

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington D. C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934
For the quarterly period ended September 30, 2019

Transition report pursuant to Section 13 or 15(d) of the Exchange Act
For the transition period from _____ to _____.

Commission File Number: 0-9376

INNOVATIVE FOOD HOLDINGS, INC.

(Exact Name of Registrant as Specified in its Charter)

Florida

(State or Other Jurisdiction of Incorporation or Organization)

20-1167761

(IRS Employer I.D. No.)

28411 Race Track Rd.

Bonita Springs, Florida 34135
(Address of Principal Executive Offices)

(239) 596-0204

(Registrant's Telephone Number, Including Area Code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act: None.

Title of each class

N/A

Trading Symbol(s)

N/A

Name of each exchange on which registered

N/A

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). **YES** **NO**

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

(Check One):

Large Accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Regulation 12b-2 of the Exchange Act): **YES** **NO**

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 36,793,671 shares of common stock issued and 34,206,091 shares of common stock outstanding as of November 12, 2019.

INNOVATIVE FOOD HOLDINGS, INC.
TABLE OF CONTENTS TO FORM 10-Q

	<u>Page</u>
PART I. FINANCIAL INFORMATION	
Item 1. Condensed Consolidated Financial Statements (unaudited)	3
Condensed Consolidated Balance Sheets	3
Condensed Consolidated Statements of Operations	4
Condensed Consolidated Statements of Cash Flows	5
Condensed Consolidated Statement of Stockholders' Equity	6
Notes to the Condensed Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (including cautionary statement)	26
Item 4. Controls and Procedures	33
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	34
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	34
Item 3. Defaults Upon Senior Securities	34
Item 4. Mine Safety Disclosures	34
Item 5. Other Information	34
Item 6. Exhibits	35
Signatures	37

PART I. FINANCIAL INFORMATION

ITEM 1 - CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Innovative Food Holdings, Inc.
Condensed Consolidated Balance Sheets

	September 30, 2019 (unaudited)	December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,825,995	\$ 4,759,817
Accounts receivable, net	3,179,676	3,039,756
Inventory	2,695,489	2,301,377
Other current assets	194,372	144,301
Total current assets	8,895,532	10,245,251
Property and equipment, net	2,208,037	2,456,610
Investments	420,225	339,525
Right to use assets, operating leases, net	296,579	-
Right to use assets, finance leases, net	115,222	-
Other amortizable intangible assets, net	1,515,773	2,158,498
Goodwill and other unamortizable intangible assets	2,183,065	2,183,065
Total assets	\$ 15,634,433	\$ 17,382,949
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,503,147	\$ 3,689,868
Accrued interest	18,471	16,402
Deferred revenue	197,574	559,315
Notes payable - current portion	705,460	928,857
Lease liability - operating leases, current	165,369	-
Lease liability - finance leases, current	19,279	-
Contingent liability - current portion	306,157	472,876
Total current liabilities	3,915,457	5,667,318
Lease liability - operating leases, non-current	131,210	-
Lease liability - finance leases, non-current	92,988	-
Contingent liability - long-term	227,600	357,600
Note payable - long term portion	436,373	1,196,245
Total liabilities	4,803,628	7,221,163
Commitments and contingencies (see note 16)	-	-
Stockholders' equity		
Common stock: \$0.0001 par value; 500,000,000 shares authorized; 36,786,528 and 36,296,218 shares issued, and 34,198,948 and 33,708,638 shares outstanding at September 30, 2019 and December 31, 2018, respectively	3,675	3,627
Additional paid-in capital	36,773,186	36,132,065
Treasury stock: 2,373,171 shares outstanding at September 30, 2019 and December 31, 2018	(1,016,370)	(1,016,370)
Accumulated deficit	(24,929,686)	(24,957,536)
Total stockholders' equity	10,830,805	10,161,786
Total liabilities and stockholders' equity	\$ 15,634,433	\$ 17,382,949

See notes to these unaudited condensed consolidated financial statements.

Innovative Food Holdings, Inc.
Condensed Consolidated Statements of Operations
(unaudited)

	<u>For the Three Months Ended September 30, 2019</u>	<u>For the Three Months Ended September 30, 2018</u>	<u>For the Nine Months Ended September 30, 2019</u>	<u>For the Nine Months Ended September 30, 2018</u>
Revenue	\$ 13,465,764	\$ 12,054,490	\$ 40,250,430	\$ 34,960,037
Cost of goods sold	9,864,484	8,523,505	28,608,233	24,370,421
Gross margin	<u>3,601,280</u>	<u>3,530,985</u>	<u>11,642,197</u>	<u>10,589,616</u>
Selling, general and administrative expenses	3,754,012	3,354,315	11,560,838	9,429,111
Total operating expenses	<u>3,754,012</u>	<u>3,354,315</u>	<u>11,560,838</u>	<u>9,429,111</u>
Operating (loss) income	(152,732)	176,670	81,359	1,160,505
Other (income) expense:				
Gain on settlement of contingent liability	-	-	-	(11,000)
Gain on sale of fixed assets	(12,495)	-	(12,495)	-
Interest expense, net	17,377	27,969	66,004	89,013
Total other expense	<u>4,882</u>	<u>27,969</u>	<u>53,509</u>	<u>78,013</u>
Net (loss) income before taxes	(157,614)	148,701	27,850	1,082,492
Income tax expense	-	-	-	155,000
Net (loss) income	<u>\$ (157,614)</u>	<u>\$ 148,701</u>	<u>\$ 27,850</u>	<u>\$ 927,492</u>
Net (loss) income per share - basic	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.03</u>
Net (loss) income per share - diluted	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.03</u>
Weighted average shares outstanding - basic	<u>34,060,498</u>	<u>33,989,715</u>	<u>34,021,245</u>	<u>33,974,321</u>
Weighted average shares outstanding - diluted	<u>34,060,498</u>	<u>33,989,715</u>	<u>34,021,245</u>	<u>33,974,321</u>

See notes to these unaudited condensed consolidated financial statements.

Innovative Food Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)

	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Cash flows from operating activities:		
Net income	\$ 27,850	\$ 927,492
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	921,096	794,285
Amortization of right-of-use asset	140,303	-
Stock based compensation	297,503	47,696
Gain on settlement of contingent liability	-	(11,000)
Gain on sale of fixed assets	(12,495)	-
Recovery of doubtful accounts	(1,633)	(36,857)
Changes in assets and liabilities:		
Accounts receivable, net	(183,787)	(164,622)
Inventory and other current assets, net	(444,183)	(800,119)
Accounts payable and accrued liabilities	(1,090,986)	(672,826)
Deferred revenue	(361,741)	27,534
Operating lease liability	(140,303)	-
Net cash (used in) provided by operating activities	(848,376)	111,583
Cash flows from investing activities:		
Cash related to the iGourmet asset acquisition	-	(2,703,320)
Cash received from the sale of fixed assets	12,495	-
Purchase of property and equipment	(131,095)	(382,014)
Purchase of intangible assets	(47,000)	-
Investment in food related companies	(35,200)	(50,000)
Net cash used in investing activities	(200,800)	(3,135,334)
Cash flows from financing activities:		
Sales of common stock	250,000	-
Purchase of stock options from officers, directors, and employees	-	(167,000)
Cash received from exercise of stock options	-	35,000
Cash paid in settlement of contingent liabilities in connection with acquisitions	(296,719)	(189,000)
Borrowings on term loan	-	1,500,000
Purchase of treasury stock	-	(24,057)
Principal payments on debt	(818,819)	(846,556)
Principal payments capital leases	(19,108)	(5,900)
Net cash (used in) provided by financing activities	(884,646)	302,487
Decrease in cash and cash equivalents	(1,933,822)	(2,721,264)
Cash and cash equivalents at beginning of period	4,759,817	5,133,435
Cash and cash equivalents at end of period	<u>\$ 2,825,995</u>	<u>\$ 2,412,171</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	<u>\$ 68,812</u>	<u>\$ 94,614</u>
Taxes	<u>\$ -</u>	<u>\$ 155,000</u>
Non-cash investing and financing activities:		
Issuance of 131,136 shares of common stock previously accrued	<u>\$ 93,666</u>	<u>\$ -</u>
Right to use assets and liabilities - operating, upon adoption of ASU 2016-02	<u>\$ 338,581</u>	<u>\$ -</u>
Fair value of 9,524 shares of common stock issued for services	<u>\$ 5,143</u>	<u>\$ -</u>
Increase in right of use assets & liabilities	<u>\$ 98,301</u>	<u>\$ -</u>
Investment in food related company	<u>\$ 45,500</u>	<u>\$ -</u>
Return of equipment & reduction in amount due under equipment financing loan	<u>\$ 33,075</u>	<u>\$ -</u>

See notes to these unaudited condensed consolidated financial statements.

Innovative Food Holdings, Inc. and subsidiary
Consolidated Statements of Stockholders' Equity
For the Three and Nine Months Ended September 30, 2019 and 2018

	STOCKHOLDERS' EQUITY - THREE MONTHS ENDED SEPTEMBER 30						
	Common Stock		APIC	Treasury Stock		Accum Deficit	Total
	Amount	Value		Amount	Value		
Balance - June 30, 2018 (unaudited)	36,296,218	\$ 3,627	\$ 36,088,068	2,306,503	\$ (1,016,370)	\$ (25,874,644)	\$ 9,200,681
Fair value of stock vested to management	-	-	24,288	-	-	-	24,288
Net income for the three months ended June 30, 2018	-	-	-	-	-	148,701	148,701
Balance - September 30, 2018 (unaudited)	<u>36,296,218</u>	<u>\$ 3,627</u>	<u>\$ 36,112,356</u>	<u>2,306,503</u>	<u>\$ (1,016,370)</u>	<u>\$ (25,725,943)</u>	<u>\$ 9,373,670</u>

Balance - June 30, 2019 (unaudited)	36,427,354	\$ 3,640	\$ 36,421,970	2,373,171	\$ (1,016,370)	\$ (24,772,072)	\$ 10,637,168
Common stock issued for services	9,524	1	5,142	-	-	-	5,143
Common stock sold for cash	349,650	34	249,966	-	-	-	250,000
Fair value of vested stock and stock options issued to management	-	-	96,108	-	-	-	96,108
Net loss for the three months ended September 30, 2019	-	-	-	-	-	(157,614)	(157,614)
Balance - September 30, 2019 (unaudited)	<u>36,786,528</u>	<u>\$ 3,675</u>	<u>\$ 36,773,186</u>	<u>2,373,171</u>	<u>\$ (1,016,370)</u>	<u>\$ (24,929,686)</u>	<u>\$ 10,830,805</u>

	STOCKHOLDERS' EQUITY - NINE MONTHS ENDED SEPTEMBER 30						
	Common Stock		APIC	Treasury Stock		Accum Deficit	Total
	Amount	Value		Amount	Value		
Balance - December 31, 2017	36,080,519	\$ 3,605	\$ 36,196,682	2,276,703	\$ (992,313)	\$ (26,653,435)	\$ 8,554,539
Common stock issued for the exercise of options	100,000	10	34,990	-	-	-	35,000
Purchase of stock options from employees, officers, and directors	115,699	12	(167,012)	-	-	-	(167,000)
Purchase of treasury stock from employee	-	-	-	2,000	(1,940)	-	(1,940)
Fair value of vested stock options issued to management	-	-	8,787	-	-	-	8,787
Fair value of stock vested to management	-	-	38,909	-	-	-	38,909
Cost of treasury stock acquired during the period	-	-	-	27,800	(22,117)	-	(22,117)
Net income for the six months ended June 30, 2018	-	-	-	-	-	927,492	927,492
Balance - September 30, 2018 (unaudited)	<u>36,296,218</u>	<u>\$ 3,627</u>	<u>\$ 36,112,356</u>	<u>2,306,503</u>	<u>\$ (1,016,370)</u>	<u>\$ (25,725,943)</u>	<u>\$ 9,373,670</u>

Balance at December 31, 2018	36,296,218	\$ 3,627	\$ 36,132,065	2,373,171	\$ (1,016,370)	\$ (24,957,536)	\$ 10,161,786
Common stock issued for services	9,524	1	5,142	-	-	-	5,143
Common stock sold for cash	349,650	34	249,966	-	-	-	250,000
Issuance of shares to employees, previously accrued	131,136	13	93,653	-	-	-	93,666
Fair value of vested stock and stock options issued to management	-	-	292,360	-	-	-	292,360
Net income for the nine months ended September 30, 2019	-	-	-	-	-	27,850	27,850
Balance - September 30, 2019 (unaudited)	<u>36,786,528</u>	<u>\$ 3,675</u>	<u>\$ 36,773,186</u>	<u>2,373,171</u>	<u>\$ (1,016,370)</u>	<u>\$ (24,929,686)</u>	<u>\$ 10,830,805</u>

See notes to these unaudited condensed consolidated financial statements.

INNOVATIVE FOOD HOLDINGS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019
(Unaudited)

1. BASIS OF PRESENTATION

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements of Innovative Food Holdings, Inc., and its wholly owned subsidiaries, some of which are non-operating, Artisan (“Artisan”), Food Innovations (“FII”), Food New Media Group, Inc. (“FNM”), Organic Food Brokers (“OFB”), Gourmet Food Service Group, Inc. (“GFG”), Gourmet Foodservice Warehouse, Inc. (“GFW”), Gourmating, Inc. (“Gourmating”), The Haley Group, Inc. (“Haley”), Oasis Sales Corp. (“Oasis”), 4 The Gourmet, Inc. (d/b/a For The Gourmet, Inc.), (“Gourmet”), Innovative Gourmet, LLC (“Innovative Gourmet” or “iGourmet”), Food Funding, LLC (“Food Funding”), M Innovations, LLC (“M Innovations”), P Innovations, LLC (“P Innovations”), and collectively with IVFH and its other subsidiaries, the “Company” or “IVFH”) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. All material intercompany transactions have been eliminated upon consolidation of these entities.

The accompanying unaudited interim condensed consolidated financial statements have been prepared by the Company, in accordance with generally accepted accounting principles pursuant to Regulation S-X of the Securities and Exchange Commission and with the instructions to Form 10-Q. Certain information and footnote disclosures normally included in audited consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Accordingly, these interim financial statements should be read in conjunction with the Company’s audited financial statements and related notes as contained in Form 10-K for the year ended December 31, 2018. In the opinion of management, the interim unaudited condensed consolidated financial statements reflect all adjustments, including normal recurring adjustments, necessary for fair presentation of the interim periods presented. The results of the operations for the three and nine months ended September 30, 2019 are not necessarily indicative of the results of operations to be expected for the full year.

2. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Business Activity

Our business is currently conducted by our wholly-owned subsidiaries, Artisan, FII, FNM, OFB, GFG, GFW, Gourmating, Haley, Oasis, Gourmet, iGourmet, M Innovations, (sometimes referred to herein as “Mouth” or “Mouth.com”), Food Funding and P Innovations (collectively, IVFH and its subsidiaries, the “Company” or “IVFH”).

Overall, our business activities are focused around the creation and growth of a platform which provides distribution or the enabling of distribution of high quality, unique specialty food and food related products ranging from specialty foodservice products to Consumer-Packaged Goods (“CPG”) products through a variety of sales channels ranging from national partnership based and regionally based foodservice related sales channels to e-commerce sales channels offering products both direct to consumers (“D2C”) and direct to business (“B2B”). In our business model, we receive orders from our customers and then work closely with our suppliers and our warehouse facilities to have the orders fulfilled. In order to maintain freshness and quality, we carefully select our suppliers based upon, among other factors, their quality, uniqueness, reliability and access to overnight courier services.

FII, through its relationship with the producers, growers, and makers of thousands of unique specialty foodservice products and through its relationship with US Foods, Inc. (“U.S. Foods” or “USF”), has been in the business of providing premium restaurants, within 24 – 72 hours, with the freshest origin-specific perishable, and healthcare products shipped directly from our network of vendors and from our warehouses. Our customers include restaurants, hotels, country clubs, national chain accounts, casinos, hospitals and catering houses.

Gourmet has been in the business of providing specialty food via e-commerce through its own website at www.forthegourmet.com and through other ecommerce channels, with unique specialty gourmet food products shipped directly from our network of vendors and from our warehouses within 24 – 72 hours.

Artisan is a supplier of over 1,500 unique specialty foodservice products to over 500 customers such as chefs, restaurants, etc. in the Greater Chicago area and serves as a national fulfillment center for certain of the Company’s other subsidiaries.

Table of Contents

GFG is focused on expanding the Company's program offerings to additional specialty foodservice customers.

P Innovations focus is to leverage acquired assets to expand the Company's subscription-based e-commerce business activities.

Haley is a dedicated foodservice consulting and advisory firm that works closely with companies to access private label and manufacturers' private label food service opportunities with the intent of helping them launch and commercialize new products in the broadline foodservice industry and assists in the enabling of the distribution of products via national broadline food distributors.

OFB and Oasis function as outsourced national sales and brand management teams for emerging organic and specialty food CPG companies of a variety of sizes and business stages, and provides emerging and unique CPG specialty food brands with distribution and shelf placement access in all of the major metro markets in the food retail industry.

iGourmet has been in the business of providing DTC specialty food via e-commerce through its own website at www.iGourmet.com and through other channels such as www.amazon.com, www.ebay.com, and www.walmart.com. In addition, iGourmet.com offers a line of B2B specialty foodservice items. Products are primarily shipped directly from iGourmet.com's 67,000 square feet warehouse in Pennsylvania via iGourmet.com owned trucks and via third party carrier directly to thousands of customers nationwide.

Mouth.com (www.mouth.com) is an online retailer of specialty foods, monthly subscription boxes and curated gift boxes to thousands of consumers and corporate customers across the United States. Mouth sources high quality specialty foods crafted in the US by independent and small batch makers, and expertly curates them into standout food gifts for both consumers and corporate customers. Mouth also has launched a private label brand, including several award-winning products.

Use of Estimates

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

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Innovative Food Holdings, Inc., and its wholly owned operating subsidiaries, Artisan, FII, FNM, OFB, GFG, GFW, Gourmeting, Haley, Oasis, Innovative Gourmet, Food Funding, M Innovations, P Innovations, and Gourmet. All material intercompany transactions have been eliminated upon consolidation of these entities.

Concentrations of Credit Risk

Financial instruments and related items, which potentially subject the Company to concentrations of credit risk, consist primarily of cash, cash equivalents and trade receivables. The Company places its cash and temporary cash in investments with credit quality institutions. At times, such investments may be in excess of applicable government mandated insurance limit. At September 30, 2019 and December 31, 2018, trade receivables from the Company's largest customer amounted to 38% and 44%, respectively, of total trade receivables. During the three months ended September 30, 2019 and 2018, sales from the Company's largest customer amounted to 60% and 63% of total sales, respectively. During the nine months ended September 30, 2019 and 2018, sales from the Company's largest customer amounted to 60% and 63% of total sales, respectively.

Reclassifications

Certain reclassifications have been made to conform prior period data to the current presentation.

Table of Contents

Leases

The Company determines if an arrangement is a lease at inception. Operating lease right-of-use assets (“ROU assets”) and short-term and long-term lease liabilities are included on the face of the condensed consolidated balance sheet. Finance lease ROU assets are presented within other assets, and finance lease liabilities are presented within accrued liabilities.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company’s leases do not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also excludes lease incentives. The Company’s lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company has lease agreements with lease and non-lease components, which are accounted for as a single lease component. For lease agreements with terms less than 12 months, the Company has elected the short-term lease measurement and recognition exemption, and it recognizes such lease payments on a straight-line basis over the lease term.

Revenue Recognition

The Company recognizes revenue upon product delivery. All of our products are shipped either same day or overnight or through longer shipping terms to the customer and the customer takes title to product and assumes risk and ownership of the product when it is delivered. Shipping charges to customers and sales taxes collectible from customers, if any, are included in revenues.

For revenue from product sales, the Company recognizes revenue in accordance with Financial Accounting Standards Board “FASB” Accounting Standards Codification “ASC” 606. A five-step analysis must be met as outlined in Topic 606: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations, and (v) recognize revenue when (or as) performance obligations are satisfied. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company defers any revenue for which the product has not been delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or no refund will be required. Adoption of ASC 606 had no material effect on the Company’s financial statements.

