

INNOVATIVE FOOD HOLDINGS INC
Form 10-Q
May 15, 2018

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 March 31, 2018

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 20-1167761
(State or Other Jurisdiction of Incorporation or Organization) (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)

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 and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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:
36,296,218 shares of common stock issued and 33,805,106 shares of common stock outstanding as of May 9, 2018.

INNOVATIVE FOOD HOLDINGS, INC.
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PART I. FINANCIAL INFORMATION

ITEM 1 - CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Innovative Food Holdings, Inc.
Condensed Consolidated Balance Sheets

	March 31, 2018	December 31, 2017
ASSETS	(unaudited)	
Current assets		
Cash and cash equivalents	\$4,680,814	\$5,133,435
Accounts receivable, net	2,633,244	2,042,505
Inventory	1,416,984	937,962
Notes receivable	-	325,500
Other current assets	208,046	86,730
Total current assets	8,939,088	8,526,132
Property and equipment, net	1,991,308	1,955,250
Investments	251,525	201,525
Intangible assets, net	4,347,662	1,336,916
Total assets	\$15,529,583	\$12,019,823
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$2,888,669	\$1,836,559
Accrued interest	22,955	15,860
Notes payable - current portion, net of discount	1,395,340	346,855
Contingent liability - current portion	792,900	200,000
Total current liabilities	5,099,864	2,399,274
Contingent liability - long-term	394,900	200,000
Note payable - long term portion, net of discount	1,154,945	866,010
Total liabilities	6,649,709	3,465,284
Stockholders' equity		
Common stock: \$0.0001 par value; 500,000,000 shares authorized; 36,296,218 and 36,080,519 shares issued, and 33,805,348 and 33,589,407 shares outstanding at March 31, 2018 and December 31, 2017, respectively	3,627	3,605
Additional paid-in capital	36,073,447	36,196,682
Treasury stock: 2,276,703 shares outstanding at March 31, 2018 and December 31, 2017	(992,313)	(992,313)
Accumulated deficit	(26,204,887)	(26,653,435)
Total stockholders' equity	8,879,874	8,554,539
Total liabilities and stockholders' equity	\$15,529,583	\$12,019,823

See notes to these unaudited condensed consolidated financial statements.

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

	For the Three Months Ended March 31, 2018	For the Three Months Ended March 31, 2017
Revenue	\$ 10,916,544	\$ 9,485,164
Cost of goods sold	7,437,431	6,434,232
Gross margin	3,479,113	3,050,932
Selling, general and administrative expenses	3,003,817	2,200,096
Total operating expenses	3,003,817	2,200,096
Operating income	475,296	850,836
Other expense:		
Interest expense, net	26,748	116,199
Total other expense	26,748	116,199
Net income before taxes	448,548	734,637
Income tax expense	-	-
Net income	\$ 448,548	\$ 734,637
Net income per share - basic	\$ 0.013	\$ 0.029
Net income per share - diluted	\$ 0.013	\$ 0.026
Weighted average shares outstanding - basic	33,710,609	25,707,164
Weighted average shares outstanding - diluted	33,725,720	31,854,060

See notes to these unaudited condensed consolidated financial statements.

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

	For the Three Months Ended March 31, 2018	For the Three Months Ended March 31, 2017
Cash flows from operating activities:		
Net income	\$448,548	\$734,637
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	238,413	130,407
Stock based compensation	8,787	160,896
Amortization of discount on notes payable	-	92,509
Changes in assets and liabilities:		
Accounts receivable, net	(246,231)	(355,646)
Inventory and other current assets	(334,920)	(33,403)
Accounts payable and accrued liabilities	755,799	(1,097,421)
Net cash provided by (used in) operating activities	870,396	(368,021)
Cash flows from investing activities:		
Cash related to the iGourmet asset acquisition	(2,409,437)	-
Acquisition of property and equipment	(69,000)	-
Cash paid in the acquisition of Oasis	-	(300,000)
Investments in food related companies	(50,000)	-
Net cash used in investing activities	(2,528,437)	(300,000)
Cash flows from financing activities:		
Purchase of stock options from officers, directors, and employees	(167,000)	(34,925)
Cash received from exercise of warrants	35,000	68,697
Purchase of treasury stock	-	(18,592)
Borrowings on term loan	1,500,000	-
Principal payments on debt	(160,186)	(246,008)
Principal payments capital leases	(2,394)	(2,281)
Net cash provided by (used in) financing activities	1,205,420	(233,109)
Decrease in cash and cash equivalents	(452,621)	(901,130)
Cash and cash equivalents at beginning of period	5,133,435	3,764,053
Cash and cash equivalents at end of period	\$4,680,814	\$2,862,923
Supplemental disclosure of cash flow information:		

Cash paid during the period for:

Interest	\$22,834	\$96,318
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Taxes	\$-	\$-
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Non-cash investing and financing activities:

Common stock issued for conversion of note payable by related party	\$-	\$164,650
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Note payable issued for acquisition	\$-	\$100,000
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See notes to these unaudited condensed consolidated financial statements.

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INNOVATIVE FOOD HOLDINGS, INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

(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”), Gourmeting, Inc. (“Gourmeting”), The Haley Group, Inc. (“Haley”), Oasis (“Oasis”), 4 The Gourmet, Inc. (d/b/a For The Gourmet, Inc.), (“Gourmet”); Innovative Gourmet, LLC (“Innovative Gourmet”); and Food Funding, LLC (“Food Funding” 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, 2017. 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 months ended March 31, 2018 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, GFGW, Gourmeting, Haley, Oasis, For the Gourmet, Innovative Gourmet, and Food Funding. Overall, our business activities are focused around the 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. Since its incorporation, the Company, primarily through FII’s relationship with US Foods, Inc. (“U.S. Foods” or “USF”), has been in the business of providing premium restaurants and other foodservice establishments, 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 to e-commerce consumers, through its own website at www.forethegourmet.com and through www.amazon.com, with unique specialty gourmet food products shipped directly from our network of vendors and from our warehouses within 24 – 72 hours. GFG is focused on expanding the Company’s program offerings to additional customers. 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.

