement shall be binding upon and inure to the benefit of the parties hereto, their heirs, personal representatives, successors and assigns. In the event the Company is acquired, is a non surviving party in a merger, or transfers substantially all of its assets, this Agreement shall not be terminated and the transferee or surviving company shall be bound by the provisions of this Agreement. The parties understand that the obligations of the Executive are personal and may not be assigned by the Executive.

11. Entire Agreement. This Agreement contains the entire understanding of the Executive and the Company with respect to employment of the Executive and supersedes any and all prior understandings, written or oral. This Agreement may not be amended, waived, discharged or terminated orally, but only by an instrument in writing, specifically identified as an amendment to this Agreement, and signed by all parties. By entering into this Agreement, the Executive certifies and acknowledges that the Executive has carefully read all of the provisions of this Agreement and that the Executive voluntarily and knowingly enters into said Agreement.

12. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be deemed severable from the remainder of this Agreement, and the remaining provisions contained in this Agreement shall be construed to preserve to the maximum permissible extent the intent and purposes of this Agreement. Any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

13. Governing Law and Submission to Jurisdiction. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New Jersey, without giving effect to the principles of conflicts of law thereof.

14. Notices. Any notice provided for in this Agreement shall be provided in writing. Notices shall be effective from the date of service, if served personally on the party to whom notice is to be given, or on the second day after mailing, if mailed by first class mail, postage prepaid. Notices shall be properly addressed to the parties at their respective addresses or to such other address as either party may later specify by notice to the other.

15. ARBITRATION. THE PARTIES AGREE THAT ANY CONTROVERSY, CLAIM OR DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE BREACH THEREOF, EXCEPT AS DISCUSSED HEREIN OR ARISING OUT OF OR RELATING TO THE EMPLOYMENT OF THE EXECUTIVE, OR THE TERMINATION THEREOF, INCLUDING ANY STATUTORY OR COMMON LAW CLAIMS UNDER FEDERAL, STATE, OR LOCAL LAW, INCLUDING ALL LAWS PROHIBITING DISCRIMINATION IN THE WORKPLACE, SHALL BE RESOLVED BY ARBITRATION IN NEW JERSEY IN ACCORDANCE WITH THE EMPLOYMENT DISPUTE RESOLUTION RULES OF JAMS/ENDISPUTE. THE PARTIES AGREE THAT ANY AWARD RENDERED BY THE ARBITRATOR SHALL BE FINAL AND BINDING, AND THAT JUDGMENT UPON THE AWARD MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF. THE PARTIES FURTHER ACKNOWLEDGE AND AGREE THAT, DUE TO THE NATURE OF THE CONFIDENTIAL INFORMATION, TRADE SECRETS, AND INTELLECTUAL PROPERTY BELONGING TO THE COMPANY TO WHICH THE EXECUTIVE HAS OR WILL BE GIVEN ACCESS, AND THE LIKELIHOOD OF SIGNIFICANT HARM THAT THE COMPANY WOULD SUFFER IN THE EVENT THAT SUCH INFORMATION WAS DISCLOSED TO THIRD PARTIES, NOTHING IN THIS SECTION SHALL PRECLUDE THE COMPANY FROM GOING TO COURT TO SEEK INJUNCTIVE RELIEF TO PREVENT THE EXECUTIVE FROM VIOLATING THE OBLIGATIONS ESTABLISHED IN SECTIONS 7 THROUGH 9 OF THIS AGREEMENT.

16. Indemnification. In the Executive's capacity as a director, manager, officer, or employee of the Company or serving or having served any other entity as a director, manager, officer, or the Executive at the Company's request, the Executive shall be indemnified and held harmless by the Company to the fullest extent allowed by law, the Company's charter and by-laws, from and against any and all losses, claims, damages, liabilities, expenses (including legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, in which the Executive may be involved, or threatened to be involved, as a party or otherwise by reason of the Executive's status, which relate to or arise out of the Company, their assets, business or affairs, unless in each of the foregoing cases, a court of competent jurisdiction has finally determined that (i) the Executive did not act in good faith and in a manner the Executive believed to be in, or not opposed to, the best interests of the Company, and, with respect to any

