

BARFRESH FOOD GROUP INC.  
Form POS AM  
June 15, 2018

**AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 15, 2018**

**REGISTRATION STATEMENT NO. 333-215322**

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Post -Effective Amendment No. 1 to**

**FORM S-1**

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

**BARFRESH FOOD GROUP, INC.**

(Name of small business issuer in its charter)

|   |   |   |
|---|---|---|
| Delaware  | 2038  | 27-1994406                              |
| (State or jurisdiction of<br>incorporation or organization) | (Primary Standard Industrial<br>Classification Code Number) | (I.R.S. Employer<br>Identification No.) |

8383 Wilshire Blvd., Suite 750

Beverly Hills, California 90211

Telephone: (310) 598-7113

(Address and telephone number of principal executive offices and principal place of business)

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Approximate date of proposed sale to the public:

From time to time after the effective date hereof.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434 under the Securities Act, check the following box. [ ]

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

Large Accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [ ] Smaller reporting company [X]

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

**SUBJECT TO COMPLETION, DATED JUNE 15 , 2018**

**PROSPECTUS**

30,411,200 Shares of Common Stock

This prospectus relates to 30,411,200 shares of our common stock, par value \$0.000001 per share, of which 10,190,862 are issuable upon exercise of warrants, that may be sold from time to time by the selling shareholders listed under the caption "Selling Shareholders". All of the shares, when sold, will be sold by these selling shareholders. The selling shareholders may sell these shares from time to time in the open market at prevailing prices or in individually negotiated transactions through agents designated from time to time or through underwriters or dealers. We will not control or determine the price at which the selling shareholders decide to sell their shares. See "Plan of Distribution". The selling shareholders may be deemed underwriters of the shares of common stock that they are offering. We will pay the expenses of registering these shares.

We are not selling any shares of common stock in this offering and therefore will not receive any proceeds from the sale of common stock hereunder. We will receive proceeds from any exercise of outstanding warrants by the selling shareholders if and when those warrants are exercised for cash.

Our common stock is traded on the OTCQB under the symbol BRFH. On June 14, 2018 the last reported sale price of our common stock was \$0.65 per share.

**INVESTING IN OUR COMMON STOCK INVOLVES SUBSTANTIAL RISK. IN REVIEWING THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE MATTERS DESCRIBED UNDER THE HEADING "RISK FACTORS" BEGINNING ON PAGE 7.**

Neither we nor any selling shareholder has authorized any dealer, salesman or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES, OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THIS IS NOT AN OFFER TO SELL NOR A SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY JURISDICTION WHERE IT WOULD BE UNLAWFUL.

The date of this prospectus is June [ ], 2018

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## **PROSPECTUS SUMMARY**

This summary highlights selected information contained elsewhere in this prospectus. To understand this offering fully, you should read the entire prospectus carefully, including the “Risk Factors” section, the financial statements and the notes to the financial statements. Unless the context otherwise requires, references contained in this prospectus to the “Company”, “Barfresh”, “we”, “us” or “our” shall mean Barfresh Food Group Inc., a Delaware corporation.

## **BARFRESH FOOD GROUP INC.**

### **Our Company**

#### **Business Overview**

Barfresh is a leader in the creation, manufacturing and distribution of ready to blend frozen beverages. The current portfolio of products includes smoothies, shakes and frappes. Products are packaged in two distinct formats. The Company’s original single serve format features portion controlled and ready to blend beverage ingredient packs or “beverage packs”. The beverage packs contain all of the solid ingredients necessary to make the beverage, including the base (either sorbet, frozen yogurt or ice cream), real fruit pieces, juices and ice – five ounces of water are added before blending. The Company’s bulk “Easy Pour” format also contains all of the solid ingredients necessary to make the beverage, packaged in gallon containers in a concentrated formula that is mixed “one to one” with water. The Company has recently launched a “no sugar added” version of the bulk “Easy Pour” format that is specifically targeted for the USDA national school meal program, including the School Breakfast Program, the National School Lunch Program, and Smart Snacks in Schools Program.

Domestic and international patents and patents pending are owned by Barfresh, as well as related trademarks for all of the single serve products. Patent rights have been granted in 13 jurisdictions including the United States. In addition, the Company has purchased all of the trademarks related to the patented products.

The Company conducts sales through several channels, including National Accounts, Regional Accounts, and Broadline Distributors. Barfresh’s primary broadline distribution arrangement is through an exclusive nationwide agreement with Sysco Corporation (“Sysco”), the U.S.’s largest broadline distributor, which was entered into during July 2014, and renewed for an additional two year term on October 2, 2017.



During 2016 and 2017 the Company announced that it had signed supply agreements with several of the major global on-site foodservice operators. On March 8, 2018, the Company announced that it had signed a new supply agreement with one of the largest of these foodservice operators, for exclusive distribution of four of Barfresh's single serve sku's to approximately one thousand food service locations. Distribution of product to these locations through SYSCO will begin during April of 2018. This new agreement, marks the culmination of successful in market tests conducted at several locations, and makes Barfresh's blended beverages available across many of the most attractive locations of the customer's diverse customer base.

The Company also sells to broadline distributors that supply products to the food services market place. Effective July 2, 2014, the Company entered into an exclusive agreement with Sysco Merchandising and Supply Chain Services, Inc. for resale by the Sysco Corporation ("Sysco") to the foodservice industry of the Company's ready-to-blend smoothies, shakes and frappes. Pursuant to that agreement, all Barfresh products are included in Sysco's national core selection of beverage items, making Barfresh its exclusive single-serve, pre-portioned beverage provider. The agreement is mutually exclusive; however, Barfresh may also sell the products to other foodservice distributors, but only to the extent required for such foodservice distributors to service multi-unit chain operators with at least 20 units and where Sysco is not such multi- unit chain operator's nominated distributor for our products. On October 2, 2017, the Sysco agreement was extended for an additional two year period, and expanded to cover bulk easy pour products, on a non-exclusive basis.

On October 26, 2015, Barfresh signed a five year agreement with PepsiCo North America Beverages, a division of PepsiCo, to become its exclusive sales representative within the food service channel to present Barfresh's line of ready-to-blend smoothies and frozen beverages throughout the United States and Canada. Through this agreement, Barfresh' products are included as part of PepsiCo's offerings to its significant customer base. The agreement facilitates access to potential National customer accounts, through introductions provided by PepsiCo's one-thousand plus person foodservice sales team. Barfresh products have become part of PepsiCo's customer presentations at national trade shows and similar venues.

Barfresh utilizes contract manufacturers to manufacture all of its products in the United States. Production lines are currently operational at two locations. The first location is in Salt Lake City, which currently produces both bulk easy pour and single serve products. Annual production capacity with this contract manufacturer is 14 million units per year. The second location is with Yarnell Operations, LLC, a subsidiary of Shulze and Burch, located in Arkansas. The Yarnell's agreement, which was signed during February, 2016, and secures the capacity to ramp up to an incremental production capacity of 100 million units. Yarnell's location enhances the company's ability to efficiently move product throughout the supply chain to destinations in the eastern United States, home to many of the country's large foodservice outlets.

Our corporate office is located at 8383 Wilshire Blvd., Suite 750, Beverly Hills, CA 90211. Our telephone number is (310) 598-7113 and our website is [www.barfresh.com](http://www.barfresh.com).

### **Corporate History and Background**

The Company, which was incorporated in Delaware on February 25, 2010, was originally formed to produce movies. As the result of the reverse merger, more fully described below, the Company is now engaged in the manufacturing and distribution of ready to blend beverages, particularly, smoothies, shakes and frappes.

## Registrable Securities

On November 23, 2016, the Company entered into a securities purchase agreement and investor rights agreement with Unibel, the majority shareholder of Bel Group (“Unibel”). Pursuant to the securities purchase agreement, Unibel purchased 15,625,000 shares of common stock at \$0.64 per share and Series K Warrants to purchase 7,812,500 shares of common stock for aggregate gross proceeds to Barfresh of \$10 million. The Series K Warrants are exercisable for a term of five years at a per share price of \$0.88 for cash. The shares of common stock and common stock issuable upon exercise of the Series K warrants have the registration rights set forth in the investor rights agreement between the Company and purchasers.

Pursuant to a securities purchase agreement between the Company and certain accredited investors, in September, 2016 and October, 2016, the Company sold 4,687,502 shares of common stock and Series J Warrants to purchase 2,343,757 shares of common stock for aggregate gross proceeds to the Company of approximately \$2.3 million. The Series J warrants are exercisable for a term of five years at a per share price of \$0.75. The shares of common stock and common stock issuable upon exercise of the Series J Warrants have the registration rights set forth in a registration rights agreement between the Company and purchasers. The Company issued an additional 74,687 Series J Warrant to placement agents as compensation for services in the offering.

## SUMMARY OF THE OFFERING

Up to 30,411,200 shares of our common stock, par value \$0.000001 per share, of which 2,374,362 are issuable upon exercise of Series J Warrants and 7,812,500 are issuable upon exercise of Series K Warrants.

The Offering Series J Warrants may be exercised by the payment of the exercise price of \$0.75 per share for a term of five years ending in cash or via cashless exercise.

The Series K Warrants may be exercised by the payment of the exercise price of \$0.88 per share for cash for a term of five years.