Artisan is a supplier of over 1,500 niche gourmet products to over 500 customers in the Greater Chicago area. Haley is a dedicated foodservice consulting and advisory firm that works closely with companies to access private label and manufacturers' label food service opportunities with the intent of helping them launch and commercialize new products in the foodservice industry. OFB and Oasis are outsourced national sales and brand management teams for emerging organic and specialty food CPG companies of a variety of sizes and business stages, and assists emerging CPG specialty food brands distribution and shelf placement access in key major metro markets in the retail food industry. FNM provides value-added, synergistic, seed and early stage capital to food related businesses including foodtech, foodservice products, and CPG companies. Through its temperature controlled warehouse, Gourmet Foodservice Warehouse fulfills specialty food product orders for the Company's wholesale and direct to consumer customers. Innovative Gourmet is engaged in the warehousing, 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. Food Funding is involved in the financing of food related businesses.

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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. These estimates include certain assumptions related to doubtful accounts receivable, stock-based services, valuation of financial instruments, and income taxes. On an on-going basis, we evaluate these estimates, including those related to revenue recognition and concentration of credit risk. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of Innovative Food Holdings, Inc., and its wholly owned operating subsidiaries, Artisan, FII, FNM, OFB, GFG, GFGW, Gourmeting, Haley, Oasis, For the Gourmet, Innovative Gourmet, and Food Funding. 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 March 31, 2018 and December 31, 2017, trade receivables from the Company's largest customer amounted to 44% and 48%, respectively, of total trade receivables.

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.

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 income (loss) per share is based on the weighted average number of shares outstanding during the period, while fully-diluted net income (loss) 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.

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Dilutive shares at March 31, 2018:

There were no convertible notes or warrants outstanding on March 31, 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:

Exercise Price	Number of Options	Weighted Average Remaining Contractual Life (years)
\$ 1.04	200,000	2.59
\$ 1.31	150,000	0.50
\$ 1.38	100,000	1.67
\$ 1.42	100,000	0.22
\$ 1.43	50,000	0.75
\$ 1.46	100,000	0.25
\$ 1.70	75,000	0.04
\$ 1.90	175,000	1.23
\$ 2.00	50,000	0.04
\$ 2.40	20,000	0.17
\$ 2.50	37,500	0.04
\$ 3.40	30,000	0.17
\$ 3.50	37,500	0.04
	1,125,000	0.96

Dilutive shares at March 31, 2017:

Convertible notes and interest

At March 31, 2017, the Company had outstanding convertible notes payable in the aggregate principal amount of \$647,565 with accrued interest of \$629,909 convertible at the rate of \$0.25 per share into an aggregate of 5,109,896 shares of common stock.

Warrants

At March 31, 2017, the Company had outstanding warrants for holders to purchase the following additional shares: 2,294,491 shares at a price of \$0.575 per share; 448,010 shares at a price of \$0.55 per share; and 700,000 shares at a price of \$0.01 per share.

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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:

Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life (years)
\$ 0.35	1,170,000	0.41
\$ 0.57	275,000	0.86
\$ 1.31	150,000	1.42
\$ 1.42	100,000	1.22
\$ 1.43	50,000	1.75
\$ 1.46	100,000	1.25
\$ 1.60	310,000	0.75
\$ 1.70	75,000	1.04
\$ 1.90	190,000	2.10
\$ 2.00	50,000	1.04
\$ 2.40	20,000	1.17
\$ 2.50	37,500	1.04
\$ 3.40	30,000	1.17
\$ 3.50	37,500	1.04
	2,545,000	0.84

RSUs

During the three months ended March 31, 2017, the Company cancelled all outstanding restricted stock units ("RSUs") and replaced them with common stock or restricted stock units; see note 16. At March 31, 2017, there are no RSUs outstanding.

Restricted Stock Awards

During the three months ended March 31, 2017, the Company cancelled unvested RSUs representing 1,370,000 shares of common stock and replaced them with restricted stock awards also representing 1,370,000 shares of common stock. The restricted stock awards will vest over the same vesting period and under the same terms as the RSUs they replaced. During the three months ended March 31, 2017, the Company recognized expense of \$120,104 for the vesting of restricted stock awards, the same amount of expense that would have been recognized had the RSUs not been replaced by the restricted stock awards.

Significant Recent Accounting Pronouncements

In May 2017, the FASB issued ASU No. 2017-09, Stock Compensation - Scope of Modification Accounting, which provides guidance on which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The ASU requires that an entity account for the effects of a modification unless the fair value (or calculated value or intrinsic value, if used), vesting conditions and classification (as equity or liability) of the modified award are all the same as for the original award immediately before the modification. The ASU became effective for the Company on January 1, 2018, and was applied prospectively to an award modified on or after

the adoption date. The Company does not expect that the implementation of this standard will have a material effect on results of operations.

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.

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In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), to clarify the principles of recognizing revenue and create common revenue recognition guidance between U.S. GAAP and International Financial Reporting Standards. Under ASU 2014-09, revenue is recognized when a customer obtains control of promised goods or services and is recognized at an amount that reflects the consideration expected to be received in exchange for such goods or services. In addition, ASU 2014-09 requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The ASU is effective for fiscal years beginning after December 15, 2017. The new revenue standard is principle based and interpretation of those principles may vary from company to company based on their unique circumstances. It is possible that interpretation, industry practice, and guidance may evolve as companies and the accounting profession work to implement this new standard. The Company does not expect that the implementation of this standard will have a material effect on our results of operations.

