

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

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended December 31, 2019

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___ to ___

Commission file number: 001-38013

iFresh Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

82-066764

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

**2-39 54th Avenue
Long Island City, New York**

(Address of principal executive offices)

(718) 628 6200

(Issuer's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001	IFMK	Nasdaq Capital Market

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, 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.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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 Rule 12b-2 of the Exchange Act). Yes No

As of February 13, 2020, 18,371,498 shares of the registrant's common stock, par value \$0.0001 per share, (the "Common Stock") were issued and outstanding.

iFRESH, INC.
FORM 10-Q FOR THE QUARTER ENDED DECEMBER 31, 2019
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

iFRESH INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2019 <u>(UNAUDITED)</u>	March 31, 2019 <u></u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 652,642	\$ 1,048,090
Accounts receivable, net	3,150,523	4,027,909
Inventories, net	9,255,420	10,411,366
Prepaid expenses and other current assets	3,880,795	3,721,262
Total current assets	<u>16,939,380</u>	<u>19,208,627</u>
Advances and receivables - related parties	4,832,796	5,220,547
Property and equipment, net	19,562,408	20,287,186
Intangible assets, net	933,338	1,033,337
Security deposits	1,264,353	1,236,073
Right of use assets-lease	59,839,700	-
Deferred income taxes	-	115,589
Total assets	<u>\$ 103,371,975</u>	<u>\$ 47,101,359</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities:		
Accounts payable	\$ 11,337,507	\$ 14,177,700
Deferred revenue	1,378,418	802,392
Borrowings against lines of credit, current, net	20,113,172	21,285,314
Notes payable, current	78,835	98,475
Finance lease obligations, current	136,639	148,778
Accrued expenses	1,204,862	1,393,973
Operating lease liabilities, current	5,796,913	-
Other payables, current	3,105,380	2,926,101
Total current liabilities	<u>43,151,726</u>	<u>40,832,733</u>
Notes payable, non-current	65,779	130,068
Finance lease obligations, non-current	314,980	413,225
Deferred rent	-	6,659,412
Other payables, non-current	87,901	97,900
Long term operating lease liabilities	60,757,979	-
Total liabilities	<u>104,378,365</u>	<u>48,133,338</u>
Commitments and contingencies		
Shareholders' equity (deficiency)		
Preferred shares, \$.0001 par value, 1,000,000 shares authorized; none issued.	-	-
Common stock, \$.0001 par value; 100,000,000 shares authorized, 18,371,498 and 16,737,685 shares issued and outstanding as of December 31, 2019 and March 31, 2019, respectively	1,837	1,674
Additional paid-in capital	21,285,373	14,933,829
Accumulated deficit	<u>(22,293,600)</u>	<u>(15,967,482)</u>
Total shareholders' deficiency	<u>(1,006,390)</u>	<u>(1,031,979)</u>
Total liabilities and shareholders' equity (deficiency)	<u>\$ 103,371,975</u>	<u>\$ 47,101,359</u>

See accompanying notes to unaudited condensed consolidated financial statements

iFRESH INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the three months ended December 31,		For the nine months ended December 31,	
	2019	2018	2019	2018
Net sales	\$ 20,546,584	\$ 30,397,501	\$ 65,005,079	\$ 89,490,417
Net sales-related parties	346,196	906,565	1,576,985	3,186,593
Total net sales	<u>20,892,780</u>	<u>31,304,066</u>	<u>66,582,064</u>	<u>92,677,010</u>
Cost of sales	14,789,482	22,610,419	46,446,352	66,665,211
Cost of sales-related parties	313,231	753,392	1,293,919	2,726,605
Retail Occupancy costs	1,475,420	2,276,924	4,982,329	6,118,410
Gross profit	<u>4,314,647</u>	<u>5,663,331</u>	<u>13,859,464</u>	<u>17,166,784</u>
Selling, general and administrative expenses	5,615,974	7,429,877	20,043,647	24,608,895
Loss from operations	(1,301,327)	(1,766,546)	(6,184,183)	(7,442,111)
Interest expense, net	(326,339)	(357,301)	(1,285,559)	(1,002,127)
Impairment loss	(1,100,000)	-	(1,100,000)	-
Other income	708,494	321,538	2,359,213	913,678
Loss before income taxes	(2,019,172)	(1,802,309)	(6,210,529)	(7,530,560)
Income tax provision	52,096	-	115,589	313,833
Net Loss	<u>\$ (2,071,268)</u>	<u>\$ (1,802,309)</u>	<u>\$ (6,326,118)</u>	<u>\$ (7,844,393)</u>
Net loss per share:				
Basic	<u>\$ (0.11)</u>	<u>\$ (0.11)</u>	<u>\$ (0.35)</u>	<u>\$ (0.52)</u>
Diluted	<u>\$ (0.11)</u>	<u>\$ (0.11)</u>	<u>\$ (0.35)</u>	<u>\$ (0.52)</u>
Weighted average shares outstanding:				
Basic	<u>18,370,628</u>	<u>16,154,392</u>	<u>18,307,728</u>	<u>15,080,794</u>
Diluted	<u>18,370,628</u>	<u>16,154,392</u>	<u>18,307,728</u>	<u>15,080,794</u>

See accompanying notes to unaudited condensed consolidated financial statements

iFRESH INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the nine months ended December 31,	
	2019	2018
Cash flows from operating activities		
Net loss	\$ (6,326,118)	\$ (7,844,393)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	1,590,632	1,432,173
Amortization expense	236,874	236,874
Lease amortization	6,022,761	
Impairment loss	1,100,000	
Share based compensation	506,066	837,354
Bad debt reserve	85,546	233,448
Deferred income taxes	115,589	313,832
Changes in operating assets and liabilities:		
Accounts receivable	791,840	558,521
Inventories	1,155,946	(1,416,932)
Prepaid expenses and other current assets	(159,533)	(1,195,868)
Security deposits	(28,280)	12,333
Accounts payable	(2,840,190)	(735,941)
Deferred revenue	576,026	273,933
Accrued expenses	(189,111)	1,040,767
Taxes payable	-	(1,606,504)
Deferred rent	-	276,345
Operating lease liabilities	(5,966,981)	-
Other liabilities	169,277	476,446
Net cash used in operating activities	<u>(3,159,656)</u>	<u>(7,107,612)</u>
Cash flows from investing activities		
Cash advances to related parties	387,751	(1,341,521)
Cash received from repayment of related party receivable	-	4,790,380
Acquisition of property and equipment	(1,965,854)	(3,441,064)
Net cash provided by (used in) investing activities	<u>(1,578,103)</u>	<u>7,795</u>
Cash flows from financing activities		
Borrowings against Term loan	-	3,950,000
Borrowings against lines of credit	-	1,750,000
Repayments on term loan	(1,309,017)	(1,213,268)
Repayments on notes payable	(83,928)	(104,548)
Payments on capital lease obligations	(110,385)	(103,588)
Cash received from capital contribution	4,394,841	-
Cash received from issuance of stock	1,450,800	3,754,021
Net cash provided by financing activities	<u>4,342,311</u>	<u>8,032,617</u>
Net increase (decrease) in cash and cash equivalents	<u>(395,448)</u>	<u>932,800</u>
Cash and cash equivalents at beginning of the period	1,048,090	640,915
Cash and cash equivalents at the end of the period	<u>\$ 652,642</u>	<u>\$ 1,573,715</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 1,285,559</u>	<u>\$ 985,771</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ 1,606,504</u>
Supplemental disclosure of non-cash investing and financing activities		
Capital expenditures funded by capital lease obligations and notes payable	<u>\$ -</u>	<u>\$ 779,837</u>

See accompanying notes to unaudited condensed consolidated financial statements

iFRESH INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the nine months ended December 31, 2019 and 2018

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	amount			
Balances at March 31, 2018	14,220,548	\$ 1,422	\$ 9,428,093	\$ (3,964,039)	\$ 5,465,476
Net loss	-	\$ -	-	(1,876,662)	(1,876,662)
Balances at June 30, 2018	14,220,548	\$ 1,422	\$ 9,428,093	\$ (5,840,701)	3,588,814
Net loss	-	-	-	(4,165,422)	(4,165,422)
Common stock issued in connection of equity finance	451,000	\$ 45	\$ 1,000,620	-	1,000,665
Stock issued for service	177,950	\$ 18	\$ 744,413	-	744,431
Balances at September 30, 2018	14,849,498	1,485	\$ 11,173,126	\$ (10,006,123)	\$ 1,168,488
Net income	-	-	-	(1,802,309)	(1,802,309)
Common stock issued in connection of equity finance	1,382,000	138	2,753,219	-	2,753,357
Stock issued for service	33,187	3	92,920	-	92,923
Balances at December 31, 2018	16,264,685	1,626	\$ 14,019,265	\$ (11,808,432)	\$ 2,212,459
Balances at March 31, 2019	16,737,685	1,674	\$ 14,933,829	\$ (15,967,482)	\$ (1,031,979)
Capital contribution	-	-	1,119,421	-	1,119,421
Net loss	-	-	-	(3,368,127)	(3,368,127)
Common stock issued in connection of warrants exercise	1,170,000	\$ 117	1,450,683	-	1,450,800
Stock issued for service	443,813	\$ 44	470,398	-	470,442
Balances at June 30, 2019	18,351,498	\$ 1,835	17,974,331	(19,335,609)	(1,359,443)
Capital contribution	-	-	646,111	-	646,111
Net loss	-	-	-	(886,723)	(886,723)
Balances at September 30, 2019	18,351,498	1,835	\$ 18,620,442	\$ (20,222,332)	\$ (1,600,055)
Capital contribution	-	-	2,629,309	-	2,629,309
Net loss	-	-	-	(2,071,268)	(2,071,268)
Stock issued for service	20,000	2	35,622	-	35,624
Balances at December 31, 2019	18,371,498	1,837	\$ 21,285,373	\$ (22,293,600)	\$ (1,006,390)

See accompanying notes to unaudited condensed consolidated financial statements

iFRESH INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Description of Business

Organization and General

iFresh (herein referred to collectively with its subsidiaries as the “Company”) is an Asian/Chinese supermarket chain with multiple retail locations and its own distribution operations, currently all located along the East Coast of the United States. The Company offers seafood, vegetables, meat, fruit, frozen goods, groceries, and bakery products through its retail stores.

On June 7, 2019, the Company, entered into certain Share Exchange Agreement (“Exchange Agreement”) with Xiaotai International Investment Inc. (“Xiaotai”), a Cayman Island Company, and certain shareholders of Xiaotai (collectively with Xiaotai, “Seller”), pursuant to which, among other things and subject to the terms and conditions contained therein, the Company will acquire all of the outstanding issued shares and other equity interests in Xiaotai from certain shareholders of Xiaotai (such transactions, collectively, the “Acquisition”). The Company agreed to issue to the sellers an aggregate of 254,813,383 shares of the Company’s common stock, par value \$0.0001.

On the same day, the Company and its wholly owned subsidiary NYM Holding Inc. entered into a Share Purchase Agreement (the “Purchase Agreement”) with Go Fresh 365 Inc., (“Go Fresh”) a Florida company solely owned by Mr. Long Deng, IFMK’s Chief Executive Officer. The Purchase Agreement provides for the sale of 100% of the equity interest in NYM to Go Fresh, in exchange for cash consideration of \$9.1 million (the “Spin-off”). The transactions contemplated by the Purchase Agreement would take place contemporaneously with the closing of the Acquisition. It is anticipated that, following completion of the Spin-off, Go Fresh will receive 100% of the equity interest of NYM, and that the Company’s business upon completion of the Acquisition and the Spin-off will be that of Xiaotai and its subsidiaries. Closing of the acquisition had been pending subject to regulatory approval by NASDAQ.

In November 5, 2019, Zhejiang Xiaotai is alleged to have conducted illegal fundraising in China and several executives of Xiaotai are currently detained and held in custody by the local police. iFresh issued written notice to Xiaotai International and Xiaotai Shareholders to terminate the Exchange Agreement effective immediately. Meanwhile, the Spin-off has been cancelled.

2. Liquidity and Going Concern

As reflected in the Company’s unaudited condensed consolidated financial statements, the Company had operating losses for the nine months ended December 31, 2019 and in fiscal year 2019 and had negative working capital of \$26.2 million and \$21.6 million as of December 31, 2019 and March 31, 2019, respectively. The Company had deficiency of \$1.0 million and \$1.0 million as of December 31, 2019 and March 31, 2019. The Company did not meet certain financial covenants required in the credit agreement with Keybank National Association (“Keybank”). As of December 31, 2019, the Company has outstanding loan facilities of approximately \$20.1 million due to Keybank. Failure to maintain these loan facilities will have a significant impact on the Company’s operations.

In assessing its liquidity, management monitors and analyzes the Company’s cash on-hand, its ability to generate sufficient revenue sources in the future and its operating and capital expenditure commitments. iFresh had funded working capital and other capital requirements in the past primarily by equity contributions from shareholders, cash flow from operations, and bank loans. As of December 31, 2019, the Company also has \$4.8 million of advances and receivable from the related parties we intend to collect.

Although the Company has been timely repaying the KeyBank facility in accordance with its terms, the Company was in default under the Credit Agreement as of December 31, 2019 and March 31, 2019. Specifically, the financial covenants of the Credit Agreement require the Company to maintain a senior funded debt to earnings before interest, tax, depreciation and amortization (“EBITDA”) ratio for the trailing 12 month period of less than 3.00 to 1.00 at the last day of each fiscal quarter. As of December 31, 2019 and March 31, 2019, this ratio was greater than 3.00 to 1.00, and the Company was therefore not in compliance with the financial covenants of the KeyBank loan. In addition, the Company violated the loan covenant when Mr. Long Deng, CEO and major shareholder of the Company sold an aggregate of 8,294,989 restricted shares to HK Xu Ding Co., Limited, representing 51% of the total issued and outstanding shares of the Company as of December 31, 2018. The Company failed to obtain a written consent for the occurrence of the change of ownership. KeyBank has notified the Company in February that it has not waived the default and reserves all of its rights, power, privileges, and remedies under the Credit Agreement. Effective as of March 1, 2019, interest was accrued on all loans at the default rate.

On May 20, 2019 (the “Effective Date”), the Company entered into a forbearance agreement (the “Forbearance Agreement”) with KeyBank, pursuant to which KeyBank has agreed to delay the exercise of its rights and remedies under the Loan agreement based on the existence of the events of shares transfer defaults for certain period of time. The Forbearance Agreement contains customary forbearance covenants and other forbearance covenants and defined certain events of defaults. Starting from May, 2019, the monthly payment decreased to \$142,842 as originally required per the credit facility agreements.

The Company failed to meet its obligations under the Loan Agreements by the end of the First Forbearance Period. On October 17, 2019 (the “Effective Date”), the Company, Go Fresh 365, Inc. (“Go Fresh”), Mr. Long Deng and Keybank entered into the second forbearance agreement (the “Second Forbearance Agreement”). Pursuant to certain Guaranty Agreement dated as of December 26, 2016, as amended by several joinder agreements and the Second Forbearance Agreement, the Company, certain subsidiaries of NYM, Go Fresh and Mr. Long Deng (collectively, the “Guarantors”, and together with the Borrower, the “Loan Parties”) have agreed to guarantee the payment and performance of the obligations of the Borrower under the Credit Agreement (“Obligations”). Key Bank has agreed to delay the exercise of its rights and remedies under the Loan Agreement based on the existence of certain events of default (the “Specified Events of Default”) until the earlier to occur of: (a) 5:00 p.m. Eastern Time on the November 29, 2019; and (b) a Forbearance Event of Default. This second forbearance period has expired and discussion between Key Bank and the new counsel of NYM Holding is in process.

On December 17, 2019, the Company received a letter from the Listing Qualifications Staff (the “Staff”) of the Nasdaq Stock Market LLC (“Nasdaq”), which stated that the Company was not in compliance with Nasdaq Listing Rule 5550(a)(2), which requires an issuer to maintain a minimum closing bid price of \$1.00 per share (the “Bid Price Rule”). In accordance with the Nasdaq Listing Rules, the Company was provided with a 180-day grace period to regain compliance with the Bid Price Rule, through June 15, 2020. The notice has no immediate impact on the listing or trading of the Company’s securities on Nasdaq.

The Company’s principal liquidity needs are to meet its working capital requirements, operating expenses and capital expenditure obligations. The Company’s ability to fund these needs will depend on its future performance, which will be subject in part to general economic, competitive and other factors beyond its control. These conditions raise substantial doubt as to the Company’s ability to remain a going concern.

3. Basis of Presentation and Principles of Consolidation

The Company's unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The unaudited condensed consolidated financial statements include the financial statements of iFresh and its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

The unaudited interim financial information as of December 31, 2019 and for the nine months ended December 31, 2019 and 2018 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures, which are normally included in annual financial statements prepared in accordance with U.S. GAAP, have been omitted pursuant to those rules and regulations. The unaudited interim condensed consolidated financial information should be read in conjunction with the audited consolidated financial statements and the notes thereto for the fiscal year ended March 31, 2019.

The Company has two reportable and operating segments. The Company's Chief Executive Officer is the Chief Operating Decision Maker ("CODM"). The CODM bears ultimate responsibility for, and is actively engaged in, the allocation of resources and the evaluation of the Company's operating and financial results.

4. Summary of Significant Accounting Policies

Significant Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's critical accounting estimates included, but are not limited to: allowance for estimated uncollectible receivables, inventory valuations, allowance for deferred tax assets, lease assumptions, impairment of long-lived assets, impairment of intangible assets, and income taxes. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable consist primarily of uncollected amounts from customer purchases (primarily from the Company's two distribution operations), credit card receivables, and food stamp vouchers, and are presented net of an allowance for estimated uncollectible amounts.

The Company periodically assesses its accounts receivable for collectability on a specific identification basis. If collectability of an account becomes unlikely, an allowance is recorded for that doubtful account. Once collection efforts have been exhausted, the account receivable is written off against the allowance.

Inventories

Inventories consist of merchandise purchased for resale, which are stated at the lower of cost or market. The cost method is used for wholesale and retail perishable inventories by assigning costs to each of these items based on a first-in, first-out (FIFO) basis (net of vendor discounts).

The Company's wholesale and retail non-perishable inventory is valued at the lower of cost or market using weighted average method.

Leases

On April 1, 2019 the Company adopted Accounting Standards Update ("ASU") 2016-02. For all leases that were entered into prior to the effective date of ASC 842, we elected to apply the package of practical expedients. Based on this guidance we will not reassess the following: (1) whether any expired or existing contracts are or contain leases; (2) the lease classification for any expired or existing leases; and (3) initial direct costs for any existing leases. The adoption of Topic 842 resulted in the presentation of \$59,839,700 of operating lease assets and \$66,554,892 operating lease liabilities on the consolidated balance sheet as of December 31, 2019. See Note 12 for additional information.

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, current portion of obligations under operating leases, and obligations under operating leases, non-current on the Company's consolidated balance sheets. Finance leases are included in property and equipment, net, current portion of obligations under capital leases, and obligations under capital leases, non-current on our consolidated balance sheets.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date, adjusted by the deferred rent liabilities at the adoption date. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. The Company's 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 minimum lease payments is recognized on a straight-line basis over the lease term.

Deferred financing costs

The Company presents deferred financing costs as a reduction of the carrying amount of the debt rather than as an asset. Deferred financing costs are amortized over the term of the related debt using the effective interest method and reported as interest expense in the consolidated financial statements.

Fair Value Measurements

The Company records its financial assets and liabilities in accordance with the framework for measuring fair value in accordance with U.S GAAP. This framework establishes a fair value hierarchy that prioritizes the inputs used to measure fair value:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Fair value measurements of nonfinancial assets and non-financial liabilities are primarily used in the impairment analysis of intangible assets and long-lived assets.

Cash and cash equivalents, restricted cash, accounts receivable, prepaid expenses and other current assets, advances to related parties, accounts payable, deferred revenue and accrued expenses approximate fair value because of the short maturity of those instruments. Based on comparable open market transactions, the fair value of the lines of credit and other liabilities, including current maturities, approximated their carrying value as of December 31, 2019 and March 31, 2019, respectively. The Company's estimates of the fair value of line of credit and other liabilities (including current maturities) were classified as Level 2 in the fair value hierarchy.

Revenue Recognition

In accordance with Topic 606 revenue is recognized at the time the sale is made, at which time our walk-in customers take immediate possession of the merchandise or delivery is made to our wholesale customers. Payment terms are established for our wholesale customers based on the Company's pre-established credit requirements. Payment terms vary depending on the customer. Based on the nature of receivables, no significant financing components exist. Sales are recorded net of discounts, sales incentives and rebates, sales taxes and estimated returns and allowances. We estimate the reduction to sales and cost of sales for returns based on current sales levels and our historical return experience.

Topic 606 defines a performance obligation as a promise in a contract to transfer a distinct good or service to the customer and is considered the unit of account. The majority of our contracts have one single performance obligation as the promise to transfer the individual goods is not separately identifiable from other promises in the contracts and is, therefore, not distinct.

We had no material contract assets, contract liabilities, or costs to obtain and fulfill contracts recorded on the Consolidated Balance Sheet as of December 31, 2019 and March 31, 2019. For the nine months ended December 31, 2019 and 2018, revenue recognized from performance obligations related to prior periods were \$802,392 and \$326,459, respectively.

Revenue expected to be recognized in any future periods related to remaining performance obligations is insignificant.

The following table summarizes disaggregated revenue from contracts with customers by product group:

	For the Nine months ended	
	December 31, 2019	December 31, 2018
Grocery	\$ 27,953,116	\$ 36,561,550
Perishable goods	38,628,948	56,115,460
Total	\$ 66,582,064	\$ 92,677,010

	For the three months ended	
	December 31, 2019	December 31, 2018
Grocery	\$ 7,522,433	\$ 11,333,857
Perishable goods	13,370,347	19,970,209
Total	\$ 20,892,780	\$ 31,304,066

Recently Issued Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-07, "Improvements to Nonemployee Share-Based Payment Accounting", which simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. The changes take effect for public companies for fiscal years starting after December 15, 2018, including interim periods within that fiscal year. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606. On April 1, 2019, the Company adopted this ASU and the adoption did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 requires companies to measure credit losses utilizing a methodology that reflects expected credit losses and requires a consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including those interim periods within those fiscal years. The Company is currently assessing the impact of adopting this standard, but based on a preliminary assessment, does not expect the adoption of this guidance to have a material impact on its condensed consolidated financial statements.

No other new accounting pronouncements issued or effective had, or are expected to have, a material impact on the Company's condensed consolidated financial statements.

5. Accounts Receivable

A summary of accounts receivable, net is as follows:

	December 31, 2019	March 31, 2019
Customer purchases	\$ 3,647,757	\$ 4,008,747
Credit card receivables	155,983	532,369
Food stamps	45,298	99,762
Others	2,518	2,518
Total accounts receivable	3,851,556	4,643,396
Allowance for bad debt	(701,033)	(615,487)
Accounts receivable, net	\$ 3,150,523	\$ 4,027,909

6. Inventories

A summary of inventories, net is as follows:

	December 31, 2019	March 31, 2019
Non-perishables	\$ 8,004,875	\$ 8,762,634
Perishables	1,300,192	1,723,882
Inventories	9,305,067	10,486,516
Allowance for slow moving or defective inventories	(49,647)	(75,150)
Inventories, net	\$ 9,255,420	\$ 10,411,366

7. Advances and receivables - related parties

A summary of advances and receivables - related parties is as follows:

Entities	December 31, 2019	March 31, 2019
Pacific Supermarkets Inc.	-	437,863
NY Mart MD Inc.	616,131	335,374
Advances - related parties	\$ 616,131	\$ 773,237
New York Mart, Inc.	605,265	605,265
Pacific Supermarkets Inc.	-	428,237
NY Mart MD Inc.	3,363,049	3,181,011
iFresh Harwin Inc.	248,351	232,797
Receivables – related parties	4,126,665	4,447,310
Total advances and receivables – related parties	\$ 4,832,796	\$ 5,220,547

The Company has advanced funds to related parties and accounts receivable due from the related parties with the intention of converting some of these advances and receivables into deposits towards the purchase price upon planned acquisitions of some of these entities, which are directly or indirectly owned, in whole or in part, by Mr. Long Deng, the shareholder the Chief Executive Officer of the Company. Accounts receivable due from related parties relate to the sales to these related parties (see Note 16). The advances and receivables are interest free, repayable on demand, and guaranteed by Mr. Long Deng.

8. Property and Equipment

	December 31, 2019	March 31, 2019
Furniture, fixtures and equipment	\$ 20,825,384	\$ 19,957,600
Automobiles	2,155,595	2,214,306
Leasehold improvements	10,006,203	8,849,422
Software	6,735	6,735
Total property and equipment	32,993,917	31,028,063
Accumulated depreciation and impairment	(13,431,509)	(10,740,877)
Property and equipment, net	\$ 19,562,408	\$ 20,287,186

Depreciation expense for the nine months ended December 31, 2019 and 2018 was \$1,590,632 and \$1,432,173, respectively. For the three months ended December 31, 2019 and 2018, the depreciation expense was \$497,060 and \$488,688, respectively. As of December 31, 2019, the Company charged impairment loss of \$1,100,000 for the leasehold improvement for a closed stores in New York area.

9. Intangible Assets

A summary of the activities and balances of intangible assets are as follows:

	Balance at March 31, 2019	Additions	Balance at December 31, 2019
Gross Intangible Assets			
Acquired leasehold rights	\$ 2,500,000	\$ -	\$ 2,500,000
Total intangible assets	\$ 2,500,000	\$ -	\$ 2,500,000
Accumulated Amortization			
Total accumulated amortization	\$ (1,466,663)	\$ (99,999)	\$ (1,566,662)
Intangible assets, net	\$ 1,033,337	\$ (99,999)	\$ 933,338

Amortization expense was \$99,999 and \$99,999 for the nine months ended December 31, 2019 and 2018, respectively. Future amortization associated with the net carrying amount of definite-lived intangible assets is as follows:

Year Ending September 30,

2020	\$ 133,333
2021	133,333
2022	133,333
2023	133,333
2024	133,333
Thereafter	266,673
Total	\$ 933,338

10. Debt

A summary of the Company's debt is as follows:

	December 31, 2019	March 31, 2019
Revolving Line of Credit-KeyBank National Association	\$ 4,950,000	\$ 4,950,000
Delayed Term Loan-KeyBank National Association	4,119,983	4,494,983
Term Loan-KeyBank National Association	11,408,189	12,342,206
Less: Deferred financing cost	(365,000)	(501,875)
Total	\$ 20,113,172	\$ 21,285,314

KeyBank National Association (“KeyBank”) – Senior Secured Credit Facilities

On December 23, 2016, NYM, as borrower, entered into a \$25 million senior secured Credit Agreement (the “Credit Agreement”) with Key Bank National Association (“Key Bank” or “Lender”). The Credit Agreement provides for (1) a revolving credit of \$5,000,000 for making advance and issuance of letter of credit, (2) \$15,000,000 of effective date term loan and (3) \$5,000,000 of delayed draw term loan. The interest rate is equal to (1) the Lender’s “prime rate” plus 0.95%, or (b) the Adjusted LIBOR rate plus 1.95%. Both the termination date of the revolving credit and the maturity date of the term loans are December 23, 2021. The Company will pay a commitment fee equal to 0.25% of the undrawn amount of the Revolving Credit Facility and 0.25% of the unused Delayed Draw Term Loan Facility. \$4,950,000 of the revolving credit was used as of December 31, 2019.