Trading Market OTCQB under the symbol “BRFH”

Offering Period We are registering the selling shareholders’ shares to allow the selling shareholders the opportunity to sell their shares. The shares of common stock being registered include such indeterminate number of shares of common stock as may be issuable with respect to the shares of common stock being registered hereunder as a result of stock splits, stock dividends or similar transactions. The shares of common stock being registered do not include additional shares of common stock issuable as a result of changes in market price of the common stock, issuance by us of shares of equity securities below a certain price or other anti-dilutive adjustments or variables not covered by Rule 416 (“Rule 416”) under the Securities Act of 1933, as amended (“Securities Act”).

Risk Factors The shares being offered are speculative and involve very high risks, including those listed in “Risk Factors”.

Net Proceeds We will not receive any proceeds from the sale of any shares by selling shareholders. However, we may receive up to an aggregate of \$8,655,772 from the exercise by selling shareholders of warrants to purchase the common stock we are registering under this registration statement.

Use of Proceeds We expect to use any cash proceeds we receive from the exercise of warrants by selling shareholders for general working capital purposes.

## **RISK FACTORS**

*An investment in the Company's securities involves significant risks, including the risks described below. You should carefully consider the risks described below before purchasing the shares. The risks highlighted here are not the only ones that the Company faces. For example, additional risks presently unknown to us or that we currently consider immaterial or unlikely to occur could also impair our operations. If any of the risks or uncertainties described below or any such additional risks and uncertainties actually occur, our business, prospects, financial condition or results of operations could be negatively affected, and you might lose all or part of your investment.*

### **Risks Related to Our Business**

#### ***We have a history of operating losses***

We have a history of operating losses and may not achieve or sustain profitability. These operating losses have been generated while we market to potential customers. We cannot guarantee that we will become profitable. Even if we achieve profitability, given the competitive and evolving nature of the industry in which we operate, we may be unable to sustain or increase profitability and our failure to do so would adversely affect the Company's business, including our ability to raise additional funds.

#### ***A worsening of economic conditions or a decrease in consumer spending may adversely impact our ability to implement our business strategy.***

Our success depends to a significant extent on discretionary consumer spending, which is influenced by general economic conditions and the availability of discretionary income. There is no certainty regarding economic conditions in the United States, and credit and financial markets and confidence in economic conditions could deteriorate at any time. Accordingly, we may experience declines in revenue during economic turmoil or during periods of uncertainty. Any material decline in the amount of discretionary spending, leading cost-conscious consumers to be more selective in restaurants visited, could have a material adverse effect on our revenue, results of operations, business and financial condition.

#### ***The challenges of competing with the many food services businesses may result in reductions in our revenue and operating margins.***

We compete with many well-established companies, food service and otherwise, on the basis of taste, quality and price of product offered, customer service, atmosphere, location and overall guest experience. Our success depends, in part, upon the popularity of our products and our ability to develop new menu items that appeal to consumers across all four day parts. Shifts in consumer preferences away from our products, our inability to develop new menu items that appeal to consumers across all day parts, or changes in our menu that eliminate items popular with some consumers could harm our business. We compete with other smoothie and juice bar retailers, specialty coffee retailers, yogurt and ice cream shops, bagel shops, fast-food restaurants, delicatessens, cafés, take-out food service companies, supermarkets and convenience stores. Our competitors change with each of the four day parts, ranging from coffee bars and bakery cafés to casual dining chains. Many of our competitors or potential competitors have substantially greater financial and other resources than we do, which may allow them to react to changes in the market quicker than we can. In addition, aggressive pricing by our competitors or the entrance of new competitors into our markets, could reduce our revenue and operating margins. We also compete with other employers in our markets for workers and may become subject to higher labor costs as a result of such competition.

***Fluctuations in various food and supply costs, particularly fruit and dairy, could adversely affect our operating results.***

Supplies and prices of the various ingredients that we are going to use to can be affected by a variety of factors, such as weather, seasonal fluctuations, demand, politics and economics in the producing countries.

These factors subject us to shortages or interruptions in product supplies, which could adversely affect our revenue and profits. In addition, the prices of fruit and dairy, which are the main ingredients in our products, can be highly volatile. The fruit of the quality we seek tends to trade on a negotiated basis, depending on supply and demand at the time of the purchase. An increase in pricing of any fruit that we are going to use in our products could have a significant adverse effect on our profitability. We cannot assure you that we will be able to secure our fruit supply.

***Our business depends substantially on the continuing efforts of our senior management and other key personnel, and our business may be severely disrupted if we lose their services.***

Our future success heavily depends on the continued service of our senior management and other key employees. If one or more of our senior executives is unable or unwilling to continue to work for us in his present position, we may have to spend a considerable amount of time and resources searching, recruiting, and integrating a replacement into our operations, which would substantially divert management's attention from our business and severely disrupt our business. This may also adversely affect our ability to execute our business strategy.

***Our senior management's limited experience managing a publicly traded company may divert management's attention from operations and harm our business.***

With the exception of our Chief Financial Officer, our senior management team has relatively limited experience managing a publicly traded company and complying with federal securities laws, including compliance with recently adopted disclosure requirements on a timely basis. Our management will be required to design and implement appropriate programs and policies in responding to increased legal, regulatory compliance and reporting requirements, and any failure to do so could lead to the imposition of fines and penalties and harm our business.

***We may be unable to attract and retain qualified, experienced, highly skilled personnel, which could adversely affect the implementation of our business plan.***

Our success depends to a significant degree upon our ability to attract, retain and motivate skilled and qualified personnel. As we become a more mature company in the future, we may find recruiting and retention efforts more challenging. If we do not succeed in attracting, hiring and integrating excellent personnel, or retaining and motivating existing personnel, we may be unable to grow effectively. The loss of any key employee, including members of our senior management team, and our inability to attract highly skilled personnel with sufficient experience in our industries could harm our business.

***Product liability exposure may expose us to significant liability.***

We may face an inherent business risk of exposure to product liability and other claims and lawsuits in the event that the development or use of our technology or prospective products is alleged to have resulted in adverse effects. We may not be able to avoid significant liability exposure. Although we believe our insurance coverage to be adequate, we may not have sufficient insurance coverage, and we may not be able to obtain sufficient coverage at a reasonable cost. An inability to obtain product liability insurance at acceptable cost or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of our products. A product liability claim could hurt our financial performance. Even if we ultimately avoid financial liability for this type of exposure, we may incur significant costs in defending ourselves that could hurt our financial performance and condition.

***Our inability to protect our intellectual property rights may force us to incur unanticipated costs.***

Our success will depend, in part, on our ability to obtain and maintain protection in the United States and internationally for certain intellectual property incorporated into our products. Our intellectual property rights may be

challenged, narrowed, invalidated or circumvented, which could limit our ability to prevent competitors from marketing similar solutions that limit the effectiveness of our patent protection and force us to incur unanticipated costs. In addition, existing laws of some countries in which we may provide services or solutions may offer only limited protection of our intellectual property rights.

***Our products may infringe the intellectual property rights of third parties, and third parties may infringe our proprietary rights, either of which may result in lawsuits, distraction of management and the impairment of our business.***

As the number of patents, copyrights, trademarks and other intellectual property rights in our industry increases, products based on our technology may increasingly become the subject of infringement claims. Third parties could assert infringement claims against us in the future. Infringement claims with or without merit could be time consuming, result in costly litigation, cause product shipment delays or require us to enter into royalty or licensing agreements. Royalty or licensing agreements, if required, might not be available on terms acceptable to us, or at all. We may initiate claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. Litigation to determine the validity of any claims, whether or not the litigation is resolved in our favor, could result in significant expense to us and divert the efforts of our technical and management personnel from productive tasks. If there is an adverse ruling against us in any litigation, we may be required to pay substantial damages, discontinue the use and sale of infringing products and expend significant resources to develop non-infringing technology or obtain licenses to infringing technology. Our failure to develop or license a substitute technology could prevent us from selling our products.

***If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, our share price and trading volume could decline.***

The trading market for our common stock may be impacted, in part, by the research and reports that securities or industry analysts publish about our business or us. There can be no assurance that analysts will cover us, continue to cover us or provide favorable coverage. If one or more analysts downgrade our stock or change their opinion of our stock, our share price may decline. In addition, if one or more analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

***We will continue to incur increased costs as a result of operating as a public company, and our management will be required to devote substantial time to compliance initiatives and corporate governance practices.***

As a public company, we will continue to incur significant legal, accounting and other expenses. The Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act and other applicable securities rules and regulations impose various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel



will need to continue to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and make some activities more time-consuming and costly.

We cannot predict or estimate the amount of additional costs we may incur to continue to operate as a public company, nor can we predict the timing of such costs. These rules and regulations are often subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

***We have identified material weaknesses in our internal control over financial reporting. If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud.***

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, we are required to furnish a report by our management on our internal control over financial reporting. As such, our management has conducted this evaluation and, as of December 31, 2017, identified the following material weakness in the Company's internal control over financial reporting:

Inadequate Segregation of Duties: We have an inadequate number of personnel to properly implement certain control procedures related to segregation of duties.

Management has concluded that our disclosure controls and procedures are not effective. Effective internal control over financial reporting is necessary to provide reliable financial reports and effectively prevent fraud. If we cannot provide reliable financial reports or prevent fraud, our operating results could be harmed. We will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to modify and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Continued identification of one or more material weaknesses in our internal control over financial reporting could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

***Failure to comply with the United States Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences.***

As a Delaware corporation, we are subject to the United States Foreign Corrupt Practices Act, which generally prohibits United States companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Some foreign companies, including some that may compete with our Company, may not be subject to these prohibitions. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices may occur from time-to-time in countries in which we conduct our business. However, our employees or

other agents may engage in conduct for which we might be held responsible. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences that may have a material adverse effect on our business, financial condition and results of operations.