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. ACQUISITION

iGourmet, LLC

The iGourmet Asset Purchase Agreement effective January 23, 2018 (the “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.

The consideration for and in connection with the 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 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 \$3,800,000 million 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 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. See note 15.

In connection with the 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 APA as disclosed in (i) above.

The acquisition date estimated fair value of the consideration transferred totaled \$4,151,243, which consisted of the following:

Initial purchase price	\$ 1,500,000
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Cash payable in connection with transaction	1,863,443
Contingent liabilities	787,800
Total purchase price	\$4,151,243

Tangible assets acquired	\$951,351
Intangible asseets acquired	2,970,600
Goodwill acquired	229,292
Total purchase price	\$4,151,243

The above estimated fair value of the intangible assets is based on a preliminary purchase price allocation prepared by management and is subject to adjustment as a more detailed analysis by a third party valuation expert is completed.

As a result, during the preliminary purchase price allocation period, which may be up to one year from the business combination date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. After the preliminary purchase price allocation period, we record adjustments to assets acquired or liabilities assumed subsequent to the purchase price allocation period in our operating results in the period in which the adjustments were determined.

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Pro forma results

The following table sets forth the unaudited pro forma results of the Company as if the APA was effective on the first day of the March 31, 2018 and 2017 three months periods presented. These combined results are not necessarily indicative of the results that may have been achieved had the companies always been combined.

	Three months ended March 31,	
	2018	2017
	(unaudited)	(unaudited)
Revenues	\$11,293,194	\$10,835,495
Net Income	\$337,227	\$624,994
Basic net income per share	\$0.010	\$0.024
Diluted net income per share	\$0.010	\$0.021
Weighted average shares - basic	33,925,018	25,707,164
Weighted average shares - diluted	34,056,070	31,854,060

Oasis Sales and Marketing, LLC

Pursuant to the Oasis Asset Purchase Agreement, effective January 1, 2017, the Company, through its wholly-owned subsidiary, Oasis Sales Corp., purchased certain assets of Oasis Sales and Marketing, L.L.C., a California limited liability company. The purchase price consisted of \$300,000 cash; a two-year promissory note in the amount of \$100,000, and a structured equity instrument (the “SEI”) in the amount of \$200,000. In addition, the Company is contingently liable for certain performance-based payments over the twenty-four months following the acquisition date up to a maximum of \$400,000 (“Earnout Payments”). The amount of \$400,000 was carried as a current liability on the Company’s balance sheet at March 31, 2018.

The SEI was payable in cash or shares of the Company’s stock at the Company’s option, at any time, or is automatically payable via the issuance of 200,000 shares of the Company’s stock if the Company’s shares close above \$1.00 for ten consecutive days. This requirement was met on November 28, 2017, and on that date the \$200,000 SEI liability was converted to 200,000 shares of common stock.

The Company believes it is likely that the Earnout Payments will be made, and accordingly has recorded the entire amount of \$400,000 as a contingent liability on its balance sheet as of the acquisition date. The amount of \$800,000 was allocated to customer lists, an intangible asset with a useful life of 60 months; and the amount of \$200,000 was allocated to a non-compete agreement, an intangible asset with a useful life of 48 months. A total of \$52,500 was amortized to operations during the three months ended March 31, 2018 and 2017.

4. ACCOUNTS RECEIVABLE

At March 31, 2018 and December 31, 2017, accounts receivable consists of:

	March 31, 2018	December 31, 2017
Accounts receivable from customers	\$2,678,111	\$2,105,772
Allowance for doubtful accounts	(44,867)	(63,267)
Accounts receivable, net	\$2,633,244	\$2,042,505

5. INVENTORY

Inventory consists primarily of specialty food products. At March 31, 2018 and December 31, 2017, inventory consisted of the following:

	March 31, 2018	December 31, 2017
Finished Goods Inventory	\$ 1,416,984	\$ 937,962

Table of Contents**6. PROPERTY AND EQUIPMENT**

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. 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 for the Company's Artisan subsidiary. During the twelve months ended December 31, 2015, the Company paid a total of \$474,301 for various building improvements, furniture, fixtures, and equipment related to this property. Depreciation on the building and the related improvements, furniture, fixtures, and equipment began when Artisan occupied the facility in October, 2015.

A summary of property and equipment at March 31, 2018 and December 31, 2017, was as follows:

	March 31, 2018	December 31, 2017
Land	\$385,523	\$385,523
Building	1,326,165	1,326,165
Computer and Office Equipment	504,916	497,189
Warehouse Equipment	234,478	226,953
Furniture, Fixtures	542,572	453,572
Vehicles	41,137	40,064
Total before accumulated depreciation	3,034,791	2,949,466
Less: accumulated depreciation	(1,043,483)	(994,216)
Total	\$1,991,308	\$1,955,250

Depreciation and amortization expense for property and equipment amounted to \$49,267 and \$27,340 for the three months ended March 31, 2018 and 2017, respectively.

7. 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 March 31, 2018, the Company has investments in three food related companies in the aggregate amount of \$251,525. The Company records these investments under the cost method. The Company does not have significant influence over the operations of the companies it invests in.

8. INTANGIBLE ASSETS

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

	March 31, 2018		
	Gross	Accumulated Amortization	Net
Trade Name	\$1,272,400	\$ -	\$1,272,400
Non-Compete Agreement	505,900	(320,500)	185,400
Customer Relationships	2,995,694	(1,248,437)	1,747,257
Internally Developed Technology	788,600	(26,287)	762,313
Goodwill	380,292	-	380,292
Total	\$5,942,886	\$(1,595,224)	\$4,347,662

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	December 31, 2017		
	Gross	Accumulated Amortization	Net
Trade Name	\$217,000	\$-	\$217,000
Non-Compete Agreement	444,000	(294,000)	150,000
Customer Relationships	1,930,994	(1,112,078)	818,916
Goodwill	151,000	-	151,000
Total	\$2,742,994	\$(1,406,078)	\$1,336,916

Total amortization expense for the three months ended March 31, 2018 and 2017 was \$189,146 and \$103,067, respectively.