\$15,000,000 of the term loan was fully funded by the lender in January 2017. The Company is required to make fifty-nine consecutive monthly payments of principal and interest in the amount of \$142,842 starting from February 1, 2017 and a final payment of the then entire unpaid principal balance of the term loan, plus accrued interest on the maturity date. On December 23, 2016, the Company used the proceeds from the loan term to pay off the outstanding balance under the Bank of America credit line agreement and HSBC line of credit.

The Delayed Draw Term Loan shall be advanced on the Delayed Draw Funding date, which is no later than December 23, 2021.

The senior secured credit facility is secured by all assets of the Company and is jointly guaranteed by the Company and its subsidiaries and contains financial and restrictive covenants. The financial covenants require NYM to deliver audited condensed consolidated financial statements within one hundred twenty days after the fiscal year end and to maintain a fixed charge coverage ratio not less than 1.1 to 1.0 and senior funded debt to earnings before interest, tax, depreciation and amortization (“EBITDA”) ratio less than 3.0 to 1.0 at the last day of each fiscal quarter, beginning with the fiscal quarter ending March 31, 2017. As of December 31, 2019 and March 31, 2019, the Company has negative EBITDA, thus the ratio was negative and the Company was not in compliance with the financial covenants of the KeyBank loan. Except as stated below, the senior secured credit facility is subject to customary events of default. It will be an event of default if Mr. Long Deng resigns, is terminated, or is no longer actively involved in the management of NYM and a replacement reasonably satisfactory to the Lender is not made within sixty (60) days after such event takes place. The Company violated the loan covenant when Mr. Long Deng, CEO and major shareholder of the Company sold an aggregate of 8,294,989 restricted shares to HK Xu Ding Co., Limited on January 23, 2019, representing 51% of the total issued and outstanding shares of the Company as of December 31, 2018. The Company failed to obtain a written consent for the occurrence of the change of ownership. As a result, effective as of March 1, 2019, interest was accrued on all loans at the default rate and the monthly principal and interest payment due under the effective date term loan will be \$155,872 instead of \$142,842.

On May 20, 2019 (the “Effective Date”), the Company entered into a forbearance agreement (the “Forbearance Agreement”) with KeyBank, pursuant to which KeyBank has agreed to delay the exercise of its rights and remedies under the Loan agreement based on the existence of the events of shares transfer defaults for certain period of time. The Forbearance Agreement contains customary forbearance covenants and other forbearance covenants and defined certain events of defaults. Starting from May, 2019, the monthly payment decreased to \$142,842 as originally required per the credit facility agreements.

The Company failed to meet its obligations under the Loan Agreements by the end of the First Forbearance Period. On October 17, 2019 (the “Effective Date”), the Company, Go Fresh 365, Inc. (“Go Fresh”), Mr. Long Deng and Keybank entered into the second forbearance agreement (the “Second Forbearance Agreement”). Pursuant to certain Guaranty Agreement dated as of December 26, 2016, as amended by several joinder agreements and the Second Forbearance Agreement, the Company, certain subsidiaries of NYM, Go Fresh and Mr. Long Deng (collectively, the “Guarantors”, and together with the Borrower, the “Loan Parties”) have agreed to guarantee the payment and performance of the obligations of the Borrower under the Credit Agreement (“Obligations”). Key Bank has agreed to delay the exercise of its rights and remedies under the Loan Agreement based on the existence of certain events of default (the “Specified Events of Default”) until the earlier to occur of: (a) 5:00 p.m. Eastern Time on the November 29, 2019; and (b) a Forbearance Event of Default. This second forbearance period has expired and discussion between Key Bank and the new counsel of NYM Holding is in process.

Maturities of borrowings against the term loan under this credit facility for each of the next five years are as follows:

Year Ending December 31

2020	\$ 1,548,793
2021	1,604,485
2022	16,959,894
Total	<u>\$ 20,113,172</u>

11. Notes Payable

Notes payables consist of the following:

	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
<u>Triangle Auto Center, Inc.</u>		
Secured by vehicle, 4.02%, principal and interest of \$890 due monthly through January 28, 2021	11,292	18,823
<u>Colonial Buick GMC</u>		
Secured by vehicle, 8.64%, principal and interest of \$736 due monthly through February 1, 2020	-	6,350
<u>Koeppel Nissan, Inc.</u>		
Secured by vehicle, 3.99%, principal and interest of \$612 due monthly through January 18, 2021	-	12,378
Secured by vehicle, 0.9%, principal and interest of \$739 due monthly through March 14, 2020	-	8,826
Secured by vehicle, 7.86%, principal and interest of \$758 due monthly through September 1, 2022	20,576	25,415
<u>Silver Star Motors</u>		
Secured by vehicle, 4.22%, principal and interest of \$916 due monthly through June 1, 2021	15,945	23,546
<u>BMO</u>		
Secured by vehicle, 5.99%, principal and interest of \$1,924 due monthly through July 1, 2020	34,802	50,172
<u>Wells Fargo</u>		
Secured by vehicle, 4.01%, principal and interest of \$420 due monthly through December 1, 2021	9,666	13,096
<u>Toyota Finance</u>		
Secured by vehicle, 0%, principal and interest of \$632 due monthly through August, 2022	20,237	25,928
Secured by vehicle, 4.87%, principal and interest of \$761 due monthly through July, 2021	18,339	24,031
Secured by vehicle, 0%, principal and interest of \$633 due monthly through April 1, 2022	13,757	19,978
Total Notes Payable	<u>\$ 144,614</u>	<u>\$ 228,543</u>
Current notes payable	(78,835)	(98,475)
Long-term notes payable, net of current maturities	<u>\$ 65,779</u>	<u>\$ 130,068</u>

All notes payables are secured by the underlying financed automobiles.

Maturities of the notes payables for each of the next five years are as follows:

Year Ending December 31,	
2020	\$ 78,835
2021	53,115
2022	12,664
Total	<u>\$ 144,614</u>

12. Lease

The Company's material leases consist of store, warehouse, parking lots and its offices with expiration dates through 2027. In general, the leases have remaining terms of 1-20 years, most of which include options to extend the leases. The lease term is generally the minimum noncancelable period of the lease. The Company does not include option periods unless the Company determines that it is reasonably certain of exercising the option at inception or when a triggering event occurs.

Balance sheet information related to the Company's operating and finance leases (noting the financial statement caption each is included with) as of December 31, 2019 was as follows:

	As of December 31, 2019
Operating Lease Assets:	
Operating Lease	\$ 59,839,700
Total operating lease assets	<u>59,839,700</u>
Operating lease obligations:	
Current operating lease liabilities	5,796,913
Non-current operating lease liabilities	60,757,979
Total Lease liabilities	<u>\$ 66,554,892</u>
Weighted Average Remaining Lease Term Operating Lease	13.65 years
Weighted Average discount rate	4.3%

	December 31, 2019	March 31, 2019
Finance lease Assets		
Vehicles under finance lease	\$ 1,033,131	\$ 1,033,131
Accumulated depreciation	352,517	244,116
Finance lease assets, net	<u>\$ 680,614</u>	<u>\$ 789,115</u>

	December 31, 2019	March 31, 2019
Finance lease obligations:		
Current	\$ 136,639	\$ 148,778
Long-term	314,980	413,225
Total obligations	<u>\$ 451,619</u>	<u>\$ 562,003</u>

Weighted Average Remaining Lease Term Finance Lease	2.13 years
Weighted Average discount rate	7.1%

Supplemental cash flow information related to leases was as follows:

	As of December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating Lease	<u>\$ 5,966,981</u>
Finance lease	<u>110,385</u>

The estimated future lease payments under the operating and finance leases are as follows:

	Capital Lease	Operating, lease
2020	174,863	8,544,127
2021	153,823	8,262,061
2022	146,831	8,302,992
2023	45,948	8,062,637
2024	-	7,612,489
Thereafter	-	47,641,309
Total minimum lease payments	\$ 521,465	\$ 88,425,615
Less: Amount representing interest	(69,846)	(21,870,723)
Total	\$ 451,619	\$ 66,554,892

13. Segment Reporting

ASC 280, "Segment Reporting", establishes standards for reporting information about operating segments on a basis consistent with the Company's internal organizational structure as well as information about geographical areas, business segments and major customers in financial statements for details on the Company's business segments. The Company uses the "management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's CODM for making operating decisions and assessing performance as the source for determining the Company's reportable segments. Management, including the CODM, reviews operation results by the revenue of different products or services. Based on management's assessment, the Company has determined that it has two operating segments as defined by ASC 280, consisting of wholesale and retail operations.

The primary financial measures used by the Company to evaluate performance of individual operating segments are sales and income before income tax provision.

The following table presents summary information by segment for the nine months ended December 31, 2019 and 2018, respectively:

	Nine months ended December 31, 2019		
	Wholesale	Retail	Total
Net sales	\$ 12,262,443	\$ 54,319,621	\$ 66,582,064
Cost of sales	9,213,881	38,526,390	47,740,271
Retail occupancy costs	-	4,982,329	4,982,329
Gross profit	<u>\$ 3,048,562</u>	<u>\$ 10,810,902</u>	<u>\$ 13,859,464</u>
Interest expense, net	\$ (9,178)	\$ (1,276,381)	\$ (1,285,559)
Depreciation and amortization	\$ 439,691	\$ 7,456,201	\$ 7,895,892
Capital expenditures	\$ -	\$ 2,163,761	\$ 2,163,761
Segment loss before income tax provision	\$ 641,258	\$ (6,851,787)	\$ (6,210,529)
Income tax provision	\$ 11,935	\$ 103,654	\$ 115,589
Segment assets	\$ 14,838,292	\$ 88,533,683	\$ 103,371,975

	Nine months ended December 31, 2018		
	Wholesale	Retail	Total
Net sales	\$ 13,940,908	\$ 78,736,102	\$ 92,677,010
Cost of sales	10,469,830	58,921,986	69,391,816
Retail occupancy costs	-	6,118,410	6,118,410
Gross profit	<u>\$ 3,471,078</u>	<u>\$ 13,695,706</u>	<u>\$ 17,166,784</u>
Interest expense, net	\$ (11,334)	\$ (990,793)	\$ (1,002,127)
Depreciation and amortization	\$ 181,380	\$ 1,487,667	\$ 1,669,047
Capital expenditures	\$ 28,613	\$ 4,192,288	\$ 4,220,901
Segment income (loss) before income tax provision (benefit)	\$ 36,983	\$ (7,567,539)	\$ (7,530,556)
Income tax provision (benefit)	\$ 43,831	\$ 270,002	\$ 313,833
Segment assets	\$ 11,236,146	\$ 39,175,016	\$ 50,411,162

	Three months ended December 31, 2019		
	Wholesale	Retail	Total
Net sales	\$ 3,839,292	\$ 17,053,488	\$ 20,892,780
Cost of sales	3,168,722	11,933,991	15,102,713
Retail occupancy costs	-	1,475,420	1,475,420
Gross profit	<u>\$ 670,570</u>	<u>\$ 3,644,077</u>	<u>\$ 4,314,647</u>
Interest expense, net	\$ (3,951)	\$ (322,388)	\$ (326,339)
Depreciation and amortization	\$ 55,113	\$ 2,503,145	\$ 2,558,258
Capital expenditures	\$ -	\$ 1,383,242	\$ 1,383,242
Segment income (loss) before income tax provision	\$ (46,261)	\$ (1,972,911)	\$ (2,019,172)
Income tax provision	\$ 1,520	\$ 50,576	\$ 52,096
Segment assets	\$ 14,838,292	\$ 88,533,683	\$ 103,371,975

	Three months ended December 31, 2018		
	Wholesale	Retail	Total
Net sales	\$ 4,323,321	\$ 26,980,745	\$ 31,304,066
Cost of sales	3,129,400	20,234,411	23,363,811
Retail occupancy costs	-	2,276,924	2,276,924
Gross profit	<u>\$ 1,193,921</u>	<u>\$ 4,469,410</u>	<u>\$ 5,663,331</u>
Interest expense, net	\$ (3,368)	\$ (353,933)	\$ (357,301)
Depreciation and amortization	\$ 63,990	\$ 526,469	\$ 590,459
Capital expenditures	\$ 10,300	\$ 510,228	\$ 520,528
Segment loss before income provision (benefit)	\$ (95,459)	\$ (1,706,850)	\$ (1,802,309)
Income tax provision	\$ -	\$ -	\$ -
Segment assets	\$ 11,236,146	\$ 39,175,016	\$ 50,411,162

14. Shareholder's Equity

On October 19, 2018, the Company and certain institutional investors entered into a securities purchase agreement (the "Purchase Agreement"), pursuant to which the Company agreed to sell to such investors an aggregate of 1,275,000 shares of common stock (the "Common Stock") in a registered direct offering and warrants to purchase up to approximately 1,170,000 shares of the Company's Common Stock in a concurrent private placement, for gross proceeds of approximately \$2.55 million (the "Financing"). The warrants will be exercisable immediately following the date of issuance and have an exercise price of \$2.25. The warrants will expire 5 years from the earlier of the date on which the shares of Common Stock issuable upon exercise of the warrants may be sold pursuant to an effective registration statement or may be exercised on a cashless basis and be immediately sold pursuant to Rule 144. The purchase price for each share of Common Stock and the corresponding warrant is \$2.00. Each warrant is subject to anti-dilution provisions that require adjustment of the number of shares of Common Stock that may be acquired upon exercise of the warrant, or to the exercise price of such shares, or both, to reflect stock dividends and splits, subsequent rights offerings, pro-rata distributions, and certain fundamental transactions.

Management determined that these warrants are equity instruments because the warrants are both a) indexed to its own stock; and b) classified in stockholders' equity. The warrants were recorded at their fair value on the date of grant as a component of stockholders' equity. On June 5, 2019, these warrants have been exchanged to new warrants with exercise price of \$1.35 and the new warrants will expire on June 5, 2023.

On December 11, 2019, iFresh Inc. (the "Company") entered into the following agreements:

- An agreement (the "Acquisition Agreement") between the Company and Long Deng, the Chief Executive Officer and Chairman of the Company, pursuant to which Mr. Deng will sell his 70% interest in Dragon Seeds LLC to the Company in exchange for the Company's common stock. The closing of the acquisition is contingent on receiving stockholder approval for the transaction and the Company's receipt of a valuation opinion demonstrating that the fair market value of the Interest is equal to or greater than the aggregate fair market value of the consideration to be paid by the Company. Dragon Seeds LLC makes certain customary representations and warranties to the Company in connection with the Acquisition Agreement
- An agreement (the "Purchase Agreement") with Jian Chen pursuant to which Jian Chen agreed to purchase 6,578,948 shares of the Company's common stock in exchange for \$2,500,000. The closing of the transactions contemplated by the Purchase Agreement are contingent on the closing of the acquisition of Dragon Seeds LLC by the Company.
- An agreement (the "Conversion Agreement") between Mr. Deng and the Company, pursuant to which the Mr. Deng agreed to convert debt owed to him by the Company into 1,000 preferred shares of the Company's common stock. Upon receiving stockholder approval for the conversion, the 1,000 shares of preferred stock will automatically convert into shares of the Company's common stock.

All of the issuances and conversions of the Company's common stock in the foregoing agreements were at a price per share of \$0.38, the closing price of the Company's common stock on December 10, 2019. As of the date of the report, these transactions are still contingent on stockholders' approval.

15. Income Taxes

iFresh is a Delaware holding company that is subject to the U.S. income tax.

NYM is taxed as a corporation for income tax purposes and as a result of the "Contribution Agreement" entered into in December 31, 2014 NYM has elected to file a consolidated federal income tax return with its eleven subsidiaries. NYM and the shareholders of the eleven entities, as parties to the Contribution Agreement, entered into a tax-free transaction under Section 351 of the Internal Revenue Code of 1986 whereby the eleven entities became wholly owned subsidiaries of the Company. As a result of the tax-free transaction and the creation of a consolidated group, the subsidiaries are required to adopt the tax year-end of its parent, NYM. NYM was incorporated on December 30, 2014 and has adopted a tax-year end of March 31.

Certain of the subsidiaries have incurred net operating losses ("NOL") in tax years ending prior to the Contribution Agreement. The net operating losses are subject to the Separate Return Limitation Year ("SRLY") rules which limit the utilization of the losses to the subsidiaries who generated the losses. The SRLY losses are not available to offset taxable income generated by members of the consolidated group.

Based upon management's assessment of all available evidence, the Company believes that it is more-likely-than-not that the deferred tax assets, will not be fully realizable. The valuation allowance for deferred tax assets was approximately \$5,582,580 and \$4,166,595 as of December 31, 2019 and March 31, 2019.

The Company has approximately \$17,041,393 and \$10,715,275 of US NOL carry forward as of December 31, 2019 and March 31, 2019, respectively. For income tax purpose, those NOLs will expire in the year 2032 through 2038.

Income Tax Provision (Benefit)

The provision (benefit) for income taxes consists of the following components:

	For the nine months ended	
	December 31	
	2019	2018
Current:		
Federal	\$ -	\$ -
State	-	-
	-	-
Deferred:		
Federal	86,692	235,375
State	28,897	78,458
	115,589	313,833
Total	\$ 115,589	\$ 313,833

Tax Rate Reconciliation

Following is a reconciliation of the Company's effective income tax rate to the United State federal statutory tax rate:

	Nine months ended December 31,	
	2019	2018
Expected tax at U.S. statutory income tax rate	21%	21%
State and local income taxes, net of federal income tax effect	7%	14%
Other non-deductible fees and expenses	2.8%	3%
Change of deferred tax reserve	(27.8)%	(44.5)%
Other	(4.9)%	2.3%
Effective tax rate	(1.9)%	(4.2)%

Deferred Taxes

The effect of temporary differences included in the deferred tax accounts as follows:

	December 31, 2019	March 31, 2019
Deferred Tax Assets/ (Liabilities):		
Deferred expenses	\$ 179,522	\$ 101,829
Sec 263A Inventory Cap	253,932	208,514
Leasing liabilities/Deferred rent	2,109,994	2,092,128
Depreciation and amortization	(2,570,437)	(2,305,164)
Net operating losses	5,329,692	3,898,744
163 (j) business interest	279,877	286,133
Impairment Loss	308,000	-
Valuation allowance	(5,890,580)	(4,166,595)
Net Deferred Tax Assets	\$ -	\$ 115,589

16. Related-Party Transactions

Management Fees, Advertising Fees and Sale of Non-Perishable and Perishable Products to Related Parties

The following is a detailed breakdown of significant management fees, advertising fees and sale of products for the nine months ended December 31, 2019 and 2018 to related parties, which are directly or indirectly owned, in whole or in part, by Mr. Long Deng, shareholder and the CEO, and not eliminated in the unaudited condensed consolidated financial statements. In addition, the outstanding receivables due from these related parties as of December 31, 2019 and March 31, 2019 were included in advances and receivables – related parties (see Note 8).

Nine months ended December 31, 2019

Related Parties	Management Fees	Advertising Fees	Non-Perishable & Perishable Sales
Dragon Seeds Inc.	3,650	-	-
NY Mart MD Inc.	59,300	8,920	822,200
NYM Elmhurst Inc.	69,599	4,102	644,753
Spring Farm Inc.	6,050	-	58,134
Pine Court Chinese Bistro	-	-	51,897
Others	30,750	-	-
	<u>\$ 169,349</u>	<u>\$ 13,022</u>	<u>\$ 1,576,985</u>

Nine months ended December 31, 2018

Related Parties	Management Fees	Advertising Fees	Non-Perishable & Perishable Sales
New York Mart, Inc.	\$ 11,651	\$ 880	\$ 193,741
Pacific Supermarket Inc.	77,998	14,040	1,314,938
NY Mart MD Inc.	72,119	10,920	1,622,255
New York Mart El Monte Inc.	4,944	1,600	-
iFresh Harwin Inc.	2,862	2,600	9,677
Spring Farm Inc.	3,702	-	2,708
Spicy Bubbles, Inc.	-	-	-
NYM Tampa Seafood Inc.	550	-	-
Pine Court Sunrise, Inc.	-	-	43,274
Elhurst	8,877	860	-
	<u>\$ 182,703</u>	<u>\$ 30,900</u>	<u>\$ 3,186,592</u>

Three months ended December 31, 2019

Related Parties	Management Fees	Advertising Fees	Non-Perishable & Perishable Sales
Dragon Seeds Inc.	850	-	-
NY Mart MD Inc.	15,000	2,600	181,286
NYM Elmhurst Inc.	22,441	812	159,055
Spring Farm Inc.	750	-	-
Pine Court Chinese Bistro	-	-	5,854
Others	30,750	-	-
	<u>\$ 69,791</u>	<u>\$ 3,412</u>	<u>\$ 346,195</u>

Three months ended December 31, 2018

Related Parties	Management Fees	Advertising Fees	Non-Perishable & Perishable Sales
New York Mart, Inc.	\$ -	\$ -	\$ -
Pacific Supermarket Inc.	21,945	1,530	295,344
NY Mart MD Inc.	32,836	3,560	600,776
Pine Court Sunrise, Inc.	-	-	9,647
Elhurst	8,877	860	
Spring Farm Inc.	3,702		797
	<u>\$ 67,360</u>	<u>\$ 5,950</u>	<u>\$ 906,564</u>

Long-Term Operating Lease Agreement with a Related Party

The Company leases warehouse and stores from related parties that is owned by Mr. Long Deng, the CEO of the Company, and will expire on April 30, 2026. Rent incurred to the related party was \$605,492 and \$877,381 for the nine months ended on December 31, 2019 and 2018 respectively, and \$201,831 and \$292,460 for the three months ended on December 31, 2019 and 2018, respectively.

17. Contingent Liabilities

The Company is exposed to claims and litigation matters arising in the ordinary course of business and uses various methods to resolve these matters in a manner that the Company believes best serves the interests of its stakeholders. These matters have not resulted in any material losses to date.

Leo J. Motsis, as Trustee of the 140-148 East Berkeley Realty Trust v. Ming's Supermarket, Inc.

Ming's Supermarket, Inc. ("Ming"), the subsidiary of the Company, is a tenant at a building located at 140-148 East Berkeley Street, Boston, MA (the "Property"), pursuant to a lease dated September 24, 1999 (the "Lease"). The Lease had a 10-year initial term, followed by an option for two additional 10-year terms. Ming has exercised that first option and the Lease has approximately 15 years remaining to run if the second option is also exercised. The Lease also gives Ming a right of first refusal on any sale of the building.

On February 22, 2015, a sprinkler pipe burst in the Property. This caused the Inspectional Services Department of the City of Boston ("ISD") to inspect the Property. The ISD found a number of problems which have prevented further use of the Property. The ISD notified both landlord and tenant that the Property was only permitted for use as an elevator garage and that its use as a warehouse was never permitted and that a conditional use permit must be obtained from the City of Boston to make such use lawful. Moreover, the Property was found to have major structural issues requiring repair, as well as issues with the elevator and outside glass. The result of the ISD's findings are that Ming was ordered not to use the Property for any purpose unless and until the structural and other repairs are completed and its use as a warehouse is permitted by the Boston Zoning Board.

While the Lease provides that the elevator (approximate cost \$400,000) and glass repairs (approximate cost \$30,000) are the responsibility of the tenant, the structural repairs (approximate cost \$500,000) are the landlord's responsibility under the Lease, unless the structural damage was caused by the tenant's misuse of the Property. In this regard Ming has retained an expert who testified the structural damage to the building was caused by long term water infiltration and is not the result of anything Ming did. Ming initially sought for the landlord to perform the structural repairs and agreed that upon completion of those repairs, Ming would repair the elevator and the broken glass. In addition, Ming asked the landlord to cooperate in permitting use of the Property as a warehouse.

The landlord refused to either perform structural repairs or to cooperate on the permitting. As a result, as of April 2015, Ming began withholding rent, since Ming was barred from using the Property by order of the ISD. The landlord then sued Ming for breach of the Lease and unpaid rent, and Ming counterclaimed for constructive eviction and for damages resulting from the landlord's breach of its duty to perform structural repairs under the Lease.

The case was tried before a jury in August 2017. The jury awarded Ming judgment against the landlord in the amount of \$795,000, plus continuing damages of \$2,250 per month until the structural repairs are completed. The court found that the landlord's actions violated the Massachusetts unfair and deceptive acts and practices statute and therefore doubled the amount of damages to \$1,590,000 and further ruled that Ming should also recover costs and attorneys' fees of approximately \$250,000. The result is a judgment in favor of Ming and against the landlord that will total approximately \$1.85 million. The judgment requires the landlord to repair the premises and obtain an occupancy permit. The landlord is responsible to Ming for damages in the amount of \$2,250 per month until an occupancy permit is issued. The judgment also accrues interest at the rate of 12% per year until paid.

The landlord filed a Notice of Appeal, which will delay ultimate resolution of this matter for potentially one year or more. Ming has filed a lien against the landlord's real estate as security for the judgment.

On May 31, 2018, the ISD issued an occupancy permit, triggering Ming's requirement to resume regular rental payments. The result is a judgment in favor of Ming and against the landlord that will total approximately \$1.85 million.

The appeal hearing was held in July 12, 2019 and judge concluded that the landlord should be required both to perform the relevant obligations of the lease in the future and to pay damages caused by his previous failure to do so and for any period of delay in completing specific performance. On November 5, 2019, the Appeal Count issued a full decision affirming the judgment was entered and transmitted a rescript of the affirmance of the judgment to the superior court.

Hartford Fire Insurance Company v. New York Mart Group Inc.