Deferred Revenue

Certain customer arrangements in the Company’s business such as gift cards and e-commerce subscription purchases result in deferred revenues when cash payments are received in advance of performance. Gift cards are issued by the Company generally do not have expiration dates. The Company records a liability for unredeemed gift cards and advance payments for monthly club memberships, as cash is received, and the liability is reduced when the card is redeemed or product delivered.

The following table represents the changes in deferred revenue as reported on the Company’s consolidated balance sheets:

Balance as of December 31, 2018	\$	559,315
Cash payments received		93,580
Net sales recognized		(375,500)
Balance as of March 31, 2019	\$	<u>277,395</u>
Cash payments received		225,064
Net sales recognized		(221,531)
Balance as of June 30, 2019	\$	<u>280,928</u>
Cash payments received		120,345
Net sales recognized		(203,699)
Balance as of September 30, 2019	\$	<u>197,574</u>

Table of Contents

Disaggregation of Revenue

The following table represents a disaggregation of revenue by from sales for the three and nine months ended September 30, 2019 and 2018:

	Three Months Ended September 30,	
	2019	2018
Specialty food service	\$ 11,574,373	\$ 10,481,021
E-Commerce	1,572,031	1,181,933
National Brand Management	319,360	391,536
Total	<u>\$ 13,465,764</u>	<u>\$ 12,054,490</u>

	Nine Months Ended September 30,	
	2019	2018
Specialty food service	\$ 33,542,367	\$ 29,739,129
E-Commerce	5,452,024	3,617,039
National Brand Management	1,256,039	1,603,869
Total	<u>\$ 40,250,430</u>	<u>\$ 34,960,037</u>

Cost of goods sold

We have included in cost of goods sold all costs which are directly related to the generation of revenue. These costs include primarily the cost of food and raw materials, packing and handling, shipping, and delivery costs.

Basic and Diluted Earnings Per Share

Basic net earnings per share is based on the weighted average number of shares outstanding during the period, while fully-diluted net earnings per share is based on the weighted average number of shares of common stock and potentially dilutive securities assumed to be outstanding during the period using the treasury stock method. Potentially dilutive securities consist of options and warrants to purchase common stock, and convertible debt. Basic and diluted net loss per share is computed based on the weighted average number of shares of common stock outstanding during the period.

The Company uses the treasury stock method to calculate the impact of outstanding stock options and warrants. Stock options and warrants for which the exercise price exceeds the average market price over the period have an anti-dilutive effect on earnings per common share and, accordingly, are excluded from the calculation.

Dilutive shares at September 30, 2019:

Convertible notes and interest

At September 30, 2019 there were no convertible notes outstanding.

Warrants

At September 30, 2019 there are no warrants outstanding.

Table of Contents

Stock Options

The following table summarizes the options outstanding and the related prices for the options to purchase shares of the Company's common stock issued by the Company at September 30, 2019:

	Exercise Price	Number of Options	Weighted Average Remaining Contractual Life (years)
\$	0.62	360,000	4.25
\$	0.75	50,000	2.25
\$	0.85	540,000	4.25
\$	0.95	50,000	2.25
\$	1.10	75,000	1.62
\$	1.20	900,000	4.25
\$	1.38	100,000	0.17
\$	1.50	125,000	2.25
\$	2.00	125,000	2.25
\$	2.50	125,000	2.25
\$	3.00	125,000	2.25
		<u>2,575,000</u>	<u>3.55</u>

Restricted Stock Awards

At September 30, 2019 there are an additional 300,000 unvested restricted stock awards remaining from grants in a prior year. Those 300,000 restricted stock awards will vest as follows: 125,000 restricted stock awards will vest contingent upon the attainment of a stock price of \$2.00 per share for 20 straight trading days, and an additional 175,000 restricted stock awards will vest contingent upon the attainment of a stock price of \$3.00 per share for 20 straight trading days.

Stock-based compensation

During the nine months ended September 30, 2019, the Company incurred obligations to issue the following shares of common stock pursuant to employment agreements: an aggregate total of 218,175 shares of common stock to its Chief Executive Officer and to its Director of Strategic Acquisitions; an aggregate total 72,774 shares to board members; and 41,991 shares to an employee.

Dilutive shares at September 30, 2018:

There were no convertible notes or warrants outstanding on September 30, 2018.

Stock Options

The following table summarizes the options outstanding and the related prices for the options to purchase shares of the Company's common stock issued by the Company at September 30, 2018:

	Exercise Price	Number of Options	Weighted Average Remaining Contractual Life (years)
\$	1.10	75,000	2.62
\$	1.31	150,000	0.25
\$	1.38	100,000	1.17
\$	1.43	50,000	0.25
\$	1.90	175,000	0.73
		<u>550,000</u>	<u>0.89</u>

Significant Recent Accounting Pronouncements

In January 2017, the FASB issued ASU No. 2017-04, Simplifying the Test for Goodwill Impairment, which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, current U.S. GAAP requires the performance of procedures to determine the fair value at the impairment testing date of assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, the amendments under this ASU require the goodwill impairment test to be performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The ASU becomes effective for the Company on January 1, 2020. The amendments in this ASU should be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed. We are evaluating what impact, if any, the adoption of this guidance will have on our financial condition, results of operations, cash flows or financial disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), to increase transparency and comparability among organizations by recognizing a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months and disclosing key information about leasing transactions. Leases are classified as either operating or financing, with such classification affecting the pattern of expense recognition in the income statement. In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842) - Targeted Improvements, which provided an optional transition method to apply the new lease requirements through a cumulative-effect adjustment in the period of adoption.

We adopted ASU 2016-02 in the first quarter of 2019 using the optional transition method and elected certain practical expedients permitted under the transition guidance, which, among other things, allowed us to not reassess prior conclusions related to contracts containing leases or lease classification. The adoption primarily affected our condensed consolidated balance sheet through the recognition of \$338,581 of operating right-of-use assets and \$338,581 of operating lease liabilities as of January 1, 2019. The adoption did not have a significant impact on our results of operations or cash flows. See Note 7. "Leases" to our condensed consolidated financial statements for further discussion of the effects of the adoption of ASU 2016-02 and the associated disclosures.

In June 2018, the FASB issued ASU 2018-07, Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting. This ASU relates to the accounting for non-employee share-based payments. The amendment in this update expands the scope of Topic 718 to include all share-based payment transactions in which a grantor acquired goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The ASU excludes share-based payment awards that relate to: (1) financing to the issuer; or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, Revenue from Contracts from Customers. The share-based payments are to be measured at grant-date fair value of the equity instruments that the entity is obligated to issue when the goods or service has been delivered or rendered and all other conditions necessary to earn the right to benefit from the equity instruments have been satisfied. This standard will be effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. We adopted the provisions of this ASU on January 1, 2019. The adoption had no impact on our results of operations, cash flows, or financial condition.

Management does not believe that any other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the accompanying condensed consolidated financial statements.

3. ACQUISITIONS

GBC Sub, Inc. (d/b/a TheGiftBox)

Effective July 23, 2019, P Innovations acquired certain assets of GBC Sub, Inc. (d/b/a The GiftBox) ("GiftBox") (the "GiftBox Asset Purchase Agreement"). GiftBox, a privately held Nevada corporation controlled by David Polinsky, a director of the Company, was in the business of subscription-based ecommerce. The consideration for the assets purchased was a nominal amount of cash. The GiftBox Asset Purchase Agreement also provides the sellers the option to acquire 30% of P Innovations subject to dilution for a period of thirty-six months following the date of the Giftbox Asset Purchase Agreement; the option will only be exercisable if there is a spinoff of P Innovations to Innovative Food Holdings shareholders. The Company is evaluating its preliminary purchase price allocation. As a result, during the preliminary purchase price allocation period, which may be up to one year from the asset purchase date, we may record adjustments to the assets acquired.

Mouth Foods, Inc.

Effective July 6, 2018, M Innovations acquired certain assets of Mouth Foods, Inc. from MFI (assignment for the benefit of creditors), LLC (“MFI”), the assignee of Mouth Foods, Inc.’s assets in connection with a Delaware assignment proceeding, pursuant to the terms of an Asset Purchase Agreement (“MFI APA”). The MFI APA was accounted for as an acquisition of an ongoing business in accordance with ASC Topic 805 - Business Combinations (“ASC 805”), where the Company was treated as the acquirer and the acquired assets and assumed liabilities were recorded by the Company at their preliminary estimated fair values. Mouth Foods, Inc., was a privately held New York company operating out of Brooklyn, was an expert curator and online retailer of high quality specialty foods from small-batch makers in the US.

The consideration for and in connection with the acquisition consisted of (i) closing related cash payments of \$208,355; (ii) additional revenue-based contingent liabilities valued by management at \$100,000 related to certain future sales of purchased assets payable under the following terms: payment of 5% of certain revenues, with no payments on the first \$500,000 of revenues and no payments on revenues after June 30, 2020; (iii) additional revenue based contingent liabilities of up to \$185,000 associated with the purchase of certain debt of the seller; and (iv) additional contingent liability consideration valued by management at approximately \$20,000.

The acquisition date estimated fair value of the consideration transferred totaled \$513,355. During the year ended December 31, 2018, the Company changed the original allocation of the purchase price among the assets acquired. The reallocated purchase price consisted of the following:

Cash	\$	208,355
Contingent liability – payable to debt holder		185,000
Contingent liabilities – payable to sellers		100,000
Additional Contingent Liabilities		20,000
Total purchase price	\$	<u>513,355</u>
Tangible assets acquired	\$	57,000
Intangible assets acquired		419,926
Goodwill acquired		36,429
Total purchase price	\$	<u>513,355</u>

The above estimated fair value of the intangible assets is based on management’s estimates. Going forward, adjustments to assets acquired or liabilities assumed subsequent to the purchase price allocation period will be made in our operating results in the period in which the adjustments are determined.

iGourmet, LLC

The iGourmet Asset Purchase Agreement effective January 23, 2018 (the “iGourmet APA”) was accounted for as an acquisition of an ongoing business in accordance with ASC Topic 805 - Business Combinations (“ASC 805”), where the Company was treated as the acquirer and the acquired assets and certain liabilities not purchased or assumed by Innovative Gourmet, which under certain circumstances, Innovative Gourmet may determine to pay, were recorded by the Company at their preliminary estimated fair values.

The consideration for and in connection with the iGourmet APA consisted of: (i) \$1,500,000, which satisfied or reduced secured, priority and administrative debt of sellers; (ii) in connection with and prior to the acquisition, our wholly-owned subsidiary, Food Funding, funded advances of \$325,500 to sellers on a secured basis, pursuant to certain loan documents and as bridge loans, which loans were reduced by the proceeds of the iGourmet APA; (iii) the purchase for \$200,000 of certain debt owed by sellers, to be paid out of, if available, Innovative Gourmet’s cash flow; (iv) potential contingent liability allocation for a percentage of sellers’ approximately \$2,300,000 of certain debt, not purchased or assumed by Innovative Gourmet, which under certain circumstances, Innovative Gourmet may determine to pay; and (v) additional purchase price consideration of (a) up to a maximum of \$1,500,000, if EBITDA of Innovative Gourmet reaches \$800,000 thousand in 2018, (b) up to a maximum of \$1,750,000, if EBITDA of Innovative Gourmet in 2019 exceeds its EBITDA in 2018 by at least 20% and if its EBITDA reaches \$5,000,000; and (c) up to a maximum of \$2,125,000, if EBITDA of Innovative Gourmet in 2020 exceeds its EBITDA in 2019 by at least 20% and if its EBITDA reaches \$8,000,000. The additional purchase price consolidation milestone for 2018 was not met. The EBITDA based earnout shall be paid 37.5% in cash, 25% in Innovative Food Holdings shares valued at the time of the closing of this transaction and 37.5%, at Innovative Gourmet’s option, in Innovative Food Holdings shares valued at the time of the payment of the earnout or in cash.

Table of Contents

In connection with the iGourmet APA, our wholly-owned subsidiary, Food Funding, purchased seller's senior secured note at a price of approximately \$1,187,000, pursuant to the terms of a Loan Sale Agreement with UPS Capital Business Credit. That note was reduced by the proceeds of the iGourmet APA as disclosed in (i) above.

The acquisition date estimated fair value of the consideration transferred totaled \$4,151,243. During the year ended December 31, 2018, the Company made the following purchase price adjustments: (i) accrued an additional \$286,239 for accounts payable prior to acquisition; (ii) decreased contingent liabilities by the amount of \$392,900 for earnout payments not made; (iii) decreased accounts receivable in the amount of \$108,893 for amounts not collected; and (4) increased deferred revenue in the amount of \$231,169 for shipments made. These adjustments increased the value of the acquisition to \$4,275,751. At December 31, 2018, the value of the acquisition consisted of the following:

Initial purchase price	\$	1,500,000
Cash payable in connection with transaction		1,863,443
Accounts payable		286,239
Deferred revenue		231,169
Contingent liabilities		394,900
Total purchase price	\$	<u>4,275,751</u>
Tangible assets acquired	\$	842,458
Intangible assets acquired		2,970,600
Goodwill acquired		462,693
Total purchase price	\$	<u>4,275,751</u>

The above estimated fair value of the intangible assets is based on a third party valuation expert and also includes additional analysis by management based on a subsequent analysis of the transaction and adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Going forward, adjustments to assets acquired or liabilities assumed subsequent to the purchase price allocation period will be made in our operating results in the period in which the adjustments are determined.

Pro forma results

The following table sets forth the unaudited pro forma results of the Company as if the iGourmet APA was effective on the first day of the September 30, 2018 nine month period presented. These combined results are not necessarily indicative of the results that may have been achieved had the companies always been combined.

	Nine months ended	
	September 30, 2018	
	(unaudited)	
Revenues	\$	35,337,687
Net Income	\$	816,172
Basic net income per share	\$	0.024
Diluted net income per share	\$	0.024
Weighted average shares – basic		33,974,321
Weighted average shares – diluted		33,974,321

4. ACCOUNTS RECEIVABLE

At September 30, 2019 and December 31, 2018, accounts receivable consists of:

	September 30,	December 31,
	2019	2018
Accounts receivable from customers	\$ 3,332,720	\$ 3,194,932
Allowance for doubtful accounts	(153,044)	(155,176)
Accounts receivable, net	<u>\$ 3,179,676</u>	<u>\$ 3,039,756</u>

5. INVENTORY

Inventory consists primarily of specialty food products. At September 30, 2019 and December 31, 2018, inventory consisted of the following:

	September 30, 2019	December 31, 2018
Finished Goods Inventory	\$ 2,695,489	\$ 2,301,377

6. PROPERTY AND EQUIPMENTAcquisition of Building

The Company owns a building and property located at 28411 Race Track Road, Bonita Springs, Florida 34135. The property consists of approximately 1.1 acres of land and approximately 10,000 square feet of combined office and warehouse space, and was purchased as part of a bank short sale. The Company moved its operations to these premises on July 15, 2013. The purchase price of the property was \$792,758.

On May 14, 2015, the Company purchased a building and property located at 2528 S. 27th Avenue, Broadview, Illinois 60155. The property consists of approximately 1.33 acres of land and approximately 28,711 square feet of combined office and warehouse space. The purchase price of \$914,350 was initially financed primarily by a draw-down of \$900,000 on the Company's credit facility with Fifth Third Bank, National Association ("Fifth Third Bank"). On May 29, 2015, a permanent financing facility was provided by Fifth Third Bank in the form of a loan in the amount of \$980,000. \$900,000 of this amount was used to pay the balance of the credit facility; the additional \$80,000 was used for refrigeration and other improvements at the property. The interest on the loan is at the LIBOR rate plus 3.0%. The building is used for office and warehouse space primarily for the Company's Artisan subsidiary. We have also recently completed an additional property improvement and upgrade buildout at the Artisan building which include a fully functional commercial test kitchen and training center and conference room. The test kitchen and training room will be used by Artisan and other subsidiaries of the Company for the purposes of new product testing and development and approval, Quality Assurance and Quality Control as well as sales presentations and customer demonstrations. In addition, we recently added a packaging room to the Artisan building, which is built to FDA, FSMA and SQF food safety standards and purchased new, technologically advanced semi-automated fillers for the packaging room. The packaging room addition will allow for expansion of private label product lines as well as packing of organic, non GMO, diet specific and other specialty foods. The test kitchen, packaging room and additional improvements were financed by a loan from Fifth Third Bank.

Depreciation on the building and the related improvements, furniture, fixtures, and equipment began when the Company occupied the facility in October, 2015.

On November 8, 2019 the Company, through a newly formed wholly-owned subsidiary, purchased a logistics and warehouse facility (the "Facility") for \$4.5 million. The Facility is approximately 200,000 square feet and is situated on approximately 15 acres in Mountain Top, Pennsylvania. The Facility's appraised value by a third party appraisal firm in October 2019 was \$6,150,000 "as is" and \$8,000,000 with additional scheduled improvements. Related to the Facility purchase, the Company entered into a commercial loan agreement for both the purchase price and planned improvements to the building. The amount of the loan was \$5.5 million, the lender was Fifth Third Bank and the loan is secured by a mortgage on the property and other Company assets. The interest on the loan is LIBOR plus 2.75%, with interest only payments due through September 30, 2020, thereafter with principal amortized over 20 years and maturity on September 2, 2025. Related to Facility purchase, the Company also acquired certain leases from certain tenants of the Facility, all of which were in good standing at the time of purchase.

A summary of property and equipment at September 30, 2019 and December 31, 2018, was as follows:

	September 30, 2019	December 31, 2018
Land	\$ 385,523	\$ 385,523
Building	1,356,783	1,326,165
Computer and Office Equipment	549,703	523,853
Warehouse Equipment	302,046	302,622
Furniture and Fixtures	894,628	889,073
Vehicles	109,441	220,812
Total before accumulated depreciation	3,598,124	3,648,048
Less: accumulated depreciation	(1,390,087)	(1,191,438)
Total	\$ 2,208,037	\$ 2,456,610

[Table of Contents](#)

Depreciation and amortization expense for property and equipment amounted to \$80,402 and \$51,384 for the three months ended September 30, 2019 and 2018, respectively. Depreciation and amortization expense for property and equipment amounted to \$231,731 and \$146,108 for the nine months ended September 30, 2019 and 2018, respectively.

7. RIGHT OF USE ASSETS AND LEASE LIABILITIES – OPERATING LEASES

The Company has operating leases for offices, warehouses, vehicles, and office equipment. The Company's leases have remaining lease terms of 1 year to 3 years, some of which include options to extend.

The Company's lease expense for the three and nine months ended September 30, 2019 was entirely comprised of operating leases and amounted to \$57,780 and \$155,047, respectively. The Company's ROU asset amortization for the three and nine months ended September 30, 2019 was \$53,472 and \$140,303, respectively. The difference between the lease expense and the associated ROU asset amortization consists of interest.

Right to use assets – operating leases are summarized below:

	September 30, 2019
Warehouse	\$ 69,880
Warehouse equipment	22,321
Office equipment	35,421
Vehicles	168,957
Right to use assets, net	<u>\$ 296,579</u>

Operating lease liabilities are summarized below:

	September 30, 2019
Warehouse	\$ 69,880
Warehouse equipment	22,321
Office equipment	35,421
Vehicles	168,957
Lease liability	\$ 296,579
Less: current portion	(165,369)
Lease liability, non-current	<u>\$ 131,210</u>

Maturity analysis under these lease agreements are as follows:

Twelve months ended September 30, 2020	\$ 176,689
Twelve months ended September 30, 2021	58,972
Twelve months ended September 30, 2022	30,158
Twelve months ended September 30, 2023	16,373
Twelve months ended September 30, 2024	13,776
Thereafter	25,255
Total	\$ 321,223
Less: Present value discount	(24,644)
Lease liability	<u>\$ 296,579</u>

8. INVESTMENTS

The Company has made investments in certain early stage food related companies which it expects can benefit from synergies with the Company's various operating businesses. At September 30, 2019 the Company has investments in seven food related companies in the aggregate amount of \$420,225. The Company does not have significant influence over the operations of these companies.