The trade names are not considered finite-lived assets, and are not being amortized. The non-compete agreements are being amortized over a period of 48 months. The customer relationships acquired in the Artisan, Haley, Oasis, OFB, and Innovative Gourmet transactions are being amortized over periods ranging from 24 to 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 2017 determined that there was no impairment to goodwill assets.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at March 31, 2018 and December 31, 2017 are as follows:

	March 31, 2018	December 31, 2017
Trade payables	\$2,678,580	\$1,652,681
Accrued payroll and commissions	210,089	183,878
Total	\$2,888,669	\$1,836,559

10. ACCRUED INTEREST

At March 31, 2018, accrued interest on notes outstanding was \$22,955. During the three months ended March 31, 2018 and 2017, the Company paid cash for interest in the aggregate amount of \$22,834 and \$22,029, respectively.

At December 31, 2017, accrued interest on a note outstanding was \$15,860. During the twelve months ended December 31, 2017, the Company paid cash for interest in the aggregate amount of \$74,178.

11. REVOLVING CREDIT FACILITIES

March	December
31,	31,
2018	2017

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. There was no activity on this credit facility during the three months ended March 31, 2018.

\$	-	\$	-
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Total

\$	-	\$	-
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12. NOTES PAYABLE AND NOTES PAYABLE TO RELATED PARTIES

	March 31, 2018	December 31, 2017
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 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 three months ended March 31, 2018, the Company made principal and interest payments on this loan in the amounts of \$114,033 and \$829, respectively.	\$-	\$ 114,033
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 and interest at the rate of Libor plus 3% are due monthly. The balance of the principal amount was originally due February 28, 2018. Effective February 26, 2018, this note was renewed in the principal balance of \$273,000 and will be due on February 28, 2023. During the three months ended March 31, 2018, the Company made payments of principal and interest on this note in the amounts of \$9,100 and \$2,192, respectively.	273,000	282,100
Secured mortgage note payable for the acquisition of land and building in Broadview, Illinois in the amount of \$980,000. Payments of \$8,167 including principal and 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 March 31, 2018, the Company made payments of principal and interest on this note in the amounts of \$24,500 and \$7,934, respectively.	702,333	726,833
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 March 28, 2019. During the three months ended March 31, 2018, the Company made principal and interest payments on this loan in the amounts of \$0 and \$11,375, respectively. Additional interest expense in the amount of \$7,005 was accrued during the three months ended March 31, 2018, and was paid, along with the first principal payment in the amount of \$83,333, on April 19, 2018.	1,500,000	-
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 months ended March 31, 2018, the Company accrued interest in the amount of \$93 on this note.	20,000	20,000

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	March 31, 2018	December 31, 2017
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 March 31, 2018, the Company made principal payments on this note in the amount of \$12,557 and \$334, respectively.	42,497	55,054
Capital lease obligations under a lease agreement for a forklift payable in thirty-six monthly installments of \$274 including interest at the rate of 4.46%. During the three months ended March 31, 2018, the Company made principal payments in the amount of \$795 and interest payments in the amount of \$270 on this lease obligation.	1,890	2,685
Capital lease obligations 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 March 31, 2018, the Company made principal payments in the amount of \$1,595 and interest payments in the amount of \$140 on this lease obligation.	10,565	12,160
Total	\$2,550,285	\$1,212,865
Current maturities	\$1,395,340	\$346,855
Long-term portion	1,154,945	866,010
Total	\$2,550,285	\$1,212,865

Aggregate maturities of long-term notes payable as of March 31, 2018 are as follows:

For the period ended March 31,

2019	\$1,395,340
2020	489,363
2021	560,933
2022	54,600
2023	50,049
Total	\$2,550,285

13. RELATED PARTY TRANSACTIONS

For the three months ended March 31, 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 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.

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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.

For the three months ended March 31, 2017:

The Company cancelled RSUs held by its Chief Executive Officer representing 1,382,540 shares of common stock, of which 700,000 were unvested and 682,540 were vested. In place of the 682,540 vested cancelled RSUs, the Company issued a net amount of 586,586 shares of common stock. The remaining 95,954 shares of the 682,540 cancelled vested RSUs were not issued and instead the cash value of those shares was held back by the Company to pay certain taxes related to the issuance. In addition, the 700,000 unvested RSUs were replaced with restricted stock awards under the same terms and conditions as the 700,000 RSUs. See note 16.

The Company cancelled RSUs held by its President representing 1,724,532 shares of common stock, of which 490,000 were unvested and 1,234,532 were vested. In place of the 1,234,532 vested cancelled RSUs, the Company issued a net amount of 928,027 shares of common stock. The remaining 306,505 shares of the 1,234,532 cancelled vested RSUs were not issued and instead the cash value of those shares was held back by the Company to pay certain taxes related to the issuance. In addition, the 490,000 unvested RSUs were replaced with restricted stock awards under the same terms and conditions as the 490,000 RSUs. See note 16.

The Company cancelled RSUs held by its two of its Directors representing 545,000 shares of common stock, of which 180,000 were unvested and 365,000 were vested. In place of the 365,000 vested cancelled RSUs, the Company issued 365,000 shares of common stock. In addition, the 180,000 unvested RSUs were replaced with restricted stock awards under the same terms and conditions as the 180,000 RSUs. See note 16.

The Company's Chief Executive Officer converted a note payable in the amount of \$164,650 into 658,600 shares of common stock.