**Risks Related to Ownership of Our Common Stock**

*Our common stock is quoted on the OTCQB, which may have an unfavorable impact on our stock price and liquidity.*

Our common stock is quoted on the OTCQB, which is a significantly more limited trading market than the New York Stock Exchange, or the NASDAQ Stock Market. The quotation of the Company's shares on the OTCQB may result in a less liquid market available for existing and potential shareholders to trade shares of our common stock, could depress the trading price of our common stock and could have a long-term adverse impact on our ability to raise capital in the future.

***There is limited liquidity on the OTCQB, which may result in stock price volatility and inaccurate quote information.***

When fewer shares of a security are being traded on the OTCQB, volatility of prices may increase and price movement may outpace the ability to deliver accurate quote information. Due to lower trading volumes in shares of our common stock, there may be a lower likelihood of one's orders for shares of our common stock being executed, and current prices may differ significantly from the price one was quoted at the time of one's order entry.

***If we are unable to adequately fund our operations, we may be forced to voluntarily file for deregistration of our common stock with the SEC.***

Compliance with the periodic reporting requirements required by the SEC consumes a considerable amount of both internal, as well external, resources and represents a significant cost for us. If we are unable to continue to devote adequate funding and the resources needed to maintain such compliance, while continuing our operations, we could be forced to deregister with the SEC. After the deregistration process, our common stock would only be tradable on the "Pink Sheets" and could suffer a decrease in or absence of liquidity.

***Because we became public by means of a "reverse merger", we may not be able to attract the attention of major brokerage firms.***

Additional risks may exist since we became public through a "reverse merger". Securities analysts of major brokerage firms may not provide coverage of us since there is little incentive to brokerage firms to recommend the purchase of our common stock. We cannot assure you that brokerage firms will want to conduct any secondary offerings on behalf of our Company in the future.

***Future sales of our common stock in the public market could lower the price of our common stock and impair our ability to raise funds in future securities offerings.***

Future sales of a substantial number of shares of our common stock in the public market, or the perception that such sales may occur, could adversely affect the then prevailing market price of our common stock and could make it more difficult for us to raise funds in the future through a public offering of our securities.

***Our common stock is thinly traded, so you may be unable to sell at or near asking prices or at all if you need to sell your shares to raise money or otherwise desire to liquidate your shares.***

Currently, the Company's common stock is quoted in the OTCQB and future trading volume may be limited by the fact that many major institutional investment funds, including mutual funds, as well as individual investors follow a policy of not investing in OTCQB stocks and certain major brokerage firms restrict their brokers from recommending OTCQB stocks because they are considered speculative, volatile and thinly traded. The OTCQB market is an inter-dealer market much less regulated than the major exchanges and our common stock is subject to abuses, volatility and shorting. Thus, there is currently no broadly followed and established trading market for the Company's common stock. An established trading market may never develop or be maintained. Active trading markets generally result in lower price volatility and more efficient execution of buy and sell orders. Absence of an active trading market reduces the liquidity of the shares traded there.

The trading volume of our common stock has been and may continue to be limited and sporadic. As a result of such trading activity, the quoted price for the Company's common stock on the OTCQB may not necessarily be a reliable indicator of its fair market value. Further, if we cease to be quoted, holders would find it more difficult to dispose of our common stock or to obtain accurate quotations as to the market value of the Company's common stock and as a result, the market value of our common stock likely would decline.

***Our common stock is subject to price volatility unrelated to our operations.***

The market price of our common stock could fluctuate substantially due to a variety of factors, including market perception of our ability to achieve our planned growth, quarterly operating results of other companies in the same industry, trading volume in our common stock, changes in general conditions in the economy and the financial markets or other developments affecting the Company's competitors or the Company itself. In addition, the OTCQB is subject to extreme price and volume fluctuations in general. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to their operating performance and could have the same effect on our common stock.

***We are subject to penny stock regulations and restrictions and you may have difficulty selling shares of our common stock.***

Our common stock is currently quoted on the OTCQB. Our common stock is subject to the requirements of Rule 15(g)-9, promulgated under the Securities Exchange Act as long as the price of our common stock is below \$5.00 per share. Under such rule, broker-dealers who recommend low-priced securities to persons other than established customers and accredited investors must satisfy special sales practice requirements, including a requirement that they make an individualized written suitability determination for the purchaser and receive the purchaser's consent prior to the transaction. The Securities Enforcement Remedies and Penny Stock Reform Act of 1990, also requires additional disclosure in connection with any trades involving a stock defined as a penny stock. Generally, the Commission

defines a penny stock as any equity security not traded on a national exchange that has a market price of less than \$5.00 per share. The required penny stock disclosures include the delivery, prior to any transaction, of a disclosure schedule explaining the penny stock market and the risks associated with it. Such requirements could severely limit the market liquidity of the securities and the ability of purchasers to sell their securities in the secondary market.

***Because we do not intend to pay dividends, shareholders will benefit from an investment in our common stock only if it appreciates in value.***

We have never declared or paid any cash dividends on our preferred stock or common stock. For the foreseeable future, it is expected that earnings, if any, generated from our operations will be used to finance the growth of our business, and that no dividends will be paid to holders of the Company's common stock. As a result, the success of an investment in our common stock will depend upon any future appreciation in its value. There can be no guarantee that our common stock will appreciate in value.

***The price of our common stock may become volatile, which could lead to losses by investors and costly securities litigation.***

The trading price of our common stock is likely to be highly volatile and could fluctuate in response to factors such as:

actual or anticipated variations in our operating results;

announcements of developments by us or our competitors;

announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;

adoption of new accounting standards affecting the our industry;

additions or departures of key personnel;

introduction of new products by us or our competitors;

sales of our common stock or other securities in the open market; and

other events or factors, many of which are beyond our control.

The stock market is subject to significant price and volume fluctuations. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been initiated against such a company. Litigation initiated against us, whether or not successful, could result in substantial costs and diversion of our management's attention and Company resources, which could harm our business and financial condition.

***Investors may experience dilution of their ownership interests because of the future issuance of additional shares of our common stock.***

We intend to continue to seek financing through the issuance of equity or convertible securities to fund our operations. In the future, we may also issue additional equity securities resulting in the dilution of the ownership interests of our present shareholders. We may also issue additional shares of our common stock or other securities that are convertible into or exercisable for our common stock in connection with hiring or retaining employees, future acquisitions or for other business purposes. The future issuance of any such additional shares of common stock will result in dilution to our shareholders and may create downward pressure on the trading price of our common stock.

***Provisions in our corporate charter documents and under Delaware law could make an acquisition of our company, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.***

Provisions in our certificate of incorporation and our bylaws may discourage, delay or prevent a merger, acquisition or other change in control of our company that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.



## NOTE REGARDING FORWARD LOOKING STATEMENTS

This prospectus, including the sections entitled “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business,” contains forward-looking statements. We may, in some cases, use words such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “should”, “will”, “would” or the negative of those terms, and similar expressions that convey uncertainty of future events or outcomes to identify these forward-looking statements. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. Forward-looking statements in this prospectus include, but are not limited to, statements about:

the success, cost and timing of our sales and licensing activities;

our ability to attract collaborators with development, marketing and commercialization expertise;

the size and growth potential of the markets for our products, and our ability to serve those markets;

the performance of our third-party suppliers and manufacturers;

our ability to attract and retain key management personnel;

the accuracy of our estimates regarding expenses, future revenues, capital requirements and needs for additional financing; and

our expectations regarding our ability to maintain and protect intellectual property protection for our products.

These forward-looking statements reflect our management’s beliefs and views with respect to future events and are based on estimates and assumptions as of the date of this prospectus and are subject to risks and uncertainties. We discuss many of these risks in greater detail under “Risk Factors”. In addition, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of the forward-looking statements in this prospectus by these cautionary statements. Except as required by law, we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

## **USE OF PROCEEDS**

We will not receive any of the proceeds from the sale of the shares of common stock offered under this prospectus by the selling shareholders. Rather, the selling shareholders will receive those proceeds directly.

However, we may receive up to an aggregate of \$8,655,772 from the exercise by selling shareholders of warrants to purchase the common stock we are registering under this registration statement. We expect to use any cash proceeds from the exercise of warrants for general working capital purposes.

## **SELLING SHAREHOLDERS**

We are registering 30,411,200 shares of our common stock, par value \$0.000001 per share, of which 2,374,362 are issuable upon exercise of Series J Warrants and 7,812,500 are issuable upon exercise of Series K Warrants.

The shares of common stock being registered include such indeterminate number of shares of common stock as may be issuable with respect to the shares of common stock being registered hereunder only as a result of stock splits, stock dividends or similar transactions.

The shares of common stock being registered do not include additional shares of common stock issuable as a result of changes in market price of the common stock, issuance by us of equity securities below a certain price or other anti-dilutive adjustments or variables not covered by Rule 416. All shares that may be issued will be restricted securities as that term is defined in Rule 144 under the Securities Act, and will remain restricted unless and until such shares are sold pursuant to this prospectus, or otherwise are sold in compliance with Rule 144.

