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 June 30, 2019

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

Commission File Number: 0-9376

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

Florida	**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)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

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

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

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

(Check One):

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

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

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

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 36,786,528 shares of common stock issued and 34,198,948 shares of common stock outstanding as of August 9, 2019.

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

	June 30, 2019 (unaudited)	December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,158,853	$ 4,759,817
Accounts receivable, net	3,018,700	3,039,756
Inventory	2,217,174	2,301,377
Other current assets	197,583	144,301
Total current assets	8,592,310	10,245,251
Property and equipment, net	2,235,416	2,456,610
Investments	395,025	339,525
Right of use assets, operating leases, net	268,638	-
Right of use assets, finance leases, net	122,619	-
Other amortizable intangible assets, net	1,702,301	2,158,498
Goodwill and other unamortizable intangible assets	2,183,065	2,183,065
Total assets	$ 15,499,374	$ 17,382,949
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,043,215	$ 3,689,868
Accrued interest	18,378	16,402
Deferred revenue	280,928	559,315
Notes payable - current portion	901,728	928,857
Lease liability - operating leases, current	197,014	-
Lease liability - finance leases, current	20,605	-
Contingent liability - current portion	519,108	472,876
Total current liabilities	3,980,976	5,667,318
Lease liability - operating leases, non-current	71,624	-
Lease liability - finance leases, non-current	97,959	-
Contingent liability - long-term	247,600	357,600
Note payable - long term portion	464,047	1,196,245
Total liabilities	4,862,206	7,221,163
Commitment and contingencies (see note 16)	-	-
Stockholders' equity		
Common stock: $0.0001 par value; 500,000,000 shares authorized; 36,427,354 and 36,296,218 shares issued, and 33,839,774 and 33,708,638 shares outstanding at June 30, 2019 and December 31, 2018, respectively	3,640	3,627
Additional paid-in capital	36,421,970	36,132,065
Treasury stock: 2,373,171 shares outstanding at June 30, 2019 and December 31, 2018	(1,016,370)	(1,016,370)
Accumulated deficit	(24,772,072)	(24,957,536)
Total stockholders' equity	10,637,168	10,161,786
Total liabilities and stockholders' equity	$ 15,499,374	$ 17,382,949

See notes to these unaudited condensed consolidated financial statements.

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

	For the Three Months Ended June 30, 2019	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
Revenue	$ 13,925,451	$ 11,989,003	$ 26,784,666	$ 22,905,547
Cost of goods sold	9,862,369	8,409,485	18,743,749	15,846,916
Gross margin	4,063,082	3,579,518	8,040,917	7,058,631
Selling, general and administrative expenses	4,017,829	3,070,979	7,806,826	6,074,796
Total operating expenses	4,017,829	3,070,979	7,806,826	6,074,796
Operating income	45,253	508,539	234,091	983,835
Other (income) expense:				
Gain on settlement of contingent liability	-	(11,000)	-	(11,000)
Interest expense, net	23,149	34,296	48,627	61,044
Total other expense	23,149	23,296	48,627	50,044
Net income before taxes	22,104	485,243	185,464	933,791
Income tax expense	-	155,000	-	155,000
Net income	$ 22,104	$ 330,243	$ 185,464	$ 778,791
Net income per share - basic	$ 0.001	$ 0.010	$ 0.005	$ 0.023
Net income per share - diluted	$ 0.001	$ 0.010	$ 0.005	$ 0.023
Weighted average shares outstanding - basic	33,947,817	34,007,519	34,001,294	33,966,497
Weighted average shares outstanding - diluted	33,947,817	34,007,519	34,001,294	33,966,497

See notes to these unaudited condensed consolidated financial statements.

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

	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
Cash flows from operating activities:		
Net income	$ 185,464	$ 778,791
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	631,026	500,027
Amortization of right-of-use asset	88,644	-
Stock based compensation	196,252	23,408
Gain on settlement of contingent liability	-	(11,000)
Provision for (recovery of) doubtful accounts	(2,779)	-
Changes in assets and liabilities:		
Accounts receivable	(6,665)	(428,976)
Inventory and other current assets, net	30,921	(526,246)
Accounts payable and accrued liabilities	(1,551,011)	22,865
Deferred revenue	(278,387)	25,565
Contingent liabilities	(63,768)	-
Operating lease liability	(88,644)	-
Net cash (used in) provided by operating activities	(858,947)	384,434
Cash flows from investing activities:		
Cash related to the igourmet asset acquisition	-	(2,409,437)
Cash paid for website development	(23,500)	-
Acquisition of property and equipment	(85,829)	(99,804)
Investment in food related company	(25,000)	(50,000)
Net cash used in investing activities	(134,329)	(2,559,241)
Cash flows from financing activities:		
Purchase of stock options from officers, directors, and employees	-	(167,000)
Cash received from exercise of warrants	-	35,000
Cash paid in settlement of contingent liability - Oasis acquisition	-	(189,000)
Borrowings on term loan	-	1,500,000
Purchase of treasury stock	-	(24,057)
Principal payments on debt	(594,877)	(545,674)
Principal payments capital leases	(12,811)	(3,993)
Net cash (used in) provided by financing activities	(607,688)	605,276
Decrease in cash and cash equivalents	(1,600,964)	(1,569,531)
Cash and cash equivalents at beginning of period	4,759,817	5,133,435
Cash and cash equivalents at end of period	$ 3,158,853	$ 3,563,904
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 49,337	$ 65,114
Taxes	$ -	$ 155,000
Non-cash investing and financing activities:		
Issuance of 131,136 shares of common stock previously accrued	$ 93,666	$ -
Right to use assets and liabilities - operating, upon adoption of ASU 2016-02	$ 388,581	$ -
Return of equipment and reduction in amount due under equipment financing loan	$ 33,075	$ -
Increase in right of use assets and liabilities	$ 18,701	$ -
Investment in food related company	$ 30,500	$ -

See notes to these unaudited condensed consolidated financial statements.

Innovative Food Holdings, Inc. and subsidiary
Consolidated Statements of Stockholders' Equity

	STOCKHOLDERS' EQUITY - THREE MONTHS ENDED JUNE 30						
	Common Stock			Treasury stock		Accum	
	Amount	Value	APIC	Amount	Value	Deficit	Total
Balance - March 31, 2018	36,296,218	$ 3,627	$36,073,447	2,276,703	$ (992,313)	$(26,204,887)	$ 8,879,874
Purchase of treasury stock from employee	-	-	-	2,000	(1,940)	-	(1,940)
Fair value of stock vested to management	-	-	14,621	-	-	-	14,621
Cost of treasury stock acquired during the period	-	-	-	27,800	(22,117)	-	(22,117)
Net income for the three months ended June 30, 2018	-	-	-	-	-	330,243	330,243
Balance - June 30, 2018 (unaudited)	36,296,218	$ 3,627	$36,088,068	2,306,503	$ (1,016,370)	$(25,874,644)	$ 9,200,681
Balance - March 31, 2019	36,427,354	$ 3,640	$36,325,862	2,373,171	$ (1,016,370)	$(24,610,685)	$10,702,447
Fair value of vested stock and stock options issued to management	-	-	96,108	-	-	-	96,108
Net income for the three months ended June 30, 2019	-	-	-	-	-	22,104	22,104
Balance - June 30, 2019 (unaudited)	36,427,354	$ 3,640	$36,421,970	2,373,171	$ (1,016,370)	$(24,772,072)	$10,637,168

	STOCKHOLDERS' EQUITY - SIX MONTHS ENDED JUNE 30						
	Common Stock			Treasury stock		Accum	
	Amount	Value	APIC	Amount	Value	Deficit	Total
Balance - December 31, 2017	36,080,519	$ 3,605	$36,196,682	2,276,703	$ (992,313)	$(26,653,435)	$ 8,554,539
Common stock issued for the exercise of options	100,000	10	34,990	-	-	-	35,000
Purchase of stock options from employees, officers, and directors	115,699	12	(167,012)	-	-	-	(167,000)
Purchase of treasury stock from employee	-	-	-	2,000	(1,940)	-	(1,940)
Fair value of vested stock options issued to management	-	-	8,787	-	-	-	8,787
Fair value of stock vested to management	-	-	14,621	-	-	-	14,621
Cost of treasury stock acquired during the period	-	-	-	27,800	(22,117)	-	(22,117)
Net income for the six months ended June 30, 2018	-	-	-	-	-	778,791	778,791
Balance - June 30, 2018 (unaudited)	36,296,218	$ 3,627	$36,088,068	2,306,503	$(1,016,370)	$(25,874,644)	$ 9,200,681
Balance at December 31, 2018	36,296,218	$ 3,627	$36,132,065	2,373,171	$(1,016,370)	$(24,957,536)	$10,161,786
Issuance of shares to employees, previously accrued	131,136	13	93,653	-	-	-	93,666
Fair value of vested stock and stock options issued to management	-	-	196,252	-	-	-	196,252
Net income for the six months ended June 30, 2019	-	-	-	-	-	185,464	185,464
Balance - June 30, 2019 (unaudited)	36,427,354	$ 3,640	$36,421,970	2,373,171	$(1,016,370)	$(24,772,072)	$10,637,168

See notes to these unaudited condensed consolidated financial statements.

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

1. BASIS OF PRESENTATION

Basis of Presentation

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

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

2. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Business Activity

Our business is currently conducted by our wholly-owned subsidiaries, Artisan, FII, Food New Media Group, Inc. ("FNM"), OFB, Gourmet Foodservice Group, Inc. ("GFG"), Gourmet Foodservice Warehouse, Inc. ("GFW"), Gourmeting Inc. ("Gourmeting"), The Haley Group, Inc. ("Haley"), Oasis, 4 The Gourmet, Inc. (d/b/a For The Gourmet, Inc.), ("Gourmet"), Innovative Gourmet (sometimes referred to herein as "Igourmet.com" or "Igourmet"), M Innovations, (sometimes referred to herein as "Mouth" or " Mouth.com") and Food Funding (collectively, IVFH and its subsidiaries, the "Company" or "IVFH").

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

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

Gourmet has been in the business of providing specialty food via e-commerce through its own website at www.forthegourmet.com and through other ecommerce channels, with unique specialty gourmet food products shipped directly from our network of vendors and from our warehouses within 24 – 72 hours. GFG is focused on expanding the Company's program offerings to additional customers.