criminal proceeding, had reasonable cause to believe the Executive's conduct was unlawful, and (ii) the Executive's conduct constituted gross negligence or willful or wanton misconduct (and the Company shall also advance expenses as incurred to the fullest extent permitted under applicable law, provided the Executive provides an undertaking to repay advances if it is ultimately determined that the Executive is not entitled to indemnification). The Company shall advance all expenses incurred by the Executive in connection with the investigation, defense, settlement or appeal of any civil or criminal action or proceeding referenced in this Section, including but not necessarily limited to legal counsel, expert witnesses or other litigation-related expenses. The Executive shall be entitled to coverage under the Company's directors and officers liability insurance policy in effect at any time in the future to no lesser extent than any other officers or directors of the Company. After the Executive is no longer employed by the Company, the Company shall keep in effect the provisions of this Section 16, which provision shall not be amended except as required by applicable law or except to make changes permitted by law that would enlarge the right of indemnification of the Executive. Notwithstanding anything herein to the contrary or in the Release Agreement described in Section 5(h), the provisions of this Section shall survive the termination of this Agreement and the termination of the Employment Period for any reason.

17. Miscellaneous.

(a) No delay or omission by either party in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by one party on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion.

(b) The captions of the sections of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any section of this Agreement.

(c) Any rights of the Executive hereunder shall be in addition to any rights the Executive may otherwise have under written benefit plans or agreements of the Company to which the Executive is a party or in which the Executive is a participant, including, but not limited to, any Company sponsored written employee benefit plans, stock option plans, grants and agreements.

18. Tax Matters.

(a) Section 409A Compliance :

(1) The intent of the parties is that payments and benefits under this Agreement comply with Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder (collectively "Code Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. To the extent that any provision hereof is modified in order to comply with Code Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to the Executive and the Company of the

applicable provision without violating the provisions of Code Section 409A. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on the Executive by Code Section 409A or damages for failing to comply with Code Section 409A.

(2) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." Notwithstanding anything to the contrary in this Agreement, if the Executive is deemed on the date of termination to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is considered deferred compensation under Code Section 409A payable on account of a "separation from service," such payment or benefit shall not be made or provided until the date which is the earlier of (A) the expiration of the six (6)-month period measured from the date of such "separation from service" of the Executive, and (B) the date of the Executive's death, to the extent required under Code Section 409A. Upon the expiration of the foregoing delay period, all payments and benefits delayed pursuant to this Section 18(a)(2) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

(3) For purposes of Code Section 409A, the Executive's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Company.

(4) Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes "nonqualified deferred compensation" for purposes of Code Section 409A be subject to offset by any other amount unless otherwise permitted by Code Section 409A.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed and delivered under seal, by its authorized officers or individually, on the date first identified above.

FRESHPET, INC.:

/s/ Charles A. Norris

By: Charles A. Norris

Title: Chairman of the Board of Directors

WILLIAM B. CYR:

/s/ William B. Cyr

EXHIBIT A

GENERAL RELEASE

I, William B. Cyr, in consideration of and subject to the performance by Freshpet, Inc. (together with its subsidiaries, the “Company”), of its obligations under the Employment Agreement dated as of July 27, 2016 (the “Agreement”), the manner of payment and amount of which are restated and set forth on Schedule A attached hereto, do hereby release and forever discharge as of the date hereof the Company and its respective affiliates, subsidiaries and direct or indirect parent entities and all present, former and future directors, officers, agents, representatives, employees, successors and assigns of the Company and/or its respective affiliates, subsidiaries and direct or indirect parent entities (collectively, the “Released Parties”) to the extent provided below (this “General Release”). The Released Parties are intended to be third-party beneficiaries of this General Release, and this General Release may be enforced by each of them in accordance with the terms hereof in respect of the rights granted to such Released Parties hereunder. Terms used herein but not otherwise defined shall have the meanings given to them in the Agreement.