On November 28, 2018, a lawsuit was filed against New York Mart Group, Inc. by Hartford Fire Insurance Company ("Hartford"), who seeks contractual indemnification from the Company and other defendants relating to certain supersedeas bonds issued by Hartford in connection with the unsuccessful appeal of state court litigation by iFresh's codefendant. Hartford alleges that iFresh guaranteed performance of the bonds and therefore seeks to enforce the indemnification terms thereof against iFresh in addition to the other defendants. On June 14, 2019, Hartford filed a motion for summary judgment against iFresh, arguing that Hartford is entitled to judgment as a matter of law. On July 29, 2019, the Court granted judgment against iFresh in a consented amount of \$458,497.81 for its alleged loss. The Court is still having a hearing on Hartford's entitlement to attorneys' fees/costs. The Company has accrued \$500,000 for the potential loss and expense associated with this case.

Winking Group LLC v. New York Supermarket E. Broadway Inc.

A subsidiary of the Company, New York Supermarket E. Broadway Inc., entered into a lease with Winking Group LLC for the Company's store located at 75 East Broadway, NY, 10002. The landlord sued the Company for failing to pay rent and additional fee of \$450,867. The Company is currently negotiating an agreement with the landlord to settle the case. On November 21, 2019, the Company consented to a final judgement of possession in favor of Winking Group LLC in the amount of \$400,000, with \$50,867 being waived by the landlord. \$400,000 was paid as of December 31, 2019.

18. Subsequent Event

On December 11, 2019, iFresh Inc. (the “Company”) entered into the following agreements:

- An agreement (the “Acquisition Agreement”) between the Company and Long Deng, the Chief Executive Officer and Chairman of the Company, pursuant to which Mr. Deng will sell his 70% interest in Dragon Seeds LLC to the Company in exchange for the Company’s common stock. The closing of the acquisition is contingent on receiving stockholder approval for the transaction and the Company’s receipt of a valuation opinion demonstrating that the fair market value of the Interest is equal to or greater than the aggregate fair market value of the consideration to be paid by the Company. Dragon Seeds LLC makes certain customary representations and warranties to the Company in connection with the Acquisition Agreement
- An agreement (the “Purchase Agreement”) with Jian Chen pursuant to which Jian Chen agreed to purchase 6,578,948 shares of the Company’s common stock in exchange for \$2,500,000. The closing of the transactions contemplated by the Purchase Agreement are contingent on the closing of the acquisition of Dragon Seeds LLC by the Company.
- An agreement (the “Conversion Agreement”) between Mr. Deng and the Company, pursuant to which the Mr. Deng agreed to convert debt owed to him by the Company into 1,000 preferred shares of the Company’s common stock. Upon receiving stockholder approval for the conversion, the 1,000 shares of preferred stock will automatically convert into shares of the Company’s common stock.

All of the issuances and conversions of the Company’s common stock in the foregoing agreements were at a price per share of \$0.38, the closing price of the Company’s common stock on December 10, 2019. As of the date of the report, these transactions are still contingent on stockholders’ approval

On January 9, 2020, the Company and Mr. Deng amended the Conversion Agreement to extend the date on which it could be completed to January 15, 2020 (see note 14). On January 13, 2020, the Company filed a Certificate of Designation creating the class of Preferred Stock required by the Conversion Agreement, and around 3 million liabilities owed to Mr. Deng were converted into 1,000 shares of Series A Convertible Preferred Stock (the “Preferred Stock”). The Preferred Stock has no voting rights, and will convert automatically into 9,210,526 shares of the Company’s common stock once the conversion is approved by the Company’s stockholders. In the event of the liquidation of the Company, the Preferred Stock has a preference equal to around 3 million over the Company’s common stock. The 1,000 shares of preferred stock has been issued on January 13, 2020.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

This report includes forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “continue,” or the negative of such terms or other similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those described in our other Securities and Exchange Commission (“SEC”) filings. References to “we,” “us”, “our,” “iFresh” or the “Company” are to iFresh Inc., except where the context requires otherwise. The following discussion should be read in conjunction with our unaudited condensed financial statements and related notes thereto included elsewhere in this report.

Overview

iFresh Inc. (“we,” “us,” “our,” or “iFresh” or the “Company”) is a Delaware company incorporated in July 2016 in order to reincorporate E-Compass Acquisition Corp. (“E-Compass”) to Delaware pursuant to the Merger Agreement (as defined below). Immediately following the reincorporation, we acquired NYM Holding, Inc. (“NYM”). E-Compass was a blank check company formed for the purpose of entering into a share exchange, asset acquisition, share purchase, recapitalization, reorganization or other similar business combination with one or more businesses or entities. NYM is a fast growing Asian/Chinese grocery supermarket chain in the north-eastern U.S. providing food and other merchandise hard to find in mainstream grocery stores. Since NYM was formed in 1995, NYM has been targeting the Chinese and other Asian population in the U.S. with its in-depth cultural understanding of its target customer’s unique consumption habits. iFresh currently has ten retail supermarkets across New York, Massachusetts and Florida, with in excess of 6,224,500 sales transactions in its stores in the fiscal year ended March 31, 2019. It currently has one in-house wholesale businesses, Strong America Limited (“Strong America”) covering more than 6,000 wholesale products and servicing both NYM retail supermarkets and over 1,000 external clients that range from wholesalers to retailing groceries and restaurants. NYM has a stable supply of food from farms in New Jersey and Florida, ensuring reliable supplies of the most popular vegetables, fruits and seafood. Its wholesale business and long term relationships with farms insulate NYM from supply interruptions and sales declines, allowing it to remain competitive even during difficult markets.

Recent Developments

Termination of Acquisition

On June 7, 2019, iFresh Inc. entered into a Share Exchange Agreement (the “Exchange Agreement”) with Xiaotai International Investment Inc. (“Xiaotai International”) and the equity holders of Xiaotai International (the “Xiaotai Shareholders”), pursuant to which, among other things and subject to the terms and conditions contained therein, iFresh would acquire all of the outstanding issued shares and other equity interests in Xiaotai International from the Xiaotai Shareholders (the “Acquisition”). Pursuant to the Exchange Agreement, in exchange for all of the outstanding shares of Xiaotai International, iFresh agreed to issue 254,813,383 shares of its common stock to the Xiaotai Shareholders. Xiaotai International operates through its variable interest entity, Zhejiang Xiaotai Technology Co. Ltd. (“Zhejiang Xiaotai”), in China.

As disclosed in a current report on Form 8-K filed on November 5, 2019, we received news regarding an ongoing investigation of Zhejiang Xiaotai by the Hangzhou Police Department, Binjiang Branch (“Hangzhou Police”) through a public notice released by the Hangzhou Police on November 3, 2019 (the “Police Report”). Zhejiang Xiaotai is alleged to have conducted illegal fundraising from the public. The report also stated that several executives of Zhejiang Xiaotai have been detained and are being held in custody.

On November 5, 2019 (the “Termination Date”), iFresh issued written notice to Xiaotai International and Xiaotai Shareholders to terminate the Exchange Agreement pursuant to section 9.1(c), (e) and (f) of the Exchange Agreement, effective immediately.

From and after the Termination Date, the Exchange Agreement will be of no further force or effect, and the rights and obligations of each party thereunder shall terminate, except for (a) any rights and obligations of the parties that are expressly designated thereunder to survive the termination of the Exchange Agreement and (b) any other rights and obligations of the parties that come into being or effect upon the termination of the Exchange Agreement.

In conjunction with the Acquisition, on June 7, 2019, iFresh and NYM Holding, Inc. (“NYM”) entered into a Share Purchase Agreement (the “Purchase Agreement”) with Go Fresh 365 Inc. (“Go Fresh”), a corporation solely owned by Mr. Long Deng, iFresh’s Chief Executive Officer. The Purchase Agreement provides for the sale of 100% of the equity interest in NYM to Go Fresh for cash consideration of \$9.1 million (the “Spin-off”). Pursuant to the Purchase Agreement, one of the closing conditions of the Spin-off is that all the conditions to the obligations of each party to consummate the Acquisition described in the Exchange Agreement shall have been satisfied.

As a result of the termination of the Exchange Agreement, on November 5, 2019, iFresh, NYM and Go Fresh mutually agreed to terminate the Purchase Agreement, effective immediately.

The board of directors of the Company approved the termination of both the Exchange Agreement and the Purchase Agreement on November 5, 2019.

Nasdaq Delisting Notice

On November 6, 2019, iFresh Inc. received a letter from the Listing Qualifications Staff (the “Staff”) of The Nasdaq Stock Market LLC (“Nasdaq”), which stated that, based upon the Company’s continued non-compliance with Nasdaq Listing Rule 5550(b), which requires stockholders’ equity of \$2.5 million, or a market value of listed securities of \$35 million, or net income from continuing operations of \$500,000, the Staff had determined not to grant an extension to allow the Company to demonstrate compliance, the Company’s securities would be subject to delisting from Nasdaq unless the Company timely requests a hearing before a Nasdaq Hearings Panel (the “Panel”). The Company timely requested a hearing before the Panel, and, on December 18, 2019, the Company received a letter from the Panel granting the Company’s request for continued listing on Nasdaq pursuant to an extension to evidence compliance with the Stockholder’s Equity Requirement. The Company’s continued listing on Nasdaq is subject to the Company’s timely compliance with certain interim milestones and, ultimately, the Company evidencing compliance with the Stockholders’ Equity Requirement by no later than April 15, 2020.

Forbearance Agreement

On May 20, 2019, iFresh, NYM (or the “Borrower”), certain subsidiaries of NYM, Mr. Long Deng and KeyBank National Association (“Keybank” or the “Lender”) entered into the first forbearance agreement (the “First Forbearance Agreement”) with respect to that certain Credit Agreement, dated as of December 23, 2016, as amended, pursuant to which KeyBank made available to NYM a revolving credit facility, a term loan facility, and other credit accommodations (the “Loan Agreements”). The Lender has agreed to delay the exercise of its rights and remedies under the Loan Agreements based on the existence of certain events of default until the earlier to occur of: (a) 5:00 p.m. Eastern Time on the 90th day from the date of the First Forbearance Agreement (the “First Forbearance Period”); and (b) a Forbearance Event of Default. Reference is made to the current report on Form 8-K filed with the SEC on May 21, 2019.

The Borrower did not meet its obligations under the Loan Agreements by the end of the First Forbearance Period. On October 17, 2019 (the “Effective Date”), the Company, NYM, certain subsidiaries of NYM, Go Fresh 365, Inc. (“Go Fresh”), Mr. Long Deng and Keybank entered into the second forbearance agreement (the “Second Forbearance Agreement”). Pursuant to certain Guaranty Agreement dated as of December 26, 2016, as amended by several joinder agreements and the Second Forbearance Agreement, the Company, certain subsidiaries of NYM, Go Fresh and Mr. Long Deng (collectively, the “Guarantors”, and together with the Borrower, the “Loan Parties”) have agreed to guarantee the payment and performance of the obligations of the Borrower under the Credit Agreement (“Obligations”). Terms used but not otherwise defined herein have the meanings ascribed to them in the Second Forbearance Agreement.

The Lender agreed to delay the exercise of its rights and remedies under the Loan Agreement based on the existence of certain events of default (the “Specified Events of Default”) until the earlier to occur of: (a) 5:00 p.m. Eastern Time on the November 29, 2019; and (b) a Forbearance Event of Default. No subsequent agreements or amendments have been entered into.

Outlook

iFresh is an Asian Chinese supermarket chain in the U.S. northeastern region with nine retail super markets and two wholesale facilities. iFresh plans to strategically expand along the I-95 corridor and its goal is to cover all states on the east coast.

- a. iFresh provides unique products to meet the demands of the Asian/Chinese American Market;
- b. iFresh has established a merchandising system backed by an in-house wholesale business and by long-standing relationships with farms;
- c. iFresh maintains an in-house cooling system with unique hibernation technology that is has developed over 20 years to preserve perishables, especially produce and seafood;
- d. iFresh capitalizes on economies of scale, allowing strong negotiating power with upstream vendors, downstream customers and sizable competitors; and
- e. iFresh has a proven and replicable track record of management, operation, acquisition and organic growth.

iFresh’s net sales were \$66.6 million and \$92.7 million for the nine months ended December 31, 2019 and 2018, respectively. In terms of sales by category, Perishables constituted approximately 58% of the total sales for the nine months ended December 31, 2019. iFresh’s net loss was \$6.3 million for the nine months ended December 31, 2019, a decrease of \$1.5 million, or 19.4%, from \$7.8 million of net loss for the nine months ended December 31, 2018. Adjusted EBITDA was \$-3.1 million for the nine months ended December 31, 2019, a decrease of \$1.8 million, or 36.3%, from \$-4.9 million for the nine months ended December 31, 2018.

An acquisition agreement (the “Acquisition Agreement”) was entered on December 11, 2019 between the Company and Long Deng, the Chief Executive Officer and Chairman of the Company, pursuant to which Mr. Deng will sell his 70% interest in Dragon Seeds LLC to the Company in exchange for the Company’s common stock. The closing of the acquisition is contingent on receiving stockholder approval for the transaction and the Company’s receipt of a valuation opinion demonstrating that the fair market value of the Interest is equal to or greater than the aggregate fair market value of the consideration to be paid by the Company.

Factors Affecting iFresh’s Operating Results

Seasonality

iFresh’s business shows seasonal fluctuations. Sales in its first and second fiscal quarters (ending June 30 and September 30, respectively) are usually 5% to 10% lower than in third and fourth quarters (ending December 31 and March 31, respectively). In its third fiscal quarter, customers make holiday purchases for Thanksgiving and Christmas. In its fourth quarter, customers make purchases for traditional Chinese holidays, such as the Spring Festival (Chinese New Year, in January or February).

Competition

The Company faces competition from other Asian supermarkets. In the fiscal year 2019, two of our stores located in Boston and New York experienced significantly decreased sales due to competition from newly opened grocery stores. In first quarter of fiscal year 2020, the Company contracted these two stores to third party to operate and are collecting contracting fees. The gross margin was low in these stores since the Company’s distribution center in New York area could not lower the purchase cost of the stores in MA. The Company’s retail sales decreased significantly due to the change of operations of these two stores.

Payroll

Minimum wage rates in some states increased. For example, the minimum wage rose from \$13 to \$15 per hour in New York City, payroll and related expenses decreased by \$1.2 million, or 7.7% for the year ended March 31, 2019 compared the year ended March 31, 2018. Due to close of one store and change of operations in 2 stores in MA (see discussion in “net sales” section below), payroll and related expenses decreased by \$2.5 million or 24% for the nine months ended December 31, 2019 as compared to the same period of last year as a result of workforce reduction to reduce costs.

Vendor and Supply Management

iFresh believes that a centralized and efficient vendor and supply management system are the keys to profitability. iFresh operates its own wholesale facilities, which supplied about 19.6 % and 12.8% of its procurement for the fiscal year ended March 31, 2019 and nine months ended December 31, 2019, respectively. iFresh believes that its centralized vendor management enhances iFresh’s negotiating power and improves its ability to turnover inventory and vendor payables. Any changes to the vendor and supply management could affect iFresh’s purchasing costs and operating expenses. Starting from Q4 of fiscal year 2019, the Company’s wholesale business gradually slows down and the retail stores are heavily relied on third party vendors for inventory supplies instead of centralized supply system.

Store Maintenance and Renovation

From time to time, iFresh conducts maintenance on the fixtures and equipment for its stores. Any maintenance or renovations could interrupt the operation of our stores and result in a decline of customer volume, and therefore sales volume, but will, in the opinion of management, boost sales after they are completed. Significant maintenance or renovation would affect our operation and operating results. As of December 31, 2019, two iFresh stores are under renovation and have not opened yet. iFresh incurred \$449,948 in expenses for these stores for the year ended March 31, 2019. One store was under renovation for 10 months in the year of 2019 and incurred \$871,709 in expense. Because these stores are being renovated, sales are affected.

Store Acquisitions and Openings

iFresh expects the new stores it acquires or opens to be the primary driver of its sales, operating profit and market share gains. iFresh’s results will be materially affected by the timing and number of new store additions and the amount of new store opening costs. For example, iFresh would incur rental, utilities and employee expenses during any period of renovation, which would be recorded as expenses on the income statement and would decrease iFresh’s profit when a store opens. iFresh may incur higher than normal employee costs associated with setup, hiring, training, and other costs related to opening a new store. Operating margins are also affected by promotional discounts and other marketing costs and strategies associated with new store openings, primarily due to overstocking, and costs related to hiring and training new employees. Additionally, promotional activities may result in higher than normal net sales in the first several weeks following a new store opening. A new store builds its sales volume and its customer base over time and, as a result, generally has lower margins and higher operating expenses, as a percentage of sales, than our more mature stores. A new store could take more than a year to achieve a level of operating performance comparable to our existing stores.

How to Assess iFresh's Performance

In assessing performance, iFresh's management considers a variety of performance and financial measures, including principal growth in net sales, gross profit and Adjusted EBITDA. The key measures that we use to evaluate the performance of our business are set forth below:

Net Sales

iFresh's net sales comprise gross sales net of coupons and discounts. We do not record sales taxes as a component of retail revenues as it considers it a pass-through conduit for collecting and remitting sales taxes.

Gross Profit

iFresh calculates gross profit as net sales less cost of sales and occupancy costs. Gross margin represents gross profit as a percentage of its net sales. Occupancy costs include store rental costs and property taxes. The components of our cost of sales and occupancy costs may not be identical to those of its competitors. As a result, our gross profit and gross margin may not be comparable to similar data made available by our competitors.

Cost of sales includes the cost of inventory sold during the period, including the direct costs of purchased merchandise (net of discounts and allowances), distribution and supply chain costs, buying costs and supplies. iFresh recognizes vendor allowances and merchandise volume related rebate allowances as a reduction of inventories during the period when earned and reflects the allowances as a component of cost of sales as the inventory is sold. Shipping and handling for inventories purchased are included in cost of goods sold.

Selling, General and Administrative Expenses

Selling, general and administrative expenses primarily consist of retail operational expenses, administrative salaries and benefits costs, marketing, advertising and corporate overhead.

Adjusted EBITDA

iFresh believes that Adjusted EBITDA is a useful performance measure and can be used to facilitate a comparison of NYM's operating performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business than GAAP measures alone can provide. iFresh also uses Adjusted EBITDA as one of the primary methods for planning and forecasting overall expected performance and for evaluating on a quarterly and annual basis actual results against such expectations, and as a performance evaluation metric in determining achievement of certain compensation programs and plans for employees, including senior executives. Other companies in the industry may calculate Adjusted EBITDA differently than iFresh does, limiting its usefulness as a comparative measure.

iFresh's management defines Adjusted EBITDA as earnings before interest expense, income taxes, depreciation and amortization expense, store opening costs, and non-recurring expenses. All of the omitted items are either (i) non-cash items or (ii) items that we do not consider in assessing its ongoing operating performance. Because it omits non-cash items, iFresh's management believes that Adjusted EBITDA is less susceptible to variances in actual performance resulting from depreciation, amortization and other non-cash charges and more reflective of other factors that affect its operating performance. iFresh's management believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing the company's financial measures with other specialty retailers, many of which present similar non-GAAP financial measures to investors.

Results of Operations for the nine months ended December 31, 2019 and 2018

	For the nine months ended		Changes	
	December 31,		\$	%
	2019	2018		
Net sales-third parties	\$ 65,005,079	\$ 89,490,417	\$ (24,485,338)	(27.4)%
Net sales-related parties	1,576,985	3,186,593	(1,609,608)	(50.5)%
Total Sales	66,582,064	92,677,010	(26,094,946)	(28.2)%
Cost of sales-third parties	46,446,352	66,665,211	(20,218,859)	(30.3)%
Cost of sales-related parties	1,293,919	2,726,605	(1,432,686)	(52.5)%
Occupancy costs	4,982,329	6,118,410	(1,136,081)	(18.6)%
Gross Profit	13,859,464	17,166,784	(3,307,320)	(19.3)%
Selling, general, and administrative expenses	20,043,647	24,608,895	(4,565,248)	(18.6)%
Income from operations	(6,184,183)	(7,442,111)	1,257,928	(16.9)%
Interest expense	(1,285,559)	(1,002,127)	(283,432)	28.3%
Impairment loss	(1,100,000)	-	(1,100,000)	(100)%
Other income	2,359,213	913,678	1,445,535	158.2%
Loss before income tax provision	(6,210,529)	(7,530,560)	1,320,031	(17.5)%
Income tax provision	115,589	313,833	(198,244)	(63.2)%
Net loss	(6,326,118)	(7,844,393)	1,518,275	(19.4)%
Net loss attributable to common shareholders	\$ (6,326,118)	\$ (7,844,393)	\$ 1,518,275	(19.4)%

Net Sales

	For the nine months ended		Changes	
	December 31,		\$	%
	2019	2018		
Net sales of retail-third parties	\$ 54,319,621	\$ 78,736,102	\$ (24,416,481)	(31.0)%
Net sales of wholesale-third parties	10,685,458	10,754,315	(68,857)	(0.6)%
Net sales of wholesale-related parties	1,576,985	3,186,593	(1,609,608)	(50.5)%
Total Net Sales	\$ 66,582,064	\$ 92,677,010	\$ (26,094,946)	(28.2)%

iFresh's net sales were \$66.6 million for the nine months ended December 31, 2019, a decrease of \$26.1 million, or 28.2 %, from \$ 92.7 million for the nine months ended December 31, 2018.

Net retail sales to third parties decreased by \$24.4 million, or 31%, from \$78.7 million for the nine months ended December 31, 2018 to \$54.3 million for the nine months ended December 31, 2019. The decrease resulted mainly from our Quincy (Zen Store) and Boston (Ming Store), Massachusetts stores. Ming and Zen contributed \$16.2 million of retail sales for the nine months ended December 31, 2018. Starting from the fiscal year 2019, these two stores experienced significantly decreased sales due to competition from newly opened grocery stores. On April 1, 2019, the Company entered into an agreement for the two stores with third parties to operate those stores, and the Company is collecting management fees from the third parties. Management fees are \$40,000 per month for the first six months and \$50,000 after the first six months, and the term of the agreements is 36 months. In addition, the Company bills the other party for rent and utilities expense incurred and the other party will be responsible for payroll and employee benefits. The Company sold all inventory at net book value of \$1.5 million, but retains ownership of all property and equipment. The depreciation and amortization expense were approximately \$420,000 for the nine months ended December 31, 2019. In addition, sales from our stores in New York City decreased by \$8.9 million because 1) we closed store in Avenue U2 in early September, which contributed \$5.8 million of sales for the nine months ended December 31, 2018, compared to \$2.9 million of sales for the nine months ended December 31, 2019; 2), we contracted part of vegetables and fruits business to third parties in our store to improve our margin.

Our total net wholesale sales decreased by \$1.7 million from \$13.9 million for the nine months ended December 31, 2018 to \$12.3 million for the nine months ended December 31, 2019, attributable that our sales to related parties decreased by \$1.6 million from the nine months ended December 31, 2018 to the nine months ended December 31, 2019, attributable to that New York Mart Group Inc. is going out of business.

Cost of sales, Occupancy costs and Gross Profit

Retail Segment	For the nine months ended		Changes	
	December 31,		\$	%
	2019	2018		
Cost of sales	\$ 38,526,390	\$ 58,921,986	\$ (20,395,596)	(34.6)%
Occupancy costs	4,982,329	6,118,410	(1,136,081)	(18.6)%
Gross profit	10,810,902	13,695,706	(2,884,801)	(21.1)%
Gross margin	19.9%	17.4%	2.5%	-

For the retail segment, cost of sales decreased by \$20.4 million, from \$58.9 million for the nine months ended December 31, 2018, to \$38.5 million for the nine months ended December 31, 2019. The decrease was consistent with the decreased sales and mainly due to changes we made to Ming and Zen store in MA and close of store in Avenue U2 mentioned above. Costs decreased by 34.6%, compared to a sales decrease of 31%, leading to a higher margin, which was calculated before adding the occupancy cost to the total cost. This is expected when the strategic decision was made to contract the stores to third parties to operate.

Occupancy costs consist of store-level expenses such as rental expenses, property taxes, and other store specific costs. Occupancy costs decreased by approximately \$1.1 million, which was mainly attributable to the decreased rent from Ming and Zen stores which are operated by third parties as mentioned above and cancellation of one of the lease signed between New York Market Group with the Company's affiliates since New York Market Group is going out of business.

Gross profit was \$10.8 and \$13.7 million for the nine months ended December 31, 2019 and 2018, respectively. Gross margin was 19.9% and 17.4% for the nine months ended December 31, 2019 and 2018, respectively. The gross margin for the nine months ended December 31, 2018 was lower than usual is because, in the last summer, our retail stores increased purchases from local farms instead of purchasing directly from our wholesalers, which increased our cost of sales.

Wholesale Segment	For the nine months ended		Changes	
	December 31,		\$	%
	2019	2018		
Cost of sales	\$ 9,213,881	\$ 10,469,830	\$ (1,255,949)	(12)%
Gross profit	3,048,562	3,471,078	(422,516)	(12.2)%
Gross margin	24.9%	24.9%	-%	-

For our wholesale segment, the cost of sales for the nine months ended December 31, 2019 decreased by \$1.3 million, or 12%, from \$10.5 million for the nine months ended December 31, 2018 to \$9.2 million for the nine months ended December 31, 2019. The decrease is consistent with the significant decrease of sales from the wholesale segment in 2019.

Gross profit for the nine months ended December 31, 2019 decreased by around \$423,000, or 12.2%, from \$3.5 million for the nine months ended December 31, 2018 to \$3.1 million for the nine months ended December 31, 2019. Gross margin was consistent in these two periods.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses were \$20.0 million for the nine months ended December 31, 2019, a decrease of \$4.6 million, or 18.6%, compared to \$24.6 million for the nine months ended December 31, 2018, which was mainly attributable to the \$3.5 million expense decrease from two stores in MA since we contracted these two stores in MA and we do not operate these two stores ourselves, as well as close down of one store in New York city. In addition, one of our wholesale company is going out of business and selling, general, and administrative expenses decreased by \$1.2 million.

Interest Expense

Interest expense was \$1.3 million for the nine months ended December 31, 2019, an increase of \$0.3 million, or 28.3%, from \$ 1.0 million for the nine months ended December 31, 2018, attributable to the increased average outstanding loan balance from \$19.4 from nine months ended December 31, 2018 to \$20.7 for the nine months ended December 31, 2019. In addition, the Company paid approximately \$150,000 of forbearance fee to Key Bank in May due to the violation of covenant.

Impairment Loss and Other income

The Company charged \$1.1 million impairment loss related leasehold improvements in one closed store in New York area.

Other income was \$2.4 million for the nine months ended December 31, 2019, which included management and advertising fee income, rental income, lottery sales, and other miscellaneous income. Other income increased \$1.4 million, 158.2%, from \$0.9 million for the nine months ended December 31, 2018. For the nine months ended December 31, 2019, the Company collected \$0.5 million of management fee from contracting Ming and Zen in MA to third parties for operation, net of rental expense the Company for these two stores. In addition, the Company has subleased some spaces in its stores for small vendors to sell prepared foods. Rental income increased by \$0.6 million.