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

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

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

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

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

Use of Estimates

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

Principles of Consolidation

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

Concentrations of Credit Risk

Financial instruments and related items, which potentially subject the Company to concentrations of credit risk, consist primarily of cash, cash equivalents and trade receivables. The Company places its cash and temporary cash in investments with credit quality institutions. At times, such investments may be in excess of applicable government mandated insurance limit. At June 30, 2019 and December 31, 2018, trade receivables from the Company's largest customer amounted to 40% and 44%, respectively, of total trade receivables.

Reclassifications

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

Leases

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

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

Revenue Recognition

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

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

Deferred Revenue

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

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

Balance as of December 31, 2018	$	559,315
Cash payments received		93,580
Net sales recognized		(375,500)
Balance as of March 31, 2019	$	277,395
Cash payments received		225,064
Net sales recognized		(221,531)
Balance as of June 30, 2019	$	280,928

Disaggregation of Revenue

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

	Three Months Ended June 30,	
	2019	2018
Specialty food service	$ 11,670,386	$ 10,012,631
Ecommerce	1,784,328	1,384,362
National Brand Management	470,737	592,010
Total	$ 13,925,451	$ 11,989,003

	Six Months Ended June 30,	
	2019	2018
Specialty food service	$ 21,967,994	$ 19,258,107
Ecommerce	3,879,993	2,435,106
National Brand Management	936,679	1,212,333
Total	$ 26,784,666	$ 22,905,547

Cost of goods sold

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

Basic and Diluted Earnings Per Share

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

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

Dilutive shares at June 30, 2019:

Convertible notes and interest

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

Warrants

At June 30, 2019 there are no warrants outstanding.

Stock Options

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

Exercise Price	Number of Options	Weighted Average Remaining Contractual Life (years)
$ 0.62	360,000	4.51
$ 0.75	50,000	2.51
$ 0.85	540,000	4.51
$ 0.95	50,000	2.51
$ 1.10	75,000	1.87
$ 1.20	900,000	4.51
$ 1.38	100,000	0.42
$ 1.50	125,000	2.51
$ 1.90	100,000	0.17
$ 2.00	125,000	2.51
$ 2.50	125,000	2.51
$ 3.00	125,000	2.51
	2,675,000	3.67

Restricted Stock Awards

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

Stock-based compensation

During the six months ended 2019, the Company incurred obligations to issue the following shares of common stock pursuant to employment agreements: an aggregate total of 145,450 shares of common stock to its Chief Executive Officer and to its Director of Strategic Acquisitions; an aggregate total 48,516 shares to board members; and 27,994 shares to an employee.

Dilutive shares at June 30, 2018:

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

Stock Options

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

Exercise Price	Number of Options	Weighted Average Remaining Contractual Life (years)
$ 1.10	75,000	2.87
$ 1.31	150,000	0.51
$ 1.38	100,000	1.42
$ 1.43	50,000	0.50
$ 1.46	100,000	0.01
$ 1.90	175,000	0.98
	650,000	0.97

Significant Recent Accounting Pronouncements

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

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

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

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

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

3. ACQUISITIONS

Mouth Foods, Inc.

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

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

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

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

The above estimated fair value of the intangible assets is based on a preliminary purchase price allocation prepared by management. 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 a 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.

iGourmet, LLC

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

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

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

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

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

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

Pro forma results

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

		Six months ended June 30, 2018
		(unaudited)
Revenues	$	23,283,197
Net Income	$	667,471
Basic net income per share	$	0.020
Diluted net income per share	$	0.020
Weighted average shares – basic		33,966,497
Weighted average shares – diluted		33,966,497

4. ACCOUNTS RECEIVABLE

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

		June 30, 2019		**December 31, 2018**
Accounts receivable from customers	$	3,171,097	$	3,194,932
Allowance for doubtful accounts		(152,397)		(155,176)
Accounts receivable, net	$	3,018,700	$	3,039,756

5. INVENTORY

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

	June 30, 2019	December 31, 2018
Finished Goods Inventory	$ 2,217,174	$ 2,301,377

6. PROPERTY AND EQUIPMENT

Acquisition of Building

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

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

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

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

	June 30, 2019	December 31, 2018
Land	$ 385,523	$ 385,523
Building	1,326,165	1,326,165
Computer and Office Equipment	546,828	523,853
Warehouse Equipment	301,106	302,622
Furniture, Fixtures	891,778	889,073
Vehicles	101,518	220,812
Total before accumulated depreciation	3,552,918	3,648,048
Less: accumulated depreciation	(1,317,502)	(1,191,438)
Total	$ 2,235,416	$ 2,456,610

Depreciation and amortization expense for property and equipment amounted to $75,254 and $45,457 for the three months ended June 30, 2019 and 2018, respectively. Depreciation and amortization expense for property and equipment amounted to $151,329 and $94,724 for the six months ended June 30, 2019 and 2018, respectively.

7. RIGHT TO USE ASSETS AND LEASE LIABILITY – OPERATING LEASES

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

The Company's lease expense for the three and six months ended June 30, 2019 was entirely comprised of operating leases and amounted to $50,396 and $97,267, respectively. The Company's ROU asset amortization for the three and six months ended June 30, 2019 and $45,963 and $88,644, respectively. The difference between the lease expense and the associated ROU asset amortization consists of interest.

Right to use assets – operating leases are summarized below:

	June 30, 2019
Warehouse	$ 92,400
Warehouse equipment	24,172
Office equipment	42,712
Vehicles	109,354
Right to use assets, net	$ 268,638

Operating lease liabilities are summarized below:

	June 30, 2019
Warehouse	$ 92,400
Warehouse equipment	24,172
Office equipment	42,712
Vehicles	109,354
Lease liability	$ 268,638
Less: current portion	(197,014)
Lease liability, non-current	$ 71,624

Maturity analysis under these lease agreements are as follows:

Twelve months ended June 30, 2020	$ 197,014
Twelve months ended June 30, 2021	57,074
Twelve months ended June 30, 2022	24,589
Twelve months ended June 30, 2023	3,894
Twelve months ended June 30, 2024	-
Total	$ 282,571
Less: Present value discount	(13,933)
Lease liability	$ 268,638

8. INVESTMENTS

The Company has made investments in certain early stage food related companies which it expects can benefit from synergies with the Company's various operating businesses. At June 30, 2019 the Company has investments in six food related companies in the aggregate amount of $395,025. The Company does not have significant influence over the operations of these companies.

During the three months ended June 30, 2019, the Company invested $25,000 in food related companies. The Company's investments may take the form of debt, equity, or equity in the future including convertible notes and other instruments which provide for future equity under various scenarios including subsequent financings or initial public offerings. The Company has evaluated the guidance in Accounting Standards Codification ("ASC") No. 325-20 Investments – Other, in determining to account for the investment using the cost method since the equity securities are not marketable and do not give the Company significant influence.

Also during the three months and six months ended June 30, 2019, the Company converted accounts payable in the amount of $15,000 and $30,500, respectively, into an equity investment in a food related company.

9. INTANGIBLE ASSETS

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

	June 30, 2019		
	Gross	Accumulated Amortization	Net
Non-Compete Agreement - amortizable	$ 505,900	$ (398,229)	$ 107,671
Customer Relationships - amortizable	3,068,043	(2,130,864)	937,179
Trade Name	1,532,822	-	1,532,822
Internally Developed Technology - amortizable	875,643	(241,692)	633,951
Goodwill	650,243	-	650,243
Website - amortizable	23,500	-	23,500
Total	$ 6,656,151	$ (2,770,785)	$ 3,885,366

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

Total amortization expense for the three months ended June 30, 2019 and 2018 was $250,567 and $216,157, respectively; total amortization expense for the six months ended June 30, 2019 and 2018 was $479,697 and $405,303, respectively.

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

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

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	June 30, 2019	December 31, 2018
Trade payables and accrued liabilities	$ 1,844,146	$ 3,425,178
Accrued payroll and commissions	199,069	264,690
Total	$ 2,043,215	$ 3,689,868

11. ACCRUED INTEREST

At June 30, 2019, accrued interest on notes outstanding was $18,378. During the six months ended June 30, 2019, the Company paid cash for interest in the aggregate amount of $49,337.

At December 31, 2018, accrued interest on a note outstanding was $16,402. During the twelve months ended December 31, 2018, the Company paid cash for interest in the aggregate amount of $122,232.

12. REVOLVING CREDIT FACILITIES

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

13. NOTES PAYABLE AND NOTES PAYABLE TO RELATED PARTIES

	June 30, 2019	December 31, 2018
Term loan dated as of August 5, 2016 in the original amount of $1,200,000 payable to Fifth Third Bank. This loan is secured by the Company's tangible and intangible personal property and bears interest at the rate of LIBOR plus 4.5%. Principal payments in the amount of $66,667 are due monthly along with accrued interest beginning September 5, 2016. The entire principal balance and all accrued interest was due and was paid on the maturity date of February 5, 2018. During the twelve months ended December 31, 2016, the Company transferred principal in the amount of $1,200,000 from the line of credit facility with Fifth Third Bank into this term loan. During the twelve months ended December 31, 2018, the Company made principal and interest payments on this loan in the amounts of $114,033 and $829, respectively.	$ -	$ -
Secured mortgage note payable for the acquisition of land and building in Bonita Springs, Florida in the amount of $546,000. Principal payments of $4,550 plus interest at the rate of Libor plus 3% are due monthly. The balance of the principal amount was originally due February 28, 2018. On March 23, 2018 and effective February 26, 2018, this note was amended and renewed in the amount of $273,000, with monthly payments of principal and interest of $4,550 payable through the maturity date of February 28, 2023. During the three months ended June 30, 2019, the Company made payments of principal and interest on this note in the amounts of $13,650 and $2,992, respectively. During the six months ended June 30, 2019, the Company made payments of principal and interest on this note in the amounts of $27,300 and $6,122, respectively.	204,750	232,050
Secured mortgage note payable for the acquisition of land and building in Broadview, Illinois in the amount of $980,000. Principal payments of $8,167 plus interest at the rate of LIBOR plus 2.75% are due monthly through April 2020, the remaining principal balance in the amount of $490,000 will be due May 29, 2020. During the three months ended June 30, 2019, the Company made payments of principal and interest on this note in the amounts of $24,500 and $7,991, respectively. During the six months ended June 30, 2019, the Company made payments of principal and interest on this note in the amounts of $49,000 and $16,213, respectively.	579,833	628,833
Term loan dated March 28, 2018 in the original amount of $1,500,000 payable to Fifth Third Bank. This loan is secured by the Company's tangible and intangible personal property and bears interest at the rate of LIBOR plus 4.25%. Principal payments in the amount of $83,333 are due monthly along with accrued interest beginning March 28, 2018. The entire principal balance and all accrued interest is due on the maturity date of August 28, 2019. During the three months ended June 30, 2019, the Company made payments of principal and interest on this note in the amounts of $249,999 and $5,792, respectively. During the six months ended June 30, 2019, the Company made payments of principal and interest on this note in the amounts of $499,998 and $15,767, respectively.	166,668	666,670
Promissory note dated March 22, 2019 in the original amount of $391,558 (the "Artisan Equipment Loan") payable to Fifth Third Bank. This loan is secured by the Company's tangible and intangible personal property and bears interest at the rate of 5.20%. The entire principal balance and all accrued interest is due on the maturity date of March 21, 2024. Monthly payments in the amount of $7,425 including principal and interest commenced in April, 2019. During the three and six months ended June 30, 2019, equipment financed under the Artisan Equipment Loan in the amount of $33,075 was returned for credit. Also during the three and six months ended June 30, 2019, the Company made payments of principal and interest on this note in the amounts of $11,506 and $5,114, respectively.	348,033	391,558
A note payable in the amount of $20,000. The Note was due in January 2006 and the Company is currently accruing interest on this note at 1.9%. During the three and six months ended June 30, 2019, the Company accrued interest in the amount of $93 and $186, respectively, on this note.	20,000	20,000