The Company acquired options to purchase 100,000 shares of the Company's common stock from its President for \$9,000 cash, which was the difference between the exercise price of the options and the market price of the stock on the date of purchase.

The Company acquired options to purchase 140,000 shares of the Company's common stock from its President for \$13,400 cash, which was the difference between the exercise price of the options and the market price of the stock on the date of purchase.

The Company acquired options to purchase 87,500 shares of the Company's common stock from its Principal Accounting Officer for \$8,125 cash, which was the difference between the exercise price of the options and the market price of the stock on the date of purchase.

14. COMMITMENTS AND CONTINGENT LIABILITIES

Contingent Liability

Pursuant to the Oasis acquisition, the Company is contingently liable for certain performance-based payments over the twenty-four months following the acquisition date. The Company believes it is likely that these payments will be made, and accordingly recorded the entire amount of \$400,000 as a contingent liability on its balance sheet at

acquisition. This amount is classified as a current liability at March 31, 2018; \$200,000 is classified as a current liability and \$200,000 is classified as a non-current liability at December 31, 2017.

Pursuant to the iGourmet Asset Purchase Acquisition, The Company has also recorded contingent liabilities in the amount of \$787,800. \$392,900 is classified as a current contingent liability and \$394,900 is classified as a non-current contingent liability at March 31, 2018. 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.

Litigation

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.

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PNC Bank, N.A. v. The Fresh Diet, Inc., et al. / Scher Zalman Duchman et al. v. Innovative Food Holdings, Inc., et al., Case No. 17-cv-21027-KMM, United States District Court, Southern District of Florida

On July 7, 2017, Scher Zalman Duchman and Deborah L. Duchman (collectively, “Duchmans”) filed an amended complaint in the United States District Court for the Southern District of Florida seeking approximately \$1 million in damages against Innovative Food Holdings, Inc., FD Acquisition Corp., and Sam Klepfish, IVFH’s CEO. The Duchmans, among other things, allege that defendants owed but did not fulfil a fiduciary duty to the Duchmans to minimize the Duchmans’ own personal guarantees and personal obligations related to loans and other obligations incurred by a former subsidiary of IVFH, and additionally attempted to invalidate contracts with IVFH. By Order dated March 22, 2018, the following causes of action were dismissed without prejudice: Count I, Breach of Fiduciary Duty; Count III, Unjust Enrichment; Count IV, Unjust Enrichment; and Count IX, Fraud in the Inducement. The Court further ordered Count XI, Punitive Damages, stricken from the Complaint and that all claims against Third Party Defendant FD Acquisition Corp. dismissed with prejudice. The plaintiffs nevertheless reasserted the dismissed claims. IVFH served requests and produced discovery. IVFH filed a motion for summary judgment as to all counts, and served an answer and counterclaims. IVFH believes that this lawsuit was without merit, that defendants bear no liability for the claims asserted, and that the lawsuit was an attempt by the Duchmans to drag IVFH into the Duchmans’ personal financial matters which are unrelated to IVFH. IVFH vigorously defended against this lawsuit. On May 9, 2018, the parties reached a confidential settlement agreement and dismissal of all counts on terms favorable to IVFH. The court accepted the parties notice of settlement, dismissed the claims, retained jurisdiction to enforce the settlement, and closed the case.

YS Catering Holdings, Inc., et al. vs. Attollo Partners LLC, et al., Case No. 2017-007504-CA-01, Eleventh Judicial Circuit in and for Miami-Dade County, Florida

On March 26, 2018, YS Catering Holdings, Inc. (“YS”) and its controlling stakeholder, Scher Zalman Duchman, filed suit against IVFH. YS alleges claims against IVFH that are almost identical to ones pending in the PNC Bank vs. Fresh Diet, et al. federal court litigation (Case No. 17-cv-21027-KMM) in what IVFH believes is an improper attempt at forum shopping. In addition, YS seeks injunctive relief with respect to the removal of certain trading restrictions and other restrictions on its restricted shares. IVFH moved to stay the case pending the outcome of the federal court litigation involving YS’s principal Zalmi Duchman. IVFH vigorously defend against this lawsuit. On May 9, 2018, the parties reached a confidential settlement agreement and dismissal of all counts on terms favorable to IVFH. The parties have filed a notice of settlement and stipulation of dismissal.

15. EQUITY

Common Stock

At March 31, 2018 and December 31, 2017, a total of 2,491,112 shares are deemed issued but not outstanding by the Company. These include 2,276,703 shares of treasury stock.

Three months ended March 31, 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 in the amount of \$8,787 during the three month ended March 31, 2018.

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Three months ended March 31, 2017:

The Company issued 274,783 shares of common stock for cash of \$68,697 pursuant to the exercise of warrants.

The Company charged the amount of \$120,104 to additional paid-in capital representing the vesting of restricted stock awards issued to officers.

The Company issued 658,600 shares of common stock to its Chief Executive Officer for conversion of a note payable in the amount of \$164,650.

The Company issued a net amount of 2,410,392 shares of common stock (net of 623,813 shares held back by the Company to pay certain taxes owed related to the issuance) to employees, officers, and directors in satisfaction of the following obligations: vested RSUs representing 2,533,246 shares of common stock, and bonus shares and shares previously accrued representing 500,959 shares of common stock. The Company charged the amount of \$33,453 to additional paid-in capital representing the value of these shares that had not been previously charged to operations.

The Company retired to treasury 642,688 shares of common stock pursuant to an agreement signed to acquire those shares. The Company also retired to treasury an aggregate of 37,000 shares of common stock purchased on the open market for cash of \$18,592.

Warrants

There were no warrants outstanding at March 31, 2018 or December 31, 2017.