Income Taxes Provision

We are subject to U.S. federal and state income taxes. Income tax expense was around \$116,000 for the nine months ended December 31, 2019, compared to \$314,000 of income tax expense for the nine months ended December 31, 2018. The effective income tax rate was -1.9% and -4% for the nine months ended December 31, 2019 and 2018, respectively. For the nine months ended December 31, 2019 and 2018, the Company made reserve for deferred tax asset due to the significant loss incurred.

Net Income (loss)

	For the nine months ended December 31,		Changes	
	2019	2018	\$	%
Net loss	\$ (6,326,118)	\$ (7,844,393)	\$ 1,518,275	-19.4%
Net Loss Margin	-9.5%	-8.46%	-1.04%	

Net loss was \$6.3 million for the nine months ended December 31, 2019, a decrease of \$1.5 million, or 19.4%, from \$7.8 million of net loss for the nine months ended December 31, 2018, mainly attributable to the decreased selling, general, and administrative expenses, increased other income described above, offset by decrease of gross margin. Net loss as a percentage of sales was -9.5% and -8.46% for the nine months ended December 31, 2019 and 2018, respectively.

Adjusted EBITDA

	For the nine months ended December 31,		Changes	
	2019	2018	\$	%
Net income	\$ (6,326,118)	\$ (7,844,393)	\$ 1,518,275	(19.4)%
Interest expense	1,285,559	1,002,127	283,432	28.3%
Income tax provision	115,589	313,833	(198,244)	(63.2)%
Depreciation	1,590,632	1,432,173	158,459	11.1%
Amortization	236,874	236,874	-	-%
Adjusted EBITDA	\$ (3,097,464)	\$ (4,859,386)	\$ 1,761,922	(36.3)%
Percentage of sales	-4.7%	-5.2%	0.6%	

Loss before income tax, depreciation, and amortization was \$3.1 million for the nine months ended December 31, 2019, a decrease of \$1.8 million, as compared to income before income tax, depreciation, and amortization of \$4.9 million for the nine months ended December 31, 2018, mainly attributable to the decrease in net loss resulting from decreased selling, general, and administrative expenses, increased other income described above, offset by decrease of gross margin and increased impairment loss.

Results of Operations for the three months ended December 31, 2019 and 2018

	For the three months ended		Changes	
	December 31,		\$	%
	2019	2018		
Net sales-third parties	\$ 20,546,584	\$ 30,397,501	\$ (9,850,917)	(32.4)%
Net sales-related parties	346,196	906,565	(560,369)	(61.8)%
Total Sales	20,892,780	31,304,066	(10,411,286)	(33.3)%
Cost of sales-third parties	14,789,482	22,610,419	(7,820,937)	(34.6)%
Cost of sales-related parties	313,231	753,392	(440,161)	(58.4)%
Occupancy costs	1,475,420	2,276,924	(801,504)	(35.2)%
Gross Profit	4,314,647	5,663,331	(1,348,684)	(23.8)%
Selling, general and administrative expenses	5,615,974	7,429,877	(1,813,903)	(24.4)%
Loss from operations	(1,301,327)	(1,766,546)	465,219	(26.3)%
Interest expense	(326,339)	(357,301)	30,962	(8.7)%
Impairment loss	(1,100,000)	-	(1,100,000)	(100)%
Other income	708,494	321,538	386,956	120.3%
Loss before income tax provision	(2,019,172)	(1,802,309)	216,863	(12)%
Income tax provision	52,096	-	52,096	100%
Net Loss	\$ (2,071,268)	\$ (1,802,309)	\$ 268,959	14.9%
Net Loss attributable to common shareholders	\$ (2,071,268)	\$ (1,802,309)	\$ 268,959	14.9%

Net Sales

	For the three months ended		Changes	
	December 31,		\$	%
	2019	2018		
Net sales of retail	\$ 17,053,488	\$ 26,980,745	\$ (9,927,257)	(36.8)%
Net sales of wholesale-third parties	3,493,096	3,416,756	76,340	2.2%
Net sales of wholesale-related parties	346,196	906,565	(560,369)	(61.8)%
Total Net Sales	\$ 20,892,780	\$ 31,304,066	\$ (10,411,286)	(33.3)%

iFresh's net sales were \$20.9 million for the three months ended December 31, 2019, a decrease of \$10.4 million, or 33.3%, from \$31.3 million for the three months ended December 31, 2018.

The decrease resulted mainly from our Quincy (Zen Store) and Boston (Ming Store), Massachusetts stores. Ming and Zen contributed \$5.6 million of retail sales for the three months ended December 31, 2018. Starting from the fiscal year 2019, these two stores experienced significantly decreased sales due to competition from newly opened grocery stores. On April 1, 2019, the Company entered into an agreement for the two stores with third parties to operate those stores, and the Company is collecting management fees from the third parties. Management fees are \$40,000 per month for the first six months and \$50,000 after the first six months, and the term of the agreements is 36 months. In addition, the Company bills the other party for rent and utilities expense incurred and the other party will be responsible for payroll and employee benefits. The Company sold all inventory at net book value of \$1.5 million, but retains ownership of all property and equipment. The depreciation and amortization expense were approximately \$140,000 for the three months ended December 31, 2019. In addition, sales from our stores in New York City decreased by \$4.9 million because 1) we closed store in Avenue U2 in early September, which contributed \$5.8 million of sales for the nine months ended December 31, 2018, compared to \$2.9 million of sales for the nine months ended December 31, 2019; 2), we contracted part of vegetables and fruits business to third parties in our store to improve our margin.

Our total net wholesale sales decreased by \$0.5 million from \$4.3 million for the three months ended December 31, 2018 to \$3.8 million for the three months ended December 31, 2019, attributable that our sales to related parties decreased by \$0.4 million from the three months ended December 31, 2018 to the three months ended December 31, 2019, attributable to that New York Mart Group Inc. is going out of business.

Cost of sales, Occupancy costs and Gross profit

Retail Segment	For the three months ended		Changes	
	December 31,		\$	%
	2019	2018		
Cost of sales	\$ 11,933,991	\$ 20,234,411	\$ (8,300,420)	(41)%
Occupancy costs	1,475,420	2,276,924	(801,504)	(35.2)%
Gross profit	3,644,077	4,469,410	(825,333)	(18.5)%
Gross margin	21.4%	16.6%	4.8%	

For the retail segment, cost of sales decreased by \$8.3 million, from \$20.2 million for the three months ended December 31, 2018, to \$11.9 million for the three months ended December 31, 2019. The decrease was consistent with the sales decreased and mainly due to changes we made to Ming and Zen store in MA and close of store in Avenue U2 mentioned above. The cost decreased by 41%, compared to sales decrease of 36.8%, lead to higher margin which was calculated before adding the occupancy cost in the total cost. This was expected when the strategic decision was made to contract the stores to third parties to operate.

Occupancy costs consist of store-level expenses such as rental expenses, property taxes, and other store specific costs. Occupancy costs decreased by approximately \$0.8 million, which was mainly attributable to decreased rent from Ming and Zen stores which are operated by third parties as mentioned above and the cancellation of one of the lease signed between New York Market Group with the Company's affiliates since New York Market Group is going out of business.

Gross profit was \$3.6 and \$4.5 million for the three months ended December 31, 2019 and 2018, respectively. Gross margin was 21.4% and 16.6% for the three months ended December 31, 2019 and 2018, respectively. The gross margin for the three months ended December 31, 2018 was lower than usual is because, in the last summer, our retail stores increased purchases from local farms instead of purchasing directly from our wholesalers, which increased our cost of sales.

Wholesale Segment	For the three months ended		Changes	
	December 31,		\$	%
	2019	2018		
Cost of sales	\$ 3,168,722	\$ 3,129,400	\$ 39,322	1.3%
Gross profit	\$ 670,570	1,193,921	(523,351)	(43.8)%
Gross margin	17.5%	27.6%	-10%	

For our wholesale segment, the cost of sales for the three months ended December 31, 2019 increased by \$39,000, or 1.3%, from \$3.13 million for the three months ended December 31, 2018 to \$3.17 million for the three months ended December 31, 2019. The decrease is due to the increase tariff on imports from China, which is our main purchase coming from.

Gross profit for the three months ended December 31, 2019 decreased by around \$523,000, or 43.8%, from \$1.2 million for the three months ended December 31, 2018 to \$0.7 million for the three months ended December 31, 2019. Gross margin decreased by 10.1% from 27.6% to 17.5%. The increase was due to the significant increase of tariff for imports from China as mentioned above.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses was \$5.6 million for the three months ended December 31, 2019, a decrease of \$1.8 million, or 24.4%, compared to \$7.4 million for the three months ended December 31, 2018, which was mainly attributable to the \$1.6 million expense decrease from two stores in MA since we contracted these two stores and we do not operate these two stores ourselves, as well as close down of one store in New York city. One of our wholesale company is going out of business and selling, general, and administrative expenses decreased by \$0.3 million.

Interest Expense

Interest expense was \$326,339 for the three months ended December 31, 2019, a decrease of \$30,962, or 8.7%, from \$357,301 for the three months ended December 31, 2018, primarily attributable to the decreased average loan balance from \$21.9 million for the three months ended December 31, 2018 to \$20.3 million for the three months ended December 31, 2019.

Impairment loss and Other income

The Company charged \$1.1 million impairment loss related leasehold improvements in one closed store in New York area.

Other income was \$0.7 million for the three months ended December 31, 2019, an increase of \$0.4 million, or 120.3%, from \$0.3 million for the three months ended December 31, 2018. For the three months ended December 31, 2019, the Company collected \$0.3 million of management fee from contracting Ming and Zen in MA to third parties for operation. In addition, the Company has subleased some spaces in its stores for small vendors to sell prepared foods. Rental income increased by \$0.2 million.

Income Taxes Provision

The Company is subject to U.S. federal and state income taxes. Income tax was \$52,096 for the three months ended December 31, 2019, an increase of \$52,096, or 100%, compared to \$0 of tax for the three months ended December 31, 2018. For the three months ended December 31, 2019, the Company made reserve for deferred tax asset due to the significant loss incurred.

Net Income (loss)

	For the three months ended December 31,		Changes	
	2019	2018	\$	%
Net loss	\$ (2,071,268)	\$ (1,802,309)	\$ (268,959)	14.9%
Net Profit Margin	(9.91)%	(5.76)%	(4.15)%	

Net loss was \$2.1 million for the three months ended December 31, 2019, a decrease of \$0.27 million, or 14.9%, from \$1.8 million of net loss for the three months ended December 31, 2018, mainly attributable to the increase in gross margin and decrease in selling, general, and administrative expenses and lower interest expenses, as described above.

Adjusted EBITDA

	For the three month ended		Changes	
	December 31,		\$	%
	2019	2018		
Net loss	\$ (2,071,268)	\$ (1,802,309)	\$ (268,959)	14.9%
Interest expense	326,339	357,301	(30,962)	(8.7)%
Income tax provision	52,096	-	52,096	100%
Depreciation	497,060	488,688	8,372	1.7%
Amortization	78,958	101,771	(22,813)	(22.4)%
Adjusted EBITDA	\$ (1,116,815)	\$ (854,549)	\$ (262,266)	31%
Percentage of sales	(5.3)%	(2.7)%	(2.6)%	

Adjusted EBITDA loss was \$1.1 million for the three months ended December 31, 2019, an increase of \$0.3 million, or 31%, as compared to \$0.9 million of EBITDA loss for the three months ended December 31, 2018, mainly attributable to increased net loss of approximately \$0.3 million. The ratio of Adjusted EBITDA to sales was (5.3)% and (2.7)% for the three months ended December 31, 2019 and 2018, respectively.

Liquidity and Capital Resources

As of December 31, 2019, iFresh had cash and cash equivalents of approximately \$0.7 million. iFresh had operating losses for the nine months ended December 31, 2019 and had negative working capital of \$26.1 million and \$21.6 million as of December 31, 2019 and March 31, 2019, respectively. iFresh had negative equity of \$1.0 million as of December 31, 2019 and March 31, 2019. The long-term KeyBank loan of \$20.1 million has been presented as short-term because the Company is not in compliance with the KeyBank loan covenants and KeyBank has the option to accelerate payment at any time. The Company did not meet certain financial covenants required in the credit agreement with KeyBank National Association ("KeyBank"). As of December 31, 2019, the Company has outstanding loan facilities of approximately \$20.1 million due to KeyBank. Failure to maintain these loan facilities will have a significant impact on the Company's operations. iFresh had funded working capital and other capital requirements in the past primarily by equity contribution from shareholders, cash flow from operations, and bank loans. Cash is required to pay purchase costs for inventory, rental, salaries, office rental expenses, income taxes, other operating expenses and repay debts. iFresh's ability to repay its current obligation will depend on the future realization of its current assets. iFresh's management has considered the historical experience, the economy, trends in the retail industry, the expected collectability of the accounts receivables and the realization of the inventories as of December 31, 2019. iFresh's ability to continue to fund these items may be affected by general economic, competitive and other factors, many of which are outside of our control.

We have \$4.8 million of advances and receivables from related parties that we intend to collect or acquire, and these advances and receivables will be used to offset part of the acquisition consideration for such related parties.

The Company's principal liquidity needs are to meet its working capital requirements, operating expenses, and capital expenditure obligations. As of December 31, 2019, the Company remains in noncompliance with the financial covenants of the KeyBank Loan. These conditions continue to raise doubt as to the Company's ability to remain a going concern.

The following table summarizes iFresh's cash flow data for the nine months ended December 31, 2019 and 2018.

	For the nine months ended December 31,	
	2019	2018
Net cash used in operating activities	\$ (3,159,656)	\$ (7,107,612)
Net cash provided by (used in) investing activities	(1,578,103)	7,795
Net cash provided by financing activities	4,342,311	8,032,617
Net Increase (decrease) in cash and cash equivalents	<u>\$ (395,448)</u>	<u>\$ 932,800</u>

Operating Activities

Net cash used in operating activities consists primarily of net income adjusted for non-cash items, including depreciation, changes in deferred income taxes, loss on early extinguishment of debt, and the effect of working capital changes. Net cash used in operating activities was approximately \$3.2 million for the nine months ended December 31, 2019, a decrease of \$4.0 million, or 56%, compared to \$ 7.1 million used in operating activities for the nine months ended December 31, 2018. The decrease was a result of a decrease of net loss of \$1.5 million, impairment loss of \$1.1 million and an increase of \$1.7 million from change of working capital mainly resulting from decrease from inventory and tax payable.

Investing Activities

Net cash used in investing activities was approximately \$1.6 million for the nine months ended December 31, 2019, an increase of approximately \$1.6 million, compared to approximately \$8,000 provided by investing activities for the nine months ended December 31, 2018. The increase was primarily attributable to the decrease of \$3.0 million net cash collected from related party, offset by decrease of in acquisition of property and equipment in 2019 of \$1.5 million.

Financing Activities

Net cash provided by financing activities was approximately \$4.3 million for the nine months ended December 31, 2019, which mainly consisted of cash received from capital contribution of \$4.4 million, and cash received from issuance of stock of \$1.5 million, offset by net cash paid for bank loans of \$1.3 million, \$194,000 cash paid notes payable, and capital leases. Net cash provided from financing activities was \$8.0 million for the nine months ended December 31, 2018, which mainly consisted of net cash flow from bank loans of \$5.7 million, cash received from issuance of stock of \$3.7 million, offset by \$208,000 cash paid for notes payable and capital leases and repayment on term loan of \$1.2 million.

KeyBank National Association – Senior Secured Credit Facilities

On December 23, 2016, NYM, as borrower, entered into a \$25 million senior secured Credit Agreement (the “Credit Agreement”) with Key Bank National Association (“Key Bank” or “Lender”). The Credit Agreement provides for (1) a revolving credit of \$5,000,000 for making advance and issuance of letter of credit, (2) \$15,000,000 of effective date term loan and (3) \$5,000,000 of delayed draw term loan. The interest rate is equal to (1) the Lender’s “prime rate” plus 0.95%, or (b) the Adjusted LIBOR rate plus 1.95%. Both the termination date of the revolving credit and the maturity date of the term loans are December 23, 2021. The Company will pay a commitment fee equal to 0.25% of the undrawn amount of the Revolving Credit Facility and 0.25% of the unused Delayed Draw Term Loan Facility. \$4,950,000 of the revolving credit was used as of December 31, 2019.

\$15,000,000 of the term loan was fully funded by the lender in January 2017. The Company is required to make fifty-nine consecutive monthly payments of principal and interest in the amount of \$142,842 starting from February 1, 2017 and a final payment of the then entire unpaid principal balance of the term loan, plus accrued interest on the maturity date.

A Delayed Draw Term Loan was available and would be advanced on the Delayed Draw Funding date (as defined in the Credit Agreement, which is no later than December 23, 2021). A withdrawal of \$5 million under the Delayed Draw Term Loan was made as of December 31, 2019.

The senior secured credit facility is secured by all assets of the Company and is jointly guaranteed by the Company and its subsidiaries and contains financial and restrictive covenants. The financial covenants require NYM to deliver audited consolidated financial statements within one hundred twenty days after the fiscal year end and to maintain a fixed charge coverage ratio not less than 1.1 to 1.0 and senior funded debt to earnings before interest, tax, depreciation and amortization (“EBITDA”) ratio less than 3.0 to 1.0 at the last day of each fiscal quarter, beginning with the fiscal quarter ending March 31, 2017. Except as stated below, the senior secured credit facility is subject to customary events of default. It will be an event of default if Mr. Long Deng resigns, is terminated, or is no longer actively involved in the management of NYM and a replacement reasonably satisfactory to the Lender is not made within sixty (60) days after such event takes place. The Company violated the loan covenant when Mr. Long Deng, CEO and major shareholder of the Company sold an aggregate of 8,294,989 restricted shares to HK Xu Ding Co., Limited on January 23, 2019, representing 51% of the total issued and outstanding shares of the Company as of December 31, 2018. The Company failed to obtain a written consent for the occurrence of the change of ownership. As a result, effective as of March 1, 2019, interest was accrued on all loans at the default rate and the monthly principal and interest payment due under the effective date term loan will be \$155,872 instead of \$142,842.

On May 20, 2019 (the “Effective Date”), the Company entered into a forbearance agreement (the “Forbearance Agreement”) with KeyBank, pursuant to which KeyBank has agreed to delay the exercise of its rights and remedies under the Loan agreement based on the existence of the events of defaults for certain period of time. The Forbearance Agreement contains customary forbearance covenants and other forbearance covenants and defined certain events of defaults. Starting from May, 2019, the monthly payment decreased to \$142,842 as originally required per the credit facility agreements.

The Company failed to meet its obligations under the Loan Agreements by the end of the First Forbearance Period. On October 17, 2019 (the “Effective Date”), the Company, Go Fresh 365, Inc. (“Go Fresh”), Mr. Long Deng and Keybank entered into the second forbearance agreement (the “Second Forbearance Agreement”). Pursuant to certain Guaranty Agreement dated as of December 26, 2016, as amended by several joinder agreements and the Second Forbearance Agreement, the Company, certain subsidiaries of NYM, Go Fresh and Mr. Long Deng (collectively, the “Guarantors”, and together with the Borrower, the “Loan Parties”) have agreed to guarantee the payment and performance of the obligations of the Borrower under the Credit Agreement (“Obligations”). Key Bank has agreed to delay the exercise of its rights and remedies under the Loan Agreement based on the existence of certain events of default (the “Specified Events of Default”) until the earlier to occur of: (a) 5:00 p.m. Eastern Time on the November 29, 2019; and (b) a Forbearance Event of Default. This second forbearance period has expired and discussion between Key Bank and the new counsel of NYM Holding is in process.

The Company has been repaying this facility in accordance with its terms. The financial covenants of the Credit Agreement require the Company to maintain a senior funded debt to earnings before interest, tax, depreciation and amortization (“EBITDA”) ratio for the trailing 12-month period of less than 3.00 to 1.00 at the last day of each fiscal quarter. As of December 31, 2019 and March 31, 2019, the Company has negative EBITDA, thus the ratio was negative and the Company was not in compliance with the financial covenants of the KeyBank loan.

While KeyBank has not yet acted to accelerate payment of the facility, KeyBank considers the Company to be in default and will not make any further advances under the Credit Facility until the Company comes into compliance with the Credit Agreement.

Commitments and Contractual Obligations

The following table presents the Company’s material contractual obligations as of December 31, 2019:

Contractual Obligations (unaudited)	Total	Less than			More than 5 years
		1 year	1-3 years	3-5 years	
Bank Loans	\$ 20,113,172	\$ 1,548,793	\$ 18,564,379	\$ —	—
Estimated interest payments on bank loans	1,072,046	496,351	575,695	—	—
Notes payable	144,614	78,835	65,779	—	—
Capital lease obligations including interest	521,465	174,863	300,654	45,948	—
Operating Lease Obligations ⁽¹⁾	88,425,615	8,544,127	16,565,053	15,675,125	47,641,310
	<u>\$ 110,276,912</u>	<u>\$ 10,842,969</u>	<u>\$ 36,071,560</u>	<u>\$ 15,721,073</u>	<u>\$ 47,641,310</u>

(1) Operating lease obligations do not include common area maintenance, utility and tax payments to which iFresh is obligated, which is estimated to be approximately 50% of operating lease obligation.

Off-balance Sheet Arrangements

iFresh is not a party to any off-balance sheet arrangements.

Critical Accounting Estimates

The discussion and analysis of iFresh's financial condition and results of operations are based upon its financial statements, which have been prepared in accordance with GAAP. These principles require iFresh's management to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses, cash flow and related disclosure of contingent assets and liabilities. The estimates include, but are not limited to, revenue recognition, inventory valuation, impairment of long-lived assets, lease, and income taxes. iFresh bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and the actual results, future financial statements will be affected.

iFresh's management believes that among their significant accounting policies, which are described in Note 3 to the unaudited condensed consolidated financial statements of iFresh included in this Form 10-Q, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, iFresh's management believes these are the most critical to fully understand and evaluate its financial condition and results of operations.

Revenue Recognition

In accordance with Topic 606 revenue is recognized at the time the sale is made, at which time our walk-in customers take immediate possession of the merchandise or delivery is made to our wholesale customers. Payment terms are established for our wholesale customers based on the Company's pre-established credit requirements. Payment terms vary depending on the customer. Based on the nature of receivables no significant financing components exist. Sales are recorded net of discounts, sales incentives and rebates, sales taxes and estimated returns and allowances. We estimate the reduction to sales and cost of sales for returns based on current sales levels and our historical return experience.

Topic 606 defines a performance obligation as a promise in a contract to transfer a distinct good or service to the customer and is considered the unit of account. The majority of our contracts have one single performance obligation as the promise to transfer the individual goods is not separately identifiable from other promises in the contracts and is, therefore, not distinct.

We had no material contract assets, contract liabilities or costs to obtain and fulfill contracts recorded on the Condensed Consolidated Balance Sheet as of September 30, 2019. Revenue recognized from performance obligations related to prior periods was insignificant.

Inventories

Inventories consist of merchandise purchased for resale, which are stated at the lower of cost or market. The cost method is used for wholesale and retail perishable inventories by assigning costs to each of these items based on a first-in, first-out (FIFO) basis (net of vendor discounts).

The Company's wholesale and retail non-perishable inventory is valued at the lower of cost or market using weighted average method.

Impairment of Long-Lived Assets

iFresh assesses its long-lived assets, including property and equipment and finite-lived intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. The Company groups and evaluates long-lived assets for impairment at the individual store level, which is the lowest level at which independent identifiable cash flows are available. Factors which may indicate potential impairment include a significant underperformance relative to the historical or projected future operating results of the store or a significant negative industry or economic trend. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by that asset. If impairment is indicated, a loss is recognized for any excess of the carrying value over the estimated fair value of the asset group. The fair value is estimated based on the discounted future cash flows or comparable market values, if available.

Leases

On April 1, 2019 the Company adopted Accounting Standards Update (“ASU”) 2016-02. For all leases that were entered into prior to the effective date of ASC 842, we elected to apply the package of practical expedients. Based on this guidance we will not reassess the following: (1) whether any expired or existing contracts are or contain leases; (2) the lease classification for any expired or existing leases; and (3) initial direct costs for any existing leases. The adoption of Topic 842 resulted in the presentation of \$59,839,700 of operating lease assets and \$66,554,892 operating lease liabilities on the consolidated balance sheet as of December 31, 2019. See Note 12 for additional information.

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (“ROU”) assets, current portion of obligations under operating leases, and obligations under operating leases, non-current on the Company’s consolidated balance sheets. Finance leases are included in property and equipment, net, current portion of obligations under capital leases, and obligations under capital leases, non-current on our consolidated balance sheets.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date, adjusted by the deferred rent liabilities at the adoption date. As most of the Company’s leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. The Company’s 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 minimum lease payments is recognized on a straight-line basis over the lease term.

Income Taxes

iFresh must make certain estimates and judgments in determining income tax expense for financial statement purposes. The amount of taxes currently payable or refundable is accrued, and deferred tax assets and liabilities are recognized for the estimated 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 are also recognized for realizable loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the fiscal year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities for a change in income tax rates is recognized in income in the period that includes the enactment date.

iFresh apply the provisions of the authoritative guidance on accounting for uncertainty in income taxes that was issued by the Financial Accounting Standards Board, or FASB. Pursuant to this guidance, and may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The authoritative guidance also addresses other items related to uncertainty in income taxes, including derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Recently Issued Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-07, “Improvements to Nonemployee Share-Based Payment Accounting”, which simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. The changes take effect for public companies for fiscal years starting after Dec. 15, 2018, including interim periods within that fiscal year. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than an entity’s adoption date of Topic 606. The Company expects that the adoption of this ASU would not have a material impact on the Company’s consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”). ASU 2016-13 requires companies to measure credit losses utilizing a methodology that reflects expected credit losses and requires a consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including those interim periods within those fiscal years. The Company is currently assessing the impact of adopting this standard, but based on a preliminary assessment, does not expect the adoption of this guidance to have a material impact on its condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As of December 31, 2019, we were not subject to material market or interest rate risk.

Item 4. Controls and Procedures.*Evaluation of Disclosure Controls and Procedures*

Under the supervision and with the participation of our management, including our principal executive officer and principal financial and accounting officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2019, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on this evaluation, our principal executive officer and principal financial and accounting officer have concluded that our disclosure controls and procedures were not effective as of December 31, 2019, due to our lack of experience being a public company and lack of professional staff with adequate knowledge of SEC's rules and requirements.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q 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.