	June 30, 2019	December 31, 2018
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 June 30, 2019, the Company made principal and interest payments on this note in the amount of $0 and $0, respectively. During the six months ended June 30, 2019, the Company made principal and interest payments on this note in the amount of $4,291 and $2, respectively.	-	4,291
This obligation was reclassified as a Lease Liability - Financing Lease in connection with the Company's adoption of ASU 2016-02 on January 1, 2019; see note 14.	-	5,661
Vehicle acquisition loan dated December 6, 2018 in the original amount of $51,088, payable in sixty monthly installments of $955 including interest at the rate of 4.61%. During the three months ended June 30, 2019, the Company made principal and interest payments in the amount of $2,295 and $571, respectively, on this loan. During the six months ended June 30, 2019, the Company made principal and interest payments in the amount of $3,837 and $938, respectively, on this loan.	46,491	50,328
This obligation was reclassified as a Lease Liability - Financing Lease in connection with the Company's adoption of ASU 2016-02 on January 1, 2019; see note 14.	-	125,711
Total	$ 1,365,775	$ 2,125,102
Current portion	$ 901,728	$ 928,857
Long-term maturities	464,047	1,196,245
Total	$ 1,365,775	$ 2,125,102

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

For the period ended June 30,

2020	$ 901,728
2021	132,757
2022	136,911
2023	127,634
2024	66,745
Thereafter	-
Total	$ 1,365,775

14. LEASE LIABILITIES - FINANCING LEASES

Financing lease obligation under a lease agreement for a forklift payable in thirty-six monthly installments of $579 including interest at the rate of 4.83%. During the three months ended June 30, 2019, the Company made principal and interest payments on this lease obligation in the amounts of $2,264 and $35, respectively. During the six months ended June 30, 2019, the Company made principal and interest payments on this lease obligation in the amounts of $3,939 and $89, respectively.	1,722	-
Financing lease obligations under a lease agreement for a truck in the original amount of $128,587 payable in seventy monthly installments of $2,326 including interest at the rate of 8.33%. During the three months ended June 30, 2019, the Company made principal and interest payments on this lease obligation in the amounts of $4,481 and $2,496, respectively. During the six months ended June 30, 2019, the Company made principal and interest payments on this lease obligation in the amounts of $8,869 and $5,085 respectively.	116,842	-
Total	$ 118,564	$ -
Current portion	$ 20,605	$ -
Long-term maturities	97,959	-
Total	$ 118,564	$ -

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

For the period ended June 30,

2020	$ 20,605
2021	20,517
2022	22,294
2023	24,224
2024	26,321
Thereafter	4,603
Total	$ 118,564

15. RELATED PARTY TRANSACTIONS

For the six months ended June 30, 2019:

During the six months ended June 30, 2019 in connection with stock based compensation based upon the terms of employment agreements with its employees and compensation agreements with the Company's independent board members, the Company charged to operations the aggregate total amount of $54,036 for the vesting of a total of 97,084 shares of common stock issuable to its Chief Executive Officer, its Director of Strategic Acquisitions and to its two independent board members.

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

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

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

The Company recognized non-cash compensation in the amount of $38,550 and $77,100 during the three and six months ended June 30 2019 in connection with these options.

For the six months ended June 30, 2018:

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

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

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

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

16. COMMITMENTS AND CONTINGENT LIABILITIES

Contingent Liability

Pursuant to the iGourmet Asset Purchase Acquisition, the Company recorded contingent liabilities in the original amount of $787,800. This amount relates to certain performance based payments over the twenty-four months following the acquisition date as well as to certain additional liabilities that the Company has evaluated and has recorded on a contingent basis. During the year ended December 31, 2018, the Company reduced this amount by $392,900 as the performance goals for the first year were not met. During the three months ended June 30, 2019, the Company paid the amount of $10,000 in connection with the additional liabilities; at June 30, 2019, the amount of $132,300 remains on the Company's balance sheet as a current contingent liability, and $247,600 as a long term contingent liability.

Pursuant to the Oasis acquisition, the Company had a contingent liability in the amount of $400,000 on connection with performance-based bonus obligations. During the year ended December 31, 2018, the company paid the amount of $189,000 related to these obligations, and recorded a gain in the amount of $11,000. At June 30, 2019, the Company has the amount of $200,000 on its balance sheet as a current contingent liability in connection with the second year performance based bonus payment. This amount was paid in the 3rd quarter of 2019.

Pursuant to the Mouth Foods LLC Asset Acquisition, the Company recorded contingent liabilities in the amount of $240,576. These amounts relate to the estimate of certain performance based payments following the acquisition date as well as to certain additional liabilities that the Company has evaluated and has recorded on a contingent basis. During the three and six months ended June 30, 2019, the Company paid the amount of $28,461 and $118,189 in connection with these liabilities. At June 30, 2019, $186,808 is classified as a current contingent liability.

License Agreements

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

Litigation

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

17. EQUITY

Common Stock

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

Six months ended June 30, 2019:

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

The Company accrued the amount of $119,151 in connection with the vesting of 221,960 shares of common stock issuable to board members and employees in connection with their employment agreements.

Six months ended June 30, 2018:

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

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

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

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

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

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

Warrants

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

Options

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

Range of exercise Prices	Number of options Outstanding	Weighted average Remaining contractual life (years)	Weighted average exercise price of outstanding Options	Number of options Exercisable	Weighted average exercise price of exercisable Options
$ 0.62	360,000	4.51	$ 0.62	30,000	$ 0.62
$ 0.75	50,000	2.51	$ 0.75	-	$ 0.75
$ 0.85	540,000	4.51	$ 0.85	45,000	$ 0.85
$ 0.95	50,000	2.51	$ 0.95	-	$ 0.95
$ 1.10	75,000	1.87	$ 1.10	75,000	$ 1.10
$ 1.20	900,000	4.51	$ 1.20	75,000	$ 1.20
$ 1.38	100,000	0.42	$ 1.38	100,000	$ 1.38
$ 1.50	125,000	2.51	$ 1.50	-	$ 1.50
$ 1.90	100,000	0.42	$ 1.90	100,000	$ 1.90
$ 2.00	125,000	2.51	$ 2.00	-	$ 2.00
$ 2.50	125,000	2.51	$ 2.50	-	$ 2.50
$ 3.00	125,000	2.51	$ 3.00	-	$ 3.00
	2,675,000	3.67	$ 1.26	425,000	$ 1.28

Transactions involving stock options are summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Options outstanding at December 31, 2018	1,050,000	$ 1.80
Granted	1,800,000	$ 0.98
Exercised	-	$ -
Cancelled / Expired	(175,000)	$ 1.53
Options outstanding at June 30, 2019	2,675,000	$ 1.26
Options exercisable at June 30, 2019	425,000	$ 1.28

Aggregate intrinsic value of options outstanding and exercisable at June 30, 2019 and 2018 was $0 and $4,750, respectively. Aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of the fiscal period, which was $0.55 and $0.76 as of June 30, 2019 and 2018, respectively, and the exercise price multiplied by the number of options outstanding.

During the three months ended June 30, 2019 and 2018, the Company charged $38,550 and $675, respectively, to operations to recognized stock-based compensation expense for employee stock options. During the six months ended June 30, 2019 and 2018, the Company charged $77,100 and $9,462, respectively, to operations related to recognized stock-based compensation expense for employee stock options.

Accounting for warrants and stock options

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

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

18. SUBSEQUENT EVENTS

Board Member

On July 24, 2019, David Polinsky was appointed to the Board of Directors. Mr. Polinsky is an independent director and was appointed to be a member of each of the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee of our Board of Directors.

As a director, Mr. Polinsky will receive as compensation an annual grant of 50,000 options which will vest after 12 months (provided he is still a Director on the vesting date), and will be exercisable for three years at a price of $1.20 per share.

Prior to Mr. Polinsky's appointment to the Board of Directors, on July 23, 2019 (i) an entity with which he is affiliated purchased 349,650 shares of our common stock for $250,000 which represents a price per share of $0.715, and (ii) through a subsidiary, we purchased certain assets from an entity with which Mr. Polinsky is affiliated for a) nominal cash consideration and b) future potential consideration, the value of which is based on meeting certain milestones related to the assets purchased.

Issuance of Common Stock

On July 31, 2019, the Company issued 9,524 shares of common stock for with a fair value of $5,429 to a consultant for services.

Acquisition of Facility

On Aug 9 2019 the Company entered into an agreement to acquire a warehouse and logistics facility (the "Facility"). The Facility is 200,000 square feet and is situated on approximately 15 acres of land, in the general area of the Company's current warehouse in Pennsylvania. The purchase price is $4.5 million, and the transaction is contingent on the Company receiving a loan for not less than 85% of the purchase price at a rate not above 6% and not less than a 20-year amortization period. The purchase is also subject to a 45-day review period in which, if the Company determines that the property is unacceptable, the Company can terminate the agreement at its sole and absolute discretion.