[Table of Contents](#)

During the three and nine months ended September 30, 2019, the Company invested cash of \$10,200 and 35,200, respectively, in food related companies. The Company's investments may take the form of debt, equity, or equity in the future including convertible notes and other instruments which provide for future equity under various scenarios including subsequent financings or initial public offerings. The Company has evaluated the guidance in Accounting Standards Codification ("ASC") No. 325-20 Investments – Other, in determining to account for the investment using the cost method since the equity securities are not marketable and do not give the Company significant influence.

Also during the three and nine months ended September 30, 2019, the Company converted accounts receivable in the amount of \$15,000 and \$45,500, respectively, into an equity investment in a food related company.

9. INTANGIBLE ASSETS

The Company acquired certain intangible assets pursuant to the acquisitions through Artisan, Oasis (see note 3), Innovative Gourmet (see note 3), OFB, Haley, and M Innovations. The following is the net book value of these assets:

	September 30, 2019		
	Gross	Accumulated Amortization	Net
Non-Compete Agreement - amortizable	\$ 505,900	\$ (415,887)	\$ 90,013
Customer Relationships - amortizable	3,068,043	(2,279,241)	788,802
Trade Name	1,532,822	-	1,532,822
Internally Developed Technology - amortizable	875,643	(285,685)	589,958
Goodwill	650,243	-	650,243
Website - amortizable	47,000	-	47,000
Total	<u>\$ 6,679,651</u>	<u>\$ (2,980,813)</u>	<u>\$ 3,698,838</u>

	December 31, 2018		
	Gross	Accumulated Amortization	Net
Non-Compete Agreement - amortizable	\$ 505,900	\$ (362,913)	\$ 142,987
Customer Relationships - amortizable	3,068,043	(1,783,598)	1,284,445
Trade Name	1,532,822	-	1,532,822
Internally Developed Technology - amortizable	875,643	(144,577)	731,066
Goodwill	650,243	-	650,243
Total	<u>\$ 6,632,651</u>	<u>\$ (2,291,088)</u>	<u>\$ 4,341,563</u>

Total amortization expense for the three months ended September 30, 2019 and 2018 was \$210,028 and \$242,874, respectively; total amortization expense for the nine months ended September 30, 2019 and 2018 was \$689,725 and \$648,177, respectively.

The trade names are not considered finite-lived assets, and are not being amortized. The non-compete agreement is being amortized over a period of 48 months. The customer relationships acquired in these transactions are being amortized over periods of 24 to 36 months. The internally developed technology is being amortized over 60 months.

As detailed in ASC 350, the Company tests for goodwill impairment in the fourth quarter of each year and whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its fair value and may not be recoverable. As detailed in ASC 350-20-35-3A, in performing its testing for goodwill impairment, management has completed a qualitative analysis to determine whether it was more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. To complete this review, management followed the steps in ASC 350-20-35-3C to evaluate the fair value of goodwill and considered all known events and circumstances that might trigger an impairment of goodwill. The analysis completed in 2018 determined that there was no impairment to goodwill assets.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at September 30, 2019 and December 31, 2018 are as follows:

	September 30, 2019	December 31, 2018
Trade payables and accrued liabilities	\$ 2,286,085	\$ 3,425,178
Accrued payroll and commissions	217,062	264,690
Total	\$ 2,503,147	\$ 3,689,868

11. ACCRUED INTEREST

At September 30, 2019, accrued interest on notes outstanding was \$18,471. During the nine months ended September 30, 2019, the Company paid cash for interest in the aggregate amount of \$68,812.

At December 31, 2018, accrued interest on a note outstanding was \$16,402. During the twelve months ended December 31, 2018, the Company paid cash for interest in the aggregate amount of \$190,781.

12. REVOLVING CREDIT FACILITIES

	September 30, 2019	December 31, 2018
On March 23, 2018, the Company entered into a Master Loan & Security Agreement that provided for the advance of funds in connection with a \$500,000 Draw Promissory Note, in order to finance certain equipment acquisitions ("Artisan Equipment Loan"); On December 21, 2018, the Company advanced \$391,558 under the \$500,000 Draw Promissory Note. This loan is secured by the Company's tangible and intangible personal property and bears interest at the rate of 5.20%. As of December 31, 2018, there was \$108,422 remaining to be drawn on the Artisan Equipment Loan. On March 27, 2019, an amendment was made to the Draw Promissory Note to extend the draw period to December 31, 2019. On March 27, 2019, a Promissory Note was made for the amounts advanced in the amount of \$391,558 to convert to a Term Loan. (see note 13).	\$ -	\$ -
Line of credit facility with Fifth Third Bank in the original amount of \$1,000,000 with an interest rate of LIBOR plus 3.25%. In August 2015, the amount of the credit facility was increased to \$1,500,000 and the due date was extended to August 1, 2016. In August 2016, this credit facility was extended to August 1, 2017. On August 1, 2017 this credit facility was increased to \$2,000,000 and the due date was extended to August 1, 2018. In August 2018, this credit facility was extended to August 1, 2019. Effective August 1, 2019, this credit facility was extended to August 1, 2021.	\$ -	\$ -
Total	\$ -	\$ -

13. NOTES PAYABLE

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Term loan dated as of August 5, 2016 in the original amount of \$1,200,000 payable to Fifth Third Bank. This loan is secured by the Company’s tangible and intangible personal property and bears interest at the rate of LIBOR plus 4.5%. Principal payments in the amount of \$66,667 are due monthly along with accrued interest beginning September 5, 2016. The entire principal balance and all accrued interest was due and was paid on the maturity date of February 5, 2018. During the twelve months ended December 31, 2016, the Company transferred principal in the amount of \$1,200,000 from the line of credit facility with Fifth Third Bank into this term loan. During the twelve months ended December 31, 2018, the Company made principal and interest payments on this loan in the amounts of \$114,033 and \$829, respectively.	\$ -	\$ -
Secured mortgage note payable for the acquisition of land and building in Bonita Springs, Florida in the amount of \$546,000. Principal payments of \$4,550 plus interest at the rate of Libor plus 3% are due monthly. The balance of the principal amount was originally due February 28, 2018. On March 23, 2018 and effective February 26, 2018, this note was amended and renewed in the amount of \$273,000, with monthly payments of principal and interest of \$4,550 payable through the maturity date of February 28, 2023. During the three months ended September 30, 2019, the Company made payments of principal and interest on this note in the amounts of \$13,650 and \$2,695, respectively. During the nine months ended September 30, 2019, the Company made payments of principal and interest on this note in the amounts of \$40,950 and \$8,817, respectively.	191,100	232,050
Secured mortgage note payable for the acquisition of land and building in Broadview, Illinois in the amount of \$980,000. Principal payments of \$8,167 plus interest at the rate of LIBOR plus 2.75% are due monthly through April 2020, the remaining principal balance in the amount of \$490,000 will be due May 29, 2020. During the three months ended September 30, 2019, the Company made payments of principal and interest on this note in the amounts of \$24,500 and \$7,364, respectively. During the nine months ended September 30, 2019, the Company made payments of principal and interest on this note in the amounts of \$73,500 and \$23,577, respectively.	555,333	628,833
Term loan dated March 28, 2018 in the original amount of \$1,500,000 payable to Fifth Third Bank. This loan is secured by the Company’s tangible and intangible personal property and bears interest at the rate of LIBOR plus 4.25%. Principal payments in the amount of \$83,333 are due monthly along with accrued interest beginning March 28, 2018. The entire principal balance and all accrued interest is due on the maturity date of August 28, 2019. During the three months ended September 30, 2019, the Company made payments of principal and interest on this note in the amounts of \$166,668 and \$1,390, respectively. During the nine months ended September 30, 2019, the Company made payments of principal and interest on this note in the amounts of \$666,670 and \$17,157, respectively.	-	666,670
Promissory note dated March 22, 2019 in the original amount of \$391,558 (the “Artisan Equipment Loan”) payable to Fifth Third Bank. This loan is secured by the Company’s tangible and intangible personal property and bears interest at the rate of 5.20%. The entire principal balance and all accrued interest is due on the maturity date of March 21, 2024. Monthly payments in the amount of \$7,425 including principal and interest commenced in April, 2019. During the three and nine months ended September 30, 2019, equipment financed under the Artisan Equipment Loan in the amount of \$33,075 was returned for credit. Also during the three and nine months ended September 30, 2019, the Company made payments of principal and interest on this note in the amounts of \$16,001 and \$4,455, respectively.	332,032	391,558
A note payable in the amount of \$20,000. The Note was due in January 2006 and the Company is currently accruing interest on this note at 1.9%. During the three and nine months ended September 30, 2019, the Company accrued interest in the amount of \$93 and \$279, respectively, on this note.	20,000	20,000

[Table of Contents](#)

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Unsecured promissory note in the amount of \$100,000 dated January 1, 2017 bearing interest at the rate of 2.91% per annum issued in connection with the Oasis acquisition. Payments in the amount of \$4,297 consisting of principal and interest are to be made monthly beginning February 15, 2017 for twenty-four months until paid in full. During the three months ended September 30, 2019, the Company made principal and interest payments on this note in the amount of \$0 and \$0, respectively. During the nine months ended September 30, 2019, the Company made principal and interest payments on this note in the amount of \$4,291 and \$2, respectively.	-	4,291
This obligation was reclassified as a Lease Liability - Financing Lease in connection with the Company's adoption of ASU 2016-02 on January 1, 2019; see note 14.	-	5,661
Vehicle acquisition loan dated December 6, 2018 in the original amount of \$51,088, payable in sixty monthly installments of \$955 including interest at the rate of 4.61%. During the three months ended September 30, 2019, the Company made principal and interest payments in the amount of \$3,123 and \$697, respectively, on this loan. During the nine months ended September 30, 2019, the Company made principal and interest payments in the amount of \$6,961 and \$1,634, respectively, on this loan.	43,368	50,328
This obligation was reclassified as a Lease Liability - Financing Lease in connection with the Company's adoption of ASU 2016-02 on January 1, 2019; see note 14.	-	125,711
Total	<u>\$ 1,141,833</u>	<u>\$ 2,125,102</u>
Current portion	\$ 705,460	\$ 928,857
Long-term maturities	436,373	1,196,245
Total	<u>\$ 1,141,833</u>	<u>\$ 2,125,102</u>

Aggregate maturities of long-term notes payable as of September 30, 2019 are as follows:

For the period ended September 30,

2020	\$ 705,197
2021	133,907
2022	138,121
2023	115,259
2024	49,349
Thereafter	-
Total	<u>\$ 1,141,833</u>

14. LEASE LIABILITIES - FINANCING LEASES

Financing lease obligation under a lease agreement for a forklift payable in thirty-six monthly installments of \$579 including interest at the rate of 4.83%. During the three months ended September 30, 2019, the Company made principal and interest payments on this lease obligation in the amounts of \$1,722 and \$14, respectively. During the nine months ended September 30, 2019, the Company made principal and interest payments on this lease obligation in the amounts of \$5,661 and \$103, respectively.

Financing lease obligations under a lease agreement for a truck in the original amount of \$128,587 payable in seventy monthly installments of \$2,326 including interest at the rate of 8.33%. During the three months ended September 30, 2019, the Company made principal and interest payments on this lease obligation in the amounts of \$4,575 and \$2,402, respectively. During the nine months ended September 30, 2019, the Company made principal and interest payments on this lease obligation in the amounts of \$13,444 and \$7,487 respectively.

	112,267	-	
Total	\$ 112,267	\$ -	
Current portion	\$ 19,279	\$ -	
Long-term maturities	92,988	-	
Total	\$ 112,267	\$ -	

Aggregate maturities of lease liabilities – financing leases as of September 30, 2019 are as follows:

For the period ended September 30,

2020	\$	19,279	
2021		20,952	
2022		22,766	
2023		24,737	
2024		24,533	
Thereafter		-	
Total		\$ 112,267	

15. RELATED PARTY TRANSACTIONS

For the nine months ended September 30, 2019:

GBC Sub, Inc. (d/b/a TheGiftBox).

Effective July 23, 2019, P Innovations acquired certain assets of GBC Sub, Inc. (d/b/a The GiftBox) (“GiftBox”) (the “GiftBox Asset Purchase Agreement”). GiftBox, a privately held Nevada corporation controlled by David Polinsky, a director of the Company, was in the business of subscription-based ecommerce. The consideration for the assets purchased was a nominal amount of cash. The GiftBox Asset Purchase Agreement also provides the sellers the option to acquire 30% of P Innovations subject to dilution for a period of thirty-six months following the date of the Giftbox Asset Purchase Agreement; the option will only be exercisable if there is a spinoff of P Innovations to Innovative Food Holdings shareholders. The Company is evaluating its preliminary purchase price allocation. As a result, during the preliminary purchase price allocation period, which may be up to one year from the asset purchase date, we may record adjustments to the assets acquired.

Sale of common stock to related party.

On July 23, 2019, the Company entered into a subscription agreement to sell 349,650 restricted shares of common stock to Pet Box LLC, a company controlled by David Polinsky, a director of the Company. The purchase price was \$0.715 per share for a total of \$250,000. See note 17.

Vesting of shares to officers

During the nine months ended September 30, 2019 in connection with stock based compensation based upon the terms of employment agreements with its employees and compensation agreements with the Company’s independent board members, the Company charged to operations the aggregate total amount of \$154,036 for the vesting of a total of 290,949 shares of common stock issuable to its Chief Executive Officer, its Director of Strategic Acquisitions and to its two independent board members.

In January 2019, the Company awarded the following to each of its two independent directors: (i) a cash retainer in the amount of \$45,000, which was paid in January 2019; and (ii) cash retainers in the amount of \$30,000 per year, to be paid quarterly.

In January 2019, the Company awarded the following stock options to each of its four directors:

- (i) five-year options to purchase 90,000 shares of common stock at a price of \$0.62 per share, vesting quarterly over a three year period;
- (ii) five-year options to purchase 135,000 shares of common stock at a price of \$0.85 per share, vesting quarterly over a three year period;
- (iii) five-year options to purchase 225,000 shares of common stock at a price of \$1.20 per share, vesting quarterly over a three year period

The Company recognized non-cash compensation in the amount of \$34,120 and \$102,360 during the three and nine months ended September 30, 2019 in connection with these options.

For the nine months ended September 30, 2018:

In December 2017, the Company's Chief Executive Officer exercised 100,000 options at a price of \$0.35 per share and an additional 100,000 options at a price of \$0.57 per share. The date for payment of the exercise price of these options was extended to April 26, 2018. 55,192 shares of common stock were deemed issued on March 5, 2018, which number of shares represents a net amount after a cash payment of \$45,000 which was a portion of the difference between the exercise price of the options and the market price of the stock on the date of purchase, and taxes.

In December 2017, the Company's former President exercised 100,000 options at a price of \$0.35 per share and an additional 100,000 options at a price of \$0.57 per share. The date for payment of the exercise price of these options was extended to April 26, 2018. 60,749 shares of common stock were deemed issued on March 5, 2018, which number of shares represents a net amount after a cash payment of \$45,000 which was a portion of the difference between the exercise price of the options and the market price of the stock on the date of purchase, and taxes.

In December 2017, a Board Member exercised 100,000 options at a price of \$0.35 per share. The date for payment of the exercise price of these options was extended to April 26, 2018. In March 2018 the Company made a payment of \$77,000 which is the difference between the exercise price of the options and the market price of the stock on the date of purchase.

In May 2018, as part of a realignment towards focusing on certain specific growth initiatives and growth opportunities the Company amended the employment agreement with its President, and the President of the Company was named as the Director of Strategic Acquisitions, whose responsibilities include: (i) identifying and assisting in the acquisition and integration of strategic assets; (ii) identifying and executing on new growth opportunities; and (iii) identifying and executing growth initiatives for the Company. In order to allow for the Executive to devote his full time to his new responsibilities, the President of the Company resigned from his role as President of the Company and its subsidiaries. Pursuant to this agreement, the Executive's salary was reduced by \$15,000 per year, and an equity bonus of 46,000 shares of the Company's common stock will be issued to the Executive. These shares will vest at a rate of one-sixth per month over a period of six months.

16. COMMITMENTS AND CONTINGENT LIABILITIES

Contingent Liability

Pursuant to the iGourmet Asset Purchase Agreement, the Company recorded contingent liabilities in the original amount of \$787,800. This amount relates to certain performance based payments over the twenty-four months following the acquisition date as well as to certain additional liabilities that the Company has evaluated and has recorded on a contingent basis. During the year ended December 31, 2018, the Company reduced this amount by \$392,900 as the performance goals for the first year were not met. During the three months ended September 30, 2019, the Company paid the amount of \$30,000 in connection with the additional liabilities; at September 30, 2019, the amount of \$132,300 remains on the Company's balance sheet as a current contingent liability, and \$227,600 as a long term contingent liability.

Pursuant to the Oasis acquisition, the Company had a contingent liability in the amount of \$400,000 on connection with performance-based bonus obligations. During the year ended December 31, 2018, the company paid the amount of \$189,000 related to these obligations, and recorded a gain in the amount of \$11,000. During the three months ended September 30, 2019, the Company paid the amount of \$200,000 in connection with these obligations; at September 30, 2019, there is no further liability related to these obligations on the Company's balance sheet.

Table of Contents

Pursuant to the Mouth Foods LLC Asset Acquisition, the Company recorded contingent liabilities in the amount of \$240,576. These amounts relate to the estimate of certain performance based payments following the acquisition date as well as to certain additional liabilities that the Company has evaluated and has recorded on a contingent basis. During the three and nine months ended September 30, 2019, the Company paid the amount of \$12,951 and \$66,719 in connection with these liabilities. At September 30, 2019, \$53,857 is classified as a current contingent liability.

License Agreements

In May 2019, the Company entered into a royalty-based license agreement, through December 31, 2022 with a lifestyle brand, which provides the exclusive right, with certain carve-outs and limitations, to sell and promote branded gift baskets for certain channels including: retail, warehouse club stores, certain of the Company's current e-commerce channels, and other e-commerce channels such as amazon.com (the "May 2019 License Agreement"). Pursuant to the May 2019 License Agreement, the Company paid an initial royalty deposit in the amount of \$50,000 towards the minimum royalty, which is classified as other current assets on the Company's balance sheet at September 30, 2019. Future royalty amounts owed for minimum payments in connection with the May 2019 License Agreement will be deducted from this deposit. The royalty rate is 5% of net sales, and the Company is required, with certain exceptions and exclusions, to make minimum royalty payments of \$100,000 through the end of 2020, \$110,000 in 2021, and \$125,000 in 2022, respectively.

Litigation

On September 16, 2019, an action (the "PA Action") was filed in the Court of Common Pleas of Philadelphia County, Trial Division, against, among others, the Company and its wholly-owned subsidiaries, Innovative Gourmet LLC and Food Innovations, Inc. The complaint in the PA Action alleges, inter alia, wrongful death and negligence by a driver employed by Innovative Gourmet and demands minimum aggregate damages of \$1.25 million, although we expect Plaintiffs' actual claims for damages to be substantially higher. The Company and its subsidiaries had auto and umbrella insurance policies, among others, that were in effect for the relevant period. While the initial response from the relevant insurance companies has been to provide coverage only under an auto policy, we intend to further aggressively pursue the Company and its subsidiaries' insurance coverage under their umbrella and other available policies. In addition, the Company intends to defend this action and believes that the likely outcome would result in any liabilities being covered in full by its insurance carriers. However, if the Company was found responsible for damages in excess of its available insurance coverage, such damages in excess of the coverage could have a material adverse effect on the Company's operations.

From time to time, the Company has become and may become involved in certain lawsuits and legal proceedings which arise in the ordinary course of business, or as the result of current or previous investments, or current or previous subsidiaries, or current or previous employees, or current or previous directors, or as a result of acquisitions and dispositions or other corporate activities. The Company intends to vigorously defend its positions. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our financial position or our business and the outcome of these matters cannot be ultimately predicted.

17. EQUITY

Common Stock

At September 30, 2019 and December 31, 2018, a total of 2,587,580 shares are deemed issued but not outstanding by the Company. These include 2,373,171 shares of treasury stock.

Nine months ended September 30, 2019:

The Company issued a total of 131,136 shares of common stock to seven employees for previously accrued bonuses in the amount of \$93,666.

The Company charged the amount of \$176,709 in connection with the vesting of 332,940 shares of common stock issuable to board members and employees in connection with their employment agreements.