1. I understand that any payments or benefits paid or granted to me under Section 5 of the Agreement represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive certain of the payments and benefits specified in Sections 5(c), 5(e) or 5(f) of the Agreement unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter. Such payments and benefits will not be considered compensation for purposes of any employee benefit plan, program, policy or arrangement maintained or hereafter established by the Company or its affiliates. I acknowledge and agree that all payments and benefits under Sections 5(c), 5(e) and 5(f) of the Agreement are extinguished and Schedule A represents any and all payments and benefits that I am entitled to receive. I acknowledge that the payments and benefits set forth in Schedule A hereto are subject to Sections 7, 8 and 9 of the Agreement, which expressly survive the date of termination of my employment with the Company, which shall be effective as of [●] (the “Date of Termination”). As of the Date of Termination, I hereby resign from any position as an officer, member of the board of managers or directors (as applicable) or fiduciary of the Company or its affiliates.

2. Except as provided in paragraphs 4, 5 and 13, below and except for the provisions of the Agreement (including but not limited to Section 16 thereof) which expressly survive the termination of my employment with the Company, I knowingly and voluntarily (for myself, my heirs, executors, administrators and assigns) release and forever discharge the Company and the other Released Parties from any and all claims, suits, controversies, actions, causes of action, cross-claims, counterclaims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys’ fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date that this General Release becomes effective and enforceable) and whether known or unknown, suspected, or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, may have by reason of any matter, cause, or thing whatsoever, from the beginning of my initial dealings with the Company to the date of this General Release, including, but not limited to, any claims arising from or relating in any way to

my employment relationship with the Company, the terms and conditions of that employment relationship, and the termination of that employment relationship (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, defamation; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Claims").

3. I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by paragraph 2 above.

4. I agree that this General Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967 which arise after the date I execute this General Release. I acknowledge and agree that my separation from employment with the Company in compliance with the terms of the Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).

5. I agree that I hereby waive all rights to sue or obtain equitable, remedial or punitive relief from any or all Released Parties of any kind whatsoever in respect of any Claim, including, without limitation, reinstatement, back pay, front pay, and any form of injunctive relief. Notwithstanding the above, I further acknowledge that I am not waiving and am not being required to waive any right that cannot be waived under law, including the right to file an administrative charge or participate in an administrative investigation or proceeding; provided, however, that I disclaim and waive any right to share or participate in any monetary award resulting from the prosecution of such charge or investigation or proceeding. Additionally, I am not waiving (i) any right to the Accrued Benefits or any severance benefits to which I am entitled under the Agreement, (ii) any claim relating to directors' and officers' liability insurance coverage or any right of indemnification under the Company's (or its affiliates') organizational documents, the Agreement or otherwise, (iii) any rights I may have as an equity or security holder in the Company or its affiliates, (iv) my right to file a charge, testify, assist, or cooperate with the EEOC, or (v) my rights to unemployment compensation benefits, workers compensation benefits, claims under the Fair Labor Standards Act, health insurance benefits under the Consolidated Omnibus Budget Reconciliation Act (COBRA), or claims with regard to vested benefits under a retirement plan governed by the Employee Retirement Income Security Act (ERISA).

6. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state or local statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver the Company would not have agreed to the terms of the Agreement. I further agree that in the event I should bring a Claim seeking damages against the Company, or in the event I should seek to recover against the Company in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims to the maximum extent permitted by law. I further agree that I am not aware of any pending claim of the type described in paragraph 2 above as of the execution of this General Release.

7. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

8. I agree that if I violate this General Release by suing the Company or the other Released Parties, I will pay all costs and expenses of defending against the suit incurred by the Released Parties, including reasonable attorneys' fees.

9. I agree that, except to the extent that disclosure is otherwise required by applicable law, rule or regulation, this General Release and the Agreement are confidential and agree not to disclose any information regarding the terms of this General Release or the Agreement, except to my immediate family and any tax, legal or other counsel I have consulted regarding the meaning or effect hereof or as required by law, and I will instruct each of the foregoing not to disclose the same to anyone.

10. Any non-disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), any other self-regulatory organization or any governmental entity, or from, subject to Section 8 of the Agreement, utilizing or disclosing any information in connection with the defense or prosecution of any matters arising from the Agreement, any stock option agreement between the Company and me (a "Stock Option Agreement") or this General Release.

11. I hereby acknowledge that Sections 5 through 10 and 12 through 18 of the Agreement shall survive my execution of this General Release.