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

FORWARD LOOKING STATEMENTS

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

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

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

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

Critical Accounting Policy and Estimates

Use of Estimates in the Preparation of Financial Statements

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

Doubtful Accounts Receivable

The Company maintained an allowance in the amount of $152,397 for doubtful accounts receivable at June 30, 2019, and $155,176 at December 31, 2018. The Company has an operational relationship of several years with our major customers, and we believe this experience provides us with a solid foundation from which to estimate our expected losses on accounts receivable. Should our sales mix change or if we develop new lines of business or new customers, these estimates and our estimation process will change accordingly. These estimates have been accurate in the past.

Fair Value of Financial Instruments

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

Income Taxes

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

Leases

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

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

Background

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

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

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

Effective January 24, 2018, pursuant to an asset acquisition agreement (the "iGourmet Asset Acquisition 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, distribution to foodservice, retail stores and other wholesale accounts, pursuant to the terms of an Asset Purchase Agreement. The consideration for and in connection with the acquisition consisted of: (i) $1,500,000, which satisfied or reduced secured, priority and administrative debt of Sellers; (ii) in connection with and prior to the acquisition, our wholly-owned subsidiary, Food Funding, LLC ("Food Funding"), funded advances of $325,000 to Sellers on a secured basis, pursuant to certain loan documents and as bridge loans, which loans were reduced by the proceeds of the Asset Purchase Agreement; (iii) the purchase for $200,000 of certain debt owed by Sellers, to be paid out of, if available, Innovative Gourmet's cash flow; (iv) potential contingent liability allocation for a percentage of Sellers' approximately $2,300,000 of certain debt, not purchased or assumed by Innovative Gourmet, which under certain circumstances, Innovative Gourmet may determine to pay; and (v) additional purchase price consideration of (a) up to a maximum of $1,500,000, if EBITDA of Innovative Gourmet reaches $800,00 in 2018, (b) up to a maximum of $1,750,000, if EBITDA of Innovative Gourmet in 2019 exceeds its EBITDA in 2018 by at least 20% and if its EBITDA reaches $5,000,000; and (c) up to a maximum of $2,125,000, if EBITDA of Innovative Gourmet in 2020 exceeds its EBITDA in 2019 by at least 20% and if its EBITDA reaches $8,000,000. The EBITDA based earnout shall be paid 37.5% in cash, 25% in IVFH shares valued at the time of the closing of this transaction and 37.5%, at Innovative Gourmet's option, in IVFH shares valued at the time of the payment of the earnout or in cash. The 2018 earnout milestone was not met. In connection with the acquisition, our wholly-owned subsidiary, Food Funding, purchased Seller's senior secured note at a price of approximately $1,187,000, pursuant to the terms of a Loan Sale Agreement with UPS Capital Business Credit. That note was reduced by the proceeds of the Asset Purchase Agreement. See Item (i) above.

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

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

Transactions With a Major Customer

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

Relationship with U.S. Foods

We have historically sold the majority of our products through a distributor relationship between FII and Next Day Gourmet, L.P., a subsidiary of U.S. Foods, a leading broadline distributor. These sales amounted to $8,669,200 (62% of total sales) and $7,508,385 (63% of total sales) for the three months ended June 30, 2019 and 2018 respectively; and to $16,210,496 (61% of total sales) and $14,592,057 (64% of total sales) for the six months ended June 30, 2019 and 2018 respectively On January 26, 2015 we executed a contract between Food Innovations, Inc., our wholly-owned subsidiary, and U.S. Foods, Inc. The term of the Agreement is from January 1, 2015 through December 31, 2016 and provides for a limited number of automatic annual renewals thereafter if no party gives the other 30 days' notice of its intent not to renew. Based on the terms, the Agreement was extended through 2018. Effective January 1, 2018 the Agreement was further amended to remove the cap on renewals, and provide for an unlimited number of additional 12-month terms unless either party notifies the other in writing, 30 days prior to the end date, of its intent not to renew.

RESULTS OF OPERATIONS

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

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

Revenue

Revenue increased by $1,936,448 or approximately 16% to $13,925,451 for the three months ended June 30, 2019 from $11,989,003 in the prior year. The increase in revenues was attributable to an increase in revenues associated with foodservice and ecommerce offset partially by a decrease in revenues associated with national brand management.

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

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

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

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

Cost of goods sold

Our cost of goods sold for the three months ended June 30, 2019 was $9,862,369, an increase of $1,452,884 or approximately 17% compared to cost of goods sold of $8,409,485 for the three months ended June 30, 2019. Cost of goods sold is made up of the following expenses for the three months ended June 30, 2019: cost of goods of specialty, meat, game, cheese, seafood, poultry and other sales categories in the amount of $6,919,221; and shipping, delivery, handling, and purchase allowance expenses in the amount of $2,943,148. Total gross margin was approximately 29.2% of sales in 2019 compared to approximately 29.9% of sales in 2018. The increase in cost of goods sold is primary attributable to an increase in sales. The decrease in gross margins from 2018 are primarily attributable to variation in product and revenue mix across our various selling channels including a decrease in higher gross margin revenues associated with National Brand Management.

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

Selling, general, and administrative expenses

Selling, general, and administrative expenses increased by $946,850 or approximately 30.8% to $4,017,829 during the three months ended June 30, 2019 compared to $3,070,979 for the three months ended June 30, 2018. The increase in selling, general, and administrative expenses was primarily due to an increase in payroll and related costs of approximately $640,631 (including an increase in non-cash compensation in the amount of $81,487), an increase in office, facility, and vehicle costs of $168,270, an increase in depreciation and amortization of $64,267, an increase in professional fees of $36,834, an increase in advertising and marketing of $26,147, and an increase in computer and IT costs in the amount of $37,507. The increase in payroll and related costs were driven mainly by increases associated with Mouth which was added in 2019, and increases in Company payroll associated mainly with additional personnel added to the Company to support sales growth.

Interest expense, net

Interest expense, net of interest income, decreased by $11,147 or approximately 32.5% to $23,149 during the three months ended June 30, 2019, compared to $34,296 during the three months ended June 30, 2018. Interest accrued or paid on the Company’s commercial loans and notes payable decreased by $10,831 to $24,792 during the current period, compared to $35,623 during the prior year; interest income increased by $316 to $1,643 during the current period compared to $1,327 during the prior period.

Net income

For the reasons above, the Company had net income for the three months ended June 30, 2019 of $22,104 which is a decrease of approximately $308,139 or 93.3% compared to a net income of $330,243 during the three months ended June 30, 2018. The income for the three months ended June 30, 2019 includes a total of $421,989 in non-cash charges, including amortization of intangible assets in the amount of $250,567, depreciation expense of $75,314, and charges for non-cash compensation in the amount of $96,108. The income for the three months ended June 30, 2018 includes a total of $276,235 in non-cash charges, including amortization of intangible assets in the amount of $215,157, depreciation expense of $45,457, and charges for non-cash compensation in the amount of $14,621.

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

Revenue

Revenue increased by $3,879,119 or approximately 16.9% to $26,784,666 for the six months ended June 30, 2019 from $22,905,547 in the prior year. The increase in revenues was attributable to an increase in revenues associated with foodservice and ecommerce offset partially by a decrease in revenues associated with national brand management.

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

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

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

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

Cost of goods sold

Our cost of goods sold for the six months ended June 30, 2019 was $18,743,749, an increase of $2,896,833 or approximately 18.3% compared to cost of goods sold of $15,846,916 for the six months ended June 30, 2018. Cost of goods sold is made up of the following expenses for the six months ended June 30, 2019: cost of goods of specialty, meat, game, cheese, seafood, poultry and other sales categories in the amount of $13,167,969; and shipping, delivery, handling, and purchase allowance expenses in the amount of $5,575,780. Total gross margin was approximately 30.0% of sales in 2019 compared to approximately 30.8% of sales in 2018. The increase in cost of goods sold is primary attributable to an increase in sales. The decrease in gross margins from 2018 are primarily attributable to variation in product and revenue mix across our various selling channels including a decrease in higher gross margin revenues associated with National Brand Management.

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

Selling, general, and administrative expenses

Selling, general, and administrative expenses increased by $1,732,030 or approximately 28.5% to $7,806,826 during the six months ended June 30, 2019 compared to $6,074,796 for the six months ended June 30, 2018. The increase in selling, general, and administrative expenses was primarily due to an increase in payroll and related costs of approximately $1,274,756 (including an increase in non-cash compensation in the amount of $172,844), an increase in office, facility, and vehicle costs of $217,329, an increase in depreciation and amortization of $131,059, an increase in advertising and marketing of $92,207, an increase in travel and entertainment of $64,462, and an increase in computer and IT costs in the amount of $74,531. Professional fees decreased by $135,698 during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 primarily due to a decrease in acquisition activity in the current period compared to the six months ended June 30, 2018. The increase in payroll and related costs were driven mainly by increases associated with Mouth which was added in 2019, and increases in Company payroll associated mainly with additional personnel added to the Company to support sales growth.

Interest expense, net

Interest expense, net of interest income, decreased by $12,417 or approximately 20.3% to $48,627 during the six months ended June 30, 2019, compared to $61,044 during the six months ended June 30, 2018. Interest accrued or paid on the Company’s commercial loans and notes payable decreased by $13,767 to $51,788 during the current period, compared to $65,555 during the prior year; interest income decreased by $1,350 to $3,161 during the current period compared to $4,511 during the prior period.

Net income

For the reasons above, the Company had net income for the six months ended June 30, 2019 of $185,464 which is a decrease of approximately $593,327 or 76.2% compared to a net income of $778,791 during the six months ended June 30, 2018. The income for the six months ended June 30, 2019 includes a total of $827,278 in non-cash charges, including amortization of intangible assets in the amount of $479,697, depreciation expense of $151,329, and charges for non-cash compensation in the amount of $196,252. The income for the six months ended June 30, 2018 includes a total of $523,435 in non-cash charges, including amortization of intangible assets in the amount of $405,303, depreciation expense of $94,724, and charges for non-cash compensation in the amount of $23,408.