The Company sold 349,650 restricted shares of common stock to Pet Box LLC, a company controlled by David Polinsky, a director of the Company. The purchase price was \$0.715 per share for a total of \$250,000.

The Company issued 9,524 shares of common stock with a fair value of \$0.54 to a service provider; the fair value of \$5,143 was charged to operations during the three months ended September 30, 2019.

Table of Contents

Nine months ended September 30, 2018:

The Company issued 100,000 shares of common stock for cash of \$35,000 pursuant to the exercise of options.

In December 2017, the Company's Chief Executive Officer exercised 100,000 options at a price of \$0.35 per share and an additional 100,000 options at a price of \$0.57 per share. The date for payment of the exercise price of these options was extended to April 26, 2018. 55,192 shares of common stock were deemed issued on March 5, 2018, which number of shares represents a net amount after a cash payment of \$45,000 which was a portion of the difference between the exercise price of the options and the market price of the stock on the date of purchase, and taxes.

In December 2017, the Company's President exercised 100,000 options at a price of \$0.35 per share and an additional 100,000 options at a price of \$0.57 per share. The date for payment of the exercise price of these options was extended to April 26, 2018. 60,749 shares of common stock were deemed issued on March 5, 2018, which number of shares represents a net amount after a cash payment of \$45,000 which was a portion of the difference between the exercise price of the options and the market price of the stock on the date of purchase, and taxes.

The Company recognized the fair value of stock options vested to management and employees in the amount of \$9,462. The Company also recognized the fair value of stock grants to management and employees in the amount of \$13,946.

The Company purchased 2,000 shares of common stock from an employee at a cost of \$0.97 per share for a total of \$1,940 and retired these shares to treasury.

The Company made open market purchases of 27,800 shares of its common stock at an average cost of \$0.79 per share for a total of \$22,117 and retired these shares to treasury.

Warrants

There were no warrants outstanding at September 30, 2019 or December 31, 2018.

Options

The following table summarizes the options outstanding at September 30, 2019 and the related prices for the options to purchase shares of the Company's common stock issued by the Company:

Range of exercise Prices	Number of options Outstanding	Weighted average Remaining contractual life (years)	Weighted average exercise price of outstanding Options	Number of options Exercisable	Weighted average exercise price of exercisable Options
\$ 0.62	360,000	4.25	\$ 0.62	90,000	\$ 0.62
\$ 0.75	50,000	2.25	\$ 0.75	-	\$ -
\$ 0.85	540,000	4.25	\$ 0.85	135,000	\$ 0.85
\$ 0.95	50,000	2.25	\$ 0.95	-	\$ -
\$ 1.10	75,000	1.62	\$ 1.10	75,000	\$ 1.10
\$ 1.20	900,000	4.25	\$ 1.20	225,000	\$ 1.20
\$ 1.38	100,000	0.17	\$ 1.38	100,000	\$ 1.38
\$ 1.50	125,000	2.25	\$ 1.50	-	\$ -
\$ 2.00	125,000	2.25	\$ 2.00	-	\$ -
\$ 2.50	125,000	2.25	\$ 2.50	-	\$ -
\$ 3.00	125,000	2.25	\$ 3.00	-	\$ -
	<u>2,575,000</u>	<u>3.55</u>	<u>\$ 1.24</u>	<u>625,000</u>	<u>\$ 1.06</u>

[Table of Contents](#)

Transactions involving stock options are summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Options outstanding at December 31, 2018	1,050,000	\$ 1.80
Granted	1,800,000	\$ 0.98
Exercised	-	\$ -
Cancelled / Expired	(275,000)	\$ 1.51
Options outstanding at September 30, 2019	<u>2,575,000</u>	<u>\$ 1.24</u>
Options exercisable at September 30, 2019	<u>625,000</u>	<u>\$ 1.06</u>

Aggregate intrinsic value of options outstanding and exercisable at September 30, 2019 and 2018 was \$0 and \$0, respectively. Aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of the fiscal period, which was \$0.58 and \$0.68 as of September 30, 2019 and 2018, respectively, and the exercise price multiplied by the number of options outstanding.

During the three months ended September 30, 2019 and 2018, the Company charged \$38,550 and \$24,285, respectively, to operations to recognized stock-based compensation expense for employee stock options. During the nine months ended September 30, 2019 and 2018, the Company charged \$115,651 and \$47,693, respectively, to operations related to recognized stock-based compensation expense for employee stock options.

Accounting for warrants and stock options

The Company valued warrants and stock options during the three and nine months ended September 30, 2019 using the Black-Scholes valuation model utilizing the following variables:

	September 30, 2019
Volatility	59.4%
Dividends	\$ -
Risk-free interest rates	2.49%
Term (years)	5.00

18. SUBSEQUENT EVENTS

In October and November 2019, the Company issued 4,762 and 2,381 shares of common stock to a service provider.

On November 8, 2019 the Company, through a newly formed wholly-owned subsidiary, purchased a logistics and warehouse facility (the "Facility") for \$4.5 million. The Facility is approximately 200,000 square feet and is situated on approximately 15 acres in Wright, Pennsylvania. The Facility's appraised value by a third party appraisal firm in October 2019 was \$6,150,000 "as is" and \$8,000,000 with additional improvements. Related to the Facility purchase, the Company entered into a commercial loan agreement for both the purchase price and planned improvements to the building. The amount of the loan was \$5.5 million, the lender was Fifth Third Bank and the loan is secured by a mortgage on the property and other Company assets. The interest on the loan is LIBOR plus 2.75%, with interest only payments due through September 30, 2020, thereafter with principal amortized over 20 years and maturity on September 2, 2025. Related to the Facility purchase, the Company also acquired certain leases from certain tenants of the Facility, all of which were in good standing at the time of purchase.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD LOOKING STATEMENTS

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

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

- Our ability to raise capital necessary to sustain our anticipated operations and implement our business plan,
- Our ability to implement our business plan,
- Our ability to generate sufficient cash to pay our lenders and other creditors,
- Our dependence on one major customer,
- Our ability to employ and retain qualified management and employees,
- Our dependence on the efforts and abilities of our current employees and executive officers,
- Changes in government regulations that are applicable to our current or anticipated business,
- Changes in the demand for our services and different food trends,
- The degree and nature of our competition,
- The lack of diversification of our business plan,
- The general volatility of the capital markets and the establishment of a market for our shares, and
- Disruption in the economic and financial conditions primarily from the impact of past terrorist attacks in the United States, threats of future attacks, police and military activities overseas and other disruptive worldwide political and economic events and environmental weather conditions.

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

Critical Accounting Policy and Estimates

Use of Estimates in the Preparation of Financial Statements

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

Doubtful Accounts Receivable

The Company maintained an allowance in the amount of \$153,044 for doubtful accounts receivable at September 30, 2019, and \$155,176 at December 31, 2018. The Company has an operational relationship of several years with our major customers, and we believe this experience provides us with a solid foundation from which to estimate our expected losses on accounts receivable. Should our sales mix change or if we develop new lines of business or new customers, these estimates and our estimation process will change accordingly. These estimates have been accurate in the past.

Fair Value of Financial Instruments

The Company measures its financial assets and liabilities in accordance with accounting principles generally accepted in the United States of America. The estimated fair values approximate their carrying value because of the short-term maturity of these instruments or the stated interest rates are indicative of market interest rates. These fair values have historically varied due to the market price of the Company's stock at the date of valuation.

Income Taxes

The Company uses the liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. The measurement of deferred tax assets and liabilities is based on provisions of applicable tax law. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance based on the amount of tax benefits that, based on available evidence, is not expected to be realized.

Leases

The Company determines if an arrangement is a lease at inception. Operating lease right-of-use assets ("ROU assets") and short-term and long-term lease liabilities are included on the face of the condensed consolidated balance sheet. Finance lease ROU assets are presented within other assets, and finance lease liabilities are presented within accrued liabilities.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company has lease agreements with lease and non-lease components, which are accounted for as a single lease component. For lease agreements with terms less than 12 months, the Company has elected the short-term lease measurement and recognition exemption, and it recognizes such lease payments on a straight-line basis over the lease term.

Background

We were initially formed in June 1979 as Alpha Solarco Inc., a Colorado corporation. From June 1979 through February 2003, we were either inactive or involved in discontinued business ventures. We changed our name to Fiber Application Systems Technology, Ltd in February 2003. In January 2004, we changed our state of incorporation by merging into Innovative Food Holdings, Inc. (IVFH), a Florida corporation formed for that purpose. As a result of the merger, we changed our name to that of Innovative Food Holdings, Inc. In January 2004, we also acquired Food Innovations, Inc. (“FII” or “Food Innovations”), a Florida corporation, for 500,000 shares of our common stock.

On November 2, 2012, the Company entered into an asset purchase agreement (the “Haley Acquisition”) with The Haley Group, LLC whereby we acquired all existing assets of The Haley Group, LLC and its customers. The Haley Acquisition was valued at a total cost of \$119,645. On June 30, 2014, pursuant to a purchase agreement, the Company purchased 100% of the membership interest of Organic Food Brokers, LLC, a Colorado limited liability company (“OFB”), for \$300,000, 100,000 four year options at a price of \$1.46 per share, and up to an additional \$225,000 in earn-outs if certain milestones are met. Pursuant to an Asset Purchase Agreement dated as of January 1, 2017 the Company’s wholly-owned subsidiary, Oasis, purchased substantially all of the assets of Oasis Sales and Marketing, L.L.C. for \$300,000 cash; a \$200,000 structured equity instrument which can be paid in cash or shares of the Company stock at the Company’s option, anytime under certain conditions, or is automatically payable via the issuance of 200,000 shares if the Company’s shares close above \$1.00 for ten consecutive days; a \$100,000 note; and up to an additional \$400,000 in earn-outs over two years if certain milestones are met. The Agreement also contains claw-back provisions if certain revenue conditions are not met.

On August 15, 2014, pursuant to a merger agreement, the Company acquired The Fresh Diet, Inc. (“FD”). Effective February 23, 2016, the Company closed a transaction to sell 90% of our ownership in FD for consideration consisting primarily of a restructuring of our loans, which includes the ability to convert to additional amounts of FD under certain circumstances. There is no continuing cash inflows or outflows from or to the discontinued operations.

Effective January 24, 2018, pursuant to an asset purchase agreement (the “iGourmet Asset Purchase Agreement”), our wholly-owned subsidiary, Innovative Gourmet, acquired substantially all of the assets and certain liabilities of iGourmet LLC and iGourmet NY LLC, privately-held New York limited liability companies located in West Pittston, Pennsylvania and engaged in the sale, marketing, and distribution of specialty food and specialty food items through [www.igourmet.com](#), online marketplaces, additional direct-to-consumer platforms, distribution to foodservice, retail stores and other wholesale accounts, pursuant to the terms of an Asset Purchase Agreement. The consideration for and in connection with the acquisition consisted of: (i) \$1,500,000, which satisfied or reduced secured, priority and administrative debt of Sellers; (ii) in connection with and prior to the acquisition, our wholly-owned subsidiary, Food Funding, funded advances of \$325,500 to Sellers on a secured basis, pursuant to certain loan documents and as bridge loans, which loans were reduced by the proceeds of the Asset Purchase Agreement; (iii) the purchase for \$200,000 of certain debt owed by Sellers, to be paid out of, if available, Innovative Gourmet’s cash flow; (iv) potential contingent liability allocation for a percentage of Sellers’ approximately \$2,300,000 of certain debt, not purchased or assumed by Innovative Gourmet, which under certain circumstances, Innovative Gourmet may determine to pay; and (v) additional purchase price consideration of (a) up to a maximum of \$1,500,000, if EBITDA of Innovative Gourmet reaches \$800,00 in 2018, (b) up to a maximum of \$1,750,000, if EBITDA of Innovative Gourmet in 2019 exceeds its EBITDA in 2018 by at least 20% and if its EBITDA reaches \$5,000,000; and (c) up to a maximum of \$2,125,000, if EBITDA of Innovative Gourmet in 2020 exceeds its EBITDA in 2019 by at least 20% and if its EBITDA reaches \$8,000,000. The EBITDA based earnout shall be paid 37.5% in cash, 25% in IVFH shares valued at the time of the closing of this transaction and 37.5%, at Innovative Gourmet’s option, in IVFH shares valued at the time of the payment of the earnout or in cash. The 2018 earnout milestone was not met. In connection with the acquisition, our wholly-owned subsidiary, Food Funding, purchased Seller’s senior secured note at a price of approximately \$1,187,000, pursuant to the terms of a Loan Sale Agreement with UPS Capital Business Credit. That note was reduced by the proceeds of the Asset Purchase Agreement. See Item (i) above.

Effective July 6, 2018, pursuant to an asset purchase agreement between Mouth Foods, Inc. and our wholly-owned subsidiary M Innovations (the “MFI APA”), the Company acquired certain assets of Mouth Foods, Inc. from MFI (assignment for the benefit of creditors), LLC, in connection with a Delaware assignment proceeding. The MFI APA was accounted for as an acquisition of an ongoing business where the Company was treated as the acquirer and the acquired assets and assumed liabilities were recorded by the Company at their preliminary estimated fair values. Mouth Foods, Inc., a privately held New York company operating out of Brooklyn, was an expert curator and online retailer of high quality specialty foods from small-batch makers in the US.

The consideration for and in connection with the acquisition consisted of (i) closing related cash payments of \$208,355; (ii) additional revenue-based contingent liabilities valued by management at \$100,000 related to certain future sales of purchased assets payable under the following terms: payment of 5% of certain revenues, with no payments on the first \$500,000 of revenues and no payments on revenues after June 30, 2020; (iii) additional revenue based contingent liabilities of up to \$185,000 associated with the purchase of certain debt of the seller; and (iv) additional contingent liability consideration valued by management at approximately \$20,000.

Transactions With a Major Customer

Transactions with a major customer and related economic dependence information is set forth immediately below and above in Note 2 to the Condensed Consolidated Financial Statements and also in our Annual Report on Form 10-K for the year ended December 31, 2018 (1) following our discussion of Liquidity and Capital Resources, (2) Concentrations of Credit Risk in Note 17 to the Consolidated Financial Statements, and (3) as the fourth item under Risk Factors.

Relationship with U.S. Foods

We have historically sold the majority of our products through a distributor relationship between FII and Next Day Gourmet, L.P., a subsidiary of U.S. Foods, a leading broadline distributor. These sales amounted to \$8,037,169 (60% of total sales) and \$7,559,430 (63% of total sales) for the three months ended September 30, 2019 and 2018 respectively; and \$24,247,665 (60% of total sales) and \$22,151,487 (63% of total sales) for the nine months ended September 30, 2019 and 2018 respectively. On January 26, 2015 we executed a contract between Food Innovations, Inc., our wholly-owned subsidiary, and U.S. Foods, Inc. The term of the Agreement is from January 1, 2015 through December 31, 2016 and provides for a limited number of automatic annual renewals thereafter if no party gives the other 30 days' notice of its intent not to renew. Based on the terms, the Agreement was extended through 2018. Effective January 1, 2018 the Agreement was further amended to remove the cap on renewals, and provide for an unlimited number of additional 12-month terms unless either party notifies the other in writing, 30 days prior to the end date, of its intent not to renew.

RESULTS OF OPERATIONS

This discussion may contain forward looking-statements that involve risks and uncertainties. Our future results could differ materially from the forward looking-statements discussed in this report. This discussion should be read in conjunction with our consolidated financial statements, the notes thereto and other financial information included elsewhere in the report.

Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018

Revenue

Revenue increased by \$1,411,274 or approximately 12% to \$13,465,764 for the three months ended September 30, 2019 from \$12,054,490 in the prior year. The increase in revenues was attributable to an increase in revenues associated with foodservice and ecommerce offset partially by a decrease in revenues associated with national brand management.

We continue to assess the potential of new revenue sources from the manufacture and sale of proprietary food products, private label products and additional sales channel opportunities in both the foodservice and consumer space and will implement a strategy which based on our analysis provides the most beneficial opportunity for growth.

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

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

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

Table of Contents

Cost of goods sold

Our cost of goods sold for the three months ended September 30, 2019 was \$9,864,484, an increase of \$1,340,979 or approximately 15.7% compared to cost of goods sold of \$8,523,505 for the three months ended September 30, 2018. Cost of goods sold is made up of the following expenses for the three months ended September 30, 2019: cost of goods of specialty, meat, game, cheese, seafood, poultry and other sales categories in the amount of \$6,544,503; and shipping, delivery, handling, and purchase allowance expenses in the amount of \$3,319,981. Total gross margin was approximately 26.7% of sales in 2019 compared to approximately 29.3% of sales in 2018. The increase in cost of goods sold is primary attributable to an increase in sales. The decrease in gross margins from 2018 are primarily attributable to variation in product and revenue mix across our various selling channels including a decrease in higher gross margin revenues associated with National Brand Management and variations in both revenue mix and gross margins associated with foodservice revenues.

In 2019, we continued to price our products in order to increase sales, gain market share and increase the number of our end users and ecommerce customers. We were successful in both increasing sales and increasing market share and increasing the number of our ecommerce customers. We currently expect, if market conditions and our product revenue mix remain constant, that our cost of goods sold may increase.

Selling, general, and administrative expenses

Selling, general, and administrative expenses increased by \$399,697 or approximately 11.9% to \$3,754,012 during the three months ended September 30, 2019 compared to \$3,354,315 for the three months ended September 30, 2018. The increase in selling, general, and administrative expenses was primarily due to an increase in office, facility, and vehicle costs of \$259,445; payroll and related costs of approximately \$230,323 (including an increase in non-cash compensation in the amount of \$76,963), and an increase in insurance costs of \$66,667. These increases were partially offset by decreases in professional fees in the amount of \$43,349 and banking cost and processing fees in the amount of \$21,227. The increases were driven mainly by increases associated with Mouth which was added in 2019, and increases in Company payroll associated mainly with additional personnel added to the Company to support sales growth.

Gain on sale of fixed assets

During the three months ended September 30, 2019, the Company recorded a gain on the sale of warehouse equipment in the amount of \$12,495; there was no comparable transaction in the prior period.

Interest expense, net

Interest expense, net of interest income, decreased by \$10,592 or approximately 37.9% to \$17,377 during the three months ended September 30, 2019, compared to \$27,969 during the three months ended September 30, 2018. Interest accrued or paid on the Company's commercial loans and notes payable decreased by \$10,233 to \$19,094 during the current period, compared to \$29,327 during the prior year; interest income increased by \$359 to \$1,717 during the current period compared to \$1,358 during the prior period.

Net loss

For the reasons above, the Company had a net loss for the three months ended September 30, 2019 of \$157,614 which is a decrease of approximately \$306,315 or 206.0% compared to a net income of \$148,701 during the three months ended September 30, 2018. The loss for the three months ended September 30, 2019 includes a total of \$391,262 in non-cash charges, including amortization of intangible assets in the amount of \$210,029, depreciation expense of \$79,982, and charges for non-cash compensation in the amount of \$101,251. The income for the three months ended September 30, 2018 includes a total of \$318,546 in non-cash charges, including amortization of intangible assets in the amount of \$242,874, depreciation expense of \$51,384, and non-cash compensation of \$24,288.

Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

Revenue

Revenue increased by \$5,290,393 or approximately 15.1% to \$40,250,430 for the nine months ended September 30, 2019 from \$34,960,037 in the prior year. The increase in revenues was attributable to an increase in revenues associated with foodservice and ecommerce offset partially by a decrease in revenues associated with national brand management.

Table of Contents

We continue to assess the potential of new revenue sources from the manufacture and sale of proprietary food products, private label products and additional sales channel opportunities in both the foodservice and consumer space and will implement a strategy which based on our analysis provides the most beneficial opportunity for growth.

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

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

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

Cost of goods sold

Our cost of goods sold for the nine months ended September 30, 2019 was \$28,608,233, an increase of \$4,237,812 or approximately 17.4% compared to cost of goods sold of \$24,370,421 for the nine months ended September 30, 2018. Cost of goods sold is made up of the following expenses for the nine months ended September 30, 2019: cost of goods of specialty, meat, game, cheese, seafood, poultry and other sales categories in the amount of \$19,712,472; and shipping, delivery, handling, and purchase allowance expenses in the amount of \$8,895,761. Total gross margin was approximately 28.9% of sales in 2019 compared to approximately 30.3% of sales in 2018. The increase in cost of goods sold is primary attributable to an increase in sales. The decrease in gross margins from 2018 are primarily attributable to variation in product and revenue mix across our various selling channels including a decrease in higher gross margin revenues associated with National Brand Management and variations in both revenue mix and gross margins associated with foodservice revenues.