No shareholder may offer or sell shares of our common stock under this prospectus unless such shareholder has notified us of such shareholder's intention to sell shares of our common stock and the registration statement of which this prospectus is a part has been declared effective by the SEC and remains effective at the time such selling shareholder offers or sells such shares. We are required to amend the registration statement of which this prospectus is a part to reflect material developments in our business and current financial information. Each time we file a post-effective amendment to our registration statement with the SEC, it must first become effective prior to the offer or sale of shares of our common stock by the selling shareholders.

The following table sets forth as of May 25, 2018, information regarding the current ownership of our common stock by the persons identified, based on information provided to us by them, which we have not independently verified. We have assumed for purposes of the table that the selling shareholders will sell all of the shares offered by this

prospectus. The selling shareholders may, from time to time, offer all or some of their shares under this prospectus or in another manner. No assurance can be given as to the actual number of shares that will be resold by the selling shareholders (or any of them). In addition, a selling shareholder may have already sold or otherwise disposed of shares in transactions exempt from the registration requirements of the Securities Act. The selling shareholders are not making any representation that the shares covered by this prospectus will be offered for sale. Except as set forth below, no selling shareholder has held any position nor had any material relationship with our affiliates or us during the past three years. Except as set forth below, each of the selling shareholders has advised the Company that it is not a registered broker-dealer or an affiliate of a registered broker-dealer.

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| Name of Selling Shareholder   | Number of                    |                                | Number of Shares |                | Percent of Shares Owned After Offering |   |
|---|------------------------------|--------------------------------|------------------|----------------|--|---|
|   | Shares Owned Before Offering | Number of Shares Being Offered | Owned            | After Offering |  |   |
| James Besser  | 468,750                      | 468,750                        | 1                | 0              | 0                                      |   |
| JEB Partners L.P. <sup>2</sup>  | 1,171,875                    | 1,171,875                      | 3                | 0              | 0                                      |   |
| Pacific Grove Masterfund LP <sup>4</sup>  | 6,069,625                    | 585,938                        | 5                | 5,483,687      | 4.7                                    | % |
| Fivex Pty Ltd ATF The Harbourview Share Portfolio Trust <sup>6</sup>                | 362,758                      | 234,375                        | 7                | 128,383        | *                                      |   |
| Rodney Ranaan   | 77,345                       | 77,345                         | 8                | 0              | 0                                      |   |
| Loretta Ranaan  | 37,500                       | 37,500                         | 9                | 0              | 0                                      |   |
| Matthew Ranaan  | 65,625                       | 65,625                         | 10               | 0              | 0                                      |   |
| Bijan Ranaan  | 75,000                       | 75,000                         | 11               | 0              | 0                                      |   |
| John Ranaan   | 75,000                       | 75,000                         | 12               | 0              | 0                                      |   |
| Justin Ranaan   | 77,345                       | 77,345                         | 13               | 0              | 0                                      |   |
| Irrevocable Trust for Rodney, Matthew and Justin Ranaan UA 02/08/1995 <sup>14</sup> | 16,407                       | 16,407                         | 15               | 0              | 0                                      |   |
| Brio Capital Master Fund Ltd. <sup>16</sup>   | 1,171,875                    | 1,171,875                      | 17               | 0              | 0                                      |   |
| Pensel PTY Limited as Trustee for the Selig Superannuation Fund <sup>18</sup>       | 246,694                      | 70,313                         | 19               | 176,381        | *                                      |   |
| AMLM Pty Ltd. ATF The Mitchell Family Trust <sup>20</sup>                           | 58,595                       | 58,595                         | 21               | 0              | 0                                      |   |
| Alexander Ware Revocable Trust u/a/d 12/29/04 <sup>22</sup>                         | 253,875                      | 234,375                        | 23               | 19,500         | *                                      |   |
| GE Price Superannuation Fund <sup>24</sup>  | 165,419                      | 117,188                        | 25               | 48,231         | *                                      |   |
| E Squared Capital Fund LP <sup>26</sup>   | 468,750                      | 468,750                        | 27               | 0              | 0                                      |   |
| Unibel <sup>28</sup>  | 23,437,500                   | 23,437,500                     | 29               | 0              | 0                                      |   |
| Mirella Delle Coste   | 549,215                      | 117,188                        | 30               | 432,027        | *                                      |   |
| Joseph M. Cugine  | 902,159                      | 117,188                        | 31               | 784,971        | *                                      |   |
| Joseph S. Tesoriero   | 179,885                      | 58,595                         | 32               | 121,290        | *                                      |   |
| William D. Moreland   | 3,022,814                    | 600,000                        | 33               | 2,422,814      | 2.1                                    | % |
| Mark Abdou  | 1,523,091                    | 164,414                        | 34               | 677            | 1.1                                    | % |
| Michael E. Donnelly <sup>35</sup>   | 220,473                      | 7,500                          | 36               | 212,973        | *                                      |   |
| Vicki D.E. Barone <sup>37</sup>   | 5,834                        | 1,000                          | 38               | 4,834          | *                                      |   |
| Steven M. Bathgate <sup>39</sup>  | 35,500                       | 7,500                          | 40               | 28,000         | *                                      |   |
| GVC Partners LLC <sup>41</sup>  | 23,337                       | 4,000                          | 42               | 19,337         | *                                      |   |
| Maxim Partners LLC <sup>43</sup>  | 54,687                       | 54,687                         | 44               | 0              | 0                                      |   |
| Robert Gary Rifkin  | 690,120                      | 468,750                        | 45               | 221,370        | *                                      |   |
| Samantha Rifkin   | 70,313                       | 70,313                         | 46               | 0              | 0                                      |   |
| Ryan Gerad Rifkin   | 93,750                       | 93,750                         | 47               | 0              | 0                                      |   |
| Steven G. Rifkin  | 70,313                       | 70,313                         | 48               | 0              | 0                                      |   |
| Sidra Pty Ltd <sup>49</sup>   | 19,054,828                   | 132,246                        | 50               | 18,922,582     | 16.16                                  | % |

\* Less than 1%

- 1 Includes 156,250 shares underlying Series J Warrants.
- 2 James Besser exercises voting and investment control over all shares beneficially owned.
- 3 Includes 390,625 shares underlying Series J Warrants.
- 4 Jamie Mendola exercises voting and investment control over all shares beneficially owned.
- 5 Includes 195,313 shares underlying Series J Warrants.
- 6 Joshua Berger exercises voting and investment control over all shares beneficially owned.
- 7 Includes 78,125 shares underlying Series J Warrants.
- 8 Includes 25,782 shares underlying Series J Warrants.
- 9 Includes 12,500 shares underlying Series J Warrants.
- 10 Includes 21,875 shares underlying Series J Warrants.
- 11 Includes 25,000 shares underlying Series J Warrants.
- 12 Includes 25,000 shares underlying Series J Warrants.
- 13 Includes 25,782 shares underlying Series J Warrants.
- 14 John Ranaan exercises voting and investment control over all shares beneficially owned.
- 15 Includes 5,469 shares underlying Series J Warrants.
- 16 Shaye Hirsch exercises voting and investment control over all shares beneficially owned.
- 17 Includes 390,625 shares underlying Series J Warrants.
- 18 David Paul Selig exercises voting and investment control over all shares beneficially owned.
- 19 Includes 23,438 shares underlying Series J Warrants.
- 20 Luke Mitchell exercises voting and investment control over all shares beneficially owned.
- 21 Includes 19,532 shares underlying Series J Warrants.
- 22 Alexander H. Ware exercises voting and investment control over all shares beneficially owned.
- 23 Includes 78,125 shares underlying Series J Warrants.
- 24 Gary Price exercises voting and investment control over all shares beneficially owned.

25 Includes 39,063 shares underlying Series J. Warrants.

13

26 Ed Ilyadzhhanov exercises voting and investment control over all shares beneficially owned.

27 Includes 156,250 shares underlying Series J Warrants.

No individual has voting and investment control over shares beneficially owned; control is exercised by a majority vote of the following individuals: Antoine Fievet, Bruno Schoch, Gerard Boivin, Valentine Fievet, Laurent Fievet, Marion Roidor, Thomas Sauvin and Pascal Vienot.

29 Includes 7,812,500 shares underlying Series K Warrants.

30 Includes 39,063 shares underlying Series J Warrants.

31 Includes 39,063 shares underlying Series J Warrants.

32 Includes 19,532 shares underlying Series J Warrants.

33 Includes 200,000 shares underlying Series J Warrants.

34 Includes 54,805 shares underlying Series J Warrants.

35 Affiliate of GVC Capital, LLC, a broker dealer.

36 Consists of 7,500 shares underlying Series J Warrants.

37 Affiliate of GVC Capital, LLC, a broker dealer.

38 Consists of 1,000 shares underlying Series J Warrants.

39 Affiliate of GVC Capital, LLC, a broker dealer.

40 Consists of 7,500 shares underlying Series J Warrants.

<sup>41</sup> Vicki D.E Barone exercises voting and investment control over all shares beneficially owned. GVC Partners LLC is a broker-dealer and owns GVC Capital, LLC.

42 Consists of 4,000 shares underlying Series J Warrants.

<sup>43</sup> Affiliate of Maxim Group, LLC, a broker dealer. Michael Rabinowitz exercises voting and investment control over all shares beneficially owned.