Liquidity and Capital Resources at June 30, 2019

As of June 30, 2019, the Company had current assets of $8,592,310, consisting of cash and cash equivalents of $3,158,853; trade accounts receivable of $3,018,700; inventory of $2,217,174; and other current assets of $197,583. Also at June 30, 2019, the Company had current liabilities of $3,980,976, consisting of trade payables and accrued liabilities of $2,043,215; accrued interest of $18,378; deferred revenue of $280,928; lease liabilities – operating leases, current portion of $197,014; lease liabilities – financing leases, current portion of $20,605; current portion of notes payable of $901,728; and current portion of contingent liabilities of $519,108.

During the six months ended June 30, 2019, the Company had cash used in operating activities of $858,947. Cash used in operations consisted of the Company's consolidated net income of $185,464 plus non-cash compensation in the amount of $196,252; depreciation and amortization of $631,026; and amortization of right-of-use asset of $88,644. These amounts were partially offset by a decrease in provision for doubtful accounts of $2,779 and by a change in the components of current assets and liabilities in the amount of $1,957,544.

The Company had cash used in investing activities of $134,329 for the six months ended June 30, 2019, which consisted of cash paid in the for the acquisition of property and equipment of $85,829; cash paid for website development of $23,500; and cash paid in connection with an investment in a food-related company of $25,000.

The Company had cash used in financing activities of $607,688 for the six months ended June 30, 2019, which consisted of principal payments made on notes payable of $594,877 and principal payments on financing leases of $12,811.

The Company had net working capital of $4,611,334 as of June 30, 2019. The Company had cash used by operations during the six months ended June 30, 2019 in the amount of $858,947. This compares to cash generated from operating activities of $384,434 during the six months ended June 30, 2018. The Company intends to continue to focus on increasing market share and cash flow from operations by focusing its sales activities on specific market segments and new product lines. Currently, we do not have any material long-term obligations other than those described in Notes 12, 13, and 14 to the financial statements included in this report. As we seek to increase our sales of new items and enter new markets, acquire new businesses as well as identify new and other consumer and food service oriented products and services, we may use existing cash reserves, long-term financing, or other means to finance such diversification.

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

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

2019 Plans

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

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

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

Off-Balance Sheet Arrangements

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

Inflation

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

RISK FACTORS

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

ITEM 4 - CONTROLS AND PROCEDURES

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

(a) Evaluation of disclosure controls and procedures

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

(b) Changes in internal control over financial reporting

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

3.1	Articles of Incorporation (incorporated by reference to exhibit 3.1 of the Company's annual report on Form 10-KSB for the year ended December 31, 2004 filed with the Securities and Exchange Commission on September 28, 2005).
3.2	Amended Bylaws of the Company (incorporated by reference to exhibit 3.2 of the Company's annual report Form 10-K for the year ended December 31, 2010 filed with the Securities and Exchange Commission on March 16, 2011).
4.1	Form of Convertible Note (incorporated by reference to exhibit 4.1 of the Company's annual report on Form 10-KSB for the year ended December 31, 2004 filed with the Securities and Exchange Commission on September 28, 2005).
4.2	Form of Convertible Note (incorporated by reference to exhibit 4.2 of the Company's annual report on Form 10-KSB for the year ended December 31, 2004 filed with the Securities and Exchange Commission on September 28, 2005).
4.3	Form of Warrant - Class A (incorporated by reference to exhibit 4.3 of the Company's annual report on Form 10-KSB for the year ended December 31, 2004 filed with the Securities and Exchange Commission on September 28, 2005).
4.4	Form of Warrant - Class B (incorporated by reference to exhibit 4.4 of the Company's annual report on Form 10-KSB for the year ended December 31, 2004 filed with the Securities and Exchange Commission on September 28, 2005).
4.5	Form of Warrant - Class C (incorporated by reference to exhibit 4.5 of the Company's annual report on Form 10-KSB for the year ended December 31, 2004 filed with the Securities and Exchange Commission on September 28, 2005).
4.6	Secured Convertible Promissory Note dated December 31, 2008 in favor of Alpha Capital Anstalt (incorporated by reference to exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 7, 2009).
4.7	Class B Common Stock Purchase Warrant dated December 31, 2008 in favor of Alpha Capital Anstalt (incorporated by reference to exhibit 10.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 7, 2009).
4.8	Subscription Agreement between the Registrant and Alpha Capital Anstalt dated December 31, 2008 (incorporated by reference to exhibit 10.3 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 7, 2009).
4.9	Amendment, Waiver, and Consent Agreement effective January 1, 2009 between the Registrant and Alpha Capital Anstalt (incorporated by reference to exhibit 10.4 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 7, 2009).
10.1	Agreement for Purchase and Sale of Real Estate dated as of August 9, 2019

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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	August 14, 2019
/s/ John McDonald John McDonald	Principal Accounting Officer	August 14, 2019

EXHIBIT 10.1

AGREEMENT FOR PURCHASE AND SALE OF REAL ESTATE

THIS AGREEMENT FOR PURCHASE AND SALE OF REAL ESTATE (this "Agreement") is entered into as of August __, 2019 (the "Effective Date"), by and between EAST COAST LOGISTICS & DISTRIBUTION, INC., a Pennsylvania business corporation ("Seller") and INNOVATIVE FOOD HOLDINGS, INC., a Florida corporation authorized to do business in the Commonwealth of Pennsylvania ("Purchaser").

WITNESSETH:

WHEREAS, Seller is the owner of the Property (as defined below); and

WHEREAS, Purchaser desires to purchase from Seller and Seller desires to sell to Purchaser all of the Property on the terms and conditions set forth below.

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

ARTICLE 1
AGREEMENT TO PURCHASE AND SELL

Seller agrees to sell and convey to Purchaser, and Purchaser agrees to purchase from Seller, upon the terms and conditions set forth in this Agreement, all of Seller's right, title and interest in and to the following (collectively, the "Property"):

(a) the land legally described on Exhibit A attached hereto and made a part hereof and commonly known as 220 Oak Hill Road, Mountain Top, Luzerne County, Pennsylvania 18707 together with all privileges, rights, easements, hereditaments, and appurtenances belonging to the land, and all right, title and interest of the titleholder thereof in and to any streets, alleys, passages, and other rights-of-way included therein or adjacent thereto (before or after the vacation thereof) (the "Land") (To the extent the legal description provided in this Agreement is inconsistent with that of the Survey (as hereinafter defined) or the Title Commitment (as hereinafter defined), the language of the Survey or Title Commitment will control.);

(b) all buildings, structures, parking areas and other improvements located on the Land and any and all fixtures attached thereto (collectively, the "Improvements");

(c) the articles of personal property owned by Seller as set forth on Exhibit B attached hereto and made a part hereof or used in connection with the operation of the Improvements (collectively, the "Personal Property"); and

(d) all licenses, franchises, permits, authorizations and approvals used in connection with or relating to the ownership, occupancy or operation of any part of the Land, Improvements or Personal Property (collectively, the "Permits").

ARTICLE 2
PURCHASE PRICE

2.1 **<u>Purchase Price</u>.** The purchase price (the "Purchase Price") to be paid by Purchaser to Seller for the Property will be Four Million Five Hundred Thousand and 00/100 Dollars ($4,500,000.00), subject to the adjustments, credits and prorations described below.

2.2 **Payment of Purchase Price.**

(a) Within five (5) business days following the Effective Date, Purchaser will deliver or cause to be delivered to Chicago Title Insurance Company (the "Title Company") the sum of Twenty Five Thousand Dollars ($25,000.00) (the "Deposit") to be held by the Title Company in an interest bearing escrow account.

(b) Within five (5) business days following the expiration of the General Review Period (as defined below), provided that this Agreement has not been terminated in accordance with Section 3 below, Purchaser will deliver or cause to be delivered to the Title Company the additional sum of Twenty Five Thousand Dollars ($25,000.00), which sum will be added to and become part of the Deposit.

(c) At Closing, Purchaser will pay to Seller the balance of the Purchase Price, which will include adjustments for the Deposit and the prorations, credits and closing costs allocated to the parties pursuant to this Agreement, in cash.

2.3 **Closing Costs.** Seller will pay the cost of obtaining and recording any releases of any mortgages, liens (including, without limitation, liens on Personal Property) or other encumbrances that are not Permitted Exceptions (as defined below). Purchaser will pay the cost of: (a) the Title Policy (as defined below), including the cost of extended coverage over the standard printed exceptions; (b) the cost of the Survey; (c) the endorsements described in Section 4.2 below; (d) the premium for the lender's title insurance policy (if any) and any related endorsements; and (e) the cost of recording the Deed and any other documents related to the financing of its purchase of the Property. The expense and cost of all state and local realty transfer taxes relating to the purchase of the Property shall be divided equally between the Seller and Purchaser. All other closing costs will be apportioned according to prevailing local custom and law. Except as expressly provided in this Agreement to the contrary, each party will pay its own legal fees.

2.4 **Closing Prorations and Adjustments.** The following items will be prorated and adjusted as of 12:01 a.m. on the Closing Date (as defined below) as follows:

(a) Seller will credit Purchaser at Closing real estate taxes, charges and assessments affecting the Property based upon 100% of the last ascertainable tax bill(s). Any such taxes prorated on an estimated basis on the Closing Date will be reprorated by the parties when and as the actual amount of such taxes becomes known. Any adjustment due to reproration of taxes will be paid not later than thirty (30) days following the final determination of the amount of such taxes and delivery of the demand by the party to whom payment is due. The reproration obligations of the parties will survive the Closing.

(b) Seller will pay all expenses necessary to repair, operate and maintain the Property in its current condition accrued up to and including the Closing Date. Any such expenses which are prepaid as of the Closing Date will be credited to Seller, and Purchaser will be responsible to pay such expenses accruing subsequent to the Closing Date. Any expenses that have accrued up to and including the Closing Date but have not been billed to or paid by Seller as of the Closing Date will, to the extent possible, be paid by Seller (with such payment evidenced to Purchaser) at the time of Closing, or, if not so payable, at Purchaser’s option, will be credited to Purchaser, provided that such credit will not release Seller of the obligation to make full payment if the credit is insufficient for any reason. Utility meters for utility services payable by Seller will be read on or immediately prior to the Closing Date, if possible, and the amounts due as disclosed by such readings will be paid by Seller or credited to Purchaser. Otherwise all utility charges and billings will be prorated using the prior month’s bill as of the Closing Date and will be reprorated upon receipt of actual bills for the period in question.

