INNOVATIVE FOOD HOLDINGS INC
Form 10-Q
May 15, 2009

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

FORM 10-Q

x Quarterly report pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934.

For the quarterly period ended March 31, 2009

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

Commission File Number: 0-9376

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

Florida (State of or Other Jurisdiction of Incorporation or Organization)	20-1167761 (IRS Employer I.D. No.)

3845 Beck Blvd., Suite 805
Naples, Florida 34114
(Address of Principal Executive Offices)

(239) 596-0204
(Registrant's Telephone Number, Including Area Code)

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 þ NO r

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES r NO r

Indicate by check mark whether the registrant is a shell company (as defined in Regulation 12b-2 of the Exchange Act):

YES r NO þ

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

(Check One):

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

State the number of shares outstanding of each of the issuer's classes of Common equity, as of the latest practicable date: 178,577,038 Common Shares outstanding at May 13, 2009.

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Innovative Food Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets

	March 31, 2009 (UNAUDITED)	December 31, 2008 (AUDITED)
ASSETS		
Current assets		
Cash and cash equivalents	$ 117,625	$ 160,545
Accounts receivable, net	233,868	239,566
Loan receivable, current portion net	73,500	60,000
Rent deposit	4,500	9,000
Total current assets	429,493	469,111
Loan receivable, net	79,500	93,000
Property and equipment, net	50,610	52,620
	$ 559,603	$ 614,731
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities	$ 721,803	$ 832,613
Accrued liabilities- related parties	134,085	126,671
Accrued interest, net of discount	505,462	437,269
Accrued interest - related parties	149,311	173,471
Notes payable, current portion, net of discount	938,495	938,364
Notes payable - related parties, current portion, net of discount	279,244	261,002
Warrant liability	677,876	1,388,287
Option liability	87,267	174,692
Conversion option liability	1,141,244	1,150,000
Penalty for late registration of shares	-	551,400
Total current liabilities	4,634,787	6,033,769
Note payable	12,088	10,723
	4,646,875	6,044,492
Stockholders' deficiency		
Common stock, $0.0001 par value; 500,000,000 shares authorized; 188,577,038 and 183,577,038 shares issued, and 178,577,038 and 173,577,038 shares outstanding at March 31, 2009 and December 31, 2008, respectively	18,858	18,358
Additional paid-in capital	2,045,981	1,985,335
Accumulated deficit	(6,152,111)	(7,433,454)
Total stockholders' deficiency	(4,087,272)	(5,429,761)

	$	559,603	$	614,731

See notes to consolidated financial statements.

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Innovative Food Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations
(UNAUDITED)

	Three Months Ended March 31, 2009	2008 (Restated)
Revenue	$ 1,600,675	$ 1,603,378
Cost of goods sold	1,187,694	1,286,893
Gross margin	412,981	316,485
Selling, general and administrative expenses	386,561	336,470
Operating income (loss)	26,420	(19,985)
Other (income) expense:		
Interest expense, net	111,169	85,371
(Gain) loss on extinguishment of debt	(222,656)	168,620
Loss on revaluation of penalty shares	-	330,840
(Gain) loss from change in fair value of warrant liability	(710,411)	600,712
Fair value of options issued	-	39,344
(Gain) loss from change in fair value of option liability	(87,425)	35,026
(Gain) loss from change in fair value of conversion option liability	(345,600)	669,741
	(1,254,923)	1,929,654
Income before tax expense	1,281,343	(1,949,639)
Income tax expense	-	-
Net income (loss)	$ 1,281,343	$ (1,949,639)
Net income (loss) per share - basic	$ 0.007	$ (0.011)
Net income (loss) per share diluted	$ 0.002	$ (0.011)
Weighted average shares outstanding - basic	183,577,038	181,787,638
Weighted average shares outstanding - diluted	670,267,558	181,787,638

See notes to consolidated financial statements.

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Innovative Food Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(UNAUDITED)

	Three Months Ended March 31, 2009	2008 (Restated)
Cash flows from operating activities:		
Net income (loss)	$ 1,281,343	$ (1,949,639)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	9,550	10,016
(Gain) loss on extinguishment of debt	(222,656)	168,620
Issuance of shares common stock to a consultant	10,000	-
Fair value of warrants and options issued in excess of discount on notes	-	39,344
Amortization of discount on notes payable	15,632	15,197
Amortization of discount on accrued interest	44,608	30,990
Change in fair value of warrant liability	(710,411)	600,709
Change in fair value of option liability	(87,425)	35,026
Change in fair value of conversion option liability	(345,600)	669,741
Revaluation of penalty for late registration of shares	-	330,836
Changes in operating assets and liabilities:		
Accounts receivable	5,698	79,748
Prepaid expenses and other current assets	4,500	-
Accounts payable and accrued expenses-related party	34,400	20,692
Accounts payable and accrued expenses	(73,726)	(94,677)
Net cash used in operating activities	(34,087)	(43,397)
Cash flows from investing activities:		
Acquisition of property and equipment	(7,540)	-
Net cash used in investing activities	(7,540)	-
Cash flows from financing activities:		
Principal payments on debt	(1,293)	(1,673)
Net cash used in financing activities	(1,293)	(1,673)
Decrease in cash and cash equivalents	(42,920)	(45,070)
Cash and cash equivalents at beginning of year	160,545	74,610
Cash and cash equivalents at end of year	$ 117,625	$ 29,540
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		

Interest	$	358	$	557
Income Taxes	$	-	$	-

See notes to consolidated financial statements.

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INNOVATIVE FOOD HOLDINGS, INC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2009
(Unaudited)

1. BASIS OF PRESENTATION AND NATURE OF BUSINESS OPERATIONS

Basis of Presentation

The accompanying unaudited consolidated financial statements of Innovative Food Holdings, Inc., and its wholly owned subsidiaries, Food Innovations, Inc. ("FII"), Food New Media Group, Inc. ("FNM") and 4 The Gourmet, Inc (" Gourmet") (collectively, the "Company, or "IVFH"), have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. FNM is currently inactive. They do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for a complete financial statement presentation. U.S. accounting principles also contemplate continuation of the Company as a going concern.