44 Consists of 54,687 shares underlying Series J Warrants.

45 Includes 156,250 shares underlying Series J Warrants.

46 Includes 23,438 shares underlying Series J Warrants.

47 Includes 31,250 shares underlying Series J Warrants.

48 Includes 23,438 shares underlying Series J Warrants.

49 Steven Lang exercises voting and investment control over all shares beneficially owned.

50 Includes 44,082 shares underlying Series J Warrants.



## PLAN OF DISTRIBUTION

We are registering the shares of common stock previously issued and the shares of common stock issuable upon exercise of the warrants to permit the resale of these shares of common stock by the holders of the common stock and warrants from time to time after the date of this prospectus. We will not receive any of the proceeds from the sale by the selling shareholders of the shares of common stock. We will bear all fees and expenses incident to our obligation to register the shares of common stock.

The selling shareholders may sell or dispose of the securities in one or more of the following ways (or in any combination) from time to time:

through underwriters or dealers;

directly to a limited number of purchasers or to a single purchaser (including block transactions);

through agents; or

an offering of shares by way of a distribution to shareholders, partners or members.

If the selling shareholders use underwriters in the sale, the securities will be acquired by the underwriters for their own account(s) and may be resold from time to time in one or more transactions, including:

negotiated transactions;

at a fixed public offering price or prices, which may be changed;

at market prices prevailing at the time of sale;

at prices related to prevailing market prices; or

at negotiated prices.

Broker-dealers engaged by the selling shareholders may arrange for other broker-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling shareholders (or, if any broker-dealer acts as agent for the purchaser of shares of common stock, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this prospectus, in the case of an agency transaction, not in excess of a customary brokerage commission in compliance with FINRA Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with FINRA IM-2440.

The obligations of the underwriters to purchase any securities will be conditioned on customary closing conditions and the underwriters will be obligated to purchase all of such series of securities, if any are purchased.

The selling shareholders may sell the securities through agents from time to time. Generally, any agent will be acting on a best-efforts basis for the period of its appointment.

The selling shareholders may enter into hedging transactions with broker-dealers or other financial institutions. In connection with such transactions, broker-dealers or other financial institutions may engage in short sales of our common stock in the course of hedging the positions they assume with the selling shareholders. The selling shareholders may also enter into options or other transactions with broker-dealers or other financial institutions which require the delivery to such broker-dealer or other financial institution of shares offered hereby, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The selling shareholders and any broker-dealers or agents that are involved in selling the shares of common stock may be deemed to be “underwriters” within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares of common stock purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Each selling shareholder has informed us that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the shares of common stock. In no event shall any broker-dealer receive fees, commissions and markups, which, in the aggregate, would exceed eight percent (8%).

Because selling shareholders may be deemed to be “underwriters” within the meaning of the Securities Act, they will be subject to the prospectus delivery requirements of the Securities Act including Rule 172 thereunder. In addition, any shares of common stock covered by this prospectus that qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus. The selling shareholders have advised us that there is no underwriter or coordinating broker acting in connection with the proposed sale of the shares of common stock by the selling shareholders.

As used herein, “selling shareholders” includes donees, pledgees, distributees, transferees or other successors-in-interest selling shares received after the date of this prospectus from a named selling shareholder as a gift, pledge, partnership distribution or other non-sale related transfer.

Underwriters and agents may be entitled under agreements entered into with the selling shareholders, if applicable, to indemnification by the selling shareholders, if applicable, against certain civil liabilities, including liabilities under the Securities Act of 1933, or to contribution with respect to payments which the underwriters or agents may be required to make.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the shares of common stock may not simultaneously engage in market making activities with respect to the common stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the selling shareholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of our securities by the selling shareholders or any other person. We will make copies of this prospectus available to the selling shareholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act). In addition, in certain states, the resale securities covered hereby may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

## **LEGAL PROCEEDINGS**

We are not party to any lawsuits or legal proceedings, the adverse outcome of which, in management's opinion, individually or in the aggregate, would have a material adverse affect on our results of operations and financial position, and have no knowledge of any threatened or potential lawsuits or legal proceedings against us. From time to time, we may be involved in litigation relating to claims arising out of operations in the ordinary course of business.

**DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS, CONTROL PERSONS**

The following sets forth information about our directors and executive officers as of the date hereof:

| <b>Name</b>           | <b>Age</b> | <b>Position</b>                                 |
|-----------------------|------------|---|
| Riccardo Delle Coste  | 37         | President, Chief Executive Officer and Chairman |
| Joseph S. Tesoriero   | 63         | Chief Financial Officer                         |
| Steven Lang           | 64         | Director  |
| Arnold Tinter         | 72         | Secretary and Director                          |
| Joseph M. Cugine      | 56         | Director  |
| Alice Elliot          | 60         | Director  |
| Alexander H. Ware     | 55         | Director  |
| Isabelle Ortiz-Cochet | 56         | Director  |

**Riccardo Delle Coste** has been the Chairman of our board of directors, President and Chief Executive Officer since January 10, 2012. He has also been the President and Chief Executive Officer of Barfresh Inc., a Nevada corporation and our wholly owned subsidiary (“Barfresh NV”), since its inception. Mr. Delle Coste is the inventor of the patented technology and the creator of Barfresh. Mr. Delle Coste developed a unique system using controlled pre-packaged portions to deliver a freshly made smoothie that is quick, cost efficient, healthy and with no waste. In building the business, he is responsible for securing new business and maintaining key client relationships. He is also responsible for the development of new product from testing to full-scale production, establishment of the manufacturing facilities that have all necessary accreditations, technology development, product improvement and R&D with new product launches. Mr. Delle Coste also has over five years of investment banking experience. Mr. Delle Coste attended Macquarie University, Sydney, Australia while studying for a Bachelor of Commerce for 3.5 years but left to pursue business interests before receiving a degree.

*Qualifications:* Mr. Delle Coste has 17 years of experience within retail, hospitality and dairy manufacturing.

**Joseph S. Tesoriero** was appointed as Chief Financial Officer of the Company on May 18, 2015. Mr. Tesoriero has served as an independent director of Smart & Final Stores, Inc. (NYSE: SFS) since July of 2014, where he serves as Chairman of the Audit Committee and a member of the Nominating and Governance Committee. He was most recently engaged as a financial advisor for Dole Asia Holdings, Ltd. Pte., a Singapore based wholly owned subsidiary of Itochu Corporation of Japan, from April 2013 to October 2013. Prior to this consulting engagement, Mr. Tesoriero served as Executive Vice Present and Chief Financial Officer of Dole Food Company Inc. from February 2010 to April 2013, as its Vice President and Chief Financial Officer from August 2004 to February 2010 and as its Vice President of Tax from September 2002 to August 2004. Prior to joining Dole, Mr. Tesoriero was Senior Vice President of Tax of Global Crossing (1998-2002), Vice President of Tax of Coleman Camping Equipment (1997-1998), International Tax Attorney with Revlon Cosmetics (1989-1997) and Tax Attorney with IBM (1980-1988). Mr. Tesoriero began his career in 1978 as a Tax Associate with Haskins & Sells (now Deloitte Touche).

Mr. Tesoriero holds a B.S. in Accounting from Villanova University, a J.D. from New York Law School and an LL.M. in Taxation from Boston University. He has been a member of the New York State Bar since 1978.

*Qualifications:* Mr. Tesoriero has over 30 years of experience in corporate finance leadership positions.

**Steven Lang** was appointed as Director of the Company on January 10, 2012. He has also served as Secretary of Barfresh NV since its inception. Prior to joining Barfresh NV, from 2003 to 2007, Mr. Lang was a director of Vericap Finance Limited, a company that specializes in providing advice to and investing in Australian companies with international growth potential. From 1990 to 1999, he served as a director of Babcock & Brown's Australian operations where he was responsible for international structured finance transactions. Mr. Lang received a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales in 1976 and a Master of Laws from the University of Sydney in 1984. He has been a member of the Institute of Chartered Accountants in Australia and was licensed to practice foreign law in New York.

*Qualifications:* Mr. Lang has over 35 years of experience in business, accounting, law and finance and served as Chairman of an Australian public company.

**Arnold Tinter** was appointed as Director, Chief Financial Officer and Secretary of the Company on January 10, 2012. Mr. Tinter resigned his position as Chief Financial Officer on May 18, 2015 served temporarily as Principal Accounting Officer. Mr. Tinter founded Corporate Finance Group, Inc., a consulting firm located in Denver, Colorado, in 1992, and is its President. Corporate Finance Group, Inc., is involved in financial consulting in the areas of strategic planning, mergers and acquisitions and capital formation. He has been the chief financial officer and a director of other public companies: From 2012 to 2016, LifeApps Digital Media Inc. and Arvana Inc. From 2006 to 2010 he was the chief financial officer of Spicy Pickle Franchising, Inc. In all of the companies his responsibilities included oversight of all accounting functions, including SEC reporting, strategic planning and capital formation. From May 2001 to May 2003, he served as chief financial officer of Bayview Technology Group, LLC, a privately held company that manufactured and distributed energy-efficient products. From May 2003 to October 2004, he also served as that company's chief executive officer. Prior to 1990, Mr. Tinter was chief executive officer of Source Venture Capital, a holding company with investments in the gaming, printing and retail industries. Mr. Tinter received a B.S. degree in Accounting in 1967 from C.W. Post College, Long Island University, and is licensed as a Certified Public Accountant in Colorado.

*Qualifications:* Mr. Tinter has over 40 years of experience as a Certified Public Accountant and a financial consultant. During his career he served as a director of numerous public companies.