Options

The following table summarizes the options outstanding at March 31, 2018 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
\$ 1.04	200,000	2.59	\$ 1.04	-	\$ -
\$ 1.31	150,000	0.50	\$ 1.31	150,000	\$ 1.31
\$ 1.38	100,000	1.67	1.38	100,000	\$ 1.38
\$ 1.42	100,000	0.22	\$ 1.42	100,000	\$ 1.42
\$ 1.43	50,000	0.75	\$ 1.43	50,000	\$ 1.43
\$ 1.46	100,000	0.25	\$ 1.46	100,000	\$ 1.46
\$ 1.70	75,000	0.04	\$ 1.70	75,000	\$ 1.70
\$ 1.90	175,000	1.23	\$ 1.90	175,000	\$ 1.90

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\$ 2.00	50,000	0.04	\$ 2.00	50,000	\$ 2.00
\$ 2.40	20,000	0.17	\$ 2.40	20,000	\$ 2.40
\$ 2.50	37,500	0.04	\$ 2.50	37,500	\$ 2.50
\$ 3.40	30,000	0.17	\$ 3.40	30,000	\$ 3.40
\$ 3.50	37,500	0.04	\$ 3.50	37,500	\$ 3.50
	1,125,000	0.96	\$ 1.63	1,895,000	\$ 1.76

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Transactions involving stock options are summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Options outstanding at December 31, 2017	1,510,000	\$ 1.60
Granted	-	\$ -
Exercised	-	\$ -
Cancelled / Expired	(385,000)	\$ 1.50
Options outstanding at March 31, 2018	1,125,000	\$ 1.63

Aggregate intrinsic value of options outstanding and exercisable at March 31, 2018 and 2017 was \$12,250 and \$583,500, 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 \$1.06 and \$0.65 as of March 31, 2018 and 2017, respectively, and the exercise price multiplied by the number of options outstanding.

During the three months ended March 31, 2018 and 2017, the Company charged \$8,787 and \$7,339, respectively, to operations related to recognized stock-based compensation expense for employee stock options.

Accounting for warrants and stock options

The Company did not value warrants and options using during the three months ended March 31, 2018. The Company valued warrants and stock options during the three months ended March 31, 2017 using the Black-Scholes valuation model utilizing the following variables:

	March 31, 2017	
Volatility	56.9	%
Dividends	\$-	
Risk-free interest rates	0.87	%
Term (years)	0.78-2.44	

Restricted Stock Units ("RSUs")

The Company had no RSUs outstanding during the three months ended March 31, 2018.

During the three months ended March 31, 2017, the Company cancelled all of its outstanding RSUs and issued the following: For vested RSUs representing 3,104,205 shares of common stock, the Company issued a net amount of 2,410,392 shares of restricted common stock (net of 623,813 shares held back by the Company to pay certain taxes owed related to the issuance); for unvested RSUs representing 1,370,000 shares of common stock, the Company issued 1,370,000 shares of restricted common stock under the same terms as the cancelled RSUs. 1,070,000 of the restricted stock awards will vest on June 30, 2017, the same date at which the RSUs which they replaced would have vested. The remaining 300,000 restricted stock awards vesting is contingent upon meeting certain price and volume conditions related to the Company's stock; these conditions are the same conditions required for vesting of the cancelled RSUs. The Company charged the amount of \$120,104 to operations during the three months ended March 31, 2017 representing the amortization of the cost of these restricted stock awards. The \$120,104 charged to

operations is the same amount that the Company would have charged for the RSUs that were cancelled had they not been cancelled.

16. SUBSEQUENT EVENTS

On May 11, 2018, as part of a realignment towards focusing on certain specific growth initiatives and growth opportunities, 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.

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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.

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Critical Accounting Policy and Estimates

Use of Estimates in the Preparation of Financial Statements

The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. These estimates include certain assumptions related to doubtful accounts receivable, stock-based services, valuation of financial instruments, and income taxes. On an on-going basis, we evaluate these estimates, including those related to revenue recognition and concentration of credit risk. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. 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 \$44,867 for doubtful accounts receivable at March 31, 2018, and \$8,775 at March 31, 2017. 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. Generally, these liabilities increased as the price of the Company's stock increased (with resultant gain), and decreased as the Company's stock decreased (yielding a loss). In December 2012, the Company removed these liabilities from its balance sheet by reclassifying them as equity.

Income Taxes

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

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 Delaware corporation, for 500,000 shares of our common stock.

On May 18, 2012, the Company executed a Stock Purchase Agreement to acquire all of the issued and outstanding shares of Artisan Specialty Foods, Inc., an Illinois corporation (“Artisan”), from its owner, Mr. David Vohaska. The purchase price was \$1.2 million, with up to another \$300,000 (with a fair value of \$131,000) payable in the event certain financial milestones were met over the next one or two years. Those milestones have been met. The purchase price was primarily financed via a loan from Alpha Capital in the principal amount of \$1,200,000. The loan was repaid in November 2013 via the issuance of a loan from Fifth Third Bank which has been paid in full. Prior to the acquisition, Artisan was a supplier and had sold products to the Company.

Pursuant to an asset purchase agreement, effective November 2, 2012, the Company purchased the outstanding assets of The Haley Group, LLC (“Haley”). Pursuant to a purchase agreement, effective June 30, 2014, the Company purchased 100% of the membership interest of Organic Food Brokers, LLC, a Colorado limited liability company (“OFB”).