Acquisition and Corporate Restructure

We were initially formed in September 1979 as Alpha Solarco Inc., a Colorado corporation. From September 1979 through February 2004, we were either inactive or involved in discontinued business ventures. In February 2003 we changed our name to Fiber Application Systems Technology, Ltd.

On January 26, 2004, through a share exchange, the shareholders of Food Innovations, Inc. ('FII") converted 10,000 shares (post-reverse split) of FII common stock outstanding into 25,000,000 shares (post-reverse split) of IVFH. On January 29, 2004, in a transaction known as a reverse acquisition, the shareholders of Innovative Food Holdings, Inc. ("IVFH") exchanged 25,000,000 shares (post-reverse split) of IVFH for 25,000,000 shares (post-reverse split) of Fiber Application Systems (formerly known as Alpha Solarco) ("Fiber"), a publicly-traded company. The shareholders of IVFH thus assumed control of Fiber, and Fiber changed its name to IVFH. The 25,000,000 shares (post-reverse split) of IVFH are shown on the Company's balance sheet at December 31, 2003 as shares outstanding. These shares are shown at their par value of $2,500 as a decrease of additional paid-in capital at the acquisition date of January 29, 2004. There were 157,037 shares (post-reverse split) outstanding in Fiber at the time of the reverse acquisition; the par value of these shares, or $16, was transferred from additional paid-in capital at the time of the reverse acquisition.

2. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Business Activity

Food Innovations, Inc. ("FII") is in the business of providing premium white tablecloth restaurants with the freshest origin-specific perishables and specialty food products direct from its network of vendors to the end users (restaurants, hotels, country clubs, national chain accounts, casinos, and catering houses) within 24 - 72 hours, except as stated hereafter, eliminating all wholesalers and distributors. We currently sell the majority of our products through a distributor relationship with Next Day Gourmet, L.P., a subsidiary of US Foodservice, Inc. ("USF"), a $20 Billion broadline distributor.

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Interim Financial Information

The accompanying unaudited interim 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. 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 financial statements and related notes as contained in Form 10-K for the year ended December 31, 2008. In the opinion of management, the interim consolidated financial statements reflect all adjustments, including normal recurring adjustments, necessary for fair presentation of the interim periods presented. The results of the operations for the three months ended March 31, 2009 are not necessarily indicative of the results of operations to be expected for the full year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. Actual results could materially differ from those estimates.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned operating subsidiary, Food Innovations, Inc. and its other wholly-owned subsidiaries Food New Media Group, Inc. and 4 The Gourmet, Inc. All material intercompany transactions have been eliminated upon consolidation of these entities.

Revenue Recognition

The Company recognizes revenue upon product shipment. We ship all our products either overnight shipping terms or three day shipping terms to the customer and the customer takes title to product and assumes risk and ownership of the product when it is shipped. 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 Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition," which superseded SAB No. 101, "Revenue Recognition in Financial Statements." SAB No. 104 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts. 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. SAB No. 104 incorporates Emerging Issues Task Force ("EITF") No. 00-21, "Multiple-Deliverable Revenue Arrangements." EITF No. 00-21 addresses accounting for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets. The effect of implementing EITF No. 00-21 on the Company's consolidated financial position and results of operations was not significant.

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This issue addresses determination of whether an arrangement involving more than one deliverable contains more than one unit of accounting and how the arrangement consideration should be measured and allocated to the separate units of accounting. EITF No. 00-21 became effective for revenue arrangements entered into in periods beginning after June 15, 2003. For revenue arrangements occurring on or after August 1, 2003, the Company revised its revenue recognition policy to comply with the provisions of EITF No. 00-21 and EITF 99-19.

Cost of goods sold

We have included in cost of good sold all costs which are directly related to the generation of revenue. These costs include primarily the cost of the product plus the shipping costs.

Selling, general, and administrative expenses

We have included in selling, general, and administrative expenses all other costs which support the Company's operations but which are not includable as a cost of sales. These include primarily payroll, facility costs such as rent and utilities, selling expenses such as commissions and advertising, and other administrative costs including professional fees. Advertising costs are expensed as incurred.

Cash and Cash Equivalents

Cash equivalents include all highly liquid debt instruments with original maturities of three months or less which are not securing any corporate obligations.

Accounts Receivable

The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Company's estimate is based on historical collection experience and a review of the current status of trade accounts receivable. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change. Accounts receivable are presented net of an allowance for doubtful accounts of $3,071 and $15,877 at March 31, 2009 and December 31, 2008, respectively.

Property and Equipment

Property and equipment are valued at cost. Depreciation is provided over the estimated useful lives up to five years using the straight-line method. Leasehold improvements are depreciated on a straight-line basis over the term of the lease.

The estimated service lives of property and equipment are as follows:

Computer Equipment	3 years
Office Furniture and Fixtures	5 years

Inventories

The Company does not currently maintain any amount of inventory.

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Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Realization of the deferred tax asset is dependent on generating sufficient taxable income in future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Fair Value of Financial Instruments

The carrying amount of the Company's cash and cash equivalents, accounts receivable, notes payable, line of credit, accounts payable and accrued expenses, none of which is held for trading, approximates their estimated fair values due to the short-term maturities of those financial instruments.

Long-Lived Assets

The Company reviews its property and equipment and any identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The test for impairment is required to be performed by management at least annually. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted operating cash flow expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

As of March 31, 2009, the Company's management believes there is no impairment of its long-lived assets. There can be no assurance, however, that market conditions will not change which could result in impairment of long-lived assets in the future.

Comprehensive Income

Statement of Financial Accounting Standards No. 130 ("SFAS 130"), "Reporting Comprehensive Income," establishes standards for reporting and displaying of comprehensive income, its components and accumulated balances. Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, SFAS 130 requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The Company does not have any items of comprehensive income in any of the periods presented.