In the ordinary course of our business, we are subject to periodic lawsuits, investigations and claims, including, but not limited to, contractual disputes, premises claims, and employment, environmental, health, safety and intellectual property matters. Although we cannot predict with certainty the ultimate resolution of any lawsuits, investigations, and claims asserted against the Company, we do not believe any currently pending legal proceedings to which the Company is a party will have a material adverse effect on the Company's business, prospects, financial condition, cash flows, or results of operations other than the following:

Leo J. Motsis, as Trustee of the 140-148 East Berkeley Realty Trust v. Ming's Supermarket, Inc.

Ming's Supermarket, Inc. ("Ming"), the subsidiary of the Company, is a tenant at a building located at 140-148 East Berkeley Street, Boston, MA (the "Property"), pursuant to a lease dated September 24, 1999 (the "Lease"). The Lease had a 10-year initial term, followed by an option for two additional 10-year terms. Ming has exercised that first option and the Lease has approximately 15 years remaining to run if the second option is also exercised. The Lease also gives Ming a right of first refusal on any sale of the building.

On February 22, 2015, a sprinkler pipe burst in the Property. This caused the Inspectional Services Department of the City of Boston ("ISD") to inspect the Property. The ISD found a number of problems which have prevented further use of the Property. The ISD notified both landlord and tenant that the Property was only permitted for use as an elevator garage and that its use as a warehouse was never permitted and that a conditional use permit must be obtained from the City of Boston to make such use lawful. Moreover, the Property was found to have major structural issues requiring repair, as well as issues with the elevator and outside glass. The result of the ISD's findings are that Ming was ordered not to use the Property for any purpose unless and until the structural and other repairs are completed and its use as a warehouse is permitted by the Boston Zoning Board.

While the Lease provides that the elevator (approximate cost \$400,000) and glass repairs (approximate cost \$30,000) are the responsibility of the tenant, the structural repairs (approximate cost \$500,000) are the landlord's responsibility under the Lease, unless the structural damage was caused by the tenant's misuse of the Property. In this regard Ming has retained an expert who will testify the structural damage to the building was caused by long term water infiltration and is not the result of anything Ming did. Ming initially sought for the landlord to perform the structural repairs and agreed that upon completion of those repairs, Ming would repair the elevator and the broken glass. In addition, Ming asked the landlord to cooperate in permitting use of the Property as a warehouse.

The landlord refused to either perform structural repairs or to cooperate on the permitting. As a result, as of April 2015, Ming began withholding rent, since Ming was barred from using the Property by order of the ISD. The landlord then sued Ming for breach of the Lease and unpaid rent, and Ming counterclaimed for constructive eviction and for damages resulting from the landlord's breach of its duty to perform structural repairs under the Lease.

The case was tried before a jury in August 2017. The jury awarded Ming judgment against the landlord in the amount of \$795,000, plus continuing damages of \$2,250 per month until the structural repairs are completed. The court found that the landlord's actions violated the Massachusetts unfair and deceptive acts and practices statute and therefore doubled the amount of damages to \$1,590,000 and further ruled that Ming should also recover costs and attorneys' fees of approximately \$250,000. The result is a judgment in favor of Ming and against the landlord that will total approximately \$1.85 million. The judgment requires the landlord to repair the premises and obtain an occupancy permit. The landlord is responsible to Ming for damages in the amount of \$2,250 per month until an occupancy permit is issued. The judgment also accrues interest at the rate of 12% per year until paid.

The landlord filed a Notice of Appeal, which will delay ultimate resolution of this matter for potentially one year or more. Ming has filed a lien against the landlord's real estate as security for the judgment.

On May 31, 2018, the ISD issued an occupancy permit, triggering Ming's requirement to resume regular rental payments. The result is a judgment in favor of Ming and against the landlord that will total approximately \$1.85 million.

The appeal hearing was held in July 12, 2019 and judge concluded that the landlord should be required both to perform the relevant obligations of the lease in the future and to pay damages caused by his previous failure to do so and for any period of delay in completing specific performance. On November 5, 2019, the Appeal Court issued a full decision affirming the judgment was entered and transmitted a rescript of the affirmance of the judgment to the superior court.

Hartford Fire Insurance Company v. New York Mart Group Inc.

On November 28, 2018, a lawsuit was filed against New York Mart Group, Inc. by Hartford Fire Insurance Company ("Hartford"), who seeks contractual indemnification from the Company and other defendants relating to certain supersedeas bonds issued by Hartford in connection with the unsuccessful appeal of state court litigation by iFresh's codefendant. Hartford alleges that iFresh guaranteed performance of the bonds and therefore seeks to enforce the indemnification terms thereof against iFresh in addition to the other defendants. On June 14, 2019, Hartford filed a motion for summary judgment against iFresh, arguing that Hartford is entitled to judgment as a matter of law. On July 29, 2019, the Court granted judgment against iFresh in a consented amount of \$458,497.81 for its alleged loss under the .The Court is still having a hearing on Hartford's entitlement to attorneys' fees/costs. The Company has accrued \$500,000 for the potential loss and expense associated with this case.

Winking Group LLC v. New York Supermarket E. Broadway Inc.

A subsidiary of the Company, New York Supermarket E. Broadway Inc., entered into a lease with Winking Group LLC for the Company's store located at 75 East Broadway, NY, 10002. The landlord sued the Company for failing to pay rent and additional fee of \$450,867. The Company is currently negotiating an agreement with the landlord to settle the case. On November 21, 2019, the Company consented to a final judgment of possession in favor of Winking Group LLC in the amount of \$400,000, with \$50,867 being waived by the landlord. \$400,000 have been paid as of December 31, 2019.

Regulatory Compliance

On November 6, 2019, iFresh Inc. received a letter from the Listing Qualifications Staff (the “Staff”) of The Nasdaq Stock Market LLC (“Nasdaq”), which stated that, based upon the Company’s continued non-compliance with Nasdaq Listing Rule 5550(b), which requires stockholders’ equity of \$2.5 million, or a market value of listed securities of \$35 million, or net income from continuing operations of \$500,000, the Staff had determined not to grant an extension to allow the Company to demonstrate compliance, the Company’s securities would be subject to delisting from Nasdaq unless the Company timely requests a hearing before a Nasdaq Hearings Panel (the “Panel”). The Company timely requested a hearing before the Panel, and, on December 18, 2019, the Company received a letter from the Panel granting the Company’s request for continued listing on Nasdaq pursuant to an extension to evidence compliance with the Stockholder’s Equity Requirement. The Company’s continued listing on Nasdaq is subject to the Company’s timely compliance with certain interim milestones and, ultimately, the Company evidencing compliance with the Stockholders’ Equity Requirement by no later than April 15, 2020.

Item 1A. Risk Factors.

There have been no changes with respect to risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended March 31, 2018 and the Quarterly Reports on Form 10-Q for June 30, 2019 and September 30, 2019 (the “Previous Reports”). Investing in our common stock involves a high degree of risk. Before you invest you should carefully consider the risks and uncertainties described in our Previous Reports, our Management’s Discussion and Analysis of Financial Condition and Results of Operations set forth in Item 2 of Part I of this Quarterly Report on Form 10-Q, our consolidated financial statements and related notes included in Item 1 of Part I of this Quarterly Report on Form 10-Q and our consolidated financial statements and related notes, as well as our Management’s Discussion and Analysis of Financial Condition and Results of Operations and the other information in our Previous Reports. Readers should carefully review those risks, as well as additional risks described in other documents we file from time to time with the SEC.

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

None.

Item 3. Defaults Upon Senior Securities.

On December 23, 2016, a wholly-owned subsidiary of the Company, NYM Holding, Inc. (“NYM”), as borrower, entered into a \$25 million senior secured Credit Agreement (the “Credit Agreement”) with KeyBank National Association (“KeyBank” or “Lender”). The Credit Agreement provides for (1) a revolving credit of \$5,000,000 for making advance and issuance of letter of credit, (2) \$15,000,000 of effective date term loan and (3) \$5,000,000 of delayed draw term loan. The interest rate is equal to (1) the Lender’s “prime rate” plus 0.95%, or (b) the Adjusted LIBOR rate plus 1.95%.

Although the Company has been timely repaying the KeyBank facility in accordance with its terms, the Company failed to timely pay federal income taxes in the aggregate principal amount of \$1,187,693, which resulted in the IRS imposing a tax lien on the Company on June 11, 2018 in the amount of \$1,236,831. Although the Company subsequently paid the tax liabilities in full in June 2018 and the IRS released the tax lien by July 30, 2018, the Company was in default under the KeyBank Credit Agreement as of March 31, 2018 for having failed to timely pay federal taxes and because the IRS imposed a tax lien.

Additionally, the financial covenants of the KeyBank loan require the Company to maintain a senior funded debt to earnings before interest, tax, depreciation, and amortization (“EBITDA”) ratio for the trailing 12 month period of less than 3.0 to 1.0 as of the last day of each fiscal quarter. As of December 31, 2019, the Company has negative EBITDA, thus the ratio was negative and the Company was not in compliance with the financial covenants of the KeyBank loan. In addition, on February 7, 2019, the Company received a notice from Keybank indicating Keybank does not consent to the transaction contemplated by the Share Purchase Agreement by and between Long Deng and HK Xu Ding Co. Limited and that the monthly principal and interest payment amount shall be adjusted to \$155,872.35 to fully amortize the current outstanding principal balance of the loan over the number of months remaining on the original ten year amortization period at the interest rate now in effect.

Due to the Company’s failure to timely pay federal taxes, the IRS’s imposition of a tax lien, the Company’s failure to satisfy the financial covenants of the Credit Agreement, the Company is currently in default under the Credit Agreement. The Company has advised KeyBank of the default, and while KeyBank has not yet acted to accelerate payment of the facility, KeyBank does consider the Company to be in default and will not make any further advances under the Credit Facility until the Company complies with its obligations under the Credit Agreement. Keybank indicated in its notice to the Company on February 7, 2019 that as a result of the events of default occurred so far, effective March 1, 2019, interest will accrue on all loans at the default rate. The Company’s inability to draw down amounts under the credit facility significantly impairs the Company’s growth plans and limits its liquidity. In addition, if KeyBank were to decide to accelerate repayment of the Credit Facility, the Company’s financial condition and operations would be negatively impacted. Although the Company anticipates being able to obtain a waiver from KeyBank regarding the Company’s default, there is no guarantee that the Company will be successful in doing so.

On May 20, 2019, iFresh, NYM (or the “Borrower”), certain subsidiaries of NYM, Mr. Long Deng and KeyBank National Association (“Keybank” or the “Lender”) entered into the first forbearance agreement (the “First Forbearance Agreement”) with respect to that certain Credit Agreement, dated as of December 23, 2016, as amended, pursuant to which KeyBank made available to NYM a revolving credit facility, a term loan facility, and other credit accommodations (the “Loan Agreements”). The Lender has agreed to delay the exercise of its rights and remedies under the Loan Agreements based on the existence of certain events of default until the earlier to occur of: (a) 5:00 p.m. Eastern Time on the 90th day from the date of the First Forbearance Agreement (the “First Forbearance Period”); and (b) a Forbearance Event of Default. Reference is made to the current report on Form 8-K filed with the SEC on May 21, 2019.

The Borrower did not meet its obligations under the Loan Agreements by the end of the First Forbearance Period. On October 17, 2019 (the “Effective Date”), the Company, NYM, certain subsidiaries of NYM, Go Fresh 365, Inc. (“Go Fresh”), Mr. Long Deng and Keybank entered into the second forbearance agreement (the “Second Forbearance Agreement”). Pursuant to certain Guaranty Agreement dated as of December 26, 2016, as amended by several joinder agreements and the Second Forbearance Agreement, the Company, certain subsidiaries of NYM, Go Fresh and Mr. Long Deng (collectively, the “Guarantors”, and together with the Borrower, the “Loan Parties”) have agreed to guarantee the payment and performance of the obligations of the Borrower under the Credit Agreement (“Obligations”). Terms used but not otherwise defined herein have the meanings ascribed to them in the Second Forbearance Agreement.

The Lender has agreed to delay the exercise of its rights and remedies under the Loan Agreement based on the existence of certain events of default (the “Specified Events of Default”) until the earlier to occur of: (a) 5:00 p.m. Eastern Time on the November 29, 2019; and (b) a Forbearance Event of Default. No subsequent agreement or amendment was entered into.

Item 4. Mine Safety Disclosure.

Not applicable.

Item 5. Other Information.

On February 12, 2020, the Board of Directors of iFresh Inc, (the “Company”) appointed Chang Kao (Eddie) Chiang to be the Company’s Chief Financial Officer.

Mr. Chang Kao Chiang served as the Chief Executive Officer of Royal Dynasty International Holding Company Limited, which is a company of chain catering management platform and its subordinate companies, from September, 2016 to the present. From February 2012 to December 2017 he also served as the Chief Executive Officer of La Kaffa International CO., LTD., a Taiwan-based company principally engaged in provision of chain catering services. He has served as the president of several listed companies DELTAMAC (TAIWAN) CO., LTD (from October 2007 to December 2011), and Asia One home video (from September 2006 to December 2011). Mr.Chiang obtained a Master of Business Administration in the United Kingdom from Dartley University and a Bachelor of Economics from University of Chicago.

Item 6. Exhibits.

Exhibit

No.	Description
10.1	Acquisition Agreement dated December 11, 2019 between iFresh Inc., Long Deng and Dragon Seeds LLC
10.2	Stock Purchase Agreement dated December 11, 2019 between iFresh Inc. and Jian Chen
10.3	Debt Conversion Agreement dated December 11, 2019 between iFresh Inc. and Long Deng
10.4	Amendment to Debt Conversion Agreement, dated January 9, 2020
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 14, 2020

iFresh, Inc.

By: /s/ Long Deng
Long Deng
Chairman of the Board and
Chief Executive Officer
(Principal executive officer)

By: /s/ Chang Kao Chiang
Chang Kao Chiang
Chief Financial Officer
(Principal financial and accounting officer)

PURCHASE AGREEMENT

This PURCHASE AGREEMENT (the “Agreement”), dated as of [December 11th], 2019, by and among iFresh Inc. (the “Purchaser”), Long Deng (“Deng”), and Dragon Seeds LLC (the “Company”).

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties accordingly agree as follows:

ARTICLE I
DEFINITIONS

The following terms, as used herein, have the following meanings:

1.1 “Affiliate” means, with respect to any Person, any other Person directly or indirectly Controlling, Controlled by, or under common Control with such Person.

1.2 “Authority” means any governmental, regulatory or administrative body, agency or authority, any court or judicial authority, any arbitrator, or any public, private or industry regulatory authority, whether international, national, Federal, state, or local.

1.3 “Books and Records” means all books and records, ledgers, employee records, customer lists, files, correspondence, and other records of every kind (whether written, electronic, or otherwise embodied) owned or used by a Person or in which a Person’s assets, the business or its transactions are otherwise reflected, other than stock books and minute books.

1.4 “Business Day” means any day other than a Saturday, Sunday or a legal holiday on which commercial banking institutions in New York, U.S.A. are authorized to close for business.

1.5 “COBRA” means collectively, the requirements of Sections 601 through 606 of ERISA and Section 4980B of the Code.

1.6 “Code” means the Internal Revenue Code of 1986, as amended.

1.7 “Contracts” means the Leases and all contracts, agreements, leases (including equipment leases, car leases and capital leases), licenses, commitments, client contracts, statements of work (SOWs), sales and purchase orders and similar instruments, oral or written, to which the Company is a party or by which any of its respective assets are bound, and all rights and benefits thereunder, including all rights and benefits thereunder with respect to all cash and other property of third parties under the Company’s dominion or control.

1.8 “Control” of a Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract, or otherwise. “Controlled”, “Controlling” and “under common Control with” have correlative meanings. Without limiting the foregoing, a Person (the “Controlled Person”) shall be deemed Controlled by (a) any other Person (the “10% Owner”) (i) owning beneficially, as meant in Rule 13d-3 under the Exchange Act, securities entitling such Person to cast 10% or more of the votes for election of directors or equivalent governing authority of the Controlled Person or (ii) entitled to be allocated or receive 10% or more of the profits, losses, or distributions of the Controlled Person; (b) an officer, director, general partner, partner (other than a limited partner), manager, or member (other than a member having no management authority that is not a 10% Owner) of the Controlled Person; or (c) a spouse, parent, lineal descendant, sibling, aunt, uncle, niece, nephew, mother-in-law, father-in-law, sister-in-law, or brother-in-law of an Affiliate of the Controlled Person or a trust for the benefit of an Affiliate of the Controlled Person or of which an Affiliate of the Controlled Person is a trustee.

1.9 “Environmental Laws” shall mean all Laws that prohibit, regulate or control any Hazardous Material or any Hazardous Material Activity, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Resource Recovery and Conservation Act of 1976, the Federal Water Pollution Control Act, the Clean Air Act, the Hazardous Materials Transportation Act and the Clean Water Act.

1.10 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder.

1.11 “Equity Interests” means the 70% interest in the Company owned by Deng.

1.12 “Hazardous Material” shall mean any material, emission, chemical, substance or waste that has been designated by any Governmental Authority to be radioactive, toxic, hazardous, a pollutant or a contaminant.

1.13 “Hazardous Materials Activity” shall mean the transportation, transfer, recycling, storage, use, treatment, manufacture, removal, remediation, release, exposure of others to, sale, labeling, or distribution of any Hazardous Material or any product or waste containing a Hazardous Material, or product manufactured with ozone depleting substances, including, without limitation, any required labeling, payment of waste fees or charges (including so-called e-waste fees) and compliance with any recycling, product take-back or product content requirements.

1.14 “Indebtedness” means with respect to any Person, (a) all obligations of such Person for borrowed money, or with respect to deposits or advances of any kind (including amounts by reason of overdrafts and amounts owed by reason of letter of credit reimbursement agreements) including with respect thereto, all interests, fees and costs, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property purchased by such Person, (d) all obligations of such Person issued or assumed as the deferred purchase price of property or services (other than accounts payable to creditors for goods and services incurred in the ordinary course of business), (e) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any lien or security interest on property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (f) all obligations of such Person under leases required to be accounted for as capital leases under U.S. GAAP, (g) all guarantees by such Person and (h) any agreement to incur any of the same.

1.15 “Intellectual Property Right” means any trademark, service mark, registration thereof or application for registration therefor, trade name, license, invention, patent, patent application, trade secret, trade dress, know-how, copyright, copyrightable materials, copyright registration, application for copyright registration, software programs, data bases, u.r.l.s., and any other type of proprietary intellectual property right, and all embodiments and fixations thereof and related documentation, registrations and franchises and all additions, improvements and accessions thereto, and with respect to each of the forgoing items in this definition, which is owned or licensed or filed by the Company, or used or held for use in the Business, whether registered or unregistered or domestic or foreign.

1.16 “Inventory” is defined in the UCC.

1.17 “Law” means any domestic or foreign, federal, state, municipality or local law, statute, ordinance, code, rule, or regulation.

1.18 “Leases” means the leases with respect to the stores, warehouses and parking lots leased by the Company at its location, together with all fixtures and improvements erected on the premises leased thereby.

1.19 “Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, and any conditional sale or voting agreement or proxy, including any agreement to give any of the foregoing.

1.20 “Material Adverse Change” and “Material Adverse Effect” mean, with respect to the parties hereto, any change, event or effect that individually or when taken together with all other changes, events and effects (financial or otherwise) that have occurred prior to the date of determination, is or is reasonably likely to be material and adverse to the operations, assets, liabilities, business or financial condition of the parties hereto or the Company’s Property owned thereby.

1.21 “Order” means any decree, order, judgment, writ, award, injunction, rule or consent of or by an Authority.

1.22 “Permitted Liens” means (i) all defects, exceptions, restrictions, easements, rights of way and encumbrances disclosed in policies of title insurance which have been made available to Purchaser; and (ii) mechanics’, carriers’, workers’, repairers’ and similar statutory Liens arising or incurred in the ordinary course of business for amounts (A) that are not delinquent, (B) that are not material to the business, operations and financial condition of the Company so encumbered, either individually or in the aggregate, (C) not resulting from a breach, default or violation by the Company of any Contract or Law, and (D) the Liens set forth on Schedule 5.15(c).

1.23 “Person” means an individual, corporation, partnership (including a general partnership, limited partnership or limited liability partnership), limited liability company, association, trust or other entity or organization, including a government, domestic or foreign, or political subdivision thereof, or an agency or instrumentality thereof.

1.24 “Real Property” means, collectively, all real properties and interests therein (including the right to use), together with all buildings, fixtures, trade fixtures, plant and other improvements located thereon or attached thereto; all rights arising out of use thereof (including air, water, oil and mineral rights); and all subleases, franchises, licenses, permits, easements and rights-of-way which are appurtenant thereto.

1.25 “SEC” means the Securities and Exchange Commission.

1.26 “Subsidiary” means each entity of which at least fifty percent (50%) of the capital stock or other equity or voting securities are Controlled or owned, directly or indirectly, by the Company.

1.27 “Tangible Personal Property” means all tangible personal property and interests therein, including machinery, computers and accessories, furniture, office equipment, communications equipment, automobiles, trucks, forklifts and other vehicles owned or leased by the Company and other tangible property.

1.28 “Tax(es)” means any federal, state, local or foreign tax, charge, fee, levy, custom, duty, deficiency, or other assessment of any kind or nature imposed by any Taxing Authority (including any income (net or gross), gross receipts, profits, windfall profit, sales, use, goods and services, ad valorem, franchise, license, withholding, employment, social security, workers compensation, unemployment compensation, employment, payroll, transfer, excise, import, real property, personal property, intangible property, occupancy, recording, minimum, alternative minimum, environmental or estimated tax), including any liability therefor as a transferee (including under Section 6901 of the Code or similar provision of applicable Law) or successor, as a result of Treasury Regulation Section 1.1502-6 or similar provision of applicable Law or as a result of any Tax sharing, indemnification or similar agreement, together with any interest, penalty, additions to tax or additional amount imposed with respect thereto.

1.29 “Taxing Authority” means the Internal Revenue Service and any other Authority responsible for the collection, assessment or imposition of any Tax or the administration of any Law relating to any Tax.

1.30 “Tax Return” means any return, information return, declaration, claim for refund or credit, report or any similar statement, and any amendment thereto, including any attached schedule and supporting information, whether on a separate, consolidated, combined, unitary or other basis, that is filed or required to be filed with any Taxing Authority in connection with the determination, assessment, collection or payment of a Tax or the administration of any Law relating to any Tax.

1.31 "UCC" means the Uniform Commercial Code of the State of New York, or any corresponding or succeeding provisions of Laws of the State of New York, or any corresponding or succeeding provisions of Laws, in each case as the same may have been and hereafter may be adopted, supplemented, modified, amended, restated or replaced from time to time.

1.32 "U.S. GAAP" means U.S. generally accepted accounting principles, consistently applied.

ARTICLE II TERMS AND CONDITIONS OF THE PURCHASE AND SALE

2.1 Purchase and Sale.

(a) Deng hereby agrees to sell to the Purchaser, or its assignees, and the Purchaser hereby agrees to acquire from Deng, the Equity Interests of the Company.

(b) In consideration for the Equity Interests, the Purchaser shall pay Deng \$_____ in cash (the "Cash Consideration") and _____28,368,421_____ shares of the Purchaser's common stock (the "Equity Consideration").

2.2 Closing. Subject to the terms and conditions of this Agreement, the closing (the "Closing") shall take place no later than the second Business Day after the last of the conditions to the Closing set forth in Article IV have been satisfied or waived (the date and time at which a Closing is actually held being a "Closing Date"). At the Closing:

(a) Deng shall transfer all of the outstanding Equity Interests in the Company to NYM Holding, Inc. ("NYM Holding"), a subsidiary of the Purchaser.

(b) The Purchaser shall deliver the Cash Consideration to Deng.

(c) The Purchaser shall deliver an instruction letter to its transfer agent to issue the Equity Consideration to Deng.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF DENG AND THE COMPANY

Each of Deng and the Company hereby represents and warrants to Purchaser that each of the following representations and warranties is true, correct and complete as of the date of this Agreement and as of the Closing Date.

3.1 Existence and Power. The Company is a Florida limited liability company duly organized and validly existing under the Laws of the State of Florida. The Company has all power and authority, corporate and otherwise, and all governmental licenses, franchises, Permits, authorizations, consents and approvals required to own and operate its properties and assets and to carry on the Business as presently conducted and as proposed to be conducted. The Company is not qualified to do business as a foreign entity in any jurisdiction, and there is no other jurisdiction in which the character of the property owned or leased by the Company or the nature of its activities make qualification of the Company in any such jurisdiction necessary. The Company has offices located only at the addresses set forth on Schedule 3.1. The Company has not taken any action, adopted any plan, or made any agreement or commitment in respect of any merger, consolidation, sale of all or substantially all of its assets, reorganization, recapitalization, dissolution or liquidation.

3.2 Authorization. The execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the transactions contemplated hereby are within the powers of the Company and have been duly authorized by all necessary action on the part of the Company. This Agreement constitutes, upon its execution and delivery, a valid and legally binding agreement of the Company enforceable against the Company in accordance with its terms.

3.3 Governmental Authorization. Neither the execution, delivery nor performance by the Company of the Agreement requires any consent, approval, license or other action by or in respect of, or registration, declaration or filing with, any Authority requiring a consent, approval, authorization, order or other action of or filing with any Authority as a result of the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby or thereby (each of the foregoing, a “Governmental Approval”).

3.4 Non-Contravention. None of the execution, delivery or performance by the Company of the Agreement does or will (a) contravene or conflict with the organizational or constitutive documents of the Company, (b) contravene or conflict with or constitute a violation of any provision of any Law or Order binding upon or applicable to the Company, (c) except for the Contracts listed on Schedule 3.17 requiring Company Consents (but only as to the need to obtain such Company Consents), constitute a default under or breach of (with or without the giving of notice or the passage of time or both) or violate or give rise to any right of termination, cancellation, amendment or acceleration of any right or obligation of the Company or require any payment or reimbursement or to a loss of any material benefit relating to the Business to which the Company is entitled under any provision of any Permit, Contract or other instrument or obligations binding upon the Company or by which any of the Company’s securities or any of the Company’s assets is or may be bound or any Permit, (d) result in the creation or imposition of any Lien on any of the Company Common Stock (as defined below) or any of the Company’s assets, (e) cause a loss of any material benefit relating to the Business to which the Company is entitled under any provision of any Permit or Contract binding upon the Company, or (f) result in the creation or imposition of any Lien (except for Permitted Liens) on any of the Company’s assets.

3.5 Capitalization. The Company’s capitalization is as specified in its operating agreement dated May 23, 2016 (the “Operating Agreement”).