In 2019, we continued to price our products in order to increase sales, gain market share and increase the number of our end users and ecommerce customers. We were successful in both increasing sales and increasing market share and increasing the number of our ecommerce customers. We currently expect, if market conditions and our product revenue mix remain constant, that our cost of goods sold may increase.

Selling, general, and administrative expenses

Selling, general, and administrative expenses increased by \$2,131,727 or approximately 22.6% to \$11,560,838 during the nine months ended September 30, 2019 compared to \$9,429,111 for the nine months ended September 30, 2018. The increase in selling, general, and administrative expenses was primarily due to an increase in payroll and related costs of approximately \$1,505,079 (including an increase in non-cash compensation in the amount of \$249,807), an increase in office, facility, and vehicle costs of \$476,774, an increase in depreciation and amortization of \$129,812, an increase in advertising and marketing of \$88,056, an increase in travel and entertainment of \$86,789, an increase in computer and IT costs in the amount of \$66,394, and an increase in insurance costs of \$63,185. Professional fees decreased by \$179,047 during the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 primarily due to a decrease in acquisition activity in the current period compared to the nine months ended September 30, 2018. The increase in payroll and related costs were driven mainly by increases associated with Mouth which was added in 2019, and increases in Company payroll associated mainly with additional personnel added to the Company to support sales growth.

Gain on sale of fixed assets

During the nine months ended September 30, 2019, the Company recorded a gain on the sale of warehouse equipment in the amount of \$12,495; there was no comparable transaction in the prior period.

Interest expense, net

Interest expense, net of interest income, decreased by \$23,009 or approximately 25.8% to \$66,004 during the nine months ended September 30, 2019, compared to \$89,013 during the nine months ended September 30, 2018. Interest accrued or paid on the Company’s commercial loans and notes payable decreased by \$24,000 to \$70,882 during the current period, compared to \$94,882 during the prior year; interest income decreased by \$991 to \$4,878 during the current period compared to \$5,869 during the prior period.

Net income

For the reasons above, the Company had net income for the nine months ended September 30, 2019 of \$27,850 which is a decrease of approximately \$899,642 or 97.0% compared to a net income of \$927,492 during the nine months ended September 30, 2018. The income for the nine months ended September 30, 2019 includes a total of \$1,218,600 in non-cash charges, including amortization of intangible assets in the amount of \$689,726, depreciation expense of \$231,371, and charges for non-cash compensation in the amount of \$297,503. The income for the nine months ended September 30, 2018 includes a total of \$841,981 in non-cash charges, including amortization of intangible assets in the amount of \$648,177, depreciation expense of \$146,108 and charges for non-cash compensation in the amount of \$47,696.

Liquidity and Capital Resources at September 30, 2019

As of September 30, 2019, the Company had current assets of \$8,895,532, consisting of cash and cash equivalents of \$2,825,995; trade accounts receivable of \$3,179,676; inventory of \$2,695,489; and other current assets of \$194,392. Also at September 30, 2019, the Company had current liabilities of \$3,915,457, consisting of trade payables and accrued liabilities of \$2,503,147; accrued interest of \$18,471; deferred revenue of \$197,574; lease liabilities – operating leases, current portion of \$165,369; lease liabilities – financing leases, current portion of \$19,279; current portion of notes payable of \$705,460; and current portion of contingent liabilities of \$306,157.

During the nine months ended September 30, 2019, the Company had cash used in operating activities of \$848,376. Cash used in operations consisted of the Company's consolidated net income of \$27,850 plus non-cash compensation in the amount of \$297,503; depreciation and amortization of \$921,096; and amortization of right-of-use asset of \$140,304. These amounts were partially offset by a gain on the sale of fixed assets in the amount of \$12,495, a decrease in provision for doubtful accounts of \$1,633 and by a change in the components of current assets and liabilities in the amount of \$2,221,001.

The Company had cash used in investing activities of \$200,800 for the nine months ended September 30, 2019, which consisted of cash paid for the acquisition of property and equipment of \$131,095, cash paid for the acquisition of intangible assets of \$47,000, and cash paid in connection with an investment in food-related companies of \$47,000. The Company also received \$12,495 from the sale of fixed assets.

The Company had cash used in financing activities of \$884,646 for the nine months ended September 30, 2019, which consisted of principal payments made on notes payable of \$818,819, cash payments on contingent liabilities in connection with acquisitions of \$296,719, and principal payments on financing leases of \$19,108, partially offset by the sale of common stock for cash in the amount of \$250,000.

The Company had net working capital of \$4,980,075 as of September 30, 2019. The Company had cash used by operations during the nine months ended September 30, 2019 in the amount of \$848,376. This compares to cash generated from operating activities of \$111,583 during the nine months ended September 30, 2018. The Company intends to continue to focus on increasing market share and cash flow from operations by focusing its sales activities on specific market segments and new product lines. As of September 30, 2019, we do not have any material long-term obligations other than those described in Notes 12, 13, and 14 to the financial statements included in this report. As we seek to increase our sales of new items and enter new markets, acquire new businesses as well as identify new and other consumer and food service oriented products and services, we may use existing cash reserves, long-term financing, or other means to finance such diversification.

If the Company's cash flow from operations is insufficient to fully implement its business plan, the Company may require additional financing in order to execute its operating plan. The Company cannot predict whether this additional financing will be in the form of equity or debt, or be in another form. The Company may not be able to obtain the necessary additional capital on a timely basis, on acceptable terms, or at all.

In any of these events, the Company may be unable to implement its current plans for expansion, repay its debt obligations as they become due or respond to competitive pressures, any of which circumstances would have a material adverse effect on its business, prospects, financial condition and results of operations.

2019 Plans

During 2019, in addition to our efforts to increase sales in our existing foodservice operations we plan to attempt to expand our business by expanding our focus to additional specialty foods markets in both the consumer and foodservice sector, exploring potential acquisition and partnership opportunities and continuing to extend our focus in the specialty food market through the growth of the Company's existing sales channels and through a variety of additional sales channel relationships which are currently being explored. In addition, we are currently exploring the introduction of a variety of new product categories and new product lines, including private label products and proprietary branded products to leverage our existing foodservice and consumer customer base.

Furthermore, the Company intends to expand its activities in the direct to consumer space and the overall consumer packaged goods (CPG) space through leveraging the assets acquired from iGourmet LLC and Mouth Foods, Inc. and through leveraging its overall capabilities in the consumer space.

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

Off-Balance Sheet Arrangements

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

Inflation

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

RISK FACTORS

The Company's business and success is subject to numerous risk factors as detailed in its Annual Report on Form 10-K for the year ended December 31, 2018 which is available at no cost at www.sec.gov.

ITEM 4 - CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit pursuant to the requirements of the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, among other things, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure.

(a) Evaluation of disclosure controls and procedures

Our Principal Executive Officer and Principal Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined as defined in Rule 13a-15(f) and 15d-(f) under the Exchange Act.) as of the end of the period covered by this Quarterly Report, have identified a control deficiency regarding the integration of two acquisitions in 2018 and as a result management has concluded our internal control over financial reporting was ineffective at September 30, 2019 at the reasonable assurance level. Management of the Company believes that this deficiency is primarily due to the smaller size of the company's accounting staff in relation to certain continued system integrations related to the 2018 acquisitions of certain assets of iGourmet LLC and Mouth Foods, Inc. To address this matter, we have expanded our accounting staff and we expect to retain additional qualified personnel to continue to remediate this control deficiency in the future. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework (2013).

(b) Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Exchange Act Rules 13a-15(d) and 15d-15 that occurred during the period covered by this Quarterly Report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On September 16, 2019, an action (the “PA Action”) was filed in the Court of Common Pleas of Philadelphia County, Trial Division, against, among others, the Company and its wholly-owned subsidiaries, Innovative Gourmet LLC and Food Innovations, Inc. The complaint in the PA Action alleges, inter alia, wrongful death and negligence by a driver employed by Innovative Gourmet and demands minimum aggregate damages of \$1.25 million, although we expect Plaintiffs’ actual claims for damages to be substantially higher. The Company and its subsidiaries had auto and umbrella insurance policies, among others, that were in effect for the relevant period. While the initial response from the relevant insurance companies has been to provide coverage only under an auto policy, we intend to further aggressively pursue the Company and its subsidiaries’ insurance coverage under their umbrella and other available policies. In addition, the Company intends to defend this action and believes that the likely outcome would result in any liabilities being covered in full by its insurance carriers. However, if the Company was found responsible for damages in excess of its available insurance coverage, such damages in excess of the coverage could have a material adverse effect on the Company’s operations.

From time to time, the Company has become and may become involved in certain lawsuits and legal proceedings which arise in the ordinary course of business, or as the result of current or previous investments, or current or previous subsidiaries, or current or previous employees, or current or previous directors, or as a result of acquisitions and dispositions or other corporate activities. The Company intends to vigorously defend its positions. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our financial position or our business and the outcome of these matters cannot be ultimately predicted.

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

On July 23, 2019, the Company entered into a subscription agreement to sell 349,650 restricted shares of common stock to Pet Box LLC, a company controlled by David Polinsky, a director of the Company. The purchase price was \$0.715 per share for a total of \$250,000. The sale was made directly between the Company and Mr. Polinsky without any brokers or public advertising and was exempt as a private placement pursuant to Section 4(1).

On July 31, 2019, the Company issued 9,524 shares of common stock with a fair value of \$0.54 to a service provider; the fair value of \$5,143 was charged to operations during the three months ended September 30, 2019.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On November 8, 2019 the Company, through a newly formed wholly-owned subsidiary, Innovative Food Properties, LLC, a Delaware limited liability company (“Purchaser”), purchased a logistics and warehouse facility (the “Facility”) for \$4.5 million from East Coast Logistics & Distribution, Inc., a Pennsylvania corporation. The Facility is approximately 200,000 square feet and is situated on approximately 1.5 acres in Mountain Top, Pennsylvania. The purchase price was financed by a loan from Fifth Third Bank, National Association (“Fifth Third Bank”) secured by a mortgage on the property and other Company and Purchaser assets, as further described below. Related to the Facility purchase, the Purchaser also acquired certain leases from certain tenants of the Facility, all of which were in good standing at the time of purchase.

As part of the financing for the acquisition of the Facility described above, on November 8, 2019 the Company and Purchaser entered into various agreements with Fifth Third Bank including, Eighth Amendment to Restated Loan Agreement dated November 26, 2013, as modified and amended to date, which primarily served to add a new credit facility in the amount of \$5.5 million; a Promissory Note of Purchaser evidencing such new loan which is due September 2, 2025 and carries interest at LIBOR plus 2.75%; and a Mortgage, Assignment of Leases, Fixture Filing and Security Agreement whereby the Purchaser granted Fifth Third Bank security for the new loan.

The foregoing description of the Eighth Amendment to Restated Loan Agreement; Promissory Note; and Mortgage, Assignment of Leases, Fixture Filing and Security Agreement and are qualified in their entirety by reference to the agreements, copies of which are filed as exhibits to this Report and are incorporated by reference in this Part II, Item 5.

Table of Contents

Item 6. Exhibits

- 3.1 [Articles of Incorporation \(incorporated by reference to exhibit 3.1 of the Company's annual report on Form 10-KSB for the year ended December 31, 2004 filed with the Securities and Exchange Commission on September 28, 2005\).](#)
- 3.2 [Amended Bylaws of the Company \(incorporated by reference to exhibit 3.2 of the Company's annual report Form 10-K for the year ended December 31, 2010 filed with the Securities and Exchange Commission on March 16, 2011\).](#)
- 4.1 [Form of Convertible Note \(incorporated by reference to exhibit 4.1 of the Company's annual report on Form 10-KSB for the year ended December 31, 2004 filed with the Securities and Exchange Commission on September 28, 2005\).](#)
- 4.2 [Form of Convertible Note \(incorporated by reference to exhibit 4.2 of the Company's annual report on Form 10-KSB for the year ended December 31, 2004 filed with the Securities and Exchange Commission on September 28, 2005\).](#)
- 4.3 [Form of Warrant - Class A \(incorporated by reference to exhibit 4.3 of the Company's annual report on Form 10-KSB for the year ended December 31, 2004 filed with the Securities and Exchange Commission on September 28, 2005\).](#)
- 4.4 [Form of Warrant - Class B \(incorporated by reference to exhibit 4.4 of the Company's annual report on Form 10-KSB for the year ended December 31, 2004 filed with the Securities and Exchange Commission on September 28, 2005\).](#)
- 4.5 [Form of Warrant - Class C \(incorporated by reference to exhibit 4.5 of the Company's annual report on Form 10-KSB for the year ended December 31, 2004 filed with the Securities and Exchange Commission on September 28, 2005\).](#)
- 4.6 [Secured Convertible Promissory Note dated December 31, 2008 in favor of Alpha Capital Anstalt \(incorporated by reference to exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 7, 2009\).](#)
- 4.7 [Class B Common Stock Purchase Warrant dated December 31, 2008 in favor of Alpha Capital Anstalt \(incorporated by reference to exhibit 10.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 7, 2009\).](#)
- 4.8 [Subscription Agreement between the Registrant and Alpha Capital Anstalt dated December 31, 2008 \(incorporated by reference to exhibit 10.3 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 7, 2009\).](#)
- 4.9 [Amendment, Waiver, and Consent Agreement effective January 1, 2009 between the Registrant and Alpha Capital Anstalt \(incorporated by reference to exhibit 10.4 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 7, 2009\).](#)
- 10.1 [Agreement for Purchase and Sale of Real Estate dated as of August 9, 2019 \(incorporated by reference to exhibit 10.1 of the Company's quarterly report Form 10-Q for the quarter ended June 30, 2019 filed with the Securities and Exchange Commission on August 14, 2019\).](#)
- 10.2 [Eighth Amendment to Restated Loan Agreement dated as of November 9, 2019 between Fifth Third Bank, National Association, and the Registrant and certain of its subsidiaries](#)
- 10.3 [Promissory Note effective November 9, 2019 between Fifth Third Bank, National Association, and Innovative Food Properties, LLC, a wholly-owned subsidiary of the Registrant](#)
- 10.4 [Mortgage, Assignment of Leases, Fixture Filing and Security Agreement date as of November 9, 2019 between Fifth Third Bank, National Association, and Innovative Food Properties, LLC, a wholly-owned subsidiary of the Registrant](#)

Table of Contents

31.1	Section 302 Certification
31.2	Section 302 Certification
32.1	Section 906 Certification
32.2	Section 906 Certification
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ Sam Klepfish</u> Sam Klepfish	Chief Executive Officer	November 14, 2019
<u>/s/ John McDonald</u> John McDonald	Principal Accounting Officer	November 14, 2019

EIGHTH AMENDMENT TO RESTATED LOAN AGREEMENT

THIS EIGHTH AMENDMENT (“Amendment”) to Restated Loan Agreement dated November 26, 2013, as modified by joinder dated December 12, 2014, amended on May 29, 2015, August 7, 2015, August 5, 2016, August 1, 2017, February 28, 2018, August 1, 2018, and August 1, 2019 (“Agreement”) is made by and between FIFTH THIRD BANK, NATIONAL ASSOCIATION (formerly known as Fifth Third Bank) (“Lender”), INNOVATIVE FOOD PROPERTIES, LLC, a Delaware limited liability company (“Borrower”), and INNOVATIVE FOOD HOLDINGS, INC., a Florida corporation, FOOD INNOVATIONS, INC., a Florida corporation, GOURMET FOODSERVICE GROUP, INC., a Florida corporation, ARTISAN SPECIALTY FOODS, INC., a Delaware corporation, 4 THE GOURMET, INC., a Florida corporation, HALEY FOOD GROUP, INC., a Florida corporation, GOURMET FOODSERVICE GROUP WAREHOUSE, INC., a Florida corporation, ORGANIC FOOD BROKERS, LLC, a Colorado limited liability company, INNOVATIVE GOURMET, LLC, a Delaware limited liability company, FOOD FUNDING, LLC, a Delaware limited liability company, P INNOVATIONS LLC, a Florida limited liability company, and M FOODS INNOVATIONS LLC, a Delaware limited liability company (collectively, with Borrower, “Obligors”), as of November ____, 2019 (“Amendment Date”).

RECITALS:

WHEREAS, the Agreement governs six credit facilities established by Lender, consisting of a term loan in the original principal sum of *FIVE HUNDRED FORTY-SIX THOUSAND and 00/100 DOLLARS (\$546,000.00)* (“Loan 1”); a revolving loan in the maximum principal sum *ONE MILLION and 00/100 DOLLARS (\$1,000,000.00)*, which was renewed and increased to *ONE MILLION FIVE HUNDRED THOUSAND and 00/100 DOLLARS (\$1,500,000.00)*, which was renewed and increased to *TWO MILLION and 00/100 DOLLARS (2,000,000.00)* (“Loan 2”); a term loan in the original principal sum of *ONE MILLION and 00/100 DOLLARS (\$1,000,000.00)* (“Loan 3”) which has been paid out; a term loan in the original principal sum of *NINE HUNDRED EIGHTY THOUSAND and 00/100 DOLLARS (\$980,000.00)* (“Loan 4”); a term loan in the original principal sum of *ONE MILLION TWO HUNDRED THOUSAND and 00/100 DOLLARS (\$1,200,000.00)* (“Loan 5”) which has paid out; a term loan in the original principal sum of *ONE MILLION FIVE HUNDRED THOUSAND and 00/100 DOLLARS (\$1,500,000.00)* (“Loan 6”) which has been paid out; and

WHEREAS, Obligor and Lender have agreed to amend the Agreement to establish a seventh credit facility for Borrower in the principal sum of *FIVE MILLION FIVE HUNDRED THOUSAND and 00/100 DOLLARS (\$5,500,000.00)* (“Loan 7”) secured by that certain real estate located in the state of Pennsylvania and the personalty associated therewith; and

WHEREAS, Obligor and Lender desire to set forth the mutually agreed upon amended terms and conditions to the Agreement for the additional credit facility.