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Basic and Diluted Income (Loss) Per Share

In accordance with SFAS No. 128, "Earnings Per Share," the basic loss per common share is computed by dividing net income available to common stockholders less preferred dividends by the weighted average number of common shares outstanding. Diluted loss per common share is computed similarly to basic loss per common share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were not anti-dilutive, and the numerator is changed to reflect any changes to net loss that would have occurred had the dilutive shares been issued.

Diluted earnings per shares was computed as follows for the three months ended March 31, 2009:

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic earnings per share	$ 1,281,343	183,577,038	$ 0.007
Effect of Dilutive Securities:			
Conversion of notes and interest to common stock:			
Additional shares reserved interest for conversion			
Decrease in interest expense due to conversion	110,811	483,690,520	
Remove gain on revaluation of conversion option liability	(345,600)		
Shares accrued, not yet issued	-	3,000,000	
Diluted earnings per share	$ 1,046,554	670,267,558	$ 0.002

Diluted loss per share was not calculated for the three months ended March 31, 2008 as the effect would have been anti-dilutive.

Anti-dilutive shares at March 31, 2009:
The following warrants were not included in fully-diluted earnings per share because the exercise prices of the warrants were greater than the average market price of the Company's common stock: 179,700,000 shares at an exercise price of $0.005 per share; 18,500,000 shares at an exercise price of $0.011 per share; 1,000,000 shares at an exercise price of $0.012 per share; and 74,000,000 shares at an exercise price of $0.0115 per share.

The following options were not included in fully-diluted earnings per share because the exercise prices of the options were greater than the average market price of the Company's common stock: 15,000,000 shares at $0.005 per share; 20,000,000 shares at $0.007 per share; and 500,000 shares at $0.50 per share.

Anti-dilutive shares at March 31, 2008:
The following warrants were not included in fully-diluted earnings per share because the exercise prices of the warrants were greater than the average market price of the Company's common stock: 139,700,000 shares at an

exercise price of $0.005 per share; 18,500,000 shares at an exercise price of $0.011 per share; and 74,000,000 shares at an exercise price of $0.0115 per share.

The following options were not included in fully-diluted earnings per share because the exercise prices of the options were greater than the average market price of the Company's common stock: 15,000,000 shares at $0.005 per share; 20,000,000 shares at $0.007 per share; and 500,000 shares at $0.50 per share.

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Liquidity

As reflected in the accompanying consolidated financial statements, the Company had net income (loss) of $1,281,343 and ($1,949,639) for the three months ended March 31, 2009 and 2008, respectively. This variance was principally due to changes in fair values of warrant, conversion option and registration penalty liabilities rather to differences in actual operating results. The Company has an accumulated deficit of $6,152,111 at March 31, 2009. In addition, the Company's current liabilities exceeded its current assets by $4,205,294 as of March 31, 2009. Consequently, its operations are subject to all risks inherent in the establishment of a new business enterprise.

Historically, we have funded our operations from cash generated by operations and from the issuance of both debt and equity securities. The Company's cash on hand may be insufficient to fund its planned operating needs. Management is continuing to pursue new debt and/or equity financing and is continually evaluating the Company's cash and capital needs.

The Company expects that any sale of additional equity securities or convertible debt will result in additional dilution to our stockholders. The Company can give no assurance that it will be able to generate adequate funds from operations, that funds will be available, or the Company will be able to obtain such funds on favorable terms and conditions. It the Company cannot generate positive cash flow from operations or secure additional funds it will not be able to continue as a going concern.

By adjusting its operations and development to the level of available resources, management believes it has sufficient capital resources to meet projected cash flow through the next twelve months. The Company also intends to increase market share and cash flow from operations by focusing its sales activities on specific market segments. However, if thereafter, the Company is not successful in generating sufficient liquidity from operations or in raising sufficient capital resources, on terms it finds acceptable, this could have a material adverse effect on our business, results of operations, liquidity and financial condition. Currently, we do not have any material long-term obligations other than those described in Note 7 to the financial statements included in this report, nor have we identified any long-term obligations that we contemplate incurring in the near future. As we seek to increase our sales of perishables, as well as identify new and other consumer oriented products and services, we may use existing cash reserves, long-term financing, or other means to finance such diversification.

The independent auditors report on our December 31, 2008 financial statements state that our recurring losses raise substantial doubts about our ability as a going concern.

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 in investments with credit quality institutions. At times, such investments may be in excess of applicable government mandated insurance limit. At March 31, 2009 and 2008, trade receivables from the Company's largest customer amounted to 94.5 % and 78.0% respectively, of total trade receivables.

Reclassification

Certain reclassifications have been made in prior year's financial statements to conform to classifications used in the current year.

INNOVATIVE FOOD HOLDINGS, INC
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March 31, 2009
(Unaudited)

Stock-Based Compensation

The Company accounts for stock-based compensation under the provisions of SFAS 123R, Share-Based Payment ("SFAS 123R"). This statement requires the Company to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is recognized over the period in which the employee is required to provide service in exchange for the award, which is usually the vesting period.

In August 2005, the Company's commitments to issue shares of common stock first exceeded its common stock authorized. At this time, the Company began to value its stock options via the liability method of accounting. Pursuant to guidance in SFAS 123(R), the cost of these options are valued via the Black-Scholes valuation method when issued, and re-valued at each reporting period. The gain or loss from this revaluation is charged to compensation expense during the period. Options expense and gain or loss on revaluation during the three months ended March 31, 2009 and 2008 are summarized in the table below:

	Three Months ended March 31, 2009	Three Months ended March 31, 2008
Option expense	$ -	$ 39,344
(Gain) loss on revaluation of options	$ (87,425)	$ 35,026

A summary of option activity as of December 31, 2008, and changes during the period ended March 31, 2009 are presented below:

	Number of Shares	Weighted Average Exercise Price
Options outstanding at December 31, 2008	35,500,000	$ 0.013
Granted	-	-
Exercised	-	-
Cancelled/Expired	-	-
Options outstanding at March 31, 2009	35,500,000	$ 0.013
Exercisable	35,400,000	$ 0.012
Not exercisable	100,000	$ 0.500

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Aggregate intrinsic value of options outstanding and options exercisable at March 31, 2009, was $0. Aggregate intrinsic value represents the difference between the company's closing stock price on the last trading day of the fiscal period, which was $0.003 at March 31, 2009, and the exercise price multiplied by the number of options outstanding. As of March 31, 2009 total unrecognized stock-based compensation expense related to non-vested stock options was $0. The total fair value of options vested was $0 for the three month periods ended March 31, 2009 and 2008.