3.6 Certificate of Formation. Copies of (a) the certificate of formation of the Company, as certified by the Secretary of State of its state of formation, and (b) the Operating Agreement, have heretofore been made available to Purchaser, and such copies are each true and complete copies of such instruments as amended and in effect on the date hereof. The Company has not taken any action in violation or derogation of its Operating Agreement.

3.7 Records. All proceedings occurring since May 23, 2016 of the managers, and all consents to actions taken thereby, are accurately reflected in the minutes and records contained in the minute books of the Company.

3.8 Third Parties. Other than Deng, the Company is not Controlled by any Person and, other than the Persons listed on Schedule 3.8(a), the Company is not in Control of any other Person. Except as set forth on Schedule 3.8, to the Company’s knowledge, no Key Personnel (as set forth on Schedule 3.8(b)) (a) engage in any business, except through the Company, or are employees of or provide any service for compensation to, any other business concern or (b) own any equity security of any business concern, except for publicly traded securities not in excess of 5% of the issued and outstanding securities with respect to such publicly traded securities. Schedule 3.8(a) sets forth a complete and accurate list of the Affiliates of the Company and the ownership interests in the Affiliate of the Company.

3.9 Assumed Names. Schedule 3.9 is a complete and correct list of all assumed or “doing business as” names currently or, within five (5) years of the date of this Agreement, used by the Company, including names on any websites. Since December 30, 2014, the Company has not used any name other than the names listed on Schedule 3.9 to conduct the Business. The Company has filed appropriate “doing business as” certificates in all applicable jurisdictions with respect to itself.

3.10 Subsidiaries.

The Company does not currently own and within the past five (5) years has not owned directly or indirectly, securities or other ownership interests in any other entity. The Company owns 100% of the issued and outstanding capital stock and securities of each Person listed on Schedule 3.10. None of the Company or any of its Subsidiaries is a party to any agreement relating to the formation of any joint venture, association or other entity.

3.11 Consents. The Contracts listed on Schedule 3.11 are the only Contracts binding upon the Company or by which any of the Company's securities or any of the Company's assets are bound, requiring a consent, approval, authorization, order or other action of or filing with any Person as a result of the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby (each of the foregoing, a "Company Consent").

3.12 Financial Statements.

(a) Schedule 3.12 includes the unaudited consolidated financial statements of the Company as of and for the fiscal years ended [December 31, 2018, 2017 and 2016] and the nine month period ended September 30, 2019 (collectively, the "Financial Statements" and the balance sheet as of September 30, 2019 included therein, the "Balance Sheet").

(b) The Financial Statements are complete and accurate and fairly present, in conformity with U.S. GAAP applied on a consistent basis, the financial position of the Company as of the dates thereof and the results of operations of the Company for the periods reflected therein. The Financial Statements (i) were prepared from the Books and Records of the Company; (ii) were prepared on an accrual basis in accordance with U.S. GAAP consistently applied; (iii) contain and reflect all necessary adjustments and accruals for a fair presentation of the Company's financial condition as of their dates including for all warranty, maintenance, service and indemnification obligations; and (iv) contain and reflect adequate provisions for all liabilities for all material Taxes applicable to the Company with respect to the periods then ended. The Company has delivered to Purchaser complete and accurate copies of all "management letters" received by it from its accountants and all responses during the last five (5) years by lawyers engaged by the Company to inquiries from its accountant or any predecessor accountants.

(c) Except as specifically disclosed, reflected or fully reserved against on the Balance Sheet, and for liabilities and obligations of a similar nature and in similar amounts incurred in the ordinary course of business since the date of the Balance Sheet, there are no liabilities, debts or obligations of any nature (whether accrued, fixed or contingent, liquidated or unliquidated, asserted or unasserted or otherwise) relating to the Company. All debts and liabilities, fixed or contingent, which should be included under U.S. GAAP on the Balance Sheet are included therein.

(d) The balance sheet included in the Financial Statements accurately reflects the outstanding Indebtedness of the Company as of the date thereof. Except as set forth on Schedule 3.12, the Company does not have any Indebtedness.

(e) All financial projections delivered by or on behalf of the Company to Purchaser with respect to the Business were prepared in good faith using assumptions that the Company believes to be reasonable and the Company is not aware of the existence of any fact or occurrence of any circumstances that is reasonably likely to have an Material Adverse Effect.

3.13 Books and Records. The Company shall make all Books and Records of the Company available to Purchaser for its inspection and shall deliver to Purchaser complete and accurate copies of all documents referred to in the Schedules to this Agreement or that Purchaser otherwise has requested within 30 days from the Signing Date. All Contracts, documents, and other papers or copies thereof delivered to Purchaser by or on behalf of the Company are accurate, complete, and authentic.

(a) The Books and Records accurately and fairly, in reasonable detail, reflect the transactions and dispositions of assets of and the providing of services by the Company. The Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that:

(i) transactions are executed only in accordance with the respective management's authorization;

(ii) all income and expense items are promptly and properly recorded for the relevant periods in accordance with the revenue recognition and expense policies maintained by the Company, as permitted by U.S. GAAP;

(iii) access to assets is permitted only in accordance with the respective management's authorization; and

(iv) recorded assets are compared with existing assets at reasonable intervals, and appropriate action is taken with respect to any differences.

(b) All accounts, books and ledgers of the Company have been properly and accurately kept and completed in all material respects, and there are no material inaccuracies or discrepancies of any kind contained or reflected therein. The Company does not have any records, systems controls, data or information recorded, stored, maintained, operated or otherwise wholly or partly dependent on or held by any means (including any mechanical, electronic or photographic process, whether computerized or not) which (including all means of access thereto and therefrom) are not under the exclusive ownership (excluding licensed software programs) and direct control of the Company and which is not located at the relevant office.

3.14 Absence of Certain Changes. Since the date of the Balance Sheet (the "Balance Sheet Date"), the Company has conducted the Business in the ordinary course consistent with past practices. Without limiting the generality of the foregoing, since the Balance Sheet Date, there has not been:

(a) any Material Adverse Effect or any material diminishment in the value to Purchaser of the transactions contemplated hereby;

(b) any transaction, Contract or other instrument entered into, or commitment made, by the Company relating to the Business, or any of the Company's assets (including the acquisition or disposition of any assets) or any relinquishment by the Company of any Contract or other right, in either case other than transactions and commitments in the ordinary course of business consistent in all respects, including kind and amount, with past practices and those contemplated by this Agreement;

(c) (i) any redemption of, declaration, setting aside or payment of any dividend or other distribution with respect to any capital stock or other equity interests in the Company; (ii) any issuance by the Company of shares of capital stock or other equity interests in the Company, or (iii) any repurchase, redemption or other acquisition, or any amendment of any term, by the Company of any outstanding shares of capital stock or other equity interests;

(d) (i) any creation or other incurrence of any Lien other than Permitted Liens on any of the Company's assets, and (ii) any making of any loan, advance or capital contributions to or investment in any Person by the Company;

(e) any material personal property damage, destruction or casualty loss or personal injury loss (whether or not covered by insurance) affecting the business or assets of the Company;

(f) increased benefits payable under any existing severance or termination pay policies or employment agreements; entered into any employment, deferred compensation or other similar agreement (or amended any such existing agreement) with any director, officer, manager or employee of the Company; established, adopted or amended (except as required by law) any bonus, profit-sharing, thrift, pension, retirement, deferred compensation, compensation, stock option, restricted stock or other benefit plan or arrangement covering any director, officer, manager or employee of the Company; or increased any compensation, bonus or other benefits payable to any director, officer, manager or employee of the Company, other than increases to non-officer employees in the ordinary course of business consistent with past practices;

(g) any material labor dispute, other than routine individual grievances, or any activity or proceeding by a labor union or representative thereof to organize any employees of the Company, which employees were not subject to a collective bargaining agreement at the Balance Sheet Date, or any lockouts, strikes, slowdowns, work stoppages or threats thereof by or with respect to any employees of the Company;

(h) any sale, transfer, lease to others or otherwise disposition of any of its assets by the Company except for inventory sold in the ordinary course of business consistent with past practices or immaterial amounts of other Tangible Personal Property not required by its business;

(i) (i) any amendment to or termination of any Material Contract, (ii) any amendment to any material license or material permit from any Authority held by the Company, (iii) any receipt of any notice of termination of any of the items referenced in (i) and (ii); and (iv) a material default by the Company under any Material Contract, or any material license or material permit from any Authority held by the Company;

(j) any capital expenditure by the Company in excess in any fiscal month of an aggregate of \$500,000 or entering into any lease of capital equipment or property under which the annual lease charges exceed \$200,000 in the aggregate by the Company;

(k) any institution of litigation, settlement or agreement to settle any litigation, action, proceeding or investigation before any court or governmental body relating to the Company or its property or suffering of any actual or threatened litigation, action, proceeding or investigation before any court or governmental body relating to the Company or its property;

(l) any loan of any monies to any Person or guarantee of any obligations of any Person by the Company;

(m) except as required by GAAP, any change in the accounting methods or practices (including, without limitation, any change in depreciation or amortization policies or rates) of the Company or any revaluation of any of the assets of the Company;

(n) any amendment to the Company's organizational documents, or any engagement by the Company in any merger, consolidation, reorganization, reclassification, liquidation, dissolution or similar transaction;

(o) any acquisition of assets (other than acquisitions of inventory in the ordinary course of business consistent with past practice) or business of any Person;

(p) any material Tax election made by the Company outside of the ordinary course of business consistent with past practice, or any material Tax election changed or revoked by the Company; any material claim, notice, audit report or assessment in respect of Taxes settled or compromised by the Company; any annual Tax accounting period changed by the Company; any Tax allocation agreement, Tax sharing agreement, Tax indemnity agreement or closing agreement relating to any Tax entered into by the Company; or any right to claim a material Tax refund surrendered by the Company; or

(q) any commitment or agreement to do any of the foregoing.

Since the Balance Sheet Date through and including the date hereof, the Company has not taken any action nor has any event occurred which would have violated the covenants of the Company set forth in Section 5.2 herein if such action had been taken or such event had occurred between the date hereof and the Closing Date.

3.15 Properties: Title to the Company's Assets.

(a) The items of Tangible Personal Property have no defects, are in good operating condition and repair and function in accordance with their intended uses (ordinary wear and tear excepted) and have been properly maintained, and are suitable for their present uses and meet all specifications and warranty requirements with respect thereto.

(b) Schedule 3.15 sets forth a description and location of each item of the Tangible Personal Property, as of a date within five days of the date of this Agreement. All of the Tangible Personal Property is located at the office of the Company.

(c) The Company has good, valid and marketable title in and to, or in the case of the Leases and the assets which are leased or licensed pursuant to Contracts, a valid leasehold interest or license in or a right to use, all of their assets reflected on the Balance Sheet or acquired after the Balance Sheet date. No such asset is subject to any Liens other than Permitted Liens. The Company's assets constitute all of the assets of any kind or description whatsoever, including goodwill, for the Company to operate the Business immediately after the Closing in the same manner as the Business is currently being conducted.

3.16 Litigation. There is no Action (or any basis therefore) pending against, or to the best knowledge of the Company, threatened against or affecting, the Company, any of its officers or directors, the Business, or any capital stock or any of the Company's assets or any Contract before any court, Authority or official or which in any manner challenges or seeks to prevent, enjoin, alter or delay the transactions contemplated hereby. There are no outstanding judgments against the Company. The Company is not, and has not been in the past five (5) years, subject to any proceeding with any Authority.

3.17 Contracts.

(a) Schedule 3.17(a) lists all material Contracts, oral or written (collectively, "Material Contracts") to which the Company is a party and which are currently in effect and constitute the following:

(i) all Contracts that require annual payments or expenses by, or annual payments or income to, the Company of \$10,000 or more (other than standard purchase and sale orders entered into in the ordinary course of business consistent with past practice);

(ii) all sales, advertising, agency, lobbying, broker, sales promotion, market research, marketing or similar contracts and agreements, in each case requiring the payment of any commissions by the Company in excess of \$10,000 annually;

(iii) all employment Contracts, employee leasing Contracts, and consultant and sales representatives Contracts with any current or former officer, director, employee or consultant of the Company or other Person, under which the Company (A) has continuing obligations for payment of annual compensation of at least \$10,000 (other than oral arrangements for at-will employment), (B) has severance or post termination obligations to such Person (other than COBRA obligations), or (C) has an obligation to make a payment upon consummation of the transactions contemplated hereby or as a result of a change of control of the Company;

(iv) all Contracts creating a joint venture, strategic alliance, limited liability company and partnership agreements to which the Company is a party;

(v) all Contracts relating to any acquisitions or dispositions of assets by the Company;

(vi) all Contracts for material licensing agreements, including Contracts licensing Intellectual Property Rights, other than "shrink wrap" licenses;

(vii) all Contracts relating to secrecy, confidentiality and nondisclosure agreements restricting the conduct of the Company or substantially limiting the freedom of the Company to compete in any line of business or with any Person or in any geographic area;

(viii) all Contracts relating to patents, trademarks, service marks, trade names, brands, copyrights, trade secrets and other Intellectual Property Rights of the Company;

(ix) all Contracts providing for guarantees, indemnification arrangements and other hold harmless arrangements made or provided by the Company, including all ongoing agreements for repair, warranty, maintenance, service, indemnification or similar obligations;

(x) all Contracts with or pertaining to the Company to which any 10% Stockholder is a party;

(xi) all Contracts relating to property or assets (whether real or personal, tangible or intangible) in which the Company holds a leasehold interest (including the Leases) and which involve payments to the lessor thereunder in excess of \$50,000 per month;

(xii) all Contracts relating to outstanding Indebtedness, including financial instruments of indenture or security instruments (typically interest-bearing) such as notes, mortgages, loans and lines of credit;

(xiii) any Contract relating to the voting or control of the equity interests of the Company or the election of directors of the Company (other than the Organizational Documents of the Company);

(xiv) any Contract not cancellable by the Company with no more than 60 days' notice if the effect of such cancellation would result in monetary penalty to the Company in excess of \$50,000 per the terms of such contract;

(xv) any Contract that can be terminated, or the provisions of which are altered, as a result of the consummation of the transactions contemplated by this Agreement to which the Company is a party; and

(xvi) any Contract for which any of the benefits, compensation or payments (or the vesting thereof) will be increased or accelerated by the consummation of the transactions contemplated hereby or the amount or value thereof will be calculated on the basis of any of the transactions contemplated by this Agreement.

(b) Each Contract is a valid and binding agreement, and is in full force and effect, and neither the Company nor, to best knowledge of the Company, any other party thereto, is in breach or default (whether with or without the passage of time or the giving of notice or both) under the terms of any such Material Contract. The Company has not assigned, delegated, or otherwise transferred any of its rights or obligations with respect to any Material Contracts, or granted any power of attorney with respect thereto or to any of the Company's assets. No Contract (i) requires the Company to post a bond or deliver any other form of security or payment to secure its obligations thereunder or (ii) imposes any non-competition covenants that may be binding on, or restrict the Business or require any payments by or with respect to Purchaser or any of its Affiliates. The Company shall, within 30 days of the date hereof, provide to Purchaser true and correct (A) fully executed copies of each written Material Contract and (B) written summaries of each oral Material Contract.

(c) None of the execution, delivery or performance by the Company of this Agreement to which the Company is a party or the consummation by the Company of the transactions contemplated hereby constitutes a default under or gives rise to any right of termination, cancellation or acceleration of any obligation of the Company or to a loss of any material benefit to which the Company is entitled under any provision of any Material Contract.

(d) The Company is in compliance with all covenants, including all financial covenants, in all notes, indentures, bonds and other instruments or agreements evidencing any Indebtedness.

3.18 Insurance. Schedule 3.18 contains a true, complete and correct list (including the names and addresses of the insurers, the names of the Persons if other than the Company to whom such insurance policies have been issued, the expiration dates thereof, the annual premiums and payment terms thereof, whether it is a “claims made” or an “occurrence” policy and a brief identification of the nature of the policy) of all liability, property, workers’ compensation and other insurance policies currently in effect that insure the property, assets or business of the Company or its employees (other than self-obtained insurance policies by such employees). Each such insurance policy is valid and binding and in full force and effect, all premiums due thereunder have been paid and the Company has not received any notice of cancellation or termination in respect of any such policy or default thereunder. The Company believes such insurance policies, in light of the nature of the Company’s business, assets and properties, are in amounts and have coverage that are reasonable and customary for Persons engaged in such business and having such assets and properties. Neither the Company, nor, to the knowledge of the Company, the Person to whom such policy has been issued, has received notice that any insurer under any policy referred to in this Section 3.18 is denying liability with respect to a claim thereunder or defending under a reservation of rights clause. Within the last two (2) years the Company has not filed for any claims exceeding \$2,000,000 against any of its insurance policies, exclusive of automobile and health insurance policies. The Company has not received written notice from any of its insurance carriers or brokers that any premiums will be materially increased in the future, and does not have any reason to believe that any insurance coverage listed on Schedule 3.18 will not be available in the future on substantially the same terms as now in effect.

3.19 Licenses and Permits. Schedule 3.19 correctly lists each license, franchise, permit, order or approval or other similar authorization affecting, or relating in any way to, the Business, together with the name of the Authority issuing the same (the “Permits”). Except as indicated on Schedule 3.19, such Permits are valid and in full force and effect, and none of the Permits will, assuming the related third party consents have been obtained or waived prior to the Closing Date, be terminated or impaired or become terminable as a result of the transactions contemplated hereby. The Company has all Permits necessary to operate the Business.

3.20 Compliance with Laws. The Company is not in violation of, has not violated, and to the best knowledge of the Company, is neither under investigation with respect to nor has been threatened to be charged with or given notice of any violation or alleged violation of, any Law, or judgment, order or decree entered by any court, arbitrator or Authority, domestic or foreign, nor is there any basis for any such charge and within the last 24 months the Company has not received any subpoenas by any Authority.

Without limiting the foregoing paragraph, the Company is not in violation of, has not violated, and to the best knowledge of the Company is not under investigation with respect to nor has been threatened or charged with or given notice of any violation of any provisions of:

- (i) any Law applicable due to the specific nature of the Business;
- (ii) the Foreign Corrupt Practices Act of 1977 (§§ 78dd-1 et seq.), as amended (the “Foreign Corrupt Practices Act”);
- (iii) any comparable or similar Law of any jurisdiction; or
- (iv) any Law regulating or covering conduct in, or the nature of, the workplace, including regarding sexual harassment or, on any impermissible basis, a hostile work environment.

No permit, license or registration is required by the Company in the conduct of the Business under any of the Laws described in this Section 3.20.

3.21 Intellectual Property.

(a) Schedule 3.21 sets forth a true, correct and complete list of all Intellectual Property Rights, specifying as to each, as applicable: (i) the nature of such Intellectual Property Right; (ii) the owner of such Intellectual Property Right; (iii) the jurisdictions by or in which such Intellectual Property Right has been issued or registered or in which an application for such issuance or registration has been filed; and (iv) all licenses, sublicenses and other agreements pursuant to which any Person is authorized to use such Intellectual Property Right.

(b) Within the past five (5) years (or prior thereto if the same is still pending or subject to appeal or reinstatement) the Company has not been sued or charged in writing with or been a defendant in any Action that involves a claim of infringement of any Intellectual Property Rights, and the Company has no knowledge of any other claim of infringement by the Company, and no knowledge of any continuing infringement by any other Person of any Intellectual Property Rights of the Company.

(c) The current use by the Company of the Intellectual Property Rights does not infringe, and the use by the Company of the Intellectual Property Rights after the Closing will not infringe, the rights of any other Person. Any Intellectual Property Rights used by the Company in the performance of any services under any Contract is, and upon the performance of such Contract remains, owned by the Company and no client, customer or other third-party has any claim of ownership on the Intellectual Property Rights.

(d) All employees, agents, consultants or contractors who have contributed to or participated in the creation or development of any copyrightable, patentable or trade secret material on behalf of the Company or any predecessor in interest thereto either: (i) is a party to a “work-for-hire” agreement under which the Company is deemed to be the original owner/author of all property rights therein; or (ii) has executed an assignment or an agreement to assign in favor of the Company (or such predecessor in interest, as applicable) all right, title and interest in such material.

(e) None of the execution, delivery or performance by the Company of this Agreement to which the Company is a party or the consummation by the Company of the transactions contemplated hereby will cause any material item of Intellectual Property Rights owned, licensed, used or held for use by the Company immediately prior to the Closing to not be owned, licensed or available for use by the Company on substantially the same terms and conditions immediately following the Closing.

(f) The Company has taken reasonable measures to safeguard and maintain the confidentiality and value of all trade secrets and other items of Company Intellectual Property that are confidential and all other confidential information, data and materials licensed by the Company or otherwise used in the operation of the Business.

3.22 Customers and Suppliers. No supplier or customer of the Company has (i) terminated its relationship with the Company, (ii) materially reduced its business with the Company or materially and adversely modified its relationship with the Company, (iii) notified the Company in writing of its intention to take any such action, or (iv) to the Knowledge of the Company, become insolvent or subject to bankruptcy proceedings.

3.23 Accounts Receivable and Payable; Loans.

(a) All accounts receivable and notes of the Company reflected on the Financial Statements, and all accounts receivable and notes arising subsequent to the date thereof, represent valid obligations arising from services actually performed or goods actually sold by the Company in the ordinary course of business consistent with past practice. The accounts payable of the Company reflected on the Financial Statements, and all accounts payable arising subsequent to the date thereof, arose from bona fide transactions in the ordinary course consistent with past practice.

(b) To the best of the Company’s knowledge, there is no contest, claim, or right of setoff in any agreement with any maker of an account receivable or note relating to the amount or validity of such account, receivables or note that could reasonably result in a Material Adverse Effect. To the best of the Company’s knowledge, all accounts, receivables or notes are good and collectible in the ordinary course of business.

(c) The information set forth on Schedule 3.23(c) separately identifies any and all accounts, receivables or notes of the Company which are owed by any Affiliate of the Company. Except as set forth on Schedule 3.23(c), the Company is not indebted to any of its Affiliates and no Affiliates are indebted to the Company.

3.24 Pre-payments. The Company has not received any payments with respect to any services to be rendered or goods to be provided after the Closing except in the ordinary course of business.

3.25 Employees.

(a) Schedule 3.25(a) sets forth a true, correct and complete list of the ten (10) highest paid employees and independent contractors of the Company as of June 30, 2016, including the name, department, title, employment or engagement commencement date, current salary or compensation rate for each such person and total compensation (including bonuses) paid to each such person for the fiscal year ended March 31, 2017. Unless indicated in such list, no salaried employee or independent contractor included in such list (i) is currently on leave, (ii) has given written notice of his or her intent to terminate his or her relationship with the Company, or (iii) has received written notice of such termination from the Company. To the actual knowledge of the Company, no salaried employee or independent contractor (but specifically excluding all account executives) of the Company that earned an aggregate amount of compensation in excess of \$75,000 in the March 31, 2017 fiscal year intends to terminate his or her relationship with the Company within six (6) months following the Closing Date. Schedule 3.25(a) sets forth all proceedings, governmental investigations or administrative proceedings of any kind against the Company of which the Company has been notified regarding its employees or employment practices, or operations as they pertain to conditions of employment within two (2) years preceding the date of this Agreement.

(b) The Company is not a party to or subject to any employment contract, consulting agreement, collective bargaining agreement, confidentiality agreement restricting the activities of the Company, non-competition agreement restricting the activities of the Company, or any similar agreement, and there has been no activity or proceeding by a labor union or representative thereof to organize any employees of the Company.

(c) There are no pending or, to the knowledge of the Company, threatened claims or proceedings against the Company under any worker's compensation policy or long-term disability policy.

(d) Except as would not have a Material Adverse Effect, the Company has properly classified all of its employees as exempt or non-exempt.

3.26 Employment Matters.

(a) Schedule 3.26(a) sets forth a true and complete list of every employment agreement, commission agreement, employee group or executive medical, life, or disability insurance plan, and each incentive, bonus, profit sharing, retirement, deferred compensation, equity, phantom stock, stock option, stock purchase, stock appreciation right or severance plan of the Company now in effect or under which the Company has or might have any obligation, or any understanding between the Company and any employee concerning the terms of such employee's employment that does not apply to the Company's employees generally (collectively, "Labor Agreements"). The Company has previously delivered to Purchaser true and complete copies of each such Labor Agreement, any employee handbook or policy statement of the Company, and complete and correct information concerning the Company's employees, including with respect to the (i) name, residence address, and social security number; (ii) position; (iii) compensation; (iv) vacation and other fringe benefits; (v) claims under any benefit plan; and (vii) resident alien status (if applicable). Schedule 3.26(a) sets forth a true and complete list of the names, addresses and titles of the directors, officers and managers of the Company.

(b) Except as disclosed on Schedule 3.26(b):

(i) all employees of the Company are employees at will, and the employment of each employee by the Company may be terminated immediately by the Company, as applicable, without any cost or liability except severance in accordance with the Company's standard severance practice as disclosed on Schedule 3.26(b);

(ii) to the best knowledge of the Company, no employee of the Company has any plan to terminate his or her employment now or in the near future, whether as a result of the transactions contemplated hereby or otherwise;

(iii) to the best knowledge of the Company, no employee of the Company, in the ordinary course of his or her duties, has breached or will breach any obligation to a former employer in respect of any covenant against competition or soliciting clients or employees or servicing clients or confidentiality or any proprietary right of such former employer; and

(iv) the Company is not a party to any collective bargaining agreement, does not have any material labor relations problems, and there is no pending representation question or union organizing activity respecting employees of the Company.

(c) The Company has complied in all material respects with all Labor Agreements and all applicable laws relating to employment or labor. There is no legal prohibition with respect to the permanent residence of any employee of the Company in the United States or his or her permanent employment by the Company. No present or former employee, officer, director or manager of the Company has, or will have at the Closing Date, any claim against the Company for any matter including for wages, salary, or vacation or sick pay, or otherwise under any Labor Agreement. All accrued obligations of the Company applicable to its employees, whether arising by operation of Law, by Contract, by past custom or otherwise, for payments by the Company to any trust or other fund or to any Authority, with respect to unemployment or disability compensation benefits, social security benefits, under ERISA or otherwise, have been paid or adequate accruals therefor have been made.

3.27 Withholding. All obligations of the Company applicable to its employees, whether arising by operation of Law, by contract, by past custom or otherwise, or attributable to payments by the Company to trusts or other funds or to any governmental agency, with respect to unemployment compensation benefits, social security benefits or any other benefits for its employees with respect to the employment of said employees through the date hereof have been paid or adequate accruals therefor have been made on the Financial Statements. All reasonably anticipated obligations of the Company with respect to such employees (except for those related to wages during the pay period immediately prior to the Closing Date and arising in the ordinary course of business), whether arising by operation of Law, by contract, by past custom, or otherwise, for salaries and holiday pay, bonuses and other forms of compensation payable to such employees in respect of the services rendered by any of them prior to the date hereof have been or will be paid by the Company prior to the Closing Date.