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On August 15, 2014, pursuant to a merger agreement (the “Fresh Diet Merger Agreement”), the Company acquired The Fresh Diet, Inc. (“The Fresh Diet” or “FD”) through a reverse triangular merger as the registrant created a subsidiary corporation (FD Acquisition Corp) that merged with and into FD with FD being the surviving corporation and becoming a wholly-owned subsidiary of the Company. The purchase price consisted of 10,000,000 shares of the Company’s common stock valued at \$14,000,000. The majority of FD’s current liabilities consisted of approximately \$3.8 million of deferred revenues and approximately \$2.1 million in short term commercial loans and there were additional ordinary course of business expenses such as trade payables, payroll and sales taxes which varied from month to month. In addition, it had some long term obligations the bulk of which consisted of interest free loans from FD’s former shareholders in the amount of approximately \$2.2 million which were not due for three years. Prior to the merger FD had purchased an immaterial amount of product from the Company. FD operated as an independent subsidiary subject to oversight of its board of directors and the Company’s President and CEO. Effective February 23, 2016, the Company closed a transaction to sell 90% of our ownership in FD to New Fresh Co., LLC, a Florida limited liability company controlled by the former founder of FD who was appointed Interim CEO of FD on February 9, 2016. The consideration to Innovative Food Holdings consisted primarily of a restructuring of our loans, which includes the ability to convert to additional amounts of FD under certain circumstances. Aside from payments related to previously accrued liabilities there were no cash inflows or outflows from or to the discontinued operations.

On January 1, 2017, the Company, through its wholly-owned subsidiary Oasis Sales Corp., purchased certain assets of Oasis Sales and Marketing, L.L.C., a California limited liability company.

Effective January 24, 2018, pursuant to an asset purchase agreement (the “iGourmet Asset Purchase Agreement”), our wholly-owned subsidiary, Innovative Gourmet LLC, 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, and distribution to foodservice, retail stores and other wholesale accounts, pursuant to the terms of an Asset Purchase Agreement.

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, 2017 (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 \$7,083,672 (65% of total sales) and \$6,885,179 (73% of total sales) for the three months ended March 31, 2018 and 2017 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 March 31, 2018 Compared to Three Months Ended March 31, 2017

Revenue

Revenue increased by \$1,431,380 or approximately 15% to \$10,916,544 for the three months ended March 31, 2018 from \$9,485,164 in the prior year. The increases in revenues were driven by revenues associated with the Company's wholly owned subsidiary, Innovative Gourmet and by an overall increase in revenue associated with the Company's other wholly owned operating subsidiaries.

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 that strategy if, based on our analysis, we deem it beneficial to us.

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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 segments may be hampered and negatively impacted by any economic tariffs that may be imposed in the United States or in foreign countries.

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

Cost of goods sold

Our cost of goods sold for the three months ended March 31, 2018 was \$7,437,431, an increase of \$1,003,199 or approximately 16% compared to cost of goods sold of \$6,434,232 for the three months ended March 31, 2017. Cost of goods sold is made up of the following expenses for the three months ended March 31, 2018: cost of goods of specialty, meat, game, cheese, seafood, poultry and other sales categories in the amount of \$5,236,236; and shipping, delivery, handling, and purchase allowance expenses in the amount of \$2,201,195. Total gross margin was approximately 31.9% of sales in 2018 compared to approximately 32.2% of sales in 2017. The increase in cost of goods sold is primary attributable to an increase in sales. The decrease in gross margins from 2017 is primarily attributable to variation in product and revenue mix as well as variations in cost of goods sold as a percentage of total expenses, across our various selling channels.

In 2018, we priced our products in order to gain market share across numerous categories and in order to increase the reach of our various foodservice programs. We will continue to explore various data driven pricing strategies with a focus further expanding the reach of our specialty foodservice program. 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 \$803,721 or approximately 36% to \$3,003,817 during the three months ended March 31, 2018 compared to \$2,200,096 for the three months ended March 31, 2017. The increase in selling, general, and administrative expenses was primarily due to an increase in SGA expenses associated with Innovative Gourmet, increased professional and legal costs, and other costs associated with the acquisition of Innovative Gourmet. Increases in payroll taxes and employee benefit costs also contributed to the increase.

Interest expense, net

Interest expense, net of interest income, decreased by \$89,451 or approximately 77% to \$26,748 during the three months ended March 31, 2018, compared to \$116,199 during the three months ended March 31, 2017. The decrease was due primarily to a reduction of the amortization of discounts on the Company’s notes payable. These discounts are fully amortized, and there was \$0 interest expense associated with this amortization during the three months ended March 31, 2018, compared to \$92,509 during the three months ended March 31, 2017. The Company also incurred \$29,932 of interest expense on the Company’s commercial loans and notes payable during the three months ended March 31, 2018, which was a decrease of \$4,900 compared to \$25,032 in the prior period. The Company also had \$3,184 of interest income during the three months ended March 31, 2018, an increase of \$1,842 compared to interest income of \$1,342 in the prior period.

Net income

For the reasons above, the Company had net income for the three months ended March 31, 2018 of \$448,548 which is a decrease of approximately 44% compared to a net income of \$734,637 during the three months ended March 31, 2017. The income for the three months ended March 31, 2018 includes a total of \$247,200 in non-cash charges, including amortization of intangible assets in the amount of \$189,146 and depreciation expense of \$49,267. The income for the three months ended March 31, 2017 includes a total of \$376,513 in non-cash charges, including amortization of intangible assets in the amount of \$50,567, depreciation expense of \$37,807, charges for non-cash compensation in the amount of \$195,630, and amortization of the discount on notes payable in the amount of \$92,509.

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Liquidity and Capital Resources at March 31, 2018

As of March 31, 2018, the Company had current assets of \$8,939,088, consisting of cash and cash equivalents of \$4,680,814; trade accounts receivable, net of \$2,633,244; inventory of \$1,416,984; and other current assets of \$208,046. Also at March 31, 2018, the Company had current liabilities of \$5,099,864, consisting of trade payables and accrued liabilities of \$2,888,669; accrued interest of \$22,955; current portion of notes payable and capital leases of \$1,395,340; and current portion of contingent liability of \$792,900.