Significant Recent Accounting Pronouncements

On April 9, 2009, the Financial Accounting Standards Board (“FASB”) issued FASB Staff Position (“FSP”) No. FAS 107-1 and APB 28-1, “Interim Disclosures about Fair Value of Financial Instruments.” This staff position amends FASB Statement (“SFAS”) No. 107, “Disclosures about Fair Value of Financial Instruments,” to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends Accounting Principles Board Opinion No. 28, “Interim Financial Reporting,” to require those disclosures in summarized financial information at interim reporting periods. This FSP will be effective for interim reporting periods ending after June 15, 2009. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending after initial adoption. As this FSP provides for additional disclosure requirements only, the Company does not expect the adoption of this FSP to have an impact on the Company’s results of operations, financial position or cash flows.

On April 9, 2009, the FASB issued FSP No. 157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly” (“FSP FAS 157-4”), which amends SFAS No. 157, “Fair Value Measurements” , to provide additional guidance on fair value measurements in inactive markets when the volume and level of activity for the asset and liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP FAS 157-4 will be effective for interim reporting periods ending after June 15, 2009. The Company does not expect the adoption of this FSP to have an impact on the Company’s results of operations, financial position or cash flows.

On April 9, 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, “Recognition and Presentation of Other-Than-Temporary Impairments,” which amends impairment guidance for certain debt securities and will require an entity to assess whether it (a) has the intent to sell the debt security or (b) more likely than not will be required to sell the debt security before its anticipated recovery. If either of these conditions is met, the entity must recognize an other-than-temporary impairment. If an entity is able to meet the criteria to assert that it will not have to sell the security before recovery, impairment charges related to credit losses would be recognized in earnings, while impairment charges related to non-credit losses (for example, liquidity risk) would be reflected in other comprehensive income. This FSP will be effective for interim reporting periods ending after June 15, 2009. The Company does not expect the adoption of this FSP to have an impact on the Company’s results of operations, financial position or cash flows.

On April 1, 2009, the FASB issued FSP No. FAS 141(R)-1, “Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arises from Contingencies” (“FSP FAS 141(R)-1”), to amend and clarify the initial recognition and measurement, subsequent measurement and accounting, and related disclosures arising from contingencies in a business combination under SFAS 141(R), “Business Combinations.” Under FSP FAS 141(R)-1, assets acquired and liabilities assumed in a business combination that arise from contingencies should be recognized at fair value on the acquisition date if fair value can be determined during the measurement period. If fair value can not be determined, companies should account for the acquired contingencies using existing guidance. FSP FAS 141(R)-1 is effective for the Company for business combinations finalized after January 1, 2009.

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INNOVATIVE FOOD HOLDINGS, INC
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March 31, 2009
(Unaudited)

3. ACCOUNTS RECEIVABLE

At March 31, 2009 and December 31, 2008, accounts receivable consists of:

	March 31, 2009	December 31, 2008
Accounts receivable from customers	$ 236,939	$ 255,443
Allowance for doubtful accounts	(3,071)	(15,877)
Accounts receivable, net	$ 233,868	$ 239,566

4. LOAN RECEIVABLE

The loan receivable consists of a loan to Pasta Italiana, Inc. ("Pasta") in the net carrying amount of $153,000 at March 31, 2009 and December 31, 2008. This note bears interest at the rate of 15% per annum, payable in shares of Pasta stock. The loan was renegotiated during the twelve months ended December 31, 2008, and resulted in the Company recognizing an impairment to the loan in the amount of $142,124, which was charged to operations during the year ended December 31, 2008. This impairment was based upon the renegotiated principal and interest amount due the Company. At March 31, 2009, $73,500 of the amount due is classified as a current asset, and $79,500 is classified as a long term asset. At December 31, 2008, $60,000 was classified as a current asset, and $93,000 is classified as a long-term asset. At May 13, 2009, Pasta is in default of the terms of the settlement agreement.

5. PROPERTY AND EQUIPMENT

A summary of property and equipment at March 31, 2009 and December 31, 2008, is as follows:

	March 31, 2009	December 31, 2008
Computer equipment	$ 301,812	$ 292,608
Furniture and fixtures	65,650	67,298
	367,462	359,906
Less accumulated depreciation and amortization	316,852	307,286
Total	$ 50,610	$ 52,620

Depreciation and amortization expense amounted to $9,550 and $10,016, respectively, for the three months ended March 31, 2009 and 2008.

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6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at March 31, 2009 and 2008 are as follows:

	March 31, 2009	December 31, 2008
Trade payables	$ 715,182	$ 824,172
Accrued payroll and commissions	6,621	8,441
	$ 721,803	$ 832,613

At March 31, 2009 and December 31, 2008, accrued liabilities to related parties in the amount of $134,085 and $126,671, respectively, consisted of accrued payroll and payroll related benefits.

7. ACCRUED INTEREST

Accrued interest on the Company's convertible notes payable is convertible at the option of the note holders into the Company's common stock at prices ranging from of $0.005 to $0.010 per share. Beneficial conversion features are embedded in the convertible accrued interest. The Company is amortizing these beneficial conversion features over the lives of the related notes payable. Certain of these notes payable have exceeded their stated terms, and are still outstanding; in those instances, the Company charges the value of these beneficial conversion features to operations immediately, at the time the interest is accrued.