(c) Any and all other items customarily prorated or required by any other provision of this Agreement to be prorated or adjusted.

2.5 **<u>Payment of Purchase Price</u>.** The Purchase Price, plus or minus any adjustments, credits or prorations provided for herein, will be paid to Seller at the Closing by wire transfer of immediately available funds.

2.6 **<u>Purchaser’s Financing</u>.** During the period of time beginning on the Effective Date and ending at 5:00 P.M. (Eastern Time Zone) on the date that is forty-five (45) days after the Effective Date (the “Financing Period”), Purchaser will obtain a written commitment for a loan in the amount of $3,855,000.00, with an interest rate not to exceed six percent (6.00%) per year, and an amortization period of at least twenty (20) years (the “Loan Commitment”). Purchaser will apply for the Loan Commitment within ten (10) days after the Effective Date. If Purchaser makes a good faith effort but is unable to obtain the Loan Commitment, then Purchaser will have the right to terminate this Agreement by providing written notice of termination to Seller prior to the expiration of the Financing Period. If Purchaser does not provide written notice of termination prior to the expiration of the Financing Period, then Purchaser will for all purposes be deemed to have secured the Loan Commitment. If Purchaser terminates this Agreement pursuant to Section 3, then the Title Company will return the Deposit to Purchaser and the parties will have no further obligations hereunder except for any obligations that expressly survive termination.

ARTICLE 3
PURCHASER'S DUE DILIGENCE

3.1 General Review Period; Termination Right. During the period of time beginning on the Effective Date and ending at 5:00 P.M. (Eastern Time Zone) on the date that is forty-five (45) days after the Effective Date (the "General Review Period"), Purchaser and its agents, employees, contractors and representatives will have the right to: (i) enter upon the Land and Improvements to conduct tests, inspections and investigations of the physical condition of the Land, Improvements and Personal Property (including, without limitation, environmental inspections and investigations); and (ii) review books, records and other due diligence materials relating to the Property as may be necessary for Purchaser to determine whether any matter or condition makes the Property unacceptable to Purchaser in Purchaser's sole and absolute discretion. Purchaser agrees that a representative of Seller will be afforded not less than 24 hours prior notice to allow Seller or its representative to be present at each inspection or test of the Property.

Purchaser will repair any damage to the Property resulting from Purchaser's activities on the Property under this Section 3.1. Purchaser will also defend (with counsel reasonably satisfactory to Seller), indemnify and hold harmless Seller from and against any and all loss, cost, damage, expense or liability arising out of Purchaser's activities on the Property and/or the cost thereof, or out of any negligence or willful misconduct of Purchaser in performing the surveys, tests and inspections contemplated hereby, provided that, without expanding by implication the scope of the foregoing indemnity, the foregoing agreement to indemnify and hold harmless will not apply to any loss, cost, damage, expense or liability arising out of or related to (i) any condition upon or under the Property not caused by Purchaser, (ii) any violation of law existing with respect to the Property not caused by Purchaser, or (iii) the negligence or willful misconduct of Seller or its shareholders, officers, directors, employees, agents or contractors. The foregoing indemnity will survive the expiration or earlier termination of this Agreement.

Within five (5) Business Days after the Effective Date, Seller will provide Purchaser with copies of materials in its possession relating to Purchaser's due diligence investigations, including without limitation, existing surveys, title reports, service contracts, environmental reports, blueprints and warranties, third party reports and such other items in Seller's possession that Purchaser reasonably requests.

If Purchaser, in its sole and absolute discretion, determines that the Property is unacceptable to Purchaser, then Purchaser may terminate this Agreement by delivering written notice of termination to Seller at any time on or before the end of the General Review Period and deliver a notice to the Title Company demanding that the Deposit be delivered to Purchaser at which time, the Deposit will be immediately returned to Purchaser. If Purchaser does not terminate this Agreement during the General Review Period as set forth herein, the Deposit will become non-refundable absent a Seller default.

Purchaser will maintain or cause its designated consultants, auditors or engineers to maintain in full force and effect such types of insurance as are reasonable and customary under the circumstances, covering all individuals employed by or retained by Purchaser or its representatives in connection with Purchaser's surveys, tests and inspections; including, but not limited to comprehensive general liability insurance in the amount of $1,000,000.00. Certificates of such insurance naming Seller as an additional insured will be provided to Seller before any surveys, tests and inspections.

Purchaser will keep any information generated during its assessment of the Property (including its environmental assessment) as confidential unless required by law to do otherwise and will not disclose such to any third party other than Purchaser's attorney or lender (or prospective lender), any prospective tenant, or any such prospect's consultant(s), or other real estate consultant engaged specifically in connection with this acquisition or Purchaser's efforts to secure a future lease encumbering all or a portion of the Property, without prior approval of Seller, which will be within Seller's sole discretion; and if this transaction fails to close as required herein all documents supplied Purchaser by Seller will be promptly returned to Seller.

3.2 **Existing Leases**. Purchaser expressly acknowledges that the Property is encumbered by five (5) leases (the "Leases"). Within five (5) days of the Effective Date of this Agreement, Seller will furnish to Purchaser a copy of the Leases. On or before Closing (as defined below), Seller will provide Purchaser with tenant estoppel certificates, signed by the tenants, in a form reasonably acceptable to Purchaser.

3.3 **Survey**. Purchaser, at its cost, will obtain a survey certified to Seller, and the Title Insurer, and made by a registered Pennsylvania land surveyor, in accordance with February 23, 2016 ALTA/NSPS standards, including ALTA/NSPS Table A requirements, 1, 2, 3, 4, 6(a), 11(a), 13 16, 18 and 20 in the amount of $1,000,000 (the "Survey"). In all events, the Survey shall allow Title Insurer to remove all survey exceptions from the title commitment and grant an extended coverage endorsement to Purchaser, except for the Permitted Exceptions. The Survey shall reveal no encroachments onto the Property from any adjacent property, no encroachments by any of the improvements onto any adjacent property, and no violation by any of the improvements of any building line or easement affecting the Property. The Survey shall also state that the Property is not in a flood hazard area that would require flood insurance under the Federal Disaster Protection Act of 1973.

3.4 **Due Diligence**. No representation or warranty contained herein shall be affected or deemed waived or otherwise impaired or limited by reason of any investigation or due diligence conducted by Purchaser or by any agent or representative of Purchaser, except to the extent that on or before the Closing Date, the Purchaser obtains or acquires knowledge of any facts, events or circumstances that would cause a representation or warranty to be untrue or inaccurate. If Purchaser acquires such knowledge, Purchaser shall (i) provide written notice of termination to Seller on or before the Closing Date, in which case the Deposit will be immediately returned to Purchaser and neither party will have any further rights or obligations hereunder; or (ii) proceed to Closing, in which case Purchaser shall execute at Closing an affidavit attesting to the fact that, as of Closing, Purchaser is not aware of any facts or circumstances that would give rise to a claim for a breach of a representation or warranty by Seller.

ARTICLE 4
TITLE INSURANCE

4.1 Title Commitment. Within thirty (30) days after the Effective Date, Purchaser will order from the Title Company and deliver to Seller:

(a) A commitment (the "Title Commitment") from Chicago Title Insurance Company (the "Title Insurer") having an effective date no earlier than thirty (30) days prior to the Effective Date; and

(b) Legible photocopies of any documents identified in the Title Commitment.

4.2 Title Objections. Within ten (10) days after Purchaser delivers the later of the Survey and the Title Commitment to Seller, Purchaser will deliver to Seller's attorney a list of any objections to title and survey matters with respect to the Land (the "Title Objections"). If Purchaser fails to submit a list of the Title Objections within the 10-day period described above, then the "Permitted Exceptions" will be deemed to be all matters appearing on the Survey and the Title Commitment.

If Purchaser delivers a list of Title Objections within the 10-day period described above in this Section 4.2, then Seller may, at its election, within ten (10) days after Seller receives the Title Objections: (a) cause the Title Objections to be deleted from the Title Commitment; (b) cause the Title Insurer to insure over or commit to insure over such Title Objections; (c) agree, in writing, to cause such Title Objections to be deleted or insured over at or prior to the Closing; or (d) terminate the Agreement, in which case the Deposit will be immediately returned to Purchaser and neither party shall have any further rights or obligations hereunder. If within the aforementioned 10-day cure period, Seller fails or elects not to take one or more of the actions described in clauses (a), (b), (c) or (d) above in this Section 4.2 with respect to all of the Title Objections, then Purchaser may by written notice to Seller within five (5) days after the expiration of Seller's 10-day cure period elect, as its sole remedy, to: terminate this Agreement, in which case all of the Deposit will be returned to Purchaser.

4.3 Title Policy. At the Closing, Purchaser will procure an ALTA 2006 Form Owner's Title Insurance Policy from the Title Insurer or in lieu thereof a marked-up title commitment from the Title Insurer (either being referred to herein as the "Title Policy") which in either case will: (i) be dated as of the date of the recording of the Deed; (ii) name Purchaser or its designee as the insured; (iii) have a liability amount equal to the Purchase Price; (iv) show Purchaser as the owner of the Property in fee simple subject to no exceptions other than the Permitted Exceptions; (v) include extended coverage over the standard printed exceptions; and (vi) include the following endorsements: (A) zoning 3.1 (with parking); (B) survey; (C) access; (D) owner's comprehensive; (E) PIN; (F) contiguity, if applicable; and (H) such other endorsements as Purchaser or its lender may reasonably request.

4.4 No Further Liens. Seller agrees that it will not, from and after the Effective Date, cause or permit any actions that result in any additional exceptions to title.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties of Seller. Subject to the provisions of this Article 5, Seller represents to Purchaser that as of the date of this Agreement:

(a) Litigation. To the best of Seller's knowledge, there is no material pending or threatened litigation or condemnation action against the Property or against Seller with respect to the Property as of the date of this Agreement.

(b) No Insolvency; No General Assignment. Seller is not a debtor in any state or federal insolvency, bankruptcy, receivership proceeding and Seller has not made a general assignment for the benefit of creditors.

(c) Non-Foreign Person. Seller is not a "foreign person" as defined in Section 1445 of the Internal Revenue Code of 1986, as amended (the "Code").

(d) Contracts. Seller has not entered into any service or equipment leasing contracts relating to the Property which will be in force after the Closing.