3.28 Employee Benefits and Compensation.

(a) Schedule 3.28 sets forth a true and complete list of each “employee benefit plan” (as defined in Section 3(3) of ERISA), bonus, deferred compensation, equity-based or non-equity-based incentive, severance or other plan or written agreement relating to employee or director benefits or employee or director compensation or fringe benefits, maintained or contributed to by the Company at any time during the 7-calendar year period immediately preceding the date hereof and/or with respect to which the Company could incur or could have incurred any direct or indirect, fixed or contingent liability (each a “Plan” and collectively, the “Plans”). Each Plan is and has been maintained in substantial compliance with all applicable laws, including but not limited to ERISA, and has been administered and operated in all material respects in accordance with its terms.

(b) Each Plan which is intended to be “qualified” within the meaning of Section 401(a) of the Code, has received a favorable determination letter from the Internal Revenue Service and, to the knowledge of the Company, no event has occurred and no condition exists which could reasonably be expected to result in the revocation of any such determination. No event which constitutes a “reportable event” (as defined in Section 4043(c) of ERISA) for which the 30-day notice requirement has not been waived by the Pension Benefit Guaranty Corporation (the “PBGC”) has occurred with respect to any Plan. No Plan subject to Title IV of ERISA has been terminated or is or has been the subject of termination proceedings pursuant to Title IV of ERISA. Full payment has been made of all amounts which the Company was required under the terms of the Plans to have paid as contributions to such Plans on or prior to the date hereof (excluding any amounts not yet due) and no Plan which is subject to Part 3 of Subtitle B of Title I of ERISA has incurred an “accumulated funding deficiency” (within the meaning of Section 302 of ERISA or Section 412 of the Code), whether or not waived.

(c) Neither the Company nor to the knowledge of the Company, any other “disqualified person” or “party in interest” (as defined in Section 4975(e)(2) of the Code and Section 3(14) of ERISA, respectively), has engaged in any transaction in connection with any Plan that could reasonably be expected to result in the imposition of a penalty pursuant to Section 502(i) of ERISA, damages pursuant to Section 409 of ERISA or a tax pursuant to Section 4975(a) of the Code. The Company has not maintained any Plan (other than a Plan which is intended to be “qualified” within the meaning of Section 401(a) of the Code) which provides benefits with respect to current or former employees or directors following their termination of service with the Company (other than as required pursuant to COBRA). Each Plan subject to the requirements of COBRA has been operated in substantial compliance therewith.

(d) No individual will accrue or receive additional benefits, service or accelerated rights to payment of benefits as a direct result of the Transaction. No material liability, claim, investigation, audit, action or litigation has been incurred, made, commenced or, to the knowledge of the Company, threatened, by or against any Plan or the Company with respect to any Plan (other than for benefits payable in the ordinary course and PBGC insurance premiums). No Plan or related trust owns any securities in violation of Section 407 of ERISA. With respect to each Plan which is an "employee pension benefit plan" (as defined in Section 3(2) of ERISA) as of the most recent actuarial valuation report prepared for each such Plan, the aggregate present value of the accrued liabilities thereof (determined in accordance with Statement of Financial Accounting Standards No. 35) did not exceed the aggregate fair market value of the assets allocable thereto.

(e) No Plan is a "multiemployer plan" (as defined in Section 4001(a)(3) of ERISA) and the Company has not been obligated to contribute to any multiemployer plan. No material liability has been, or could reasonably be expected to be, incurred under Title IV of ERISA (other than for PBGC insurance premiums payable in the ordinary course) or Section 412(f) or (n) of the Code, by the Company or any entity required to be aggregated with the Company pursuant to Section 4001(b) of ERISA and/or Section 414 (b), (c), (m) or (o) of the Code with respect to any "employee pension benefit plan" (as defined in Section 3(2) of ERISA).

(f) There is no unfunded non-tax-qualified Plan which provides a pension or retirement benefit.

(g) The Company has not made any commitment to create or cause to exist any employee benefit plan which is not listed on Schedule 3.28, or to modify, change or terminate any Plan (other than as may be necessary for compliance with applicable law).

(h) The Company does not have any plan, arrangement or agreement providing for "deferred compensation" that is subject to Section 409A(a) of the Code, or any plan, arrangement or agreement that is subject to Section 409A(b) of the Code.

(i) With respect to each Plan, the Company has delivered or caused to be delivered to Purchaser and its counsel true and complete copies of the following documents, as applicable, for each respective Plan: (i) all Plan documents, with all amendments thereto; (ii) the current summary plan description with any applicable summaries of material modifications thereto as well as any other material employee or government communications; (iii) all current trust agreements and/or other documents establishing Plan funding arrangements; (iv) the most recent IRS determination letter and, if a request for such a letter has been filed and is currently pending with the IRS, a copy of such filing; (v) the three most recently prepared IRS Forms 5500; (vi) the three most recently prepared financial statements; and (vii) all material related contracts, including without limitation, insurance contracts, service provider agreements and investment management and investment advisory agreements.

3.29 Real Property.

(a) Except as set forth on Schedule 3.29, the Company does not own, or otherwise have an interest in, any Real Property, including under any Real Property lease, sublease, space sharing, license or other occupancy agreement. The Company has good, valid and subsisting title to its respective leasehold estates in the offices described on Schedule 3.29, free and clear of all Liens. The Company has not breached or violated any local zoning ordinance, and no notice from any Person has been received by the Company or served upon the Company claiming any violation of any local zoning ordinance.

(b) With respect to the Leases: (i) they are valid, binding and in full force and effect; (ii) all rents and additional rents and other sums, expenses and charges due thereunder have been paid; (iii) the lessees have been in peaceable possession since the commencement of the original term thereof; (iv) no waiver, indulgence or postponement of the lessees' obligations thereunder have been granted by the lessors; (v) there exists no default or event of default thereunder by the Company or, to the Company's knowledge, by any other party thereto; (vi) there exists no occurrence, condition or act which, with the giving of notice, the lapse of time or the happening of any further event or condition, would become a default or event of default by the Company thereunder; and (vii) there are no outstanding claims of breach or indemnification or notice of default or termination thereunder. The Company holds the leasehold estate on the Leases free and clear of all Liens, except for Liens of mortgagees of the Real Property in which such leasehold estate is located. The Real Property leased by the Company is in a state of maintenance and repair in all material respects adequate and suitable for the purposes for which it is presently being used, and there are no material repair or restoration works likely to be required in connection with any of the leased Real Property. The Company is in physical possession and actual and exclusive occupation of the whole of the leased properties, none of which are subleased or assigned to another Person. The Leases lease all useable square footage of the premises located at the leased Real Property locations. The Company does not owe any brokerage commission with respect to any Real Property.

3.30 Accounts. Schedule 3.30 sets forth a true, complete and correct list of the checking accounts, deposit accounts, safe deposit boxes, and brokerage, commodity and similar accounts of the Company, including the account number and name, the name of each depository or financial institution and the address where such account is located and the authorized signatories thereto.

3.31 Tax Matters.

(a) (i) The Company has duly and timely filed all Tax Returns which are required to be filed by or with respect to it, and has paid all Taxes which have become due; (ii) all such Tax Returns are true, correct and complete and accurate and disclose all Taxes required to be paid; (iii) all such Tax Returns have been examined by the relevant Taxing Authority or the period for assessment for Taxes in respect of such Tax Returns has expired; (iv) there is no Action, pending or proposed or, to the best knowledge of the Company, threatened, with respect to Taxes of the Company or for which a Lien may be imposed upon any of the Company's assets and, to the best of the Company's knowledge, no basis exists therefor; (v) no statute of limitations in respect of the assessment or collection of any Taxes of the Company for which a Lien may be imposed on any of the Company's assets has been waived or extended, which waiver or extension is in effect; (vi) the Company has complied in all material respects with all applicable Laws relating to the reporting, payment, collection and withholding of Taxes and has duly and timely withheld or collected, paid over to the applicable Taxing Authority and reported all Taxes (including income, social, security and other payroll Taxes) required to be withheld or collected by the Company; (vii) the transactions contemplated hereby are not subject to withholding under Section 1445 of the Code; (viii) no stock transfer Tax, sales Tax, use Tax, real estate transfer Tax or other similar Tax will be imposed with respect to or as a result of any transaction contemplated by this Agreement; (ix) none of the assets of the Company is required to be treated as owned by another Person for income Tax purposes pursuant to Section 168(f)(8) of the Code (as in effect prior to its amendment by the Tax Reform Act of 1986) or otherwise; (x) none of the assets of the Company is "tax-exempt use property" within the meaning of Section 168(h) of the Code, "tax-exempt bond financed property" within the meaning of Section 168(g)(5) of the Code, or subject to a "TRAC lease" under Section 7701(h) of the Code (or any predecessor provision); (xi) there is no Lien for Taxes upon any of the assets of the Company; (xii) there is no outstanding request for a ruling from any Taxing Authority, request for a consent by a Taxing Authority for a change in a method of accounting, subpoena or request for information by any Taxing Authority, or closing agreement (within the meaning of Section 7121 of the Code or any analogous provision of applicable Law), with respect to the Company; (xiii) no claim has ever been made by a Taxing Authority in a jurisdiction where the Company has not paid any Tax or filed Tax Returns, asserting that the Company is or may be subject to Tax in such jurisdiction; (xiv) the Company has provided to Purchaser true, complete and correct copies of all Tax Returns relating to, and all audit reports and correspondence relating to each proposed adjustment, if any, made by any Taxing Authority with respect to, any taxable period ending after March 31, 2010; (xv) there is no outstanding power of attorney from the Company authorizing anyone to act on behalf of the Company in connection with any Tax, Tax Return or Action relating to any Tax or Tax Return of the Company; (xvi) the Company is not, and has ever been, a party to any Tax sharing or Tax allocation Contract; (xvii) the Company is and has never been included in any consolidated, combined or unitary Tax Return; (xviii) to the knowledge of the Company, no issue has been raised by a Taxing Authority in any prior Action relating to the Company with respect to any Tax for any period which, by application of the same or similar principles, could reasonably be expected to result in a proposed Tax deficiency of the Company for any other period; (xix) the Company has not requested any extension of time within which to file any Tax Return, which Tax Return has since not been filed; (xx) the Company is not a party to any Contract for services that would result, individually or in the aggregate, in the payment of any amount that would not be deductible by the Company by reason of Section 162 or 404 of the Code; (xxi) the Company is not a party to a Contract that requires or would upon the occurrence of certain events require the Company to make a payment which would not be fully deductible under Section 280G of the Code without regard to whether such payment is reasonable compensation for services rendered and without regard to any exception that requires future action by any Person; (xxii) the Company is not a "consenting corporation" within the meaning of Section 341(f) of the Code (as in effect prior to the repeal of such provision); (xxiii) the Company has never made or been required to make an election under Section 336 or 338 of the Code; (xxiv) during the last two years, the Company has not engaged in any exchange under which gain realized on the exchange was not recognized under Section 1031 of the Code; (xxv) the Company was not a "distributing corporation" or a "controlled corporation" under Section 355 of the Code in any transaction within the last two years or pursuant to a plan or series of related transactions (within the meaning of Section 355(e) of the Code) with any transaction contemplated by this Agreement; (xxvi) the Company is not, and has never been, a "personal holding company" (within the meaning of Section 542 of the Code), a stockholder in a "controlled foreign corporation" (within the meaning of Section 957 of the Code), a "foreign personal holding company" (within the meaning of Section 552 of the Code as in effect prior to the repeal of such section), or a "passive foreign investment company" (within the meaning of Section 1297 of the Code), or, an owner in any entity treated as a partnership or disregarded entity for U.S. federal income tax purposes; (xxvii) none of the outstanding indebtedness of the Company constitutes indebtedness to which any interest deduction may be limited or disallowed under Section 163(i), (j) or (l), 265 or 279 of the Code (or any comparable provision of applicable Law); (xxviii) the Company is not and has not been a "United States real property holding corporation" (within the meaning of Code Section 897(c)(2)) at any time during the period specified in Section 897(c)(l)(A)(ii) of the Code; (xxix) the Company is not and has not been treated as a foreign corporation for U.S. federal income tax purposes, and (xxx) the Company is not an "investment company" for purposes of Sections 351(e) or 368 of the Code and the Treasury Regulations promulgated thereunder.

(b) The Company has not entered into a “reportable transaction” (within the meaning of Section 6707A of the Code or Treasury Regulations §1.6011-4 or any predecessor thereof) and has not participated in any “nondisclosed noneconomic substance transaction” within the meaning of Section 6662(i)(2) of the Code. In the case of any transaction that could result in a “substantial understatement of income tax” (within the meaning of Section 6662(d) of the Code) of the Company if the claimed Tax treatment were disallowed, the Company has “substantial authority” (within the meaning of Section 6662(d) of the Code) for the claimed treatment, or in the case of a transaction other than a “tax shelter” (within the meaning of Section 6662(d)(2)(C)(ii) of the Code), has “adequately disclosed” (within the meaning of Section 6662(d) of the Code) on its applicable income Tax Return the relevant facts affecting the Tax treatment and there is a reasonable basis for such Tax treatment. The Company has not been a party to a transaction that does not have economic substance within the meaning of Section 7701(a) of the Code or that fails to meet the requirements of any similar rule of law as used in Section 6662(b)(6) of the Code.

(c) The Company is not required to include any adjustment under Section 481 or 482 of the Code (or any corresponding provision of applicable Law) in income for any period ending after the Balance Sheet Date. The Company will not be required to include any item of income or exclude any item of deduction for any taxable period ending after the Closing Date as a result of: (i) any intercompany transaction or excess loss account described in Treasury Regulations under Section 1502 of the Code (or any corresponding provision of applicable Law); (ii) an election under Section 108(i) of the Code; or (iii) use of an installment sale, open transaction, income forecast or completed contract method of accounting with respect to any transaction that occurred on or before the Closing Date.

(d) The unpaid Taxes of the Company (i) did not, as of the most recent fiscal month end, exceed the reserve for Tax liability (rather than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the Balance Sheet and (ii) will not exceed that reserve as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of the Company in filing its Tax Return.

3.32 Environmental Laws

(a) The Company has not (i) received any written notice of any alleged claim, violation of or liability under any Environmental Law which has not heretofore been cured or for which there is any remaining liability; (ii) disposed of, emitted, discharged, handled, stored, transported, used or released any Hazardous Materials, arranged for the disposal, discharge, storage or release of any Hazardous Materials, or exposed any employee or other individual to any Hazardous Materials so as to give rise to any liability or corrective or remedial obligation under any Environmental Laws; or (iii) entered into any agreement that may require it to guarantee, reimburse, pledge, defend, hold harmless or indemnify any other Person with respect to liabilities arising out of Environmental Laws or the Hazardous Materials Activities of the Company, except in each case as would not, individually or in the aggregate, have a Material Adverse Effect.

(b) The Company has delivered to Purchaser all material records in its possession concerning the Hazardous Materials Activities of the Company and all environmental audits and environmental assessments in the possession or control of the Company of any facility currently owned, leased or used by the Company which identifies the potential for any violations of Environmental Law or the presence of Hazardous Materials on any property currently owned, leased or used by the Company.

(c) There are no Hazardous Materials in, on, or under any properties owned, leased or used at any time by the Company such as could give rise to any material liability or corrective or remedial obligation of the Company under any Environmental Laws.

3.33 Finders' Fees. There is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of the Company or any of Affiliates who might be entitled to any fee or commission from Purchaser or any of its Affiliates upon consummation of the transactions contemplated by this Agreement.

3.34 Powers of Attorney and Suretyships. The Company does not have any general or special powers of attorney outstanding (whether as grantor or grantee thereof) or any obligation or liability (whether actual, accrued, accruing, contingent, or otherwise) as guarantor, surety, co-signer, endorser, co-maker, indemnitor or otherwise in respect of the obligation of any Person.

3.35 Directors and Officers. Schedule 3.35 sets forth a true, correct and complete list of all directors, managers and officers of the Company.

3.36 Other Information. Neither this Agreement nor any of the documents or other information made available to Purchaser or its Affiliates, attorneys, accountants, agents or representatives pursuant hereto or in connection with Purchaser's due diligence review of the Business, the Company's securities, the Company's assets or the transactions contemplated by this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained therein not misleading. The Company has provided Purchaser with all requested material information regarding the Business.

3.37 Certain Business Practices. Neither the Company, nor any director, officer, agent or employee of the Company (in their capacities as such) has (i) used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees, to foreign or domestic political parties or campaigns or violated any provision of the Foreign Corrupt Practices Act of 1977 or (iii) made any other unlawful payment. Neither the Company, nor any director, officer, agent or employee of the Company (nor any Person acting on behalf of any of the foregoing, but solely in his or her capacity as a director, officer, employee or agent of the Company) has, since May 23, 2016, directly or indirectly, given or agreed to give any gift or similar benefit in any material amount to any customer, supplier, governmental employee or other Person who is or may be in a position to help or hinder the Company or assist the Company in connection with any actual or proposed transaction, which, if not given could reasonably be expected to have had a Material Adverse Effect on the Company, or which, if not continued in the future, could reasonably be expected to adversely affect the business or prospects of the Company or that could reasonably be expected to subject the Company to suit or penalty in any private or governmental litigation or proceeding.

3.38 Money Laundering Laws. The operations of the Company are and have been conducted at all times in compliance with laundering statutes in all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental authority (collectively, the "Money Laundering Laws"), and no Action involving the Company with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

3.39 OFAC. Neither the Company, nor any director or officer of the Company (nor, to the knowledge of the Company, any agent, employee, affiliate or Person acting on behalf of the Company) is currently identified on the specially designated nationals or other blocked person list or otherwise currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department (“OFAC”); and the Company has not, directly or indirectly, used any funds, or loaned, contributed or otherwise made available such funds to any subsidiary, joint venture partner or other Person, in connection with any sales or operations in Cuba, Iran, Syria, Sudan, Myanmar or any other country sanctioned by OFAC or for the purpose of financing the activities of any Person currently subject to, or otherwise in violation of, any U.S. sanctions administered by OFAC in the last five (5) fiscal years.

3.40 Not an Investment Company. The Company is not an “investment company” within the meaning of the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder.

3.41 Consent. The Managers of the Company have consented to the sale of the Equity Interests to the Purchaser.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Deng and the Company that:

4.1 Corporate Existence and Power. Purchaser is a company duly organized, validly existing and in good standing under the laws of the State of Delaware. Purchaser has all power and authority, corporate and otherwise, and all governmental licenses, franchises, Permits, authorizations, consents and approvals required to own and operate its properties and assets and to carry on its business as presently conducted and as proposed to be conducted.

4.2 Corporate Authorization. The execution, delivery and performance by the Purchaser of this Agreement and the consummation by the Purchaser of the transactions contemplated hereby are within the corporate powers of the Purchaser and have been duly authorized by all necessary corporate action on the part of the Purchaser, including each of the Purchaser Parties’ board of directors to the extent required by the its organizational documents, any other applicable Law or any contract to which Purchase or any of its shareholders is a party or by which or its securities are bound. This Agreement has been duly executed and delivered by each Purchaser and it constitutes a valid and legally binding agreement of Purchaser, enforceable against it in accordance with its terms.

4.3 Governmental Authorization. Other than as required under Delaware Law, or as otherwise set forth on Schedule 4.3, neither the execution, delivery nor performance of this Agreement requires any consent, approval, license or other action by or in respect of, or registration, declaration or filing with any Authority.

4.4 Non-Contravention. The execution, delivery and performance by the Purchaser of this Agreement do not and will not contravene or conflict with or constitute a violation of any provision of any Law, judgment, injunction, order, writ, or decree binding upon the Purchaser.

4.5 Finders’ Fees. There is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Purchaser or its Affiliates who might be entitled to any fee or commission from the Company or any of its Affiliates upon consummation of the transactions contemplated by this Agreement.

**ARTICLE V
COVENANTS OF ALL PARTIES HERETO**

The parties hereto covenant and agree that:

5.1 Best Efforts; Further Assurances. Subject to the terms and conditions of this Agreement, each party shall use its best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary or desirable under applicable laws, to consummate and implement expeditiously the transaction contemplated by this Agreement. The parties hereto shall execute and deliver such other documents, certificates, agreements and other writings and take such other actions as may be necessary or desirable in order to consummate or implement expeditiously the transaction contemplated by this Agreement.

5.2 Conduct of the Business.

(a) From the date hereof through the Closing Date, the Company shall conduct the Business only in the ordinary course (including the payment of accounts payable and the collection of accounts receivable), consistent with past practices, and shall not enter into any material transactions without the prior written consent of Purchaser, and shall use its best efforts to preserve intact its business relationships with employees, clients, suppliers and other third parties. Without limiting the generality of the foregoing, from the date hereof until and including the Closing Date, without Purchaser's prior written consent (which shall not be unreasonably withheld), the Company shall not:

- (i) amend, modify or supplement its Operating Agreement or other organizational or governing documents;
- (ii) make any capital expenditures in excess of \$1,000,000 (individually or in the aggregate);
- (iii) sell, lease, license or otherwise dispose of any of the Company's assets except (1) pursuant to existing contracts or commitments disclosed herein and (2) sales of inventory in the ordinary course consistent with past practice;
- (iv) accept returns of products sold from inventory except in the ordinary course, consistent with past practice;
- (v) pay, declare or promise to pay any dividends or other distributions with respect to its capital stock, or pay, declare or promise to pay any other payments to any stockholder of the Company;
- (vi) suffer or incur any lien on the Company's assets;
- (vii) suffer any damage, destruction or loss of property related to any of the Company's assets, whether or not covered by insurance;
- (viii) merge or consolidate with or acquire any other Person or be acquired by any other Person;
- (ix) suffer any insurance policy protecting any of the Company's assets to lapse;
- (x) make any change in its accounting principles or methods or write down the value of any inventory or assets;
- (xi) change the place of business or jurisdiction of organization of the Company;
- (xii) extend any loans other than travel or other expense advances to employees in the ordinary course of business not to exceed \$1,000 individually or \$10,000 in the aggregate;
- (xiii) issue, redeem or repurchase any capital stock, membership interests or other securities, or issue any securities exchangeable for or convertible into any shares of its capital stock;

(xiv) effect or agree to any change in any practices or terms, including payment terms, with respect to customers or suppliers;

(xv) make or change any material tax election or change any annual tax accounting periods; or

(xvi) agree to do any of the foregoing.

(b) The Company shall (i) take or agree to take any action that might make any representation or warranty of the Company inaccurate or misleading in any respect at, or as of any time prior to, the Closing Date or (ii) omit to take, or agree to omit to take, any action necessary to prevent any such representation or warranty from being inaccurate or misleading in any respect at any such time.

5.3 Access to Information.

(a) From the date hereof until and including the Closing Date, the Company shall, to the best of its ability, (i) continue to give the Purchaser, its legal counsel and other representatives full access to the offices, properties and, books and records, (ii) furnish to the Purchaser, its legal counsel and other representatives such information relating to the Business as such Persons may request and (iii) cause the employees, legal counsel, accountants and representatives of the Company to cooperate with Purchaser in its investigation of the Business; provided that no investigation pursuant to this Section (or any investigation prior to the date hereof) shall affect any representation or warranty given by the Company and, provided further, that any investigation pursuant to this Section shall be conducted in such manner as not to interfere unreasonably with the conduct of the Business of the Company.

ARTICLE VI CONDITIONS TO CLOSING

6.1 Condition to the Obligations of the Parties. The obligations of all of the parties to consummate the Closing are subject to the satisfaction of all the following conditions:

(a) No provision of any applicable law, and no judicial order, shall prohibit or impose any condition on the consummation of the Closing.

(b) There shall not be any pending action brought by a third-party non-Affiliate to enjoin or otherwise restrict the consummation of the Closing.

(c) The Stockholders of the Company shall have approved the transactions contemplated by this Agreement.

6.2 Conditions to Obligations of Purchaser. The obligations of Purchaser to consummate the Closing are subject to the satisfaction, or the waiver at the Purchaser's discretion, of the following further conditions:

(a) Each of Deng and the Company shall have performed in all material respects all of its obligations hereunder required to be performed by it at or prior to the Closing Date.

(b) All of the representations and warranties of Deng and the Company contained in this Agreement and in any certificate or other writing delivered by Deng or the Company pursuant hereto, disregarding all qualifications and expectations contained therein relating to materiality or Material Adverse Effect, regardless of whether it involved a known risk, shall be true and correct in all material respects at and as of the Closing Date, as if made at and as of such date.

(c) Purchaser shall have received a certificate signed by Deng and an authorized officer of the Company to the effect set forth in clauses (a) and (b) of this Section 6.2.

(d) Purchaser shall have received a valuation opinion from a reputable valuation firm demonstrating that the fair market value of the Equity Interests is equal to or greater than the aggregate fair market value of the Cash Consideration and Equity Consideration.

ARTICLE VII INDEMNIFICATION

7.1 Indemnification of Deng. Purchaser hereby agrees to indemnify and hold harmless Deng, each of their Affiliates and each of his partners, employees, attorneys and agents and permitted assignees (the “Deng Indemnitees”), against and in respect of any and all out-of-pocket loss, cost, payments, demand, penalty, forfeiture, expense, liability, judgment, deficiency or damage, and diminution in value or claim (including actual costs of investigation and attorneys’ fees and other costs and expenses) (all of the foregoing collectively, “Losses”) incurred or sustained by any Deng Indemnitee as a result of or in connection with any breach, inaccuracy or nonfulfillment or the alleged breach, inaccuracy or nonfulfillment of any of the representations, warranties and covenants of Purchaser contained herein or any certificate or other writing delivered pursuant hereto.

7.2 Indemnification of Purchaser. Deng hereby agree to indemnify and hold harmless Purchaser, each of its Affiliates, and each of their members, managers, partners, directors, officers, employees, attorneys and agents and permitted assignees (the “Purchaser Indemnitees”) against and in respect of any Losses incurred or sustained by any Purchaser Indemnitee as a result of any breach, inaccuracy or nonfulfillment or the alleged breach, of any of the representations, warranties and covenants of Deng or the Company contained herein or in any certificate or other writing delivered pursuant hereto.