During the three months ended March 31, 2009 and 2008, the amounts of $51,146, and $33,364, respectively, were credited to additional paid-in capital as a discount on convertible interest. The aggregate amount of discounts on convertible interest charged to operations during the three months ended March 31, 2009 and 2008 was $44,608 and $30,990 , respectively.

At March 31, 2009 and December 31, 2008, the Company has the following accrued interest on its balance sheet:

March 31, 2009:	Gross	Discount	Net
Non-related parties	$ 515,744	$ (10,282)	$ 505,462
Related parties	149,311	-	149,311
Total	$ 665,055	$ (10,282)	$654,773

December 31, 2008:	Gross	Discount	Net
Non-related parties	$ 441,013	$ (3,744)	$ 437,269
Related parties	173,471	-	173,471
Total	$ 614,484	$ (3,744)	$ 610,740

Certain of the accrued interest is convertible in to shares of the Company's common stock at prices ranging from $0.005 to $0.010 per share. At March 31, 2009, convertible accrued interest was $637,072 which was convertible into 124,645,120 shares of common stock; at December 31, 2008, convertible accrued interest was $587,981 which was convertible into 114,043,320 shares of common stock.

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8. NOTES PAYABLE AND NOTES PAYABLE TO RELATED PARTIES

	March 31, 2009	December 31, 2008
Convertible note payable in the original amount of $350,000 to Alpha Capital Aktiengesselschaft ("Alpha Capital"), dated February 25, 2005. This note consists of $100,000 outstanding under a previous note payable which was cancelled on February 25, 2005, and $250,000 of new borrowings. We did not meet certain of our obligations under the loan documents relating to this issuance. These lapses include not reserving the requisite number of treasury shares, selling subsequent securities without offering a right of first refusal, not complying with reporting obligations, not having our common shares quoted on the OTC:BB and not timely registering certain securities. This note entered technical default status on May 16, 2005. The note originally carried interest at the rate of 8% per annum, and was due in full on February 24, 2007. Upon default, the note's interest rate increased to 15% per annum, and the note became immediately due. The note is convertible into common stock of the Company at a conversion price of $0.005 per share. A beneficial conversion feature in the amount of $250,000 was recorded as a discount to the note, and was amortized to interest expense during the twelve months ended December 31, 2005. Accrued interest is convertible into common stock of the Company at a conversion price of $0.005 per share. Interest in the amount of $12,760 and $12,902 was accrued on this note during the three months ended March 31, 2009 and 2008, respectively. During the twelve months ended December 31, 2006 the note holder converted $5,000 into shares of common stock. During the twelve months ended December 31, 2006 the holder of the note converted $27,865 of accrued interest into common stock. This note is in default at March 31, 2009 and December 31, 2008.	$ 345,000	$ 345,000
Convertible note payable in the original amount of $100,000 to Joel Gold, a board member and related party, dated October 12, 2004. The note bears interest at the rate of 8% per annum, has no provisions for a default or past due rate and was due in full on October 12, 2006. The note is convertible by the holder into common stock of the Company at a conversion price of $0.005 per share. A beneficial conversion feature in the amount of $100,000 was recorded as a discount to the note, and was amortized to interest expense during the twelve months ended December 31, 2004 and 2005. Accrued interest is convertible by the holder into common stock of the Company at maturity of the note at a price of $0.005 per share. Interest in the amount of $493 and $499 was accrued on this note during the three months ended March 31, 2009, and 2008, respectively. During the twelve months ended December 31, 2006, $75,000 of the principal amount was converted into common stock. This note was in default at March 31, 2009 and December 31, 2008.	25,000	25,000
Convertible note payable in the original amount of $85,000 to Briolette Investments, Ltd, dated March 11, 2004. The note bears interest at the rate of 8% per annum, has no		38,000

provisions for a default or past due rate and was due in full on March 11, 2006. The note is convertible into common stock of the Company at a conversion of $0.005 per share. A beneficial conversion feature in the amount of $85,000 was recorded as a discount to the note, and was amortized to interest expense during the twelve months ended December 31, 2004, 2005, and 2006. Accrued interest is convertible by the holder into common stock of the Company at a price of $0.005 per share. Interest in the amount of $749 and $758 was accrued on this note during the three months ended March 31, 2009 and 2008, respectively. During the twelve months ended December 31, 2005, the note holder converted $44,000 of the note payable into common stock. During the twelve months ended December 31, 2006, the Company made a $3,000 cash payment on the principal amount of the note. This note is in default at March 31, 2009 and December 31, 2008.	38,000

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Convertible note payable in the amount of $80,000 to Brown Door, Inc., dated March 11, 2004. The note bears interest at the rate of 8% per annum, has no provisions for a default or past due rate and was due in full on March 11, 2006. The note is convertible into common stock of the Company at a conversion of $0.005 per share. A beneficial conversion feature in the amount of $80,000 was recorded as a discount to the note, and was amortized to interest expense during the twelve months ended December 31, 2004, 2005, and 2006. Accrued interest is convertible by the holder into common stock of the Company at maturity of the note at a price of $0.005 per share. Interest in the amount of $1,579 and $1,596 was accrued on this note during the three months ended March 31, 2009, and 2008, respectively. This note is in default at March 31, 2009 and December 31, 2008.	80,000	80,000
Convertible note payable in the amount of $50,000 to Whalehaven Capital Fund, Ltd. ("Whalehaven Capital") dated February 25, 2005. We did not meet certain of our obligations under the loan documents relating to this issuance. These lapses include not reserving the requisites numbers of treasury shares, selling subsequent securities without offering a right of first refusal, not complying with reporting obligations, not having our common shares quoted on the OTC:BB and not timely registering certain securities. This note is in technical default as of May 16, 2005. The note originally carried interest at the rate of 8% per annum, and was due in full on February 24, 2007. Upon default, the note's interest rate increased to 15% per annum, and the note became due immediately. The note is convertible into common stock of the Company at a conversion of $0.005 per share. A beneficial conversion feature in the amount of $50,000 was recorded as a discount to the note, and was amortized to interest expense when the note entered default status in May, 2005. Accrued interest is convertible into common stock of the Company at a price of $0.005 per share. Interest in the amount of $1,480 and $1,497 was accrued on this note during the three months ended March 31, 2009 and 2008, respectively. During the twelve months ended December 31, 2006, $10,000 of principal and $589 of accrued interest was converted into common stock. This note is in default at March 31, 2009 and December 31, 2008.	40,000	40,000
Convertible note payable in the amount of $50,000 to Oppenheimer & Co., / Custodian for Joel Gold IRA, a related party, dated March 14, 2004. The note bears interest at the rate of 8% per annum, has no provisions for a default or past due rate and was due in full on October 12, 2006. The note is convertible into common stock of the Company at a conversion of $0.005 per share. A beneficial conversion feature in the amount of $50,000 was recorded as a discount to the note, and was amortized to interest expense during the twelve months ended December 31, 2004, 2005, and 2006. Accrued interest is convertible into common stock of the Company at a price of $0.005 per share. Interest in the amount of $987 and $998 was accrued on this note during the three months ended March 31, 2009, and 2008, respectively. This note is in default at March 31, 2009 and December 31, 2008.	50,000	50,000
	20,000	20,000