NOW, THEREFORE, in consideration of the above Recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. The following Definitions are hereby amended to add or be redefined:

a. "Business Day" shall mean (i) with respect to all notices and determinations in connection with the LIBOR Rate, any day (other than a Saturday or Sunday) on which commercial banks are open in London, England, New York, New York, and Cincinnati, Ohio for dealings in deposits in the London Interbank Market; and (ii) in all other cases, any day on which commercial banks in Cincinnati, Ohio are required by law to be open for business; provided that, notwithstanding anything to the contrary in this definition of "Business Day", at any time during which a Rate Management Agreement with Lender is then in effect with respect to all or a portion of the Notes, then the definitions of "Business Day" and "Banking Day", as applicable, pursuant to such Rate Management Agreement shall govern with respect to all applicable notices and determinations in connection with such portion of the Notes subject to such Rate Management Agreement. Periods of days referred to in the Notes will be counted in calendar days unless Business Days are expressly prescribed.

b. "Event of Default" shall mean any of the events specified in Article VII of the Agreement, including but not limited to, any default under Note 7, the Pennsylvania Mortgage or any other Loan Document.

c. "Fixed Charge Coverage Ratio" shall mean the ratio of (a) Borrowers' consolidated EBITDA plus rent and operating lease payments, less cash taxes paid, distributions, dividends and capital expenditures (other than Capital Expenditures financed with the proceeds of purchase money Indebtedness or Capital Leases to the extent permitted hereunder) and other extraordinary items for the twelve month period then ending to (b) the consolidated sum of (i) Borrowers' interest expense, and (ii) all principal payments with respect to Indebtedness that were paid or were due and payable by all of Borrowers' consolidated entities during the period plus rent and operating lease expense incurred in the same such period. Lender recognizes that certain add-backs, including shareholder compensation, are permitted.

d. "Loans" shall mean Loan 1, Loan 2, Loan 4, and Loan 7 and each other loan governed by this Agreement, all of which shall be cross-defaulted and cross-collateralized. The term "Loan" may refer to any of the Loans, individually.

e. "Loan 7" shall mean the loan term established pursuant to Section 2.1. G of the Agreement.

f. "Loan Commitment Letter" shall include the letter dated October 3, 2019.

g. "Loan Documents" shall mean this Agreement, each Note, each Mortgage, any and all Rate Management Agreements, the Security Instruments, the Financing Statements, the Loan Commitment Letter, each Environmental Agreement and any other documents, agreements, certificates, schedules, statements and opinions, however described, referenced herein or executed or delivered pursuant hereto or in connection with or arising with the Loan or the transactions contemplated by this Agreement.

h. "Maturity Date" as to Loan 1 shall mean February 28, 2023, as to Loan 2 shall mean August 1, 2021, as to Loan 4 shall mean May 29, 2020, and as to Loan 7 shall mean September 2, 2025.

i. "Note 7" shall mean the promissory note dated the Amendment Date in the principal sum of *FIVE MILLION FIVE HUNDRED THOUSAND and 00/100 DOLLARS (\$5,500,000.00)*, and all renewals, modifications, substitutions, amendments and consolidations thereto.

j. "Notes" shall mean Note 1, Note 2, Note 4, Note 7 and each other note executed and delivered pursuant to this Agreement. The term "Note" may refer to any of the Notes, individually.

k. "Obligations" shall mean all payment and performance duties, obligations and liabilities of Obligor to Lender, however and wherever incurred or evidenced, whether primary or secondary, direct or indirect, absolute or contingent, sole or joint and several, or due or to become due under or pursuant to the Loan Documents and all renewals, modifications or extensions thereof, including without limitation, all Rate Management Obligations. Obligations do not include Excluded Swap Obligations.

l. "Pennsylvania Mortgage" shall mean the real estate mortgage dated the Amendment Date encumbering the Pennsylvania Real Estate Security.

m. "Pennsylvania Real Estate Security" shall mean the real property and improvements described on Exhibit "A" of this Amendment.

n. "Rate Management Agreement" shall mean any agreement, device or arrangement providing for payments which are related to fluctuations of interest rate, exchange rates, forward rates, or equity prices, including but not limited to, dollar-denominated or cross-currency interest rate exchange agreements, forward currency exchange agreements, interest rate cap or collar protection agreements, forward rate currency or interest rate options, puts and warrants, and any agreement pertaining to equity derivative transactions (e.g. equity or equity index swaps, options, caps, floors, collars and forwards) including without limitation any ISDA Master Agreement between Obligor and Lender or any affiliate of Lender, and any schedules, confirmations and documents and other confirming evidence between the parties confirming transactions thereunder, all whether now existing or hereafter arising, and in each case as amended, modified or supplemented from time to time. Any time during which a Rate Management Agreement is then in effect with respect to the Note, the provisions contained in the Note which round up to the interest rate shall be disregarded and no longer of any force and effect, notwithstanding anything to the contrary contained in the Note.

o. "Rate Management Obligations" shall mean any and all obligations of Obligor to Lender or any affiliate of Lender, whether absolute, contingent and howsoever and whensoever (whether now or hereafter) created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefore), under or in connection with (i) any and all Rate Management Agreements, and (ii) any and all cancellations, buy-backs, reversals, terminations or assignments of any Rate Management Agreement.

p. "Security Instruments" shall mean the Mortgage, the Illinois Mortgage, the Pennsylvania Mortgage, each Collateral Assignment of Rents, each Security Agreement, all Uniform Commercial Code financing statements, and any and all other documents evidencing a pledge of assets to secure the Indebtedness.

2. . Paragraph A of Section 1.5 of the Agreement is hereby amended to read:

A. Interest on Loan 1 shall, until an Event of Default or maturity, accrue interest at the LIBOR Rate plus 3.00%. Interest on Loan 2 shall, until an Event of Default or maturity, accrue interest at the LIBOR Rate plus 3.250%. Interest on Loan 4 shall, until an Event of Default or maturity, accrue interest at the LIBOR Rate

plus 2.750%. Interest on Loan 7 shall, until an Event of Default or maturity, accrue interest at the LIBOR Rate plus 2.750%.

3. Paragraph G is hereby added to Section 2.1 of the Agreement to read:

G. Loan 7. Lender agrees, upon the terms and conditions set forth in the Agreements, and in reliance upon the representations and warranties made under the Agreement and in this Amendment, to loan to Borrower the amount of *FIVE MILLION FIVE HUNDRED THOUSAND and 00/100 DOLLARS (\$5,500,000.00)*. At Closing, Lender shall disburse the Loan 7 proceeds for Borrower's acquisition and non-residential land and office/warehouse space in Pennsylvania. In consideration of Lender making Loan 7, Borrower shall pay Lender a loan commitment fee of *THIRTEEN THOUSAND SEVEN HUNDRED FIFTY and 00/100 DOLLARS (\$13,750.00)* and a one-time note processing fee of *EIGHT HUNDRED and 00/100 DOLLARS (\$800.00)*, of which *FOUR HUNDRED and 00/100 DOLLARS (\$400.00)* shall be waived by Lender at Closing. Borrower shall pay all expenses, taxes, and fees incurred in connection with the documentation, underwriting and Closing of Loan 7 and this Amendment, including but not limited to, Lender's attorneys' fees, recording fees, lien search fees, UCC fees, appraisal fees, and other reasonable fees and expenses as may be required.

4. Paragraph A of Section 2.4 of the Agreement is hereby amended to add sub-paragraph 6 to read:

A. 6. As Collateral for Loan 7, a first priority perfected lien on the Pennsylvania Real Estate Security and improvements thereon. In connection with the execution and delivery of the Pennsylvania Mortgage, delivery of a Title Insurance Policy insuring that the Pennsylvania Real Estate Security is owned by Borrower free and clear of all liens and encumbrances other than the Permitted Exceptions and insuring the lien of the Pennsylvania Mortgage as a first mortgage lien in the amount of *FIVE MILLION FIVE HUNDRED THOUSAND and 00/100 DOLLARS (\$5,500,000.00)*. Borrower further grants Lender a security interest in that portion of the Personal Property used in or in connection with the Pennsylvania Real Estate Security.

5. Section 5.21 is hereby added to the Agreement to read:

SECTION 5.21 Borrower shall do all things reasonably necessary, within ninety (90) days of the Amendment Date (the "Setback Cure Period"), (i) to render the current violation of the applicable building setbacks along the easterly boundary of the Pennsylvania Real Estate Security (the "Setback Violations") a legal non-conforming use, or (ii) to obtain and deliver to Lender confirmation by applicable governmental authority that the Setback Violations are excused or otherwise not actionable. In the event Borrower shall be unable to satisfy the requirements of this Section 5.21 within the Setback Cure Period and provided Borrower shall have pursued such requirements in good faith using its reasonable best efforts, then Borrower shall have an additional period not to exceed ninety (90) days (the "Extended Setback Cure Period") to satisfy the requirements of this Section 5.21, failing which Lender may, at Borrower's expense, (1) reappraise the Pennsylvania Real Estate Security to determine the reduction in value, if any, of the Pennsylvania Real Estate Security caused by the existence of the Setback Violations, and (2) notify Borrower of the amount of a principal reduction payment to be paid by Borrower immediately upon written notice sufficient to satisfy Lender's loan to value limitation for the Pennsylvania Real Estate Security.

6. Section 6.7 of the Agreement is hereby amended to read:

Except as may be approved in writing by Lender in advance, Borrower shall not incur, create, assume or permit to exist any new Debt other than the indebtedness represented by the Loan except additional Debt

to the Lender and new Debt not to exceed *FIVE HUNDRED THOUSAND and 00/100 DOLLARS (\$500,000.00)*.

7. Additional Representations, and Warranties of the Obligors. Obligors hereby make the following additional representations and warranties under Article IV, to the Lender:

a. *No Change.* Since the Statement Date there has been no material adverse change in the good standing, business, operations, assets, or financial or other condition of Obligors except as specifically disclosed to Lender in writing or in financial statements delivered by Obligors to Lender since the Statement Date. Since the Statement Date, no Obligor has entered into, incurred, or assumed any long-term debt, mortgages, material leases or oral or written commitments, nor commenced any significant project, nor made any purchase or acquisition of any significant property.

b. *No Legal Bar.* The execution, delivery, and performance of the Loan Documents and specifically this Amendment and the documents associated with Loan 2 and the borrowing hereunder and the use of the proceeds thereof, will not violate any Requirement of Law or any Contractual Obligation of any Obligor.

c. *No Material Litigation.* There is no litigation, investigation, or proceeding (including, without limitation, claims arising out of violation of any Environmental Laws or improper use or disposal of any Hazardous Substances) of or before any arbitrator or Governmental Authority is pending or, to the knowledge of any Obligor threatened by or against any Obligor, or against any of such parties' properties or revenues which is likely to be adversely determined and which, if adversely determined, is likely to have a material adverse effect on the business, operations, property, or financial or other condition of such Obligor.

d. *Taxes.*

(i) Each Obligor has filed or caused to be filed all tax returns that are required to be filed and have paid all taxes shown to be due and payable on said returns or on any assessments made against them or any of their property other than taxes that are being contested in good faith by appropriate proceedings and as to which such Obligor has established adequate reserves.

(ii) Lender and Obligors believe that since Note 7 is not secured by Florida real estate, the documentary stamp tax due under Florida law in connection with the new obligations created by Note 7 is limited to the amount of *TWO THOUSAND FOUR HUNDRED FIFTY and 00/100 DOLLARS (\$2,450.00)*, pursuant to §201.08(1) of the Florida Statutes (2019) ("Tax"). Obligors, jointly and severally, warrant that they will pay to the Lender, its successors and assigns, all sums of money, with interest at the rate equal to the Default Rate, which the Lender shall or may advance, pay or cause to be paid, or become liable to pay, on account of or in connection with the failure to pay any documentary stamp taxes on Note 7 in excess of the Tax and any interest and penalties associated with such Tax. Obligors will make such payment to the Lender within ten (10) days of Lender's demand therefore, whether Lender shall have paid out such sum, or any part thereof or not. Upon receipt of such payment by the Lender, the Lender agrees to remit such payments to the appropriate Governmental Authority, if not previously paid. In any accounting which may be had between the Lender and Obligors, Lender shall be entitled to charge for any and all disbursements in and about the matters herein contemplated made by it in good faith, under the belief that it is or was liable for the Tax so assessed. Obligors waive any defense to an action by Lender to enforce payment of

Loan 7 and collection of any Indebtedness based upon nonpayment of any documentary stamp tax on Note 7.

e. *Assets.* Each Obligor has good and marketable title to all property and assets reflected in the most current Financial Statements, except property and assets sold or otherwise disposed of in the ordinary course of business subsequent to the respective dates thereof. No Obligor has any outstanding liens on any of their properties or assets nor are there any security agreements to which either of them is a party, or title retention agreements, whether in the form of leases or otherwise, of any personal property except as reflected in the most current Financial Statements.

8. Obligors acknowledge they have no claims of offset or defenses to the Indebtedness and hereby confirm that there has been no Event of Default under the Agreement or any other Loan Document. Obligors waive any and all claims of offset or defenses to the Loan Documents and the Indebtedness as a condition to the extension of the credit represented by Loan 7 by Lender hereunder.

9. These covenants shall be deemed supplemental to the covenants contained within the Agreement unless they expressly conflict with such covenants in which event these provisions shall prevail.

10. This Amendment may be executed in counterparts and by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument.

11. Notwithstanding any other provisions of any Loan Documents to the contrary, absent requirements of conflicts of laws, the terms and conditions of this Amendment and the Loan Documents shall be governed by the laws of the State of Florida.

12. In all other respects, Obligors and Lender hereby ratify and confirm the terms and conditions of the Agreement.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties have executed or caused this Amendment to be executed effective on the Amendment Date.

Signed, sealed and delivered in the presence of:

WITNESSES:

BORROWER:

INNOVATIVE FOOD PROPERTIES, LLC,
a Delaware limited liability company

By: _____
Derrick Ayers, Controller

Witness #1 Signature

Witness #1 Printed Name

Witness #2 Signature

Witness #2 Printed Name

WITNESSES:

OBLIGORS:

INNOVATIVE FOOD HOLDINGS, INC.,
a Florida corporation

By: _____
Derrick Ayers, Controller

Witness #1 Signature

Witness #1 Printed Name

Witness #2 Signature

Witness #2 Printed Name

[SIGNATURE PAGES CONTINUE]

FOOD INNOVATIONS, INC.,
a Florida corporation

By: _____
Derrick Ayers, Controller

Witness #1 Signature

Witness #1 Printed Name

Witness #2 Signature

Witness #2 Printed Name

GOURMET FOODSERVICE GROUP, INC.,
a Florida corporation

By: _____
Derrick Ayers, Controller

Witness #1 Signature

Witness #1 Printed Name

Witness #2 Signature

Witness #2 Printed Name

ARTISAN SPECIALTY FOODS, INC.,
a Delaware corporation

By: _____
Derrick Ayers, Controller

Witness #1 Signature

Witness #1 Printed Name

Witness #2 Signature

Witness #2 Printed Name

[SIGNATURE PAGES CONTINUE]

4 THE GOURMET, INC.,
a Florida corporation

By: _____
Derrick Ayers, Controller

Witness #1 Signature

Witness #1 Printed Name

Witness #2 Signature

Witness #2 Printed Name

HALEY FOOD GROUP, INC.,
a Florida corporation

By: _____
Derrick Ayers, Controller

Witness #1 Signature

Witness #1 Printed Name

Witness #2 Signature

Witness #2 Printed Name

GOURMET FOODSERVICE GROUP WAREHOUSE, INC.,
a Delaware corporation

By: _____
Derrick Ayers, Controller

Witness #1 Signature

Witness #1 Printed Name

Witness #2 Signature

Witness #2 Printed Name

[SIGNATURE PAGES CONTINUE]

ORGANIC FOOD BROKERS, LLC,
a Colorado limited liability company

By: _____
Derrick Ayers, Controller

Witness #1 Signature

Witness #1 Printed Name

Witness #2 Signature

Witness #2 Printed Name

INNOVATIVE GOURMET, LLC,
a Delaware limited liability company

By: _____
Derrick Ayers, Controller

Witness #1 Signature

Witness #1 Printed Name

Witness #2 Signature

Witness #2 Printed Name

FOOD FUNDING, LLC,
a Delaware limited liability company

By: _____
Derrick Ayers, Controller

Witness #1 Signature

Witness #1 Printed Name

Witness #2 Signature

Witness #2 Printed Name

[SIGNATURE PAGES CONTINUE]

P INNOVATIONS LLC,
a Florida limited liability company

Witness #1 Signature

Witness #1 Printed Name

Witness #2 Signature

Witness #2 Printed Name

By: _____
Derrick Ayers, Controller

M FOODS INNOVATIONS LLC,
a Delaware limited liability company

Witness #1 Signature

Witness #1 Printed Name

Witness #2 Signature

Witness #2 Printed Name

By: _____
Derrick Ayers, Controller

[SIGNATURE PAGES CONTINUE]

WITNESSES:

LENDER:

FIFTH THIRD BANK, NATIONAL ASSOCIATION

Witness #1 Signature

By: _____
Timothy J. Reiter, Senior Vice President

Witness #1 Printed Name

Witness #2 Signature

Witness #2 Printed Name

FIFTH THIRD BANK
EIGHTH AMENDMENT TO RESTATED LOAN AGREEMENT
Page 12 of 13

Exhibit "A"

ALL that certain piece or parcel of land situate in the Township of Wright, County of Luzerne and Commonwealth of Pennsylvania, bounded and described as follows:

BEGINNING at a point in the Easterly right of way line of Oak Hill Road, a County Road, at its point of intersection with the Southwesterly sideline of a 150 foot wide right of way of the Pennsylvania Power and Light Company, said point being also the most Northwesterly corner of lands of Dana Perfumes Corporation; thence along the Easterly and then Southerly right of way line of Oak Hill Road by the following 2 lines: 1. By a curve to the right having a radius of 552.65 feet, an arc length of 664.18 feet, and a chord bearing distance of North 42° 58' 15" East, 624.92 feet to a point; 2. Thence North 77° 24' East 387.85 feet to a set iron pin corner in the Westerly sideline of lands conveyed by the Greater Wilkes-Barre Industrial Fund, Inc., to Pennsylvania Power and Light Company by deed dated July 9, 1954, and recorded in Luzerne County Deed Book 1242, page 133; thence along said lands South 1° 54' East 1,029.21 feet to a set iron pin corner in the Northeasterly sideline of the 150 foot wide right of way of the Pennsylvania Power and Light Company; thence along the Northeasterly sideline of said right of way South 50° 58' East 264.75 feet to a point, said point being the Southeasterly corner of the aforesaid lands conveyed to Pennsylvania Power and Light Company; thence crossing said 150 foot wide right of way South 1° 54' East 198.55 feet to a point in the Southwesterly sideline of said 150 foot wide right of way of the Pennsylvania Power and Light Company, said point being also the Northeasterly corner of lands of Dana Perfumes Corporation; thence along the Northeasterly line of land of Dana Perfumes Corporation and the Southwesterly sideline of said 150 feet wide right of way North 50° 58' West 1,352.80 feet to the point of BEGINNING.

Being Tax Parcel No. 64M900A05D000.

CONTAINING fifteen and twelve one-thousandths (15.012) acres of land more or less, and being part of the Casper Engler Warrant.

SUBJECT, however, to the one hundred fifty (150) foot wide electric line right of way located along the Southwesterly line of the herein described parcel, said right of way having been granted to Pennsylvania Power and Light Company by Scranton-Spring Brook Water Service Company by an unrecorded instrument dated June 1, 1958.

SUBJECT, however, to a twenty (20) foot wide right of way for sanitary sewer purposes crossing the herein described parcel, as granted by the Greater Wilkes-Barre Industrial Fund, Inc., to the Mountaintop Area Joint Sanitary Authority by Agreement dated September 3, 1976, and recorded in Luzerne County Deed Book 1935 at page 619.

PROMISSORY NOTE**NOTE 7**

THIS NOTE IS NOT SECURED BY FLORIDA REAL ESTATE AND PURSUANT TO §201.08 (1)(a), FLORIDA STATUTES (2019) DOCUMENTARY STAMP TAX LIABILITY IS LIMITED TO \$2,450.00, WHICH HAS BEEN PAID UPON THIS NOTE.

\$5,500,000.00

Payable at Naples, Florida

Effective November ____, 2019

FOR VALUE RECEIVED, the undersigned, INNOVATIVE FOOD PROPERTIES, LLC, a Delaware limited liability company (“Borrower”), promises to pay in lawful money of the United States of America to FIFTH THIRD BANK, NATIONAL ASSOCIATION (“Lender”) or other holder of this Note, at 999 Vanderbilt Beach Road, 7th Floor, Naples, Florida 34108, or such other place as Lender may direct in writing, the principal sum of *FIVE MILLION FIVE HUNDRED THOUSAND and 00/100 DOLLARS (\$5,500,000.00)*, or such lesser amount as may be outstanding pursuant to the Loan Agreement dated November 26, 2013, as amended and restated from time to time (collectively, “Loan Agreement”), together with all accrued and unpaid interest thereon. Capitalized terms not otherwise defined in this Note shall have the definitions ascribed to them under the Loan Agreement.