7.3 Indemnification Procedures. The following procedures shall apply with respect to all claims by either a Deng Indemnitee or a Purchaser Indemnitee (an “Indemnified Party”) for indemnification:

(a) An Indemnified Party shall give the Purchaser or Deng, as applicable, prompt notice (an “Indemnification Notice”) of any third-party action with respect to which such Indemnified Party seeks indemnification pursuant to Section 7.1 or 7.2 (a “Third-Party Claim”), which shall describe in reasonable detail the Loss that has been or may be suffered by the Indemnified Party. The failure to give the Indemnification Notice shall not impair any of the rights or benefits of such Indemnified Party under Section 7.1 or 7.2, except to the extent such failure materially and adversely affects the ability of Purchaser or Deng, as applicable (any of such parties, “Indemnifying Parties”) to defend such claim or increases the amount of such liability.

(b) In the case of any Third-Party Claims as to which indemnification is sought by any Indemnified Party, such Indemnified Party shall be entitled, at the sole expense and liability of the Indemnifying Parties, to exercise full control of the defense, compromise or settlement of any Third-Party Claim unless the Indemnifying Parties, within a reasonable time after the giving of an Indemnification Notice by the Indemnified Party (but in any event within ten (10) days thereafter), shall (i) deliver a written confirmation to such Indemnified Party that the indemnification provisions of Section 7.1 or 7.2 are applicable to such action and the Indemnifying Parties will indemnify such Indemnified Party in respect of such action pursuant to the terms of Section 7.1 or 7.2 and, notwithstanding anything to the contrary, shall do so without asserting any challenge, defense, limitation on the Indemnifying Parties liability for Losses, counterclaim or offset, (ii) notify such Indemnified Party in writing of the intention of the Indemnifying Parties to assume the defense thereof, and (iii) retain legal counsel reasonably satisfactory to such Indemnified Party to conduct the defense of such Third-Party Claim.

(c) If the Indemnifying Parties assume the defense of any such Third-Party Claim pursuant to Section 7.3(b), then the Indemnified Party shall cooperate with the Indemnifying Parties in any manner reasonably requested in connection with the defense, and the Indemnified Party shall have the right to be kept fully informed by the Indemnifying Parties and their legal counsel with respect to the status of any legal proceedings, to the extent not inconsistent with the preservation of attorney-client or work product privilege. If the Indemnifying Parties so assume the defense of any such Third-Party Claim the Indemnified Party shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise, or settlement thereof, but the fees and expenses of such counsel employed by the Indemnified Party shall be at the expense of such Indemnified Party unless (i) the Indemnifying Parties have agreed to pay such fees and expenses, or (ii) the named parties to any such Third-Party Claim (including any impleaded parties) include an Indemnified Party and an Indemnifying Party and such Indemnified Party shall have been advised by its counsel that there may be a conflict of interest between such Indemnified Party and the Indemnifying Parties in the conduct of the defense thereof, and in any such case the reasonable fees and expenses of such separate counsel shall be borne by the Indemnifying Parties.

(d) If the Indemnifying Parties elect to assume the defense of any Third- Party Claim pursuant to Section 7.3(b), the Indemnified Party shall not pay, or permit to be paid, any part of any claim or demand arising from such asserted liability unless the Indemnifying Parties withdraw from or fail to vigorously prosecute the defense of such asserted liability, or unless a judgment is entered against the Indemnified Party for such liability. If the Indemnifying Parties do not elect to defend, or if, after commencing or undertaking any such defense, the Indemnifying Parties fail to adequately prosecute or withdraw such defense, the Indemnified Party shall have the right to undertake the defense or settlement thereof, at the Indemnifying Parties' expense. Notwithstanding anything to the contrary, the Indemnifying Parties shall not be entitled to control, but may participate in, and the Indemnified Party (at the expense of the Indemnifying Parties) shall be entitled to have sole control over, the defense or settlement of (i) that part of any Third Party Claim (x) that seeks a temporary restraining order, a preliminary or permanent injunction or specific performance against the Indemnified Party, or (y) to the extent such Third Party Claim involves criminal allegations against the Indemnified Party or (ii) the entire Third Party Claim if such Third Party Claim would impose liability on the part of the Indemnified Party in an amount which is greater than the amount as to which the Indemnified Party is entitled to indemnification under this Agreement. In the event the Indemnified Party retains control of the Third Party Claim, the Indemnified Party will not settle the subject claim without the prior written consent of the Indemnifying Party, which consent will not be unreasonably withheld or delayed.

(e) If the Indemnified Party undertakes the defense of any such Third-Party Claim pursuant to Section 7.1 or 7.2 and proposes to settle the same prior to a final judgment thereon or to forgo appeal with respect thereto, then the Indemnified Party shall give the Indemnifying Parties prompt written notice thereof and the Indemnifying Parties shall have the right to participate in the settlement, assume or reassume the defense thereof or prosecute such appeal, in each case at the Indemnifying Parties' expense. The Indemnifying Parties shall not, without the prior written consent of such Indemnified Party settle or compromise or consent to entry of any judgment with respect to any such Third-Party Claim (i) in which any relief other than the payment of money damages is or may be sought against such Indemnified Party, (ii) in which such Third Party Claim could be reasonably expected to impose or create a monetary liability on the part of the Indemnified Party (such as an increase in the Indemnified Party's income Tax) other than the monetary claim of the third party in such Third-Party Claim being paid pursuant to such settlement or judgment, or (iii) which does not include as an unconditional term thereof the giving by the claimant, person conducting such investigation or initiating such hearing, plaintiff or petitioner to such Indemnified Party of a release from all liability with respect to such Third-Party Claim and all other actions (known or unknown) arising or which might arise out of the same facts.

7.4 Periodic Payments. Any indemnification required by Section 7.1 or 7.2 for costs, disbursements or expenses of any Indemnified Party in connection with investigating, preparing to defend or defending any action shall be made by periodic payments by the Indemnifying Parties to each Indemnified Party during the course of the investigation or defense, as and when bills are received or costs, disbursements or expenses are incurred.

7.5 Insurance. Any indemnification payments hereunder shall take into account any insurance proceeds or other third party reimbursement actually received.

7.6 Survival of Indemnification Rights. The representations and warranties of Purchaser, the Company and Deng shall survive for a twelve (12) month period following the Closing.

ARTICLE VIII TERMINATION

8.1 Termination Upon Default.

(a) Deng may terminate this Agreement by giving notice to the Purchaser on or prior to the Closing Date, without prejudice to any rights or obligations Deng may have, if Purchaser shall have materially breached any representation or warranty or breached any agreement or covenant contained herein on or prior to the Closing Date, and in either case, such breach is not cured within ten (10) days following receipt by the Purchaser of a notice describing in reasonable detail the nature of such breach.

(b) The Purchaser may terminate this Agreement by giving notice to Deng, without prejudice to any rights or obligations Purchaser or Company may have, if Deng or the Company shall have materially breached any of its covenants, agreements, representations, and warranties contained herein to be performed on or prior to the Closing Date and such breach shall not be cured by ten (10) days following receipt by Deng of a notice describing in reasonable detail the nature of such breach.

(c) In the event this Agreement is terminated by Deng pursuant to Section 8.1(a), Purchaser shall be responsible for paying all of its own expenses and those of Deng and the Company incurred in connection with this Agreement.

(d) In the event this Agreement is terminated by the Purchaser pursuant to Section 8.1(b), Deng shall be responsible for paying all of their own expenses and the expenses of Purchaser incurred in connection with this Agreement.

8.2 Survival. This Article VIII shall survive any termination hereof.

ARTICLE IX MISCELLANEOUS

9.1 Notices. Any notice hereunder shall be sent in writing, addressed as specified below, and shall be deemed given: (a) if by hand or recognized courier service, by 4:00PM on a business day, addressee's day and time, on the date of delivery, and otherwise on the first business day after such delivery; (b) if by fax or email, on the date that transmission is confirmed electronically, if by 4:00PM on a business day, addressee's day and time, and otherwise on the first business day after the date of such confirmation; or (c) five days after mailing by certified or registered mail, return receipt requested. Notices shall be addressed to the respective parties as follows (excluding telephone numbers, which are for convenience only), or to such other address as a party shall specify to the others in accordance with these notice provisions:

if to Purchaser, to:

iFresh Inc.
2-39 54th Avenue
Long Island City, NY 11101
Attention: Long Deng
Telecopy: 718-706-1586

if to Deng, to:

2-39 54th Avenue
Long Island City, NY 11101
Attn: Long Deng Fax: 718-628-3822

if to Company, to:

2-39 54th Avenue
Long Island City, NY 11101
Attn: Long Deng Fax: 718-628-3822

9.2 Amendments; No Waivers; Remedies.

(a) This Agreement cannot be amended, except by a writing signed by each party, or terminated orally or by course of conduct. No provision hereof can be waived, except by a writing signed by the party against whom such waiver is to be enforced, and any such waiver shall apply only in the particular instance in which such waiver shall have been given.

(b) Neither any failure or delay in exercising any right or remedy hereunder or in requiring satisfaction of any condition herein nor any course of dealing shall constitute a waiver of or prevent any party from enforcing any right or remedy or from requiring satisfaction of any condition. No notice to or demand on a party waives or otherwise affects any obligation of that party or impairs any right of the party giving such notice or making such demand, including any right to take any action without notice or demand not otherwise required by this Agreement. No exercise of any right or remedy with respect to a breach of this Agreement shall preclude exercise of any other right or remedy, as appropriate to make the aggrieved party whole with respect to such breach, or subsequent exercise of any right or remedy with respect to any other breach.

(c) Except as otherwise expressly provided herein, no statement herein of any right or remedy shall impair any other right or remedy stated herein or that otherwise may be available.

(d) Notwithstanding anything else contained herein, neither shall any party seek, nor shall any party be liable for, punitive or exemplary damages, under any tort, contract, equity, or other legal theory, with respect to any breach (or alleged breach) of this Agreement or any provision hereof or any matter otherwise relating hereto or arising in connection herewith.

9.3 Arms' Length Bargaining: no Presumption Against Drafter. This Agreement has been negotiated at arms-length by parties of equal bargaining strength, each represented by counsel or having had but declined the opportunity to be represented by counsel and having participated in the drafting of this Agreement. This Agreement creates no fiduciary or other special relationship between the parties, and no such relationship otherwise exists. No presumption in favor of or against any party in the construction or interpretation of this Agreement or any provision hereof shall be made based upon which Person might have drafted this Agreement or such provision.

9.4 Publicity. Except as required by law, the parties agree that neither they nor their agents shall issue any press release or make any other public disclosure concerning the transactions contemplated hereunder without the prior approval of the other party hereto.

9.5 Expenses. Except as otherwise expressly set forth herein, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such cost or expense.

9.6 No Assignment or Delegation. No party may assign any right or delegate any obligation hereunder, including by merger, consolidation, operation of law, or otherwise, without the written consent of the other party. Any purported assignment or delegation without such consent shall be void, in addition to constituting a material breach of this Agreement.

9.7 Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the state of New York, without giving effect to the conflict of laws principles thereof.

9.8 Counterparts: Facsimile Signatures. This Agreement may be executed in counterparts, each of which shall constitute an original, but all of which shall constitute one agreement. This Agreement shall become effective upon delivery to each party of an executed counterpart or the earlier delivery to each party of original, photocopied, or electronically transmitted signature pages that together (but need not individually) bear the signatures of all other parties.

9.9 Entire Agreement. This Agreement sets forth the entire agreement of the parties with respect to the subject matter hereof and thereof and supersedes all prior and contemporaneous understandings and agreements related thereto (whether written or oral), all of which are merged herein. No provision of this Agreement may be explained or qualified by any agreement, negotiations, understanding, discussion, conduct or course of conduct or by any trade usage. Except as otherwise expressly stated herein, there is no condition precedent to the effectiveness of any provision hereof or thereof. No party has relied on any representation from, warranty or agreement of any person in entering into this Agreement, prior or contemporaneous, except those expressly stated herein.

9.10 Severability. A determination by a court or other legal authority that any provision that is not of the essence of this Agreement is legally invalid shall not affect the validity or enforceability of any other provision hereof. The parties shall cooperate in good faith to substitute (or cause such court or other legal authority to substitute) for any provision so held to be invalid a valid provision, as alike in substance to such invalid provision as is lawful.

9.11 Construction of Certain Terms and References; Captions In this Agreement:

(a) References to particular sections and subsections, schedules, and exhibits not otherwise specified are cross-references to sections and subsections, schedules, and exhibits of this Agreement.

(b) The words “herein,” “hereof,” “hereunder,” and words of similar import refer to this Agreement as a whole and not to any particular provision of this Agreement, and, unless the context requires otherwise, “party” means a party signatory hereto.

(c) Any use of the singular or plural, or the masculine, feminine, or neuter gender, includes the others, unless the context otherwise requires; “including” means “including without limitation;” “or” means “and/or;” “any” means “any one, more than one, or all;” and, unless otherwise specified, any financial or accounting term has the meaning of the term under United States generally accepted accounting principles as consistently applied heretofore by party.

(d) Unless otherwise specified, any reference to any agreement (including this Agreement), instrument, or other document includes all schedules, exhibits, or other attachments referred to therein, and any reference to a statute or other law includes any rule, regulation, ordinance, or the like promulgated thereunder, in each case, as amended, restated, supplemented, or otherwise modified from time to time. Any reference to a numbered schedule means the same-numbered section of the disclosure schedule.

(e) If any action is required to be taken or notice is required to be given within a specified number of days following a specific date or event, the day of such date or event is not counted in determining the last day for such action or notice. If any action is required to be taken or notice is required to be given on or before a particular day which is not a Business Day, such action or notice shall be considered timely if it is taken or given on or before the next Business Day.

(f) Captions are not a part of this Agreement, but are included for convenience, only.

9.12 Further Assurances. Each party shall execute and deliver such documents and take such action, as may reasonably be considered within the scope of such party’s obligations hereunder, necessary to effectuate the transactions contemplated by this Agreement.

9.13 Third Party Beneficiaries. Neither this Agreement nor any provision hereof confers any benefit or right upon or may be enforced by any Person not a signatory hereto.

[The remainder of this page intentionally left blank; signature pages to follow]

IN WITNESS WHEREOF, Deng, Purchaser and the Company have each caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

DENG:

/s/ Long Deng

Long Deng

PURCHASER:

iFRESH INC.

By: /s/ Long Deng

Name: Long Deng

Title: CEO

COMPANY:

DRAGON SEEDS LLC

By: /s/ Long Deng

Name: Long Deng

Title: Manager

PURCHASE AGREEMENT

This PURCHASE AGREEMENT, dated as of December 11th, 2019, (this "Agreement") is entered into by and among iFresh Inc., a Delaware corporation (the "Company"), and the person signatory hereto (the "Investor").

RECITALS

A. The Investor wishes to purchase \$ 2,500,000 (the "Purchase Price") of the Company's Common Stock, par value \$0.0001 per share (the "Common Stock") at a price of \$ 0.38 per share, for a total of 6,578,948 shares of Common Stock (the "Shares").

B. Long Deng ("Deng"), the Company and Dragon Seeds LLC ("Dragon Seeds") entered into a Purchase Agreement dated December 11th, 2019 (the "Purchase Agreement") pursuant to which Deng will sell Deng's 70% interest in Dragon Seeds to the Company (the "Acquisition")

AGREEMENT

NOW THEREFORE, in consideration of the foregoing, and the representations, warranties, and conditions set forth below, the parties hereto, intending to be legally bound, hereby agree as follows:

1. The Purchase. By no later than the business day prior to the closing of the Acquisition, the Investor agrees to deposit the Purchase Price in a an account designated by the Company. Immediately prior to the Acquisition, the Company will sell and issue, and the Investor agrees to buy, the Shares in exchange for the Purchase Price. The Company agrees to instruct its transfer agent to issue the Shares in the name of the Investor immediately prior to the closing of the Acquisition, provided that the Company has received the Purchase Price prior thereto in the account designated by the Company.

2. Representations and Warranties of Company. The Company represents and warrants to the Investor that:

(a) Due Incorporation. Qualification. etc. The Company (i) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of organization; (ii) has the power and authority to own, lease and operate its properties and carry on its business as now conducted and proposed to be conducted; and (iii) is duly qualified and licensed to do business and in good standing in each jurisdiction in which the failure to be so qualified or licensed would have a material adverse effect.

(b) Authority. All corporate action required to be taken by the Company's Board of Directors in order to authorize the Company to enter into this Agreement and to issue the Shares has been taken. The execution, delivery and performance by the Company of this Agreement and the consummation of the transactions contemplated hereby (i) are within the power of the Company and (ii) have been duly authorized by all necessary actions on the part of the Company.

(c) Issuance of Securities. The issuance of the Shares has been duly authorized and when issued, sold and delivered in accordance with the terms and for the consideration set forth in this Agreement, will be duly and validly issued, fully paid and nonassessable and free and clear of all liens, other than restrictions on transfer imposed by applicable securities laws, and shall not be subject to preemptive or similar rights. Assuming the accuracy of the representations and warranties of the Investor in this Agreement, the Shares will be issued in compliance with all applicable federal and state securities laws.

3. Representations and Warranties of Investor. The Investor represents and warrants to the Company upon the acquisition of the Shares as follows:

(a) Organization and Authority of Investors. If the Investor is an entity, it (i) is an entity duly organized, validly existing and in good standing under the laws of its jurisdiction, (ii) has all necessary corporate power and authority to enter into this Agreement and to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by the Investor, the performance by the Investor of its obligations hereunder and the consummation by the Investor of the transactions contemplated hereby have been duly authorized by all requisite action on the part of the Investor.

(b) Binding Obligation. This Agreement has been, duly executed and delivered by the Investor, and (assuming due authorization, execution and delivery by the Company) this Agreement constitutes the legal, valid and binding obligation of the Investor, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights generally and general principles of equity.

(c) Securities Law Compliance. The Investor has been advised that the offer and sale of the Shares has not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or any other securities laws and, therefore, none of the Shares can be resold unless they are registered under the Securities Act and applicable securities laws or unless an exemption from such registration requirements is available. The Investor is purchasing the Shares for its own account for investment, not as a nominee or agent, and not with a view to, or for resale in connection with, the distribution thereof. The Investor represents that it is an "accredited investor" as such term is defined in Rule 501 of Regulation D, promulgated under the Securities Act, and that the Investor is not subject to the "Bad Actor" disqualification, as such term is defined in Rule 506 of Regulation D, promulgated under the Securities Act.

(d) Investment Experience. The Investor acknowledges that it has prior investment experience, including investments in non-listed and non-registered securities and is able to evaluate the merits and risks of such an investment, and the Investor represents that it understands the highly speculative nature of this investment which may result in the loss of the total amount of such investment. The Investor has the requisite knowledge and experience in financial and business matters that such Investor is capable of evaluating the merits and risks of such investment.

(e) No General Solicitation. The Investor acknowledges that it is not acquiring the Shares as a result of any general solicitation or advertising.

4. Miscellaneous.

(a) Waivers and Amendments. Any provision of this Agreement may be amended, waived or modified only upon the written consent of Company and a Majority in Interest.

(b) Governing Law. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York, and without giving effect to choice of laws provisions that would result in the application of the substantive law of another jurisdiction.

(c) JUDRISDICTION: SERVICE: WAIVERS. ANY ACTION OR PROCEEDING IN CONNECTION WITH THIS AGREEMENT MAY BE BROUGHT IN A COURT OF RECORD OF THE STATE OF NEW YORK IN THE COUNTY OF NEW YORK. THE PARTIES TO THIS AGREEMENT HEREBY CONSENT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS OF THE STATE OF NEW YORK, AND SERVICE OF PROCESS MAY BE MADE UPON THE PARTIES TO THIS AGREEMENT BY MAILING A COPY OF THE SUMMONS AND ANY COMPLAINT TO SUCH PERSON, BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, AT ITS ADDRESS TO BE USED FOR THE GIVING OF NOTICES UNDER THIS AGREEMENT. BY ACCEPTANCE HEREOF, THE PARTIES HERETO EACH HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OR MAINTAINING OF ANY SUCH ACTION OR PROCEEDING IN SUCH JURISDICTION.

(d) Survival. The representations, warranties, covenants and agreements made herein shall survive the execution and delivery of this Agreement.

(e) Entire Agreement. This Agreement constitutes and contains the entire agreement among Company and the Investor and supersede any and all prior agreements, negotiations, correspondence, understandings and communications among the parties, whether written or oral, respecting the subject matter hereof.

(f) Notices. All notices, requests, demands, consents, instructions or other communications required or permitted hereunder shall in writing and faxed, mailed or delivered to each party as follows:

(i) if to the Investor, at such Investor's address or facsimile number set forth on the signature page hereto, or at such other address as such Investor shall have furnished Company in writing,

or

(ii) if to the Company, at:

iFresh Inc.
2-39 54th Avenue
Long Island City, New York
Telephone: [(718) 628-6200]
Facsimile: [(718) 552-3158]

or at such other address or facsimile number as the Company shall have furnished to the Investors in writing. All such notices and communications shall be effective (a) when sent by Federal Express or other overnight service of recognized standing, on the business day following the deposit with such service; (b) when mailed, postage prepaid and addressed as aforesaid, upon receipt; (c) when delivered by hand, upon delivery; and (d) when faxed or sent by e-mail, upon confirmation of receipt.

(g) Severability. If any provision of this Agreement shall be judicially determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(h) Headings. Article, section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

(i) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall be deemed to constitute one instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date and year first written above.

COMPANY:

iFRESH INC.

By: /s/ Long Deng
Name: Long Deng
Title: President

OMNIBUS INVESTOR SIGNATURE PAGE TO
iFRESH INC.
PURCHASE AGREEMENT

The undersigned, in its capacity as an Investor, hereby executes and delivers the Purchase Agreement to which this signature page is attached and agrees to be bound by the Purchase Agreement on the date set forth on the first page of the Purchase Agreement. This counterpart signature page, together with all counterparts of the Purchase Agreement and signature pages of the other parties named therein, shall constitute one and the same instrument in accordance with the terms of the Purchase Agreement.

Jian Chen

[Print Name of Investor]

[Name of Co-Investor, if applicable]

/s/ Jian Chen

[Signature]

[Signature]

Name: Jian Chen
Title: _____

Name: _____
Title: _____

Mailing Address:
33-6, building 9, Impression West
District, Gangcheng, Jiangbei District,
Chongqing China

Telephone No.: (86) 15823204485

Facsimile No: _____

Email Address: 578790335@qq.com

(City, State and Zip)

Taxpayer ID Number: _____

CONVERSION AGREEMENT

THIS CONVERSION AGREEMENT (this "Agreement"), dated as of December 11th, 2019, is entered into by and between Long Deng (the "Purchaser"), and iFresh Inc., a Delaware corporation (the "Company"). The Purchaser and the Company are sometimes referred to individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, the Purchaser, the Company and Dragon Seeds LLC ("Dragon Seeds") entered into a Purchase Agreement dated December [11th], 2019 (the "Purchase Agreement") pursuant to which the Purchaser will sell Purchaser's 70% interest in Dragon Seeds to the Company (the "Acquisition");

WHEREAS, the Company is obligated to repay \$3,500,000 of loans to the to the Purchaser, as specified on Schedule A attached hereto (the "Loans");

WHEREAS, the Purchaser has agreed to convert the loans into 9,210,526 shares of the Company's common stock (the "Common Stock") concurrently with closing of the Acquisition (the "Conversion");

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

1. Capitalized Terms. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Purchase Agreement.
2. Convertible Note Conversion. Immediately prior to the closing of the Acquisition, (i) all outstanding principal under the Loans, plus (ii) any and all interest accrued on the Loans, shall automatically convert (the "Loan Conversion") into 9,210,526 shares of Common Stock (the "Shares"). Upon the consummation of the Loan Conversion, the Loans shall be cancelled and all rights and obligations thereunder shall be terminated.
3. Entire Agreement. This Agreement constitutes the entire agreement of the Parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements and understandings, both written and oral, between the Parties with respect thereto.
4. Conflicting Terms. In the event of any inconsistency or conflict between the Loans and this Agreement, the terms, conditions and provisions of this Agreement shall govern and control.
5. Agreements. No agreement, supplement, modification or waiver of this Agreement shall be binding unless executed in writing by all Parties hereto.
6. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract. Each party hereto shall be entitled to rely on a facsimile or "PDF" signature of any other party hereunder as if it were an original.
7. Governing Law. THIS AGREEMENT SHALL BE GOVERNED IN ALL RESPECTS, INCLUDING AS TO VALIDITY, INTERPRETATION AND EFFECT, BY THE LAWS OF THE STATE OF NEW YORK.
8. Assignment. This Agreement shall not be assignable or otherwise transferable by any Party hereto without the prior written consent of the other Party hereto, and any purported assignment or other transfer without such consent shall be void and unenforceable. Notwithstanding the foregoing, Purchaser may assign its rights under this Agreement to an Affiliate of Purchaser upon prior written notice to the Company.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

/s/ Long Deng

Name: Long Deng

IFRESH INC.

By: /s/ Long Deng

Name: Long Deng

Title: President

SCHEDULE A

LOANS

January 6, 2020

Long Deng
c/o iFresh, Inc.
2-39 54th Avenue
Long Island City, NY 11101

Dear Mr. Deng:

Reference is made to the Conversion Agreement dated December 11, 2019 (the "Agreement"), by and between you (the "Purchaser") and iFresh, Inc. (the "Company"). Capitalized terms used but not defined herein shall have the same meaning as such capitalized terms have in the Agreement.

Upon execution of this letter agreement, Section 2 of the Agreement is hereby amended by deleting the phrase "December 31, 2019" and replacing it with "January 15, 2020".

This letter agreement sets forth the entire agreement and understanding between us as to the subject matter hereof and merges and supersedes all prior discussions, agreements and understandings of any and every nature among us. Except as set forth in this letter agreement, provisions of the Agreement which are not inconsistent with this letter agreement shall remain in full force and effect. This letter agreement may be executed in counterparts.

Very truly yours,
iFRESH, INC.

By: _____
Name:
Title:

Accepted and Agreed:

Name: Long Deng

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Long Deng, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of iFresh, 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(s) 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)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my 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; and
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my 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 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(s) 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 over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2020

/s/ Long Deng
Long Deng
Chief Executive Officer
(Principal executive officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Long Yi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of iFresh, 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(s) 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)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my 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; and
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my 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 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(s) 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 over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2020

/s/ Long Yi

Long Yi
Chief Financial Officer
(Principal financial and accounting officer)

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

In connection with the Quarterly Report of iFresh, Inc. (the "Company") on Form 10-Q for the period ended December 31, 2019 as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: February 14, 2020

/s/ Long Deng
Long Deng
Chief Executive Officer
(Principal executive officer)

Date: February 14, 2020

/s/ Long Yi
Long Yi
Chief Financial Officer
(Principal financial and accounting officer)