Convertible note payable in the original amount of $30,000 to Huo Hua dated May 9, 2005. The note bears interest at the rate of 8% per annum, has no provisions for a default or past due rate and was due in full on October 12, 2006. The note is convertible into common stock of the Company at a conversion of $0.005 per share. A beneficial conversion feature in the amount of $30,000 was recorded as a discount to the note, and was amortized to interest expense during the twelve months ended December 31, 2005 and 2006. Accrued interest is convertible into common stock of the Company at a price of $0.005 per share. Interest in the amount of $395 and $399 was accrued on this note during the three months ended March 31, 2009 and 2008, respectively. During the twelve months ended December 31, 2006, the note holder converted $10,000 of principal into common stock. This note is in default at March 31, 2009 and December 31, 2008.		
Convertible note payable in the amount of $25,000 to Joel Gold a board member and related party, dated January 25, 2005. The note bears interest at the rate of 8% per annum, has no provisions for a default or past due rate and was due in full on January 25, 2007. The note is convertible into common stock of the Company at a conversion of $0.025 per share. A beneficial conversion feature in the amount of $25,000 was recorded as a discount to the note, and was amortized to interest expense during the twelve months ended December 31, 2005, 2006, and 2007. Accrued interest is convertible into common stock of the Company at a price of $0.025 per share. Interest in the amount of $493 and $499 was accrued on this note during the three months ended March 31, 2009 and 2008, respectively. This note is in default at March 31, 2009 and December 31, 2008.	25,000	25,000

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Convertible note payable in the amount of $25,000 to The Jay & Kathleen Morren Trust dated January 25, 2005. The note bears interest at the rate of 6% per annum, has no provisions for a default or past due rate and was due in full on January 25, 2007. The note is convertible into common stock of the Company at a conversion of $0.005 per share. A beneficial conversion feature in the amount of $25,000 was recorded as a discount to the note, and was amortized to interest expense during the twelve months ended December 31, 2005, 2006, and 2007. Accrued interest is convertible into common stock of the Company at a price of $0.005 per share. Interest in the amount of $369 and was $373 accrued on this note during the three months ended March 31, 2009 and 2008, respectively. This note is in default at March 31, 2009 and December 31, 2008.	25,000	25,000
Convertible note payable in the amount of $10,000 to Lauren M. Ferrone, a relative of a board member and related party, dated October 12, 2004. The note bears interest at the rate of 8% per annum, has no provisions for a default or past due rate and was originally due in full on October 12, 2005. On February 25, 2005, an amendment to the convertible notes was signed which extended the term, which resulted in a new maturity date of October 12, 2006. The note is convertible into common stock of the Company at a conversion of $0.01 per share . A beneficial conversion feature in the amount of $10,000 was recorded as a discount to the note, and was amortized to interest expense during the twelve months ended December 31, 2004, 2005, and 2006. Accrued interest is convertible into common stock of the Company at a price of $0.01 per share. Interest in the amount of $197 and $200 was accrued on this note during the three months ended March 31, 2009, and 2008, respectively. This note is in default at March 31, 2009 and December 31, 2008.	10,000	10,000
Convertible note payable in the amount of $10,000 to Richard D. Ferrone, a relative of a board member and related party, dated October 12, 2004. The note bears interest at the rate of 8% per annum, has no provisions for a default or past due rate and was originally due in full on October 12, 2005. On February 25, 2005, an amendment to the convertible notes was signed which extended the term, which resulted in a new maturity date of October 12, 2006. The note is convertible into common stock of the Company at a conversion of $0.01 per share . A beneficial conversion feature in the amount of $10,000 was recorded as a discount to the note, and was amortized to interest expense during the twelve months ended December 31, 2004, 2005, and 2006. Accrued interest is convertible into common stock of the Company at a price of $0.01 per share. Interest in the amount of $197 and $200 was accrued on this note during the three months ended March 31, 2009, and 2008, respectively. This note is in default at March 31, 2009 and December 31, 2008.	10,000	10,000
Convertible note payable in the amount of $10,000 to Christian D. Ferrone, a relative of a board member and related party, dated October 12, 2004. The note bears interest at the rate of 8% per annum, has no provisions for a default or past due rate and was originally due in full on October 12, 2005. On February 25, 2005, an amendment to the convertible	10,000	10,000