A. The principal sum outstanding shall bear interest at a floating rate per annum equal to 2.750% plus the LIBOR Rate. The “LIBOR Rate” is, as of any date of determination in accordance with this Note, the rate of interest rounded upwards (the “Rounding Adjustment”), if necessary, to the next 1/8 of 1% (and adjusted for reserves if Lender is required to maintain reserves with respect to relevant advances) fixed by ICE Benchmark Administration Limited (or any successor thereto, or replacement thereof, approved by Lender, each an “Alternate LIBOR Source”) at approximately 11:00 a.m., London, England time (or the relevant time established by ICE Benchmark Administration Limited, an Alternate LIBOR Source, or Lender, as applicable), two Business Days prior to such date of determination, relating to quotations for the one month London InterBank Offered Rates on U.S. Dollar deposits, as displayed by Bloomberg LP (or any successor thereto, or replacement thereof, as approved by Lender, each an “Approved Bloomberg Successor”), or, if no longer displayed by Bloomberg LP (or any Approved Bloomberg Successor), such rate as shall be determined in good faith by Lender from such sources as it shall determine to be comparable to Bloomberg LP (or any Approved Bloomberg Successor), all as determined by Lender in accordance with this Note and Lender’s loan systems and procedures periodically in effect. Notwithstanding anything to the contrary contained herein, in no event shall the LIBOR Rate be less than 0% as of any date (the “LIBOR Rate Minimum”); *provided* that, at any time during which a Rate Management Agreement with Lender is then in effect with respect to all or a portion of the Obligations, the LIBOR Rate Minimum and the Rounding Adjustment shall all be disregarded and no longer of any force and effect with respect to such portion of the Obligations subject to such Rate Management Agreement. Each determination by Lender of the LIBOR Rate shall be binding and conclusive in the absence of manifest error. The LIBOR Rate shall be initially determined as of the date of the initial advance of funds to Borrower under this Note and shall be effective until the first Business Day of the month following the period commencing on the date of such initial advance (such first Business Day being the “First Adjustment Date”). The interest rate based upon the LIBOR Rate shall be adjusted automatically on the First Adjustment Date and on the first Business Day of each month thereafter (the “Adjustment Protocol”).

FIFTH THIRD BANK

PROMISSORY NOTE - NOTE 7 (\$5,500,000.00)

Page 1

Notwithstanding anything herein contained to the contrary, if Lender, by written or telephonic notice, notifies Borrower that:

(a) any change in any law, regulation or official directive, or in the interpretation thereof, by any governmental body charged with the administration thereof, has made it unlawful for Lender to fund or maintain its funding in Eurodollars of any portion of any advance subject to the LIBOR Rate or otherwise give effect to Lender's obligations as contemplated hereby, or

(b) (i) LIBOR deposits for periods of one month are not readily available in the London Interbank Offered Rate Market, (ii) by reason of circumstances affecting such market or other economic conditions, adequate and reasonable methods do not exist for ascertaining the rate of interest applicable to such deposits, or (iii) the LIBOR Rate as determined by Lender will not adequately and fairly reflect the cost to Lender of making or maintaining advances under this Note bearing interest with reference to the LIBOR Rate (including inaccurate or inadequate reflection of actual costs resulting from the calculation of rates by reporting sources), then, in any of such events: (A) Lender's obligations in respect of the LIBOR Rate shall terminate forthwith, (B) the LIBOR Rate with respect to Lender shall forthwith cease to be in effect, (C) Borrowers' right to utilize LIBOR Rate index pricing as set forth in this Note shall be terminated forthwith, and (D) amounts outstanding hereunder shall, on and after such date, bear interest at a rate per annum equal to: (1) 3.25% plus (2) the floating rate of interest established from time to time by Fifth Third Bank at its principal office as its "Prime Rate", whether or not Fifth Third Bank shall at times lend to borrowers at lower rates of interest or, if there is no such Prime Rate, then such other rate as may be substituted by Fifth Third Bank for such Prime Rate. Each determination by Lender of the Prime Rate shall be binding and conclusive in the absence of manifest error. In the event of a change in the Prime Rate, the interest rate accruing hereunder based upon the Prime Rate shall be changed immediately with such change to be based upon such new Prime Rate.

Temporary Inability to Determine LIBOR: In the event, prior to commencement of any interest prior relating to the LIBOR Rate, Lender shall determine that: (a) deposits in dollars (in the applicable amounts) are not being offered to Lender in the London Interbank Offered Rate market for such interest period, (b) by reason of circumstances affecting the London Interbank Offered Rate Market adequate and reasonable methods do not exist for ascertaining the LIBOR Rate, (c) the LIBOR Rate as determined by Lender will not adequately and fairly reflect the cost to the Lenders of funding their LIBOR loans for such interest period, or (d) the making or funding of LIBOR loans become impracticable, then: (i) Lender shall promptly provide notice of such determination to Borrower (which shall be conclusive and binding on Borrower); (ii) any request for a LIBOR loan or for a conversion to or continuation of a LIBOR loan shall be automatically withdrawn and shall be deemed a request for a base rate loan; (iii) each LIBOR loan will automatically, on the last day of the then current interest period relating thereto, become a base rate loan; and (iv) the obligations of Lender to make LIBOR loans shall be suspended until Lender determines that the circumstances giving rise to such suspension no longer exist, in which event Lender shall so notify Borrower.

Permanent Inability to Determine LIBOR: In the event, Lender shall determine (which determination shall be deemed presumptively correct absent manifest error) that: (1) all of the circumstances enumerated above have arisen and are unlikely to be temporary; (2) a public statement or publication of information (A) by or on behalf of the administrator of LIBOR; or by

the regulatory supervisor for the administrator of LIBOR, the U.S. Federal Reserve System, an insolvency official with jurisdiction over the administrator for LIBOR, a resolution authority with jurisdiction over the administrator for LIBOR or a court or an entity with similar insolvency or resolution authority over the administrator for LIBOR; in each case which states that such administrator has ceased or will cease to provide LIBOR, permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide LIBOR, (B) by the administrator of LIBOR that it has invoked or will invoke, permanently or indefinitely, its insufficient submissions policy, or (C) by the regulatory supervisor for the administrator of LIBOR or any Governmental Authority having jurisdiction over the Lender announcing that LIBOR is no longer representative or may no longer be used; (3) a LIBOR rate is not published by the administrator of LIBOR for five (5) consecutive Business Days, and such failure is not the result of a temporary moratorium, embargo or disruption declared by the administrator of LIBOR or by the regulatory supervisor for the administrator of LIBOR; or (4) a new index rate has become a widely-recognized replacement benchmark rate for LIBOR in newly originated loans denominated in dollars in the U.S. market; then Lender may, in consultation with Borrower, amend this Note as described below to replace LIBOR with an alternative benchmark rate, and to modify the applicable margins and make other related amendments, in each case giving due consideration to any evolving or then existing convention for similar US dollar denominated credit facilities, or any selection, endorsement or recommendation by a relevant governmental body with respect to such facilities. Lender shall provide notice to Borrower of an amendment of the Note to reflect the replacement index, adjusted margins and such other related amendments as may be appropriate, in the sole discretion of the Lender, for the implementation and administration of the replacement index-based rate. Notwithstanding anything to the contrary in the Note and the other Loan Documents, such amendment shall become effective without any further action or consent of any other party upon delivery of notice to Borrower. For the avoidance of doubt, following the date when a determination is made pursuant to the provisions hereinabove, and until a replacement index has been selected and implemented, all loans shall accrue interest at, and the interest rate shall be, the base rate. Notwithstanding anything to the contrary contained herein, if at any time the replacement index is less than zero (0), then at such times, such index shall be deemed to be zero (0) for purposes of this Note.

B. "The "LIBOR Interest Period" for each LIBOR Rate Loan is a period of one month, at Borrower's election, which period shall commence on a Business Day selected by Borrower subject to the terms of this Note and shall be determined by Lender in accordance with this Note and Lender's loan systems and procedures periodically in effect, including, without limitation, in accordance with the following terms and conditions, as applicable:

(a) In the case of immediately successive LIBOR Interest Periods with respect to a continued LIBOR Rate Loan, each successive LIBOR Interest Period shall commence on the day on which the immediately preceding LIBOR Interest Period expires, with interest for such day to be calculated based upon the LIBOR Rate in effect for the new LIBOR Interest Period;

(b) If a LIBOR Interest Period would otherwise end on a day that is not a Business Day, such LIBOR Interest Period shall end on the next succeeding Business Day; *provided that*, if the next succeeding Business Day falls in a new month, such LIBOR Interest Period shall end on the immediately preceding Business Day; and

(c) If any LIBOR Interest Period begins on a Business Day for which there is no numerically corresponding day in the calendar month at the end of such LIBOR Interest

Period, then the LIBOR Interest Period shall end on the last Business Day of the calendar month ending at the end of such LIBOR Interest Period.”

C. Interest shall be calculated based on a 360-day year and charged for the actual number of days elapsed and shall be payable in full with the entire outstanding principal amount on the Maturity Date.

D. Notwithstanding any provision to the contrary in this Note, in no event shall the interest rate charged on the Obligations exceed the maximum rate of interest permitted under applicable state and/or federal usury law. Any payment of interest that would be deemed unlawful under applicable law for any reason shall be deemed received on account of, and will automatically be applied to reduce, the principal sum outstanding and any other sums (other than interest) due and payable to Lender under this Note, and the provisions hereof shall be deemed amended to provide for the highest rate of interest permitted under applicable law.

E. Borrower agrees to pay said principal, and all accrued and unpaid interest thereon as follows:

1. Beginning on December 1, 2019, and continuing on the 1st day of each succeeding month thereafter until the Maturity Date, Borrower shall pay all accrued interest.

2. Beginning on October 1, 2020, and continuing on the 1st day of each succeeding month thereafter until the Maturity Date, Borrower shall make monthly payments of principal sufficient to amortize the outstanding principal balance over twenty (20) years. A payment schedule shall be provided to Borrower by Lender at the time of conversion.

3. The entire principal balance and all accrued and unpaid interest thereon shall be due and payable on the Maturity Date of September 2, 2025, unless sooner accelerated following a Default (as defined herein).

F. Borrower shall be in default under this Note (herein “Default”) upon the happening of any of the following events, circumstances or conditions; namely:

1. Default in the payment when due of any principal or interest under this Note.

2. Any other Event of Default under the Loan Agreement or other Loan Document, which continues beyond any applicable notice and cure period.

In the event of such Default, the entire amount of this Note shall become due and payable at the election of the holder and all such sums shall bear interest at the Default Rate as defined in the Loan Agreement. Failure to precipitate for Default shall not estop the right to assert for subsequent Defaults.

G. The use of the masculine pronoun herein shall include the feminine and neuter and also the plural. If any provision of this instrument shall be prohibited or invalid under applicable law, such provision shall be ineffective but only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note.

H. If any payment is not paid within ten (10) days of the Due Date, undersigned agrees to pay to Lender a late payment fee as provided for in the Loan Agreement.

I. Interest not paid when due shall bear interest.

J. Should it become necessary to collect this Note through an attorney, all parties hereto, whether maker, endorser, surety or guarantor each severally agree to pay all costs of collecting this Note, including a reasonable attorney's fee, whether at trial, at any appellate level, or in any bankruptcy proceeding, whether collected by suit or otherwise. As used herein, attorney's fees shall include a separate award for paralegal or legal assistants' fees.

K. Borrower waives presentment for payment, protest and notice of protest and non-payment of this Note, and consents that this Note or any part hereof may be extended without further notice.

L. Borrower waives its right to a jury trial of any claim or cause of action based upon or arising out of this Note, and/or the transactions contemplated by this Note, or any dealings between Borrower and Lender. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including without limitation, contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Borrower acknowledges that this waiver is a material inducement to Lender to loan money to Borrower.

M. Any judgment rendered on this Note shall bear interest at the highest rate of interest permitted by applicable law.

N. This Note is not secured by Florida real property and pursuant to §201.08 of Florida Statutes documentary stamp taxes in the amount of \$2,450.00 have been paid in connection with this Note.

BORROWER:

INNOVATIVE FOOD PROPERTIES, LLC,
a Delaware limited liability company

By: _____

Derrick Ayers, Controller

EIN: 84-3547968

FIFTH THIRD BANK
PROMISSORY NOTE - NOTE 7 (\$5,500,000.00)
Page 5

*Mortgage in Favor of
Fifth Third Bank
Recording Area*

This Instrument Prepared by
and after Recording Return to:
David N. Morrison, Esq.
Quarles & Brady LLP
1395 Panther Lane
Suite 300
Naples, Florida 34109

MORTGAGE, ASSIGNMENT OF LEASES, FIXTURE FILING AND SECURITY AGREEMENT
(THIS MORTGAGE SECURES FUTURE ADVANCES)

THIS MORTGAGE, ASSIGNMENT OF LEASES, FIXTURE FILING AND SECURITY AGREEMENT ("Mortgage") executed effective as of November ____, 2019, by INNOVATIVE FOOD PROPERTIES, LLC, a Delaware limited liability company, whose address is 28411 Race Track Road, Bonita Springs, Florida 34135 ("Mortgagor"), to FIFTH THIRD BANK, NATIONAL ASSOCIATION, whose address is 999 Vanderbilt Beach Road, Naples, Florida 34108, ("Mortgagee"),

WITNESSETH, that for good and valuable considerations, and also in consideration of the aggregate sum named in the promissory note of even date herewith, ("Note") in the principal sum of FIVE MILLION FIVE HUNDRED THOUSAND and 00/100 DOLLARS (\$5,500,000.00), whose maturity date is September 2, 2025, Mortgagor does hereby mortgage, pledge and hypothecate unto Mortgagee, all the certain tract of land, of which Mortgagor is now seized and possessed, and in actual possession, situate in Luzerne County, Commonwealth of Pennsylvania, described as follows:

See Exhibit "A" ("Premises")

TOGETHER with all buildings, structures, and other improvements now or hereafter located on, above or below the surface of the Premises, or any part or parcel thereof; and

TOGETHER with all rights, title and interest of Mortgagor in and to the minerals, soils, flowers, shrubs, crops, trees, timber and other emblements now or hereafter on the Premises or under or above the same or any part or parcel thereof; and

TOGETHER with all and singular the tenements, hereditaments, easements, and appurtenances thereunto belonging or in any wise appertaining to the Premises, whether now owned or hereafter acquired by Mortgagor, and including all gaps, gores, subsequently acquired lands, rights of ingress and egress to and from adjoining property (whether such rights now exist or subsequently arise) together with any reversion or reversions, remainder or remainders, rents, issues and profits thereof; and

TOGETHER with all machinery, apparatus, equipment, fittings, fixtures, affixed or constructively attached to the Premises and including all trade, domestic and ornament fixtures, now or hereafter located in, upon or under the Premises and used or usable in connection with any present or future operation of the Premises and now owned or hereafter acquired by Mortgagor ("Equipment"), including, but without limiting the generality of the foregoing, all heating, air conditioning, freezing, lighting, laundry, incinerating

FIFTH THIRD BANK
MORTGAGE
Page 1 of 10

and power equipment; engines, pipes, pumps, tanks, motors, conduits, switchboards, plumbing, lifting, cleaning, fire prevention, fire extinguishing, refrigerating, ventilating, and communications apparatus, boilers, ranges, furnaces, oil burners, or units thereof, appliances, vacuum cleaning systems, elevators, escalators, shades, awnings, screens, storm doors and windows; stoves, wall beds, refrigerators, attached cabinets, partitions, ducts, and compressors, rugs and carpets, draperies, furniture and furnishings together with all building materials and equipment now or hereafter delivered to the land, and any deposits for taxes and assessments, or any other sums to be paid by Mortgagor hereunder, or under the Loan Agreement of even date, as the same may be amended and/or restated from time to time ("Loan Agreement" (capitalized terms not otherwise defined in this Mortgage shall have the definitions ascribed to them under the Loan Agreement)) or any other instrument securing the Note.

TOGETHER with Mortgagor's interest as lessor in and to any and all leases of the Premises, or any part thereof, heretofore made and entered into, and in and to all leases hereafter made and entered into by Mortgagor during the life of this Mortgage or any extension or renewal hereof, together with any and all guarantees thereof and including all present and future security deposits and advance rentals reserving to Mortgagor its equity of redemption rights herein provided and hereby intending that in case of foreclosure sale, the lessor's interest in any such leases then in force shall, upon expiration of Mortgagor's right of redemption, pass to the purchaser at such sale as a part of the Premises; subject to election by the purchaser to terminate or enforce any of such leases hereafter made; and

TOGETHER with any and all awards or payments, including interest thereon, and the right to receive the same, as a result of (a) the exercise of the right of eminent domain, (b) the alteration of the grade of any street, or (c) any other injury to, taking of, or decrease in the value of, the Premises to the extent of all amounts which may be secured by this Mortgage at the date of receipt of any such award or payment by Mortgagee and of the reasonable attorneys' fees, costs and disbursements incurred by Mortgagee in connection with the collection of such award or payment; and

TOGETHER with all of the right, title and interest of Mortgagor in and to all unearned premiums accrued, accruing or to accrue under any and all insurance policies now or hereafter provided pursuant to the terms of this Mortgage, and all proceeds or sums payable for the loss of or damage to (a) any property encumbered hereby, or (b) rents, revenues, income, profits, or proceeds from franchises, concessions or licenses of or on any part of the Premises.

TO HAVE AND TO HOLD, the same, unto Mortgagee pursuant to the terms hereof.

AND Mortgagor does covenant with Mortgagee that Mortgagor is indefeasibly seized of the Premises in fee simple as to all of the Premises; that Mortgagor has full power and lawful right to encumber the Premises as aforesaid; that it shall be lawful for Mortgagee at all times peaceably and quietly to enter upon, hold, occupy and enjoy the Premises; that other than the Permitted Encumbrances, the Premises is free from all encumbrances; that Mortgagor will make such further assurances to perfect the fee simple title to the Premises in Mortgagee as may reasonably be required; and that Mortgagor does hereby fully warrant the title to the Premises and will defend the same against the lawful claims of all persons whomsoever.

PROVIDED ALWAYS that if Mortgagor shall cause to be paid unto Mortgagee the indebtedness described in the Note, including all renewals, extensions and modifications thereto, and shall perform, comply with and abide by each and every the stipulations, agreements, conditions and covenants of the Note, this Mortgage and the Loan Documents as defined in the Loan Agreement, then this Mortgage and the estate hereby created shall cease and be null and void.

AND Mortgagor hereby covenants and agrees:

1. To comply with all of the provisions of the Note, this Mortgage, the Loan Agreement, and every other instrument securing the Note, and will cause to be paid all and singular the principal and interest and other sums of money payable by virtue of the obligations described in the Note, this Mortgage, the Loan Agreement, or any of them, promptly on the days respectively the same severally come due.

2. To pay all and singular the taxes, assessments, levies, liabilities, obligations and encumbrances of every nature on said Premises prior to any delinquency, and if the same not be paid prior to delinquency, Mortgagee may at any time pay the same without waiving or affecting the option to foreclose or any right hereunder, and every payment so made shall bear interest from the date thereof at the Default Rate as provided in the Loan Agreement and be secured by the lien of this Mortgage.

3. To pay all and singular the costs, charges and expenses including attorney's fees, reasonably incurred or paid at any time by Mortgagee because of the failure on the part of Mortgagor to perform, comply with and abide by each and every the stipulations, conditions and covenants of the Note, Mortgage or the Loan Agreement, or any of them, and every such payment shall bear interest from date at the Default Rate as provided in the Loan Agreement and be secured by the lien of this Mortgage.

4. Mortgagor shall keep the building and improvements now or hereafter on the Premises ("Improvements") and articles of personal property covered by this Mortgage insured against losses normally covered by fire and windstorm, with extended coverage, and such other hazards as may be from time to time required by Mortgagee, in such form and amounts and in a company or companies to be approved by Mortgagee. Copies of all such policies or certificates of insurance therefore, shall be deposited with Mortgagee with premiums fully prepaid. All policies of insurance which insure against any loss or damage to the Premises shall provide for loss payable to Mortgagee, without contribution by Mortgagee pursuant to a Mortgagee clause satisfactory to Mortgagee. In the absence of specific directions from Mortgagee, insurance required herein for fire and extended coverage and other loss shall not be less than such amount as may be required to prevent Mortgagor from becoming co-insurer under the terms of the applicable policy, or in the amount of the indebtedness described in each Note, whichever is greater. Mortgagor agrees in the event of any loss under any policy of insurance, that the proceeds shall be paid directly to Mortgagee and Mortgagee may, in its sole discretion, apply the amount so collected or any part thereof, on the indebtedness of the Note in whatever manner Mortgagee may deem advisable or toward the repair or restoration of the damaged Improvements, or any portion thereof. In case Mortgagor fails to insure the Improvements as herein agreed, after ten (10) days' notice to Mortgagor, the Mortgagee is hereby authorized to (but is not obliged to) procure and pay for such fire or other insurance; and every payment shall bear interest from the date thereof at the Default Rate as provided in the Loan Agreement and shall be secured by the lien of this Mortgage. At any time during the term of the loan evidenced by each Note, should the Improvements, or any part thereof, be or become located in an area designated by the Director of the Federal Emergency Management Agency, or any successor agency, as a special flood area, Mortgagor shall obtain and maintain flood insurance, to the extent such insurance is required by regulation and is or becomes available, for the term of such loan, and for the full unpaid principal balance of the Note or the maximum limit of coverage that is available, whichever is less. Mortgagor will exhibit or deliver such policies, or appropriate certificates therefore, to Mortgagee and provide appropriate clauses in the insurance policies indicating Mortgagee's status as a co-insured under the policy as Mortgagee's interest may appear. Mortgagor will reimburse Mortgagee for all costs incurred by Mortgagee to determine the flood hazard status, including fees and costs for life of loan monitoring services.