**Joseph M. Cugine** was appointed as Director of the Company on July 29, 2014 and on April 27, 2015, was appointed president of our wholly owned subsidiary, Smoothie Inc. Mr. Cugine is the owner and president of Cugine Foods and JC Restaurants, a franchisee of Taco Bell and Pizza Hut in New York. He is also president and owner of Restaurant Consulting Group LLC. Prior to owning and operating his own firms, Mr. Cugine held a series of leadership roles with PepsiCo, lastly as chief customer officer and senior vice president of PepsiCo's Foodservice division. Mr. Cugine also serves on the board of directors of The Chef's Warehouse, Inc., a publicly traded specialty food products distributor in the U.S., as well as Ridgely Playhouse and R4 Technology. He received his B.S. degree from St. Joseph's University in Philadelphia.

*Qualifications:* Mr. Cugine's career in sales, marketing, operations and supply chain spans more than 25 years. He has extensive industry contacts and proven experience leading and advising numerous successful food distribution companies.

**Alice Elliot** was appointed as Director of the Company on October 15, 2014. Ms. Elliot is the founder and chief executive of The Elliot Group, a global retained executive search firm specializing in the hospitality, foodservice, retail and service sectors. For more than 20 years, Ms. Elliot has hosted the exclusive invitation only 'Elliot Leadership Conference.' She was a co-founder of 'The Elliot Leadership Institute,' a nonprofit organization dedicated to leadership development and advancement in the foodservice industry, and is known for her philanthropic and educational endeavors and contributions. Throughout her career, Ms. Elliot has received various industry honors, including the Trailblazer Award from the Women's Foodservice Forum and induction into the National Restaurant Association Educational Foundation's College of Diplomates. She was also recently named to the Nation's Restaurant News list of the 50 Most Powerful People in Foodservice.

*Qualifications:* Well recognized for the placement of senior-level executives at public and privately held restaurant organizations nationwide, Ms. Elliot is sought out for their intellectual and strategic thought leadership.

**Alexander H. Ware** was appointed as director of the company on July 13, 2016. Until recently, Mr. Ware served as the Executive Vice President & Chief Financial Officer of Buffalo Wild Wings since October 2016. Mr. Ware previously served as Executive Chairman of MStar Holding Corporation. Mr. Ware served as Interim Chief Executive Officer for MStar Holding Corporation in 2013. Prior to his time at MStar Holding Corporation, he served as a Senior Advisor and previously as Executive Vice President of Strategic Development of Pohlads Companies, a family office, from 2010 to 2015. Starting in 1994, he served in increasing capacities at PepsiCo, then PepsiAmericas, Inc. culminating as Executive Vice President & Chief Financial Officer from 2005 to 2010. Previously, he was Senior Associate at Booz Allen Hamilton, Inc. from 1990-1994. Mr. Ware received his Bachelor of Arts degree in Economics from Hampden-Sydney College and his Master of Business Administration from the Darden Graduate School of Business at University of Virginia. Mr. Ware currently serves on the board of MStar Holding Corporation and on the advisory board of Stonearch Capital.

Qualifications: Mr. Ware brings over 30 years of experience in leadership, strategic planning and business portfolio management.

*Isabelle Ortiz-Cochet* was appointed as director of the Company on December 16, 2016. She is the Chief Investment Officer for Unibel, parent company of Bel Group. Bel is an international France-based group, a world leader in branded cheese business, with brands such as Laughing Cow, Mini-Babybel or Boursin. In that position since January 2016, Ms. Ortiz-Cochet drives Unibel diversification strategy, and leads the investment portfolio development. She was previously VP Strategic Development at Bel Group from September 2013 to December 2015. From 2007 to 2013, based out of Bel's New York office, Ms. Ortiz-Cochet led the development of long term strategies in North and South America, as well as Marketing strategy in the region. Prior to that position, she held a number of leadership positions in marketing and global strategy at Bel out of the Paris office, at French, European and corporate levels. Isabelle began her career with Kimberly Clark in France. Isabelle earned a master degree from ESSEC Business School in France, and an executive MBA from HEC Business School, France.

Pursuant to the investor rights agreement between Barfresh and Unibel dated November 23, 2016, Unibel is entitled to appoint one director to the board of directors of Barfresh, which director is entitled to sit on each committee of the board of directors selected by the Unibel, unless Unibel has beneficial ownership of less than: (i) 75.0% of the Shares; and (ii) 5.0% of the company's issued and outstanding common stock. Unibel has designated Isabelle Ortiz-Cochet as its board designee. Barfresh has agreed to call shareholder meetings whenever necessary to ensure Unibel's designee is elected as a director. At any time that Unibel's designee is not a director, Unibel's designee will be entitled to be a board observer. Riccardo Delle Coste, Steven Lang and their respective affiliates have agreed to vote their shares in favor of Unibel's designee.



## **Employment Agreements**

On April 27, 2015, Smoothie, Inc. entered into an executive employment agreement with Riccardo Delle Coste, its Chief Executive Officer and director. Mr. Delle Coste is also the Chief Executive Officer and Chairman of the Company. Pursuant to the employment agreement, he will receive a base salary of \$350,000 and performance bonuses of 75% of his base salary based on mutually agreed upon performance targets. In addition, Mr. Delle Coste will receive up to an additional 500,000 performance options, on an annual basis. All options granted under the employment agreement are subject to the Company's 2015 Equity Incentive Plan.

On April 27, 2015, Smoothie, Inc. entered into an executive employment agreement with Joseph M. Cugine to serve as President of Smoothie, Inc. Pursuant to the employment agreement, Mr. Cugine will receive a base salary of \$300,000 and performance bonuses of 75% of his base salary based on mutually agreed upon performance targets. In addition, Mr. Cugine will receive 8-year options to purchase up to 600,000 shares of Barfresh, one-half vesting on each of the second and third anniversaries of the date of Mr. Cugine's employment agreement. In addition, he will receive up to an additional 500,000 performance options, on an annual basis. All options granted under the employment agreement are subject to the Company's 2015 Equity Incentive Plan.

The Company entered into an executive employment agreement with Joseph S. Tesoriero on May 18, 2015, pursuant to which he agreed to serve as Chief Financial Officer. Pursuant to the employment agreement, Mr. Tesoriero will receive a base salary of \$250,000 and performance bonuses of 75% of his base salary, based upon performance targets determined by the Board of Directors. In addition, Mr. Tesoriero was granted 350,000 shares of common stock of Barfresh and 8-year options to purchase up to 500,000 shares of common stock of Barfresh. One-half of each of the share and option grants vests on each of the second and third anniversaries of the date of commencement of Mr. Tesoriero's employment. Mr. Tesoriero will also receive 8-year performance options to purchase up to an additional 350,000 shares on an annual basis. All shares and options granted under the employment agreement are subject to the Company's 2015 Equity Incentive Plan.

## **Term of Office**

Directors are appointed for a one-year term to hold office until the next annual general meeting of shareholders or until removed from office in accordance with our bylaws. Our officers are appointed by our board of directors and hold office until the earlier of resignation or removal.

## **Director Independence**

We use the definition of “independence” standards as defined in the NASDAQ Stock Market Rule 5605(a)(2) provides that an “independent director” is a person other than an officer or employee of the company or any other individual having a relationship, which, in the opinion of the Company’s board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. We have determined that four of our seven directors are independent, which constitutes a majority.

### **Board Committees**

We currently have an audit committee, a compensation committee and a nominating and governance committee. The members of the audit committee are Arnold Tinter, Steven Lang and Riccardo Delle Coste. The audit committee is primarily responsible for reviewing the services performed by our independent auditors and evaluating our accounting policies and our system of internal controls. Steven Lang is an independent member of the audit committee, as defined above. In the future we expect to have an audit committee comprised of all independent members. The members of the compensation committee are Arnold Tinter, Alice Elliot and Riccardo Delle Coste. The compensation committee is primarily responsible for reviewing and approving our salary and benefits policies (including stock options) and other compensation of our executive officers. The members of the nominating committee are Arnold Tinter, Alice Elliot and Steven Lang. The nominating and governance committee is primarily responsible for overseeing corporate governance and for identifying, evaluating and recommending individuals to serve as directors of the company.

### **Legal Proceedings**

To the best of our knowledge, none of our executive officers or directors are parties to any material proceedings adverse to the Company, have any material interest adverse to the Company or have been subject to legal, administrative or judicial orders, proceedings or decrees required to be disclosed.

### **Code of Ethics**

Our Chief Executive Officer, and our Chief Financial Officer are bound by a Code of Ethics that complies with Item 406 of Regulation S-K of the Exchange Act.

## Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) requires our directors and executive officers and beneficial holders of more than 10% of our common stock to file with the SEC initial reports of ownership and reports of changes in ownership of our equity securities.