notes was signed which extended the term, which resulted in a new maturity date of October 12, 2006. The note is convertible into common stock of the Company at a conversion of $0.01 per share . A beneficial conversion feature in the amount of $10,000 was recorded as a discount to the note, and was amortized to interest expense during the twelve months ended December 31, 2004, 2005, and 2006. Accrued interest is convertible into common stock of the Company at a price of $0.01 per share. Interest in the amount of $197 and $200 was accrued on this note during the three months ended March 31, 2009, and 2008, respectively. This note is in default and March 31, 2009 and December 31, 2008.		
Convertible note payable in the amount of $10,000 to Andrew I. Ferrone, a relative of a board member and related party, dated October 12, 2004. The note bears interest at the rate of 8% per annum, has no provisions for a default or past due rate and was originally due in full on October 12, 2005. On February 25, 2005, an amendment to the convertible notes was signed which extended the term, which resulted in a new maturity date of October 12, 2006. The note is convertible into common stock of the Company at a conversion of $0.01 per share . A beneficial conversion feature in the amount of $10,000 was recorded as a discount to the note, and was amortized to interest expense during the twelve months ended December 31, 2004, 2005, and 2006. Accrued interest is convertible into common stock of the Company at a price of $0.01 per share. Interest in the amount of $197 and $200 was accrued on this note during the three months ended March 31, 2009, and 2008, respectively. This note is in default at March 31, 2009 and December 31, 2008.	10,000	10,000
Convertible note payable in the amount of $8,000 to Adrian Neilan dated March 11, 2004. The note bears interest at the rate of 8% per annum, has no provisions for a default or past due rate and is due in full on October 12, 2006. The note is convertible into common stock of the Company at a conversion of $0.005 per share. A beneficial conversion feature in the amount of $8,000 was recorded as a discount to the note, and was amortized to interest expense during the twelve months ended December 31, 2004, 2005, and 2006. Accrued interest is convertible into common stock of the Company at a price of $0.005 per share. Interest in the amount of $157 and $159 was accrued on this note during the three months ended March 31, 2009, and 2008, respectively. This note is in default at March 31, 2009 and December 31, 2008.	8,000	8,000
Convertible note payable in the amount of $5,000 to Matthias Mueller dated March 11, 2004. The note bears interest at the rate of 8% per annum, has no provisions for a default or past due rate and was due in full on October 12, 2006. The note is convertible into common stock of the Company at a conversion of $0.005 per share . A beneficial conversion feature in the amount of $5,000 was recorded as a discount to the note, and was amortized to interest expense during the twelve months ended December 31, 2004, 2005, and 2006. Accrued interest is convertible into common stock of the Company at a price of $0.005 per share. Interest in the amount of $99 and $100 was accrued on this note during the three months ended March 31, 2009, and 2008, respectively. This note is in default at March 31, 2009 and December 31, 2008.	5,000	5,000

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Convertible note payable in the amount of $120,000 to Alpha Capital dated August 25, 2005. We did not meet certain of our obligations under the loan documents relating to this issuance. These lapses include not reserving the requisite number of treasury shares, selling subsequent securities without offering a right of first refusal, not complying with reporting obligations, not having our common shares quoted on the OTC:BB and not timely registering certain securities. This note is in technical default as of November 13, 2005. The note originally carried interest at the rate of 8% per annum, and was due in full on August 25, 2007. Upon default, the note's interest rate increased to 15% per annum and the note became immediately due. The note is convertible into common stock of the Company at a conversion of $0.005 per share. A beneficial conversion feature in the amount of $120,000 was recorded as a discount to the note, and was amortized to interest expense when the note entered default status in November 2005. Accrued interest is convertible into common stock of the Company at a price of $0.005 per share . Interest in the amount of $4,439 and $4,488 was accrued on this note during the three months ended March 31, 2009 and 2008, respectively. This note is in default at March 31, 2009 and December 31, 2008.	120,000	120,000
Convertible note payable in the amount of $30,000 to Whalehaven Capital dated August 25, 2005. We did not meet certain of our obligations under the loan documents relating to this issuance. These lapses include not reserving the requisite number of treasury shares, selling subsequent securities without offering a right of first refusal, not complying with reporting obligations, not having our common shares quoted on the OTC:BB and not timely registering certain securities. This note was in technical default as of November 13, 2005. The note originally carried interest at the rate of 8% per annum, and was due in full on August 25, 2007. Upon default, the note's interest rate increased to 15% per annum and the note became immediately due. The note is convertible into common stock of the Company at a conversion of $0.005 per share. A beneficial conversion feature in the amount of $30,000 was recorded as a discount to the note, and was amortized to interest expense when the note entered default status in November 2005. Accrued interest is convertible into common stock of the Company at a price of $0.005 per share. Interest in the amount of $1,109 and $1,122 was accrued on this note during the three months ended March 31, 2009 and 2008, respectively. This note is in default at March 31, 2009 and December 31, 2008.	30,000	30,000
Convertible note payable in the original amount of $25,000 to Asher Brand, dated August 25, 2005. We did not meet certain of our obligations under the loan documents relating to this issuance. These lapses include not reserving the requisite number of treasury shares, selling subsequent securities without offering a right of first refusal, not complying with reporting obligations, not having our common shares quoted on the OTC:BB and not timely registering certain securities. This note was in technical default as of November 13, 2005. The note originally carried interest at the rate of 8% per annum, and was due in full on August 25, 2007. Upon default, the note's interest rate increased to 15% per annum and the note became immediately due The note is convertible into common stock	20,000	20,000