(e) Due Authority. This Agreement and all agreements, instruments and documents provided to be executed or to be caused to be executed by Seller are, or on the Closing Date will be, duly authorized, executed and delivered by and are binding upon Seller. Seller is a corporation, duly organized and validly existing and in good standing under the laws of the Commonwealth of Pennsylvania, and is duly authorized and qualified to do all things required of it under this Agreement.

(f) Assessments. To the best of Seller's knowledge, there are no pending or threatened special or betterment assessments affecting the Property or any portion thereof.

(g) Zoning. To the best of Seller's knowledge, the Property is currently zoned for its current use by the applicable governmental authorities and except for any violations arising from the current tenant's use (or misuse), the Property is in material compliance with that zoning classification.

(h) Habitat; Wetlands. To the best of Seller's knowledge, there are no archaeological, anthropological or historical finds, objects or sites or any endangered or threatened species in, on or about the Property. No portion of the Property constitutes a "critical habitat" as such term is defined in the Endangered Species Act of 1973, as amended. No part of the Property contains "wetlands" as that term is defined in 33 C.F.R. §328.3(b)(1989), flood plains or floodways.

(i) Hazardous Substances. To the best of Seller's knowledge, there are no Hazardous Substances located on the Property, and the Property is in compliance with all applicable Environmental Laws and there are no orders, judgments, claims, suits, actions or proceedings concerning or affecting the Property with respect to any Environmental Law. Seller has not received any notice of any threatened or pending suit, action or proceeding concerning the Property relating to any Environmental Law. To the best of Seller's knowledge, there are no underground storage tanks located at the Property. As used in this Agreement, "Hazardous Substance" will mean and include all hazardous or toxic substances, wastes or materials, any pollutants or contaminants (including, without limitation, asbestos, petroleum products, and materials which include hazardous constituents) or any similar substances or materials which are included under or regulated by any Environmental Law. "Environmental Law" will mean and include all local, state or federal laws, rules, orders and regulations pertaining to environmental regulation or the use, processing, storage, disposal, generation or transportation of Hazardous Substances or any contamination, clean up or disclosure related thereto. Environmental Laws include, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Super Fund Amendments and Reauthorization Act of 1986, the Resource, Conservation and Recovery Act, the Hazardous and Solid Waste Amendments of 1984, the Toxic Substance Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Water Pollution Control Act, the Federal Safe Drinking Water Act, the Federal Clean Air Act, the Federal Clean Water Act, the National Environmental Protection Act, as any of the foregoing has heretofore been or is hereafter amended, and any regulations promulgated with respect to any of such statutes.

(j) References to the “knowledge”, “best knowledge” and/or “actual knowledge” of Seller or words of similar import will refer only to the current actual (as opposed to implied) or constructive knowledge of Joseph Talarico, Seller’s president. Notwithstanding anything to the contrary contained in this Agreement, Joseph Talarico will have no personal liability hereunder. The provisions of this Section 5.1 will survive the Closing for a period of one (1) year.

5.2 Representations, Warranties and Covenants of Purchaser. Purchaser represents and warrants to Seller as follows:

(a) This Agreement and all agreements, instruments and documents provided to be executed or caused to be executed by Purchaser are, or on the Closing Date will be, duly authorized, executed and delivered by and are binding upon Purchaser. Purchaser is a corporation, duly organized and validly existing and in good standing under the laws of the State of Florida, qualified to do business in the Commonwealth of Pennsylvania, and is duly authorized and qualified to do all things required of it under this Agreement.

(b) No bankruptcy, insolvency, reorganization, arrangement or moratorium proceeding or allegation of fraudulent conveyance is now pending or threatened against Purchaser.

(c) Execution by Purchaser of this Agreement and all documents provided for to be executed by Purchaser, and performance by Purchaser of the provisions hereof and thereof, will not violate or result in any breach of, or constitute a default under, any law, regulation, order or judgment of any governmental authority to which Purchaser is subject, or any agreement, indenture, mortgage, deed of trust, bank loan, credit agreement or any other instrument to which Purchaser is a party or by which Purchaser is bound, where such breach or default might adversely affect Purchaser's ability to perform its obligations hereunder or under such other documents. Purchaser is not in default under any note, evidence of indebtedness, lease, contract, license, undertaking or other agreement where the liability thereunder might adversely affect Purchaser's ability to perform its obligations under this Agreement or such other documents.

(d) The provisions of this Section 5.2 will survive the Closing for a period of one (1) year.

ARTICLE 6
ONGOING OPERATIONS AND RISK OF LOSS

6.1 Ongoing Operations. During the period from the date of this Agreement to the Closing Date, Seller will not enter into any contracts, lease or other agreements affecting the use or occupancy of the Property, which contracts, leases or other agreements cannot be terminated on or before the Closing Date, without the prior written consent of Purchaser.

6.2 Casualty and Condemnation.
(a) If, at any time between the date of acceptance hereof and the Closing, all or any portion of the Property is Materially Damaged (defined below) by casualty or condemned by any legally constituted authority for any public use or purpose, then Purchaser may elect either: (i) to terminate this Agreement, in which event the Deposit will promptly be refunded to Purchaser, and thereupon neither Purchaser nor Seller will have any further liabilities, obligations or rights with regard to this Agreement except for matters that by the express terms hereof survive termination; or (ii) proceed to close in accordance with the terms of this Agreement and to collect at Closing (or at Closing receive a credit against the Purchase Price for) all proceeds from any condemnation or from any insurance policies insuring the Property from damage or destruction and have the terms of this Agreement remain in full force and effect and binding on the parties (with Purchaser receiving a credit against the Purchase Price for any deductibles and the amount of any uninsured casualty). In the event of a condemnation in which Purchaser does not elect to terminate this Agreement pursuant to the foregoing terms, then the term Property, as used herein, will thereafter refer to the Property less and except any portion thereof taken by such condemnation. "Materially Damaged" means, with respect to any Improvements, damage that: (a) in Purchaser's reasonable estimation, exceeds $200,000 to repair; (b) in Purchaser's reasonable estimation, will take longer than sixty (60) days to repair; or (c) is not insured.

(b) In addition (and without limiting subparagraph (a) above), Purchaser will have no obligation to purchase the Property if any casualty, such as (without limitation) earthquake, sinkhole, contamination by hazardous substances or act of God, affects or threatens to affect the Property so as to make the ownership of operation of the Property more expensive, and upon any such occurrence, Purchaser may terminate this Agreement by notice to Seller given at any time prior to Closing, whereupon the Deposit will be immediately refunded to Purchaser, and thereupon the parties will be relieved of any and all further right, duty, liability or obligation under or with respect to this Agreement, except for matters that by the express terms of this Agreement will survive termination.

ARTICLE 7
PURCHASER'S CONDITIONS TO CLOSING

7.1 Conditions to Purchaser's Obligation to Close. Purchaser's obligation to close on the purchase of the Property is conditioned on the following:

(a) Seller will have performed all of the covenants and obligations to be performed by Seller under this Agreement at or before the Closing, and the representations and warranties of

Seller set forth in this Agreement will be true in all material respects on and as of the Closing Date; and

(b) There will have been no material adverse change from the Effective Date in the condition of the Property, other than as a result of a casualty or condemnation which will be governed by Section 6.2 hereof.

If one or more of the conditions set forth above in this Section 7.1 has not been satisfied as of the Closing Date, then Purchaser may, in its sole discretion, terminate this Agreement by delivering written notice of such termination to Seller at any time on or before the Closing Date, in which case, the Deposit will be immediately returned to Purchaser and neither party will have any further rights or obligations hereunder, except that if the failure to satisfy any such condition is due to a breach or default by Seller of any of its covenants, agreements, representations, warranties or other obligations hereunder, then the provisions of Section 9.2 will apply.

7.2 Waiver of Conditions. At any time or times, Purchaser may elect to waive in writing the benefit of any of the conditions set forth in Section 7.1. Purchaser will not be deemed to have waived any such condition, unless such waiver is set forth in a written document signed by Purchaser or its agent, and then only to the extent expressly set forth in such writing. If Purchaser waives any such condition, such waiver will not relieve Seller from, or modify or affect, Seller's other covenants and obligations under this Agreement, and such covenants and obligations will survive such waiver and the Closing.

ARTICLE 8
THE CLOSING

8.1 Definition; Time and Place. The performance by Seller and Purchaser of their respective obligations under this Agreement directly or through the completion of the escrow deposits required of them to be made and the delivery of the Purchase Price to Seller by the Closing Escrowee (as defined below), will constitute the closing of the sale (the "Closing"). The date of the Closing (the "Closing Date") will be the later of (i) September 30, 2019, or (ii) thirty (30) days after expiration of the General Review Period. The Closing will take place at the Title Insurer's office closest to the Property, at a time as Seller and Purchaser will mutually agree. The Title Insurer will act as the closing escrowee (the "Closing Escrowee").

8.2 Possession. Possession of the Property will be delivered at the Closing subject to the terms of the Leases.

8.3 Escrow. This sale will be closed through a "New York style" escrow (the "Closing Escrow") with the Closing Escrowee, in accordance with the general provisions of the usual form of escrow agreement then in use by the Closing Escrowee, with such special provisions inserted in the escrow agreement as may be required to conform with this Agreement (the "Escrow Agreement"). The Closing Escrow and the Escrow Agreement will be auxiliary to this Agreement, and this Agreement will not be merged into or in any manner superseded by the Closing Escrow or the Escrow Agreement. Upon the creation of the Closing Escrow, payment of the Purchase Price and delivery of the Deed and other closing documents will be made through the Closing Escrow and the Earnest Money will be deposited in the Closing Escrow. The attorneys for the parties are hereby authorized to execute the Escrow Agreement and any amendments thereto. Each party will have the right to inspect all documents prior to or at the time of deposit in the Closing Escrow. The escrow fee for the Closing Escrow will be shared equally by the parties.