During the three months ended March 31, 2018, the Company had cash provided by operating activities of \$870,396. Cash flow from operations consisted of: the Company's consolidated net income of \$448,548 plus non-cash compensation in the amount of \$8,787, and depreciation and amortization of \$238,413. The Company's cash position also increased by \$174,648 as a result of changes in the components of current assets and current liabilities.

The Company had cash used in investing activities of \$2,528,437 for the three months ended March 31, 2018, which consisted of cash paid related to the acquisition of Innovative Gourmet in the amount of \$2,409,437, and cash paid for the acquisition of property and equipment in the amount of \$69,000. The Company also had cash used in investing activities of \$50,000 related to an investment in a food related company. The Company had cash provided by financing activities of \$1,205,420 for the three months ended March 31, 2018, which consisted of \$1,500,000 of borrowings on a term loan, principal payments on debt of \$160,186, principal payments on capital leases of \$2,394, cash received from the exercise of options in the amount of \$35,000, and payments made for the purchase of options from officers, directors, and employees of \$167,000.

The Company had net working capital of \$3,839,224 as of March 31, 2018. The Company had cash provided by operations during the three months ended March 31, 2018 in the amount of \$870,396. 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. Currently, we do not have any material long-term obligations other than those described in Note 12 to the financial statements included in this report. As we seek to increase our sales of new and current items and enter new markets, expand our product lines, 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. The Company has not made any adjustments to the financial statements which would be necessary should the Company not be able to continue as a going concern.

2018 Plans

During 2018, in addition to our efforts to increase both sales, and market share, and visibility in our existing foodservice operations we plan to attempt to expand our business by expanding our e-commerce activities and other digitally focused activities and through expanding our product lines in both the consumer and foodservice sector 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.

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.

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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, 2017 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 in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report, have concluded that as of that date, our disclosure controls and procedures were adequate and effective to ensure that information required to be disclosed by us in the reports we file or submit with the Securities and Exchange Commission is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. The conclusions notwithstanding, you are advised that no system is foolproof.

(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.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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.

PNC Bank, N.A. v. The Fresh Diet, Inc., et al. / Scher Zalman Duchman et al. v. Innovative Food Holdings, Inc., et al., Case No. 17-cv-21027-KMM, United States District Court, Southern District of Florida

On July 7, 2017, Scher Zalman Duchman and Deborah L. Duchman (collectively, “Duchmans”) filed an amended complaint in the United States District Court for the Southern District of Florida seeking approximately \$1 million in damages against Innovative Food Holdings, Inc., FD Acquisition Corp., and Sam Klepfish, IVFH’s CEO. The Duchmans, among other things, allege that defendants owed but did not fulfil a fiduciary duty to the Duchmans to minimize the Duchmans’ own personal guarantees and personal obligations related to loans and other obligations incurred by a former subsidiary of IVFH, and additionally attempted to invalidate contracts with IVFH. By Order dated March 22, 2018, the following causes of action were dismissed without prejudice: Count I, Breach of Fiduciary Duty; Count III, Unjust Enrichment; Count IV, Unjust Enrichment; and Count IX, Fraud in the Inducement. The Court further ordered Count XI, Punitive Damages, stricken from the Complaint and that all claims against Third Party Defendant FD Acquisition Corp. dismissed with prejudice. The plaintiffs nevertheless reasserted the dismissed claims. IVFH served requests and produced discovery. IVFH filed a motion for summary judgment as to all counts, and served an answer and counterclaims. IVFH believes that this lawsuit was without merit, that defendants bear no liability for the claims asserted, and that the lawsuit was an attempt by the Duchmans to drag IVFH into the Duchmans’ personal financial matters which are unrelated to IVFH. IVFH vigorously defended against this lawsuit. On May 9, 2018, the parties reached a confidential settlement agreement and dismissal of all counts on terms favorable to IVFH. The court accepted the parties notice of settlement, dismissed the claims, retained jurisdiction to enforce the settlement, and closed the case.

YS Catering Holdings, Inc., et al. vs. Attollo Partners LLC, et al., Case No. 2017-007504-CA-01, Eleventh Judicial Circuit in and for Miami-Dade County, Florida

On March 26, 2018, YS Catering Holdings, Inc. (“YS”) and its controlling stakeholder, Scher Zalman Duchman, filed suit against IVFH. YS alleges claims against IVFH that are almost identical to ones pending in the PNC Bank vs. Fresh Diet, et al. federal court litigation (Case No. 17-cv-21027-KMM) in what IVFH believes is an improper attempt at forum shopping. In addition, YS seeks injunctive relief with respect to the removal of certain trading restrictions and other restrictions on its restricted shares. IVFH moved to stay the case pending the outcome of the federal court litigation involving YS’s principal Zalmi Duchman. IVFH vigorously defend against this lawsuit. On May 9, 2018, the parties reached a confidential settlement agreement and dismissal of all counts on terms favorable to IVFH. The parties have filed a notice of settlement and stipulation of dismissal.

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

The Company issued the following shares of common stock during the three months ended March 31, 2018:

The Company issued 55,192 shares of common stock to its Chief Executive Officer pursuant to the exercise of options.

The Company issued 60,749 shares of common stock to its President pursuant to the exercise of options.

The Company issued 100,000 shares of common stock pursuant to the exercise of options.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

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Item 5. Other Information

Subsequent events

On May 11, 2018, as part of a realignment towards focusing on certain specific growth initiatives and growth opportunities, 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.

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).
- 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

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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.

SIGNATURE	TITLE	DATE
/s/ Sam Klepfish Sam Klepfish	Chief Executive Officer	May 15, 2018
/s/ John McDonald John McDonald	Principal Financial Officer	May 15, 2018