of the Company at a conversion of $0.005 per share . A beneficial conversion feature in the amount of $25,000 was recorded as a discount to the note, and was amortized to interest expense when the note entered default status in November, 2005. Accrued interest is convertible into common stock of the Company at a price of $0.005 per share. Interest in the amount of $740 and $860 was accrued on this note during the three months ended March 31, 2009 and 2008, respectively. During the twelve months ended December 31, 2006, the holder of the note converted $2,000 of principal and $3,667 of accrued interest into common stock, and during the twelve months ended December 31, 2008, the holder of the note converted an additional $3,000 of principal into common stock. This note is in default at March 31, 2009 and December 31, 2008.		
Convertible note payable in the original amount of $25,000 to Momona Capital, dated August 25, 2005. We did not meet certain of our obligations under the loan documents relating to this issuance. These lapses include not reserving the requisite number of treasury shares, selling subsequent securities without offering a right of first refusal, not complying with reporting obligations, not having our common shares quoted on the OTC:BB and not timely registering certain securities. This note was in technical default at November 13, 2005. The note originally carried interest at the rate of 8% per annum, and was due in full on August 25, 2007. Upon default, the note's interest rate increased to 15% per annum and the note became immediately due The note is convertible into common stock of the Company at a conversion of $0.005 per share . A beneficial conversion feature in the amount of $25,000 was recorded as a discount to the note, and was amortized to interest expense when the note entered default status in November 2005. Accrued interest is convertible into common stock of the Company at a price of $0.005 per share. Interest in the amount of $665 and $860 was accrued on this note during the three months ended March 31, 2009 and 2008, respectively. During the twelve months ended December 31, 2006, the holder of the note converted $2,000 of principal and $3,667 of accrued interest into common stock, and during the twelve months need December 31, 2008, the holder of the note converted an additional $5,000 principal into common stock. This note is in default at March 31, 2009 and December 31, 2008.	18,000	18,000

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Convertible note payable in the amount of $10,000 to Lane Ventures dated August 25, 2005. We did not meet certain of our obligations under the loan documents relating to this issuance. These lapses include not reserving the requisite number of treasury shares, selling subsequent securities without offering a right of first refusal, not complying with reporting obligations, not having our common shares quoted on the OTC:BB and not timely registering certain securities. This note was in technical default at November 13, 2005. The note originally carried interest at the rate of 8% per annum, and was due in full on August 25, 2007. Upon default, the note's interest rate increased to 15% per annum and the note became immediately due. The note is convertible into common stock of the Company at a conversion of $0.005 per share . A beneficial conversion feature in the amount of $10,000 was recorded as a discount to the note, and was amortized to interest expense when the note entered default status in November, 2005. Accrued interest is convertible into common stock of the Company at a price of $0.005 per share. Interest in the amount of $221 and $224 was accrued on this note during the three months ended March 31, 2009 and 2008, respectively. During the twelve months ended December 31, 2006, the holder of the note converted $4,000 of principal and $1,467 of accrued interest into common stock. This note is in default at March 31, 2009 and December 31, 2008.	6,000	6,000
Note payable in the amount of $120,000 to Alpha Capital, dated February 7, 2006. The note originally carried interest at the rate of 15% per annum, and was originally due in full on February 7, 2007. The Company was not in compliance with various terms of this note, including making timely payments of interest, and this note was in technical default at May 8, 2006. At this time, the interest rate increased to 20% and the note became immediately due and payable. During the three months ended September 30, 2007, the Company extended the due date of the notes one year, to October 31, 2007; at the same time, the Company added a convertibility feature, allowing the noteholders to convert the notes and accrued interest into common stock of the Company at a rate of $0.005 per share. This note entered technical default on October 31, 2007. The Company recorded a discount to this note for the fair value of the conversion feature in the amount of $95,588 and amortized this discount to interest expense when the note entered default status in October 2007. On March 12, 2008, the Company extended this note to March 4, 2009. As consideration for the extension of this notes, the Company issued five-year warrants as follows: warrants to purchase 24,000,000 shares of common stock at $0.0115 per share; 6,000,000shares of common stock at $0.011 per share; and 2,400,000 shares of common stock at $0.005 per share. These warrants were valued via the Black-Scholes	120,000	120,000

valuation method at an aggregate amount of $126,465. This transaction was accounted for as an extinguishment of debt, and a loss of $126,465 was charged to operations during the twelve months ended December 31, 2008. Interest in the amount of $6,187 and $5,983 was accrued on this note during the three months ended March 31, 2009 and 2008, respectively.		
Note payable in the amount of $30,000 to Whalehaven Capital dated February 7, 2006. The note originally carried interest at the rate of 15% per annum, and was due in full on February 7, 2007. The Company was not in compliance with various terms of this note, including making timely payments of interest, and this note was in technical default at May 8, 2006. At this time, the interest rate increased to 20% and the note became immediately due and payable. During the three months ended September 30, 2007, the Company extended the due date of the notes one year, to October 31, 2007; at the same time, the Company added a convertibility feature, allowing the noteholders to convert the notes and accrued interest into common stock of the Company at a rate of $0.005 per share. This note entered technical default on October 31, 2007. The Company recorded a discount to this note for the fair value of the conversion feature in the amount of $23,897 and amortized this discount to interest expense when the note entered default status in October 2007. On March 12, 2008, the Company extended this note to March 4, 2009. As consideration for the extension of this notes, the Company issued five-year warrants as follows: warrants to purchase 6,000,000 shares of common stock at $0.0115 per share; 1,500,000 shares of common stock at $0.011 per share; and 600,000 shares of common stock at $0.005 per share. These warrants were valued via the Black-Scholes valuation method at an aggregate amount of $31,616. This transaction was accounted for as an extinguishment of debt, and a loss of $31,616 was charged to operations during the twelve months ended December 31, 2008. Interest in the amount of $1,480 and $1,122 was accrued on this note during the three months ended March 31, 2009 and 2008, respectively.	30,000	30,000
Note payable in the amount of $75,000 to Michael Ferrone, dated August 2, 2004. The note bears interest at the rate of 8% per annum, and was due in full on February 2, 2005. On September 30, 2008, this note was extended to December 31, 2009 in exchange for adding a convertibility feature to the note. This feature allows for conversion to common stock at a price of $0.005 per share. The Company valued this beneficial conversion feature at the amount of $89,945 using the Black-Scholed valuation model. $75,000 of this amount was charged to discount on the note; $4,001 of this discount was amortized to interest expense during the year ended December 31, 2008. The balance of the beneficial conversion feature in the amount of $14,945 was charged to interest expense during the year ended December 31, 2008. Interest in the amount of $1,480 and $1,497 was accrued on this note during the three months ended March 31, 2009, and 2008, respectively.	75,000	75,000

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Note payable in the amount of $10,000 to Alpha Capital, dated May 19, 2006. The originally carried interest at the rate of 15% per annum, and was