Notwithstanding the foregoing, Mortgagee shall make the insurance proceeds available to Mortgagor for reconstruction of the improvements to the Premises provided the following conditions are met:

- a. No default exists and no fact exists that could, with the passage of time, constitute an Event of Default under the Note or this Mortgage;
- b. Mortgagee reasonably determines that the cost to repair and restore the Improvements will not exceed fifty percent (50%) of the outstanding principal balance of the indebtedness secured hereby;
- c. Mortgagee reasonably determines that the improvements to the Premises may be repaired and restored before the Maturity Date of the Note (as that maturity date may be extended from time to time);
- d. Mortgagee reasonably determines that the governmental regulations applicable to the Premises at the time of repair and restoration of the Improvements will permit the Improvements to be repaired and restored substantially to the condition existing before the damage occurred without the requirement that the Mortgagor first obtain a variance;
- e. Mortgagor provides Mortgagee with evidence satisfactory to Mortgagee that there are sufficient funds from the insurance proceeds and from Mortgagor's other funds (if needed) to repair and restore the Improvements and to pay all expenses of operating the Premises, including all payments required under the Note or this Mortgage during the period of repair and restoration;
- f. Mortgagor provides Mortgagee with evidence satisfactory to Mortgagee that all parties having an existing or expected interest in the Premises (tenants, potential purchasers, contract parties for materials and services, and the like) will continue their contractual arrangements with Mortgagor under the terms of their respective contracts during the repair and restoration and, if necessary, they will extend the dates for performance in their respective contracts by the time necessary to complete the repair and restoration;
- g. Mortgagor provides Mortgagee with evidence satisfactory to Mortgagee that any parties having management or franchise interests in and arrangements concerning the Premises will continue their respective contractual arrangements with Mortgagor during and following the repair and restoration; and
- h. Mortgagor provides Mortgagee with all assurances Mortgagee may reasonably require that Mortgagee will not incur liability to any other person as a result of applying the insurance proceeds to the repair and restoration of the Improvements.

Mortgagee shall hold the net insurance proceeds and make the net insurance proceeds available to Mortgagor, during the period of restoration of the Improvements subject to Mortgagee's reasonable requirements.

If one or more of the conditions set forth in subparagraphs (a) through (h) above are not met, at its option, Mortgagee may apply the insurance proceeds to the reduction of all sums secured by this Mortgage, whether or not due, in any order Mortgagee chooses, or Mortgagee may apply the insurance proceeds to the restoration of the Improvements. If Mortgagee makes the proceeds available to Mortgagor for the repair

and restoration of the Improvements, Mortgagee may impose such terms and conditions as Mortgagee may reasonably consider advisable to assure the quality of the restoration and the proper application of the insurance proceeds to the costs of restoration. Mortgagee's application of the insurance proceeds to the reduction of all sums secured by this Mortgage shall not obligate Mortgagee to release any portion of the Premises from the lien and operation of this Mortgage. In any event, Mortgagee is not responsible to Mortgagor for any failure to collect insurance proceeds.

5. Not to permit, commit or suffer any waste, impairment or deterioration of the Premises or any part thereof.

6. To perform, comply with and abide by each and every the stipulations, agreements, conditions and covenants in the Note, this Mortgage and the Loan Agreement.

7. Mortgagor agrees to indemnify, defend, and hold Mortgagee harmless from and against any loss to Mortgagee, including without limitation attorneys' fees, incurred by Mortgagee as a result of past, present or future failure by Mortgagor to comply with local, State and Federal laws and permits regulating the use, handling, storage, transportation, or disposal of hazardous materials, toxic materials, or other environmentally regulated materials. Mortgagee, at its option, may obtain, at Mortgagor's expense, a report from a reputable environmental consultant of Mortgagee's choice as to whether the Premises and the improvements have been or presently are being used for the handling, storage, transportation, or disposal of hazardous or toxic materials. If the report indicates a past or present condition, use, handling, storage, transportation, or disposal of hazardous materials in violation of local, State and Federal laws or any permit, Mortgagee may require that all violations thereto be corrected and/or that Mortgagor obtain all necessary environmental permits therefor.

In connection therewith, Mortgagor warrants and represents to Mortgagee, after Mortgagor's appropriate inquiry and investigation that: (a) while Mortgagee has any interest in or lien on the Premises, the Premises described herein is and at all times hereafter will continue to be in full compliance with all federal, state and local environmental laws, regulations, and ordinances, including but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), Public Law No. 96-510, 94 Stat. 2767, 42 USC 9601 *et seq.*, and the Superfund Amendments and Reauthorization Act of 1986 (SARA), Public Law No. 99-499, 100 Stat. 1613; as such acts may be amended from time to time, and (b)(i) as of the date hereof there are no hazardous materials, substances, wastes or other environmentally regulated substances (including without limitation, any materials containing asbestos) located on, in or under the Premises or used in connection therewith in violation of applicable laws; or (ii) Mortgagor has fully disclosed to Mortgagee the existence, extent and nature of any such hazardous materials, substances, wastes or other environmentally regulated substances, which Mortgagor is legally authorized and empowered to maintain on, in or under the Premises or use in connection therewith, and Mortgagor has obtained and will maintain all licenses, permits and approvals required with respect thereto, and is in full compliance with all of the terms, conditions and requirements of such licenses, permits and approvals. Mortgagor further warrants and represents that it will promptly notify Mortgagee of any change in the nature or extent of any hazardous materials, substances or wastes maintained on, in or under the Premises or used in connection therewith, and will transmit to Mortgagee copies of any citations, orders, notices or other material governmental or other communication received with respect to any other hazardous materials, substances, wastes or other environmentally regulated substances affecting the Premises.

Mortgagor shall indemnify and hold Mortgagee harmless from and against any and all damages, penalties, fines, claims, liens, suits, liabilities, costs (including clean-up costs), judgments and expenses (including attorneys', consultants' or experts' fees and expenses) of every kind and nature suffered by or asserted against Mortgagee as a direct or indirect result of: (i) any warranty or representation made by

Mortgagor in the preceding paragraph being false or untrue in any material respect; or (ii) any requirement under any law, regulation or ordinance, local, state or federal, which requires the elimination or removal of any hazardous materials, substances, wastes or other environmentally regulated substances from the Premises. Mortgagor's obligations hereunder to Mortgagee shall not be limited to any extent by the term of the Note secured hereby, and, as to any act, occurrence, or claim made prior to payment in full and satisfaction of the Note which gives rise to liability hereunder, Mortgagor's obligations hereunder shall continue, survive and remain in full force and effect notwithstanding payment in full and satisfaction of the Note and this Mortgage or foreclosure under this Mortgage, or delivery of a deed in lieu of foreclosure. In the event of any default under this Mortgage, Mortgagee may conduct such inspections of the Premises as Mortgagee deems appropriate to insure compliance with this Mortgage and Mortgagor shall hold Mortgagee harmless from all costs associated with such inspections and shall grant Mortgagee or its agents full access to the Premises to conduct such investigations.

Any funds advanced pursuant to the provisions of this Section 7 shall, at Mortgagee's option be secured by the lien of this Mortgage.

8. Mortgagor shall be in default under this Mortgage upon the occurrence of any one of the following defaults and the expiration of any applicable notice and cure rights granted under the Loan Agreement:

a. Any federal or state tax lien or claim of lien for labor or material is filed of record against Mortgagor or the Premises and not removed by payment or bond within thirty (30) days from date of recording.

b. Mortgagor's initiating, joining in or consenting to any change in any private restrictive covenant, zoning ordinance or other public or private restrictions limiting or defining the uses which may be made of the Premises or any part thereof without prior written consent of Mortgagee.

c. Any breach of any covenant, warranty or material untruth of any representation of Mortgagor contained in the Note, this Mortgage, the Loan Agreement, the Commitment Letter, or any other instrument securing the Note.

d. Mortgagor permitting any voluntary security liens or security interests, to be created and remain outstanding upon any of the Premises for forty-five (45) days or more.

e. Any claim of priority to this Mortgage by title, lien or otherwise is asserted in any legal, administrative or equitable proceeding which remains undischarged for more than forty-five (45) days.

f. Sale or transfer of all or any part of the Premises, or any interest therein.

g. Any other Event of Default by Mortgagor under the Loan Agreement.

9. If any of said sums of money due under the Note not be promptly and fully paid when the same severally become due and payable, or if each and every the stipulations, agreements, conditions and covenants of the Note, the Loan Agreement, this Mortgage or any of them, are not duly performed, complied with and abided by, including but not limited to the defaults set forth in paragraph 8 above, the said aggregate sum mentioned in the Note then remaining unpaid shall become due and payable forthwith or thereafter at the option of Mortgagee as fully and completely as if the said aggregate sum then outstanding was originally stipulated to be paid on such day, anything in the Note or herein to the contrary notwithstanding.

10. Mortgagee may, at any time while a suit is pending to foreclose or to reform this Mortgage or to enforce any claims arising hereunder, apply to the court having jurisdiction thereof for the appointment of a receiver, and such court shall forthwith appoint a receiver of the Premises and all other property covered hereby, including all and singular the income, profits, rents, issues and revenues from whatever source derived, and such receiver shall have all the broad and effective functions and powers in anywise entrusted by a court to a receiver and such appointment shall be made by such court as an admitted equity and a matter of absolute right to Mortgagee, and without reference to the adequacy or inadequacy of the value of the Premises mortgaged or to the solvency or insolvency of Mortgagor or the defendants, and such income, profits, rents, issues and revenues shall be applied by such receiver according to the lien of this Mortgage and the practice of such court.

11. Failure by Mortgagee to exercise any of the rights or options herein provided shall not constitute a waiver of any rights or options under the Note or this Mortgage accrued or thereafter accruing.

12. This Mortgage shall secure not only the existing indebtedness above-described, but such future advances (which shall be optional with Mortgagee and of such interest rates, maturities, amounts and in such form as Mortgagee may require) as may be made by Mortgagee in its sole discretion to Mortgagor, Mortgagor's nominee, or Mortgagor's successors in title, within twenty (20) years from date hereof and prior to the release or satisfaction of this Mortgage, to the same extent as if such future advances were made upon the execution and delivery hereof, although there may be no indebtedness outstanding at the time any advance is made. The total amount of indebtedness may decrease or increase from time to time, provided the total unpaid balance so secured at any one time may not exceed *TEN MILLION and 00/100 DOLLARS (\$10,000,000.00)* plus interest thereon, and any disbursements made for payment of taxes, levies or insurance on the Premises hereby encumbered, with interest on such disbursements.

13. In the event of foreclosure of this Mortgage or a transfer of title to the Premises in lieu of foreclosure, all right, title and interest of Mortgagor in and to the Equipment, any insurance policies then in force, and all deposits and all advance payment for utility service of any kind or nature, heretofore or hereafter deposited by Mortgagor for such utility service in connection with the operation of the Premises, will pass to the purchaser or grantee.

14. To the extent permitted by law, Mortgagor on its own behalf and on behalf of its successors and assigns, hereby expressly waives all rights to require a marshalling of assets by Mortgagee or to require Mortgagee, upon a foreclosure, to first resort to the sale of any portion of the Premises which might have been retained by Mortgagor before foreclosing upon and selling any other portion as may be conveyed by Mortgagor subject to this Mortgage.

15. Mortgagor agrees that it shall not have the authority to sell, grant options to purchase, convey or otherwise transfer any interest in the Premises, or to grant any subordinate mortgages or encumbrances thereon, without the prior written consent of Mortgagee, and if Mortgagor shall sell, grant options to purchase, convey or transfer or encumber any interest in all or any part of the Premises, or furnish any notice of limitation of future advance under this Mortgage, then same shall constitute a default hereunder and Mortgagee may, at its option, accelerate all sums due hereunder to full and immediate maturity.

16. Mortgagor covenants and agrees that Mortgagee may obtain an appraisal of the Premises when required by the regulations of the Federal Reserve Board or the Office of the Comptroller of the Currency, State Department of Finance, Division of Banking, or other regulatory agency, or upon default by Mortgagor under this Mortgage or the Loan Agreement, whether or not Mortgagee elects to accelerate the indebtedness

secured hereunder. Such appraisals shall be performed by an independent third party appraiser selected by Mortgagee. The cost of such appraisal shall be borne by Mortgagor. If requested by Mortgagee, Mortgagor shall execute an engagement letter addressed to the appraiser selected by Mortgagee. Mortgagor's failure or refusal to sign such an engagement letter however shall not impair Mortgagee's right to obtain such an appraisal. Mortgagor agrees to pay the cost of such appraisal within ten (10) days after receiving an invoice for such appraisal and such cost shall be secured by the lien of this Mortgage.

17. This Mortgage will be governed by and interpreted in accordance with federal law and the laws of the Commonwealth of Pennsylvania. If any provision of this Mortgage or any other Loan Document or the application thereof shall, for any reason and to any extent, be invalid or unenforceable, neither the remainder of the instrument in which such provision is contained, nor the application of the provision to other persons, entities or circumstances, nor any other instrument referred to hereinabove shall be affected thereby, but instead shall be enforced to the maximum extent permitted by law.

18. As used in this Mortgage and all Loan Documents, attorneys' fees shall include, but not be limited to, fees of attorneys, paralegal staff and legal assistants incurred in all matters of collection and enforcement, construction and interpretation, before, during and after suit, including trial proceedings and appeals, as well as appearances in connection with bankruptcy proceedings, or creditors' reorganization or arrangement proceedings.

19. This instrument also serves as a Security Agreement and creates a security interest in favor of Mortgagee under the Pennsylvania Uniform Commercial Code (UCC) with respect to all of the Premises to which the UCC is applicable. This Mortgage shall be effective as a financing statement filed as a fixture filing with respect to all fixtures included within the Premises and is to be filed of record in the real estate records of the County in which the real estate described in Exhibit "A" is located. Mortgagor is the "debtor" and Mortgagee is the "secured party". The mailing address of Mortgagor is the mailing address of Mortgagor for notice purposes as provided herein and the address of Mortgagee from which information regarding the security interests hereunder may be obtained is the address of Mortgagee for notice purposes as provided herein. The collateral covered by the financing statement includes without limitation all fixtures (as defined under the UCC) included within the real estate described in Exhibit "A" attached hereto and incorporated herein. Mortgagee shall have all rights, privileges and remedies, including notice, of a secured party under the UCC, without limitation upon or in derogation of the rights and remedies created under and accorded Mortgagee by this Mortgage, it being understood that the rights and remedies of Mortgagee under the UCC shall be cumulative and in addition to all other rights and remedies of Mortgagee arising under the common law or any other laws of the Commonwealth of Pennsylvania or of any other jurisdiction. On demand Mortgagor shall promptly pay all costs and expenses of filing statements, continuation statements, partial releases, and termination statements deemed necessary or appropriate by Mortgagee to establish and maintain the validity and priority of the security interest of Mortgagee. If notice is required under the Mortgage and the UCC, then such requirement of notice shall be reasonably met, if such notice is mailed postage prepaid to Mortgagor at the address for Mortgagor shown on the records of Mortgagee at least five days in advance of the sale, or disposition, or other event for which notice is required.

20. Time is of the essence hereof. The term "Note" shall include all notes described herein and all other notes which this Mortgage may secure. "Mortgagor" and "Mortgagee" shall include the singular or the plural, and the masculine shall include the feminine or the neuter, as the context requires.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed or caused these presents to be executed the day and year first above written.

Signed, sealed and delivered in the presence of:

MORTGAGOR:

INNOVATIVE FOOD PROPERTIES, LLC,
a Delaware limited liability company

By: _____
Derrick Ayers, Controller

Witness #1 Signature

Witness #1 Printed Name

Witness #2 Signature

Witness #2 Printed Name

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____, 2019 by Derrick Ayers, as Controller of INNOVATIVE FOOD PROPERTIES, LLC, a Delaware limited liability company, on behalf of the company.

(Signature of Notary Public)

(Print, Type, or Stamp Commissioned Name of Notary Public)

Personally Known or Produced Identification

Type of Identification Produced _____

CERTIFICATE OF RESIDENCE

I hereby certify that the principal place of business of the Mortgagee is 999 Vanderbilt Beach Road, Naples, Florida 34108.

On behalf of Mortgagee

Exhibit "A"

ALL that certain piece or parcel of land situate in the Township of Wright, County of Luzerne and Commonwealth of Pennsylvania, bounded and described as follows:

BEGINNING at a point in the Easterly right of way line of Oak Hill Road, a County Road, at its point of intersection with the Southwesterly sideline of a 150 foot wide right of way of the Pennsylvania Power and Light Company, said point being also the most Northwesterly corner of lands of Dana Perfumes Corporation; thence along the Easterly and then Southerly right of way line of Oak Hill Road by the following 2 lines: 1. By a curve to the right having a radius of 552.65 feet, an arc length of 664.18 feet, and a chord bearing distance of North 42° 58' 15" East, 624.92 feet to a point; 2. Thence North 77° 24' East 387.85 feet to a set iron pin corner in the Westerly sideline of lands conveyed by the Greater Wilkes-Barre Industrial Fund, Inc., to Pennsylvania Power and Light Company by deed dated July 9, 1954, and recorded in Luzerne County Deed Book 1242, page 133; thence along said lands South 1° 54' East 1,029.21 feet to a set iron pin corner in the Northeasterly sideline of the 150 foot wide right of way of the Pennsylvania Power and Light Company; thence along the Northeasterly sideline of said right of way South 50° 58' East 264.75 feet to a point, said point being the Southeasterly corner of the aforesaid lands conveyed to Pennsylvania Power and Light Company; thence crossing said 150 foot wide right of way South 1° 54' East 198.55 feet to a point in the Southwesterly sideline of said 150 foot wide right of way of the Pennsylvania Power and Light Company, said point being also the Northeasterly corner of lands of Dana Perfumes Corporation; thence along the Northeasterly line of land of Dana Perfumes Corporation and the Southwesterly sideline of said 150 feet wide right of way North 50° 58' West 1,352.80 feet to the point of BEGINNING.

Being Tax Parcel No. 64M900A05D000.

CONTAINING fifteen and twelve one-thousandths (15.012) acres of land more or less, and being part of the Casper Engler Warrant.

SUBJECT, however, to the one hundred fifty (150) foot wide electric line right of way located along the Southwesterly line of the herein described parcel, said right of way having been granted to Pennsylvania Power and Light Company by Scranton-Spring Brook Water Service Company by an unrecorded instrument dated June 1, 1958.

SUBJECT, however, to a twenty (20) foot wide right of way for sanitary sewer purposes crossing the herein described parcel, as granted by the Greater Wilkes-Barre Industrial Fund, Inc., to the Mountaintop Area Joint Sanitary Authority by Agreement dated September 3, 1976, and recorded in Luzerne County Deed Book 1935 at page 619.

Certifications

I, Sam Klepfish, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Innovative Food Holdings, 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 controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control 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: November 14, 2019

/s/ Sam Klepfish
Sam Klepfish, Chief Executive Officer

Certifications

I, John McDonald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Innovative Food Holdings, 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 controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control 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: November 14, 2019

/s/ John McDonald

John McDonald, Principle Accounting Officer

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

In connection with the Quarterly Report of Innovative Food Holdings, Inc. and Subsidiaries (the "Company") on Form 10-Q for the period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sam Klepfish, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my 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 result of operations of the Company.

/s/ Sam Klepfish
Sam Klepfish
Chief Executive Officer and Director

November 14, 2019

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

In connection with the Quarterly Report of Innovative Food Holdings, Inc. and Subsidiaries (the "Company") on Form 10-Q for the period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John McDonald, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my 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 result of operations of the Company.

/s/ John McDonald
John McDonald
Principal Accounting Officer

November 14, 2019