To our knowledge, based solely upon a review of Forms 3 and 4 and amendments thereto furnished to Barfresh under 17 CFR 240.16a-3(e) during our most recent fiscal year and Forms 5 and amendments thereto furnished to Barfresh with respect to our most recent fiscal year or written representations from the reporting persons, we believe that during the fiscal year ended December 31, 2017 our directors, executive officers and persons who own more than 10% of our common stock complied with all Section 16(a) filing requirements with the exception of the following:

Joseph Cugine, late filing of Form 4  
Joseph Tesoriero, late filing of Form 4  
Isabelle Ortiz-Cochet, late filing of Form 4  
Alexander H. Ware, late filing of Form 4  
Alice Elliot, late filing of Form 4  
Steve Lang, late Form 4  
Riccardo Delle Coste, late Form 4

## Legal Proceedings

To the best of our knowledge, none of our executive officers or directors are parties to any material proceedings adverse to the Company, have any material interest adverse to the Company or have, during the past ten years:

been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

had any bankruptcy petition filed by or against him/her or any business of which he/she was a general partner or executive officer, either at the time of the bankruptcy or within two years prior to that time;

been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his/her involvement in any type of business, securities, futures, commodities or banking activities;

been found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;

been subject to, or party to, any judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of (i) any Federal or State securities or commodities law or regulation, (ii) any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order or (iii) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

## **SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding our shares of common stock beneficially owned as of May 25, 2018, for (i) each shareholder known to be the beneficial owner of 5% or more of our outstanding shares of common stock, (ii) each named executive officer and director, and (iii) all executive officers and directors as a group. A person is considered to beneficially own any shares: (i) over which such person, directly or indirectly, exercises sole or shared voting or investment power, or (ii) of which such person has the right to acquire beneficial ownership at any time within 60 days through an exercise of stock options or warrants or otherwise. Unless otherwise indicated, voting and investment power relating to the shares shown in the table for our directors and executive officers is exercised solely by the beneficial owner or shared by the owner and the owner's spouse or children.

For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares of common stock that such person has the right to acquire within 60 days of May 25, 2018. As of May 25, 2018, the Company had 119,464,208 shares of common stock outstanding. For purposes of computing the percentage of outstanding shares of our common stock held by each person or group of persons named above, any shares that such person or persons has the right to acquire within 60 days of May 25, 2018 is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. The inclusion herein of any shares listed as beneficially owned does not constitute an admission of beneficial ownership.

| Name and address of beneficial owner <sup>(1)</sup>  | Common Stock<br>Amount and<br>nature of<br>beneficial<br>ownership | Percent<br>of class<br>o/s |
|--|--|----------------------------|
| Riccardo Delle Coste <sup>(2) (3) (4) (5)</sup>  | 20,684,064   | 17.20 %                    |
| Steven Lang <sup>(6) (7) (8) (9)</sup>   | 19,981,826   | 16.64 %                    |
| Joseph Tesoriero <sup>(10) (11) (12)</sup>   | 856,263  | 0.71 %                     |
| Arnold Tinter <sup>(13) (14)</sup>   | 950,000  | 0.79 %                     |
| Joe Cugine <sup>(15) (16) (17)</sup>   | 2,323,291  | 1.94 %                     |
| Alice Elliot <sup>(18) (19) (20)</sup>   | 918,701  | 0.77 %                     |
| Alexander Ware <sup>(23) (24) (25)</sup>   | 379,973  | 0.32 %                     |
| Isabelle Ortiz-Cochet <sup>(26) (27)</sup><br>2 Allee De Longchamp Suresnes, France  | 112,809  | 0.09 %                     |
| All directors and officers as a group (8 persons)  | 46,206,927   | 37.72 %                    |
| Unibel <sup>(28) (29)</sup><br>2 Allee De Longchamp<br>Suresnes, France 92150  | 24,187,500   | 18.89 %                    |
| IBEX Investors LLC (fka) Lazarus Investment Partners LLLP <sup>(30)</sup><br>3200 Cherry Creek South Drive Suite 670<br>Denver, CO 80209 | 16,245,766   | 13.19 %                    |
| Wolverine Asset Management, LLC (“WAM”) <sup>(31) (32)</sup><br>175 West Jackson Blvd. Suite 340 Chicago, IL 60604                       | 6,501,600  | 5.35 %                     |

<sup>1</sup> The address of those listed, except as noted is c/o Barfresh Food Group Inc., 8383 Wilshire Blvd., Beverly Hills, CA 90211

<sup>2</sup> Mr. Delle Coste is the Chief Executive Officer, President and a Director of the Company

<sup>3</sup> Includes 19,471,779 shares owned by R.D. Capital Holdings PTY Ltd. and of which Riccardo Delle Coste is deemed to be a beneficial owner.

<sup>4</sup> Includes 488,333 shares underlying options granted.

- 5 Includes 283,444 shares underlying warrants issued in connection with promissory notes the holder of which is R.D. Capital Holdings PTY Ltd. And of which Riccardo Delle Coste is deemed to be a beneficial owner.
- 6 Mr. Lang is a Director of the Company
- 7 Includes 19,072,451 shares owned by Sidra Pty Limited of which Steven Lang is deemed to be a beneficial owner
- 8 Includes 356,990 shares underlying options granted
- 9 Includes 282,646 shares underlying warrants issued in connection with a promissory note the holder of which is Sidra PTY Limited
- 10 Mr. Tesoriero is the Chief Financial Officer of the Company
- 11 Includes 308,333 shares underlying options granted.
- 12 Includes 76,629 shares underlying warrants issued in connection with a promissory note and conversion thereof.
- 13 Mr. Tinter is the Secretary and a Director of the Company
- 14 Includes 150,000 shares underlying options granted
- 15 Mr. Cugine is President of a subsidiary of the Company and a Director
- 16 Includes 397,857 shares underlying options granted.
- 17 Includes 96,020 shares underlying warrants issued in connection with purchase of common shares.
- 18 Ms. Elliot is a Director of the Company
- 19 Includes 360,000 shares owned by Elliot-Herbst LP of which Alice Elliot is deemed to be a beneficial owner
- 20 Includes 64,599 shares owned by Elliot-Herbst Family LLC of which Ms. Elliot is deemed to be a beneficial owner
- 21 Includes 314,499 shares underlying options granted
- 22 Includes 130,000 shares underlying warrants issued in connection with purchase of common shares
- 23 Mr. Ware is a Director of the Company
- 24 Includes 301,848 shares owned by The Alexander Ware Revocable Trust of which Mr. Ware is deemed to be a beneficial owner
- 25 Includes 78,125 shares underlying warrants issued to The Alexander Ware Revocable Trust in connection with purchase of common stock.
- 26 Ms. Ortiz-Cochet is a Director of the Company
- 27 Includes 33,603 shares underlying options granted
- 28 Includes 7,812,500 shares underlying warrants issued in connection with the purchase of common stock.
- 29 Includes 750,000 shares underlying warrants issued in connection with the a convertible promissory note
- 30 Includes 3,733,333 shares underlying warrants issued in connection with the purchase of common stock. Wolverine Asset Management, LLC (“WAM”) is the investment manager of Wolverine Flagship Fund Trading Limited and has voting and dispositive power over these securities. The sole member and manager of WAM is
- 31 Wolverine Holdings, L.P. (“Wolverine Holdings”). Robert R. Bellick and Christopher L. Gust may be deemed to control Wolverine Trading Partners, Inc., the general partner of Wolverine Holdings.
- 32 Includes 2,000,000 shares underlying warrants issued in connection with the purchase of common stock.

## DESCRIPTION OF SECURITIES

### Authorized Capital Stock

Our authorized share capital consists of 295,000,000 shares of common stock, par value \$0.000001 per share and 5,000,000 shares of preferred stock, par value \$0.000001 per share. As of May 25 , 2018, 119,464,208 shares of our common stock were outstanding.

### Common Stock

Each share of our common stock entitles its holder to one vote in the election of each director and on all other matters voted on generally by our shareholders, other than any matter that (i) solely relates to the terms of any outstanding series of preferred stock or the number of shares of that series and (ii) does not affect the number of authorized shares of preferred stock or the powers, privileges and rights pertaining to the common stock. No share of our common stock affords any cumulative voting rights. This means that the holders of a majority of the voting power of the shares voting for the election of directors can elect all directors to be elected if they choose to do so. Holders of our common stock will be entitled to dividends in such amounts and at such times as our board of directors in its discretion may declare out of funds legally available for the payment of dividends. We currently intend to retain our entire available discretionary cash flow to finance the growth, development and expansion of our business and do not anticipate paying any cash dividends on the common stock in the foreseeable future. Any future dividends will be paid at the discretion of our board of directors after taking into account various factors, including:

general business conditions;

industry practice;

our financial condition and performance;

our future prospects;

our cash needs and capital investment plans;

our obligations to holders of any preferred stock we may issue;

income tax consequences; and

the restrictions Delaware and other applicable laws and our credit arrangements then impose.

If we liquidate or dissolve our business, the holders of our common stock will share ratably in all our assets that are available for distribution to our shareholders after our creditors are paid in full and the holders of all series of our outstanding preferred stock, if any, receive their liquidation preferences in full.

Our common stock has no preemptive rights and is not convertible or redeemable or entitled to the benefits of any sinking or repurchase fund.

### **Series J Warrants**

Series J Warrants to purchase up to 2,343,750 shares common stock are currently outstanding. Series J Warrants may be exercised by the payment of the exercise price of \$0.75 per share for a term of five years in cash or via cashless exercise and have registration rights for the shares of common stock underlying the warrants.

The Series J Warrants are subject to customary protective provisions for stock dividends and splits and fundamental corporate transactions, including any sale of all or substantially all of the Company's assets, any tender offer or exchange offer, or any reclassification of the common stock.

### **Series K Warrants**

Series K Warrants to purchase up to 7,812,500 shares common stock are currently outstanding. The Series K Warrants may be exercised by the payment of the exercise price of \$0.88 in cash for a term of five years and have registration rights for the shares of common stock underlying the warrants.