8.4 Documents To Be Delivered By Seller At Closing. At the Closing, Seller will deliver or cause to be delivered to Purchaser directly or, if either party elects, through the Closing Escrow, the following, each of which will be in form reasonably satisfactory to Purchaser and (if applicable) the Title Insurer:

(a) Such evidence that may be reasonably required by Purchaser or the Escrow Agent to evidence the status and capacity of Seller and the authority of the persons who are executing the various documents on behalf of the Seller;

(b) Special warranty deed (the "Deed"), duly executed and acknowledged by Seller, granting, conveying and warranting to Purchaser or Purchaser's Assignee (as defined in Section 10.3), good and indefeasible fee simple absolute title to the Property subject only to the Permitted Exceptions;

(c) Bill of sale (the "Bill of Sale") executed by Seller, conveying to Purchaser good and marketable title to the Personal Property as described in the Bill of Sale, free and clear of all encumbrances and adverse claims;(d) The Title Policy (as ordered by Purchaser and cleared by Seller per the provisions above);

(d) An affidavit in compliance with Section 1445 of the Code and applicable regulations stating, under penalty of perjury, Seller's United States taxpayer identification number and that Seller is not a "foreign person" as that term is defined in said Section 1445;

(e) An ALTA Statement and a gap undertaking as may be reasonably required by the Title Insurer in order to issue the Title Policy in the form required pursuant to Section 4.3 hereof;

(f) If required by the Title Company to issue extended coverage title insurance (but not otherwise), all utility letters;

(g) An assignment of the Leases and the forklift equipment leases (described in Exhibit B) in form reasonably acceptable to Purchaser;

(h) Tenant estoppel certificates (5) in form reasonably acceptable to Purchaser;

(i) Any other instruments, documents, affidavits and certificates as Purchaser or the Title Company may reasonably request in order to conform to the provisions of this Agreement, in such form as will be reasonably satisfactory to Title Company, and as may be reasonable and customary for transactions of this type.

8.5 Documents To Be Delivered By Purchaser At Closing. At the Closing, Purchaser will deliver or cause to be delivered to Seller directly, or if either party elects through the Closing Escrow, the following, each of which will be in form reasonably satisfactory to Seller and (if applicable) the Title Insurer:

(a) The Purchase Price, plus or minus adjustments, credits and prorations as provided for herein; and

(b) All other documents required to be executed and/or delivered by Purchaser pursuant to other provisions of this Agreement or the Escrow Agreement.

8.6 **Documents to be Jointly Delivered by Seller and Purchaser at Closing**. At the Closing, Seller and Purchaser will each execute and deliver, directly, or if either party elects, through the Closing Escrow, the following, each of which will be in form reasonably satisfactory to both parties and (if applicable) the Title Insurer:

(a) Applicable transfer tax declarations for the Commonwealth of Pennsylvania, Lucerne County, and any necessary municipal transfer tax declarations; and

(b) A Closing or disbursement statement prepared by the Title Insurer.

ARTICLE 9
DEFAULTS; REMEDIES

9.1 **Purchaser's Default.** If Purchaser is in default under this Agreement and such default is not cured within five (5) Business Days after written notice of such default is given by Seller to Purchaser, then Seller may, as its sole and exclusive remedy, terminate this Agreement, in which case, the Deposit will be delivered to Seller as liquidated damages and as Seller's sole and exclusive remedy. The parties acknowledge that Seller's actual damages in the event of a default by Purchaser under this Agreement will be difficult to ascertain, and that Seller's receipt of the Deposit as liquidated damages represents the parties' best estimate of such damages. The parties agree that the foregoing provisions of this Section 9.1 are reasonable in light of the intent and circumstances surrounding the execution of this Agreement, and Seller expressly acknowledges and agrees that its rights and remedies will be limited as set forth above in this Section 9.1. However, notwithstanding anything contained in this Section 9.1 to the contrary, in the event of any breach or default by Purchaser of a post-Closing covenant or obligation or a covenant or obligation that expressly survives the Closing, Seller will also be entitled to any and all rights and remedies available at law or in equity.

9.2 **Seller's Default.** If Seller is in default under this Agreement and such default is not cured within five (5) Business Days after written notice of such default is given by Purchaser to Seller, then Purchaser may, at its option, pursue the following: (i) terminate this Agreement, the Deposit will be paid to Purchaser and Seller will pay Purchaser liquidated damages in the amount equal to the Deposit; or (ii) enforce specific performance of Seller's obligations hereunder, including specifically the conveyance of the Property in the condition required hereby, or (iii) if Seller's default is due to Seller's sale of the Property to a third party, then Purchaser may elect to pursue any and all damages provided by law or in equity. In addition, in the event of any breach or default by Seller of a post-Closing covenant or obligation or a covenant or obligation that expressly survives the Closing, Purchaser will be entitled to any and all rights and remedies available at law or in equity.

9.3 **Costs of Enforcement.** In the event any action or proceeding is brought by either party to enforce the terms of this Agreement, each party will pay its own costs, fees (including, without limitation, attorneys' fees) and expenses.

ARTICLE 10
MISCELLANEOUS

10.1 **Notices.** All notices, requests or other communications which may be or are required to be given, served or sent by either party hereto to the other will be given in writing and will be deemed received upon acceptance or rejection of delivery if delivered (a) in person or email transmission, with receipt thereof confirmed by printed email acknowledgment, (b) by overnight delivery with any reputable overnight courier service, or (c) by deposit in any post office or mail depository regularly maintained by the United States Postal Office and sent by registered or certified mail, postage paid, return receipt requested, and, in each case, addressed as follows:

If to Seller:

East Coast Logistics & Distribution, Inc.
728 Moosic Road
Old Forge, PA 18518
Attention: Joseph Talarico
Phone: 570-237-5078
Email: joseph.c.talarico@dupontmotorlines.com

with a copy to:

Robert T. Kelly, Jr.
Myers, Brier & Kelly, LLP
425 Spruce Street, Suite 200
Scranton, Pennsylvania 18503
Phone: 570-342-6100
Email: rkelly@mbklaw.com

If to Purchaser:

Innovative Food Holdings, Inc.
28411 Race Track Road
Bonita Springs, Florida 34135
Attention: Justin Wiernasz
Phone: 239-449-3239
E-mail: Jwiernasz@ivfh.com

with a copy to:

W. Roger Carlson, Esq.
Nisen & Elliott, LLC
200 West Adams Street, Suite 2500
Chicago, Illinois 60606
Phone: 312-346-7800
Email: Rcarlson@nisen.com

or to such other address as either party may from time to time specify as its address for the receipt of notices hereunder, in a notice to the other party.

10.2 **Entire Agreement.** This Agreement embodies the entire understanding of the parties and there are no further or other agreements or understandings, written or oral, in effect between the parties relating to the subject matter hereof, except as may be set forth in a written instrument executed by all parties contemporaneously with or subsequent to this Agreement. This Agreement will not be construed more strictly against one party hereto than against the other party merely by virtue of the fact that it may have been prepared primarily by counsel for one of the parties. It is understood and recognized that both parties have contributed substantially and materially to the preparation of this Agreement.

10.3 **Successors and Assigns; Assignment.** This Agreement will be binding upon and will inure to the benefit of the parties hereto and their respective successors and permitted assigns.

10.4 **Severability.** If any term or provision of this Agreement or any application thereof will be invalid or unenforceable, the remainder of this Agreement and other applications thereof will not be affected thereby.

10.5 **Captions; Number.** The captions contained in this Agreement are for the convenience of reference only, and will not affect the meaning, interpretation or construction of this Agreement. As used in this Agreement, the singular form will include the plural and the plural will include the singular, to the extent that the context renders it appropriate.

10.6 **Counterparts.** This Agreement may be executed in two or more counterparts (including by means of facsimile, pdf or other electronic means), each of which will be deemed to be an original and all of which together will be deemed to be one and the same instrument.

10.7 **Governing Law; Venue.** This Agreement has been executed and delivered, and is to be performed, in the Commonwealth of Pennsylvania, and this Agreement and all rights, obligations and liabilities hereunder will be governed by, and construed in accordance with, the internal laws of the Commonwealth of Pennsylvania. Each party hereby irrevocably waives any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement brought in any federal or state court sitting in Luzerne County, Pennsylvania.

10.8 **Time of the Essence.** Time is of the essence of this Agreement.

10.9 **Modification.** The provisions of this Agreement may not be amended, changed or modified orally, but only by an agreement in writing signed by all of the parties hereto.

10.10 **Waiver.** Except as otherwise expressly provided in this Agreement, no waiver by a party of any breach of this Agreement or of any warranty or representation hereunder by the other party will be deemed to be a waiver of any other breach by such other party (whether preceding or succeeding and whether or not of the same or similar nature) and no acceptance of payment or performance by a party after any breach by the other party will be deemed to be a waiver of any breach of this Agreement or of any representation or warranty hereunder by such other party whether or not the first party knows of such breach at the time it accepts such payment or performance. Except as otherwise expressly provided in this Agreement, no failure or delay by a party to exercise any right it may have by reason of the default of the other party will operate as a waiver of default or modification of this Agreement or will prevent the exercise of any right by the first party while the other party continues to be so in default.

10.11 **Business Days.** If any date specified in this Agreement for the Closing Date or for commencement or expiration of time periods for termination or approvals or for notice occurs on a day other than a Business Day, then any such date will be postponed to the next following Business Day. As used herein, “Business Day” will mean any day other than a Saturday, Sunday or a holiday observed by national banks or the Title Insurer.

10.12 **Payment of Real Estate Brokers and Consultants.** Seller and Purchaser represent that the only broker involved in this transaction is Lewith & Freeman Real Estate, Inc. (the "Broker"). Seller will pay all applicable brokerage fees and commissions per the terms of a separate agreement. Each party will indemnify and hold harmless the other party for the indemnifying party’s dealings or other circumstances which give rise to additional brokerage commissions or claims from third parties other than the Broker. These indemnities will survive the Closing or the termination of this Agreement.

The remainder of this page is left blank intentionally.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

SELLER:
EAST COAST LOGISTICS & DISTRIBUTION, INC.

By: ______________________________

PURCHASER:
INNOVATIVE FOOD HOLDINGS, INC.

By: ______________________________

EXHIBIT 31.1

Certifications

I, Sam Klepfish, certify that:

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

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

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

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

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2019

/s/ Sam Klepfish
Sam Klepfish, Chief Executive Officer

EXHIBIT 31.2

Certifications

I, John McDonald, certify that:

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

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

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

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

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2019

/s/ John McDonald
John McDonald, Principle Accounting Officer

EXHIBIT 32.1

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

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

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

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

August 14, 2019

EXHIBIT 32.2

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

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

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ John McDonald
John McDonald
Principal Accounting Officer

August 14, 2019