12. I represent that I am not aware of any claim by me other than the claims that are released by this General Release. I acknowledge that I may hereafter discover claims or facts in addition to or different than those which I now know or believe to exist with respect to the subject matter of the release set forth in paragraph 2 above and which, if known or suspected at

the time of entering into this General Release, may have materially affected this General Release and my decision to enter into it.

13. Notwithstanding anything in this General Release to the contrary, this General Release shall not relinquish, diminish, or in any way affect any rights or claims arising out of any breach by the Company or by any Released Party of the Agreement or any failure to make any payment of Severance Benefits described in Schedule A after the date hereof.

14. Notwithstanding anything in this General Release to the contrary, this General Release does not relinquish or diminish in any way any rights I may have (i) to exercise any rights or benefits that I or my legal representative or heirs have under any Stock Option Agreement, or (ii) to benefits under any employee benefit plan that have accrued but not been paid prior to the date of termination of my employment with the Company.

15. Whenever possible, each provision of this General Release shall be interpreted in, such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

1. I HAVE READ IT CAREFULLY;
2. I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963, THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;
3. I VOLUNTARILY CONSENT TO EVERYTHING IN IT;
4. I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION, I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;
5. I HAVE HAD AT LEAST [21][45] DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE TO CONSIDER IT, AND THE CHANGES MADE SINCE MY RECEIPT OF THIS RELEASE ARE NOT MATERIAL OR WERE MADE AT MY REQUEST AND WILL NOT RESTART THE REQUIRED [21][45]-DAY PERIOD;

6. I UNDERSTAND THAT I HAVE SEVEN (7) DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED;
7. I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND
8. I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

SIGNED: _____ DATED: _____

SCHEDULE A

SEVERANCE BENEFITS

The Company shall provide me with the following, subject to the terms and conditions set forth in the Agreement and the General Release (including, without limitation, my continued compliance with Sections 7, 8 and 9 of the Agreement):

1. Any accrued but unpaid Base Salary and any reimbursable expenses that have not been reimbursed prior to the date of termination, payable within sixty (60) days following the date of termination, or such earlier date as may be required by applicable law.
2. An amount equal to \$[•], consisting of one and one-half times (1.5x) the sum of Base Salary plus Target Bonus pursuant to the Normal Payment Schedule for the Severance Period (as such terms are defined in the Agreement); provided that to the extent that the payment of any amount constitutes “nonqualified deferred compensation” for purposes of Code Section 409A (as defined in the Agreement), any such payment scheduled to occur during the first sixty (60) days following the date of termination shall not be paid until the first regularly scheduled pay period following the sixtieth (60th) day following the date of termination and shall include payment of any amount that was otherwise scheduled to be paid prior thereto.
3. Any earned but unpaid annual bonus described in Section 4(f) of the Agreement relating to the calendar year prior to the calendar year in which the date of termination occurs.
4. Premiums for my continuation of group health coverage under the Company’s plans under COBRA at the active employee rates and subject to my timely election of COBRA beginning on the date of my Separation from Service (as defined Code Section 409A) for the Severance Period. The Company may include the premiums for continued health insurance coverage during the Severance Period in my taxable income to the extent the Company determines is necessary to comply with legal and regulatory requirements or guidance. Notwithstanding the foregoing, in the event that providing the foregoing coverage would result in the imposition of excise taxes on the Company for failure to comply with the nondiscrimination requirements of the Patient Protection and Affordable Care Act of 2010, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended (to the extent applicable), the parties hereby agree to negotiate in good faith to modify the foregoing provision in such manner as to avoid the imposition of such excise taxes while also maintaining, to the maximum extent reasonably possible, the original intent and economic benefits to me and the Company under Continued Health Insurance (as defined in the Agreement).

CERTIFICATIONS

I, Scott Morris, 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
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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 8, 2016

/s/ Scott Morris
Scott Morris
President and Chief Operating Officer

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
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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 8, 2016

/s/ Richard Kassar
Richard Kassar
Chief Financial Officer

**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, 2016, 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 8, 2016

/s/ Scott Morris
Scott Morris
President and Chief Operating 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.