The Series K Warrants are subject to full ratchet and weighted average anti-dilution protection. After the third anniversary of the issuance of the Series K Warrants, the Company may redeem the warrants for a redemption price of \$0.001 per Warrant Share, subject to prior notice and provided the market price of the common stock receivable upon exercise of the Series K Warrants is at least \$1.76, subject to adjustment as set otherwise provided herein.



## **LEGAL MATTERS**

The validity of the common stock to be sold under this prospectus will be passed upon for us by Libertas Law Group, Inc. Libertas Law Group's principal, Mark Y. Abdou, beneficially owns 1,523,091 shares of the Company's common stock, including shares underlying 30,000 Series G Warrants, 54,805 shares underlying Series J Warrants and 75,102 shares underlying Series L warrants and 81,818 underlying convertible notes. Mr. Abdou is a selling shareholder under the prospectus.

## **EXPERTS**

Our financial statements, as of December 31, 2017 and for the year ended December 31, 2016 appearing in the prospectus, have been audited by Eide Bailly LLP, an independent registered public accounting firm, to the extent and for the periods indicated in their report appearing herein, which report expresses an unqualified opinion, and are included in reliance upon such report and upon authority of such firm as experts in accounting and auditing.

## **DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES**

The Company's directors and executive officers are indemnified as provided by the Delaware General Corporation Law and the Company's Certificate of Incorporation. These provisions state that the Company's directors may cause the Company to indemnify a director or former director against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, actually and reasonably incurred by him as a result of him acting as a director. The indemnification of costs can include an amount paid to settle an action or satisfy a judgment. Such indemnification is at the discretion of the Company's board of directors and is subject to the SEC's policy regarding indemnification.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

In the event that a claim for indemnification against such liabilities (other than the payment of expenses incurred or paid by a director, officer or controlling person in a successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the

opinion of its counsel the matter has been settled by controlling precedent, submit to the court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

At present, there is no pending litigation or proceeding involving any of our directors, officers or employees as to which indemnification is sought, nor are we aware of any threatened litigation or proceeding that may result in claims for indemnification.

## DESCRIPTION OF BUSINESS

### PART I

#### Item 1. Business.

##### Business Overview

Barfresh is a leader in the creation, manufacturing and distribution of ready to blend frozen beverages. The current portfolio of products includes smoothies, shakes and frappes. Products are packaged in two distinct formats. The Company's original single serve format features portion controlled and ready to blend beverage ingredient packs or "beverage packs". The beverage packs contain all of the solid ingredients necessary to make the beverage, including the base (either sorbet, frozen yogurt or ice cream), real fruit pieces, juices and ice – five ounces of water are added before blending. The Company's bulk "Easy Pour" format also contains all of the solid ingredients necessary to make the beverage, packaged in gallon containers in a concentrated formula that is mixed "one to one" with water. The Company has recently launched a "no sugar added" version of the bulk "Easy Pour" format that is specifically targeted for the USDA national school meal program, including the School Breakfast Program, the National School Lunch Program, and Smart Snacks in Schools Program.

Domestic and international patents and patents pending are owned by Barfresh, as well as related trademarks for all of the single serve products. Patent rights have been granted in 13 jurisdictions including the United States. In addition, the Company has purchased all of the trademarks related to the patented products.

The Company conducts sales through several channels, including National Accounts, Regional Accounts, and Broadline Distributors. Barfresh's primary broadline distribution arrangement is through an exclusive nationwide agreement with Sysco Corporation ("Sysco"), the U.S.'s largest broadline distributor, which was entered into during July 2014, and renewed for an additional two year term on October 2, 2017.

During 2016 and 2017 the Company announced that it had signed supply agreements with several of the major global on-site foodservice operators. On March 8, 2018, the Company announced that it had signed a new supply agreement with one of the largest of these foodservice operators, for exclusive distribution of four of Barfresh's single serve sku's to approximately one thousand food service locations. Distribution of product to these locations through SYSCO will begin during April of 2018. This new agreement, marks the culmination of successful in market tests conducted at several locations, and makes Barfresh's blended beverages available across many of the most attractive locations of the

customer's diverse customer base.

The Company also sells to broadline distributors that supply products to the food services market place. Effective July 2, 2014, the Company entered into an exclusive agreement with Sysco Merchandising and Supply Chain Services, Inc. for resale by the Sysco Corporation (“Sysco”) to the foodservice industry of the Company’s ready-to-blend smoothies, shakes and frappes. Pursuant to that agreement, all Barfresh products are included in Sysco’s national core selection of beverage items, making Barfresh its exclusive single-serve, pre-portioned beverage provider. The agreement is mutually exclusive; however, Barfresh may also sell the products to other foodservice distributors, but only to the extent required for such foodservice distributors to service multi-unit chain operators with at least 20 units and where Sysco is not such multi-unit chain operator’s nominated distributor for our products. On October 2, 2017, the Sysco agreement was extended for an additional two year period, and expanded to cover bulk easy pour products, on a non-exclusive basis.

On October 26, 2015, Barfresh signed a five year agreement with PepsiCo North America Beverages, a division of PepsiCo, to become its exclusive sales representative within the food service channel to present Barfresh’s line of ready-to-blend smoothies and frozen beverages throughout the United States and Canada. Through this agreement, Barfresh’ products are included as part of PepsiCo’s offerings to its significant customer base. The agreement facilitates access to potential National customer accounts, through introductions provided by PepsiCo’s one-thousand plus person foodservice sales team. Barfresh products have become part of PepsiCo’s customer presentations at national trade shows and similar venues.

Barfresh utilizes contract manufacturers to manufacture all of its products in the United States. Production lines are currently operational at two locations. The first location is in Salt Lake City, which currently produces both bulk easy pour and single serve products. Annual production capacity with this contract manufacturer is 14 million units per year. The second location is with Yarnell Operations, LLC., a subsidiary of Shulze and Burch, located in Arkansas. The Yarnell’s agreement, which was signed during February, 2016, and secures the capacity to ramp up to an incremental production capacity of 100 million units. Yarnell’s location enhances the company’s ability to efficiently move product throughout the supply chain to destinations in the eastern United States, home to many of the country’s large foodservice outlets.

Our corporate office is located at 8383 Wilshire Blvd., Suite 750, Beverly Hills, CA 90211. Our telephone number is (310) 598-7113 and our website is [www.barfresh.com](http://www.barfresh.com).

### **Corporate History and Background**

The Company, which was incorporated in Delaware on February 25, 2010, was originally formed to produce movies. As the result of the reverse merger, more fully described below, the Company is now engaged in the manufacturing and distribution of ready to blend beverages, particularly, smoothies, shakes and frappes.



## **Reorganization and Recapitalization**

During January, 2012, the Company entered into a series of transactions pursuant to which Barfresh Inc., a Colorado corporation (“Barfresh NV”), was acquired, spun-out prior operations to the former principal shareholder, completed a private offering of securities for an aggregate purchase price of approximately \$999,998, conducted a four for one forward stock split and changed the name of the Company. The following describes the steps of this reorganization:

*Acquisition of Barfresh NV.* We acquired all of the outstanding capital stock of Barfresh NV in exchange for the issuance of 37,333,328 shares of our \$0.000001 par value common stock pursuant to a Share Exchange Agreement between us, our former principal shareholder, Barfresh NV and the former shareholders of Barfresh NV. As a result of this transaction, Barfresh NV became our wholly owned subsidiary and the former shareholders of Barfresh NV became our controlling shareholders.

*Spinout of prior business.* Immediately prior to the acquisition of Barfresh NV, we spun-out our previous business operations to a former officer, director and principal shareholder, in exchange for all of the shares of our common stock held by that person. Such shares were cancelled immediately following the acquisition.

*Financing transaction.* Immediately following the acquisition of Barfresh, we sold an aggregate of 1,333,332 shares of our common stock and five-year warrants to purchase 1,333,332 shares of common stock at a per share exercise price of \$1.50 in a private offering for gross proceeds of \$999,998, less expenses of \$26,895.

*Change of name.* Subsequent to the merger, we changed the name of the Company from Moving Box Inc. to Barfresh Food Group Inc.

*Forward stock split.* Subsequent to the merger, we conducted a four for one forward stock split of the Company’s common stock.

## **Products**

The Company’s products are made in two formats. The first is in portion controlled single serving beverage ingredient packs, suitable for smoothies, shakes and frappes that can also be utilized for cocktails and mocktails. These packs contain all of the ingredients necessary to make a smoothie, shake or frappe, including the ice. Simply add water, empty the packet into a blender, blend and serve. The second format is the bulk “Easy Pour” format. The Company’s bulk “Easy Pour” format also contains all of the solid ingredients necessary to make the beverage, packaged in gallon containers in a concentrated formula that is mixed “one to one” with water.





The following flavors are available as part of our standard portfolio of single serve products:

Some of the key benefits of the products for the end consumers that drink the products include:

From as little as 150 calories (per serving)

Real fruit in every smoothie

Dairy free options

Kosher approved

Gluten Free

### **Customer Marketing Material**

A wide range of consumer marketing materials has been created to assist customers in selling blended beverages.

## **Research and Development**

The Company incurred research and development expenses for the year ended December 31, 2017 in the amount of \$574,989 and for the year ended December 31, 2016 in the amount of \$432,146. The increase in Research and Development expenses was primarily attributable to commissioning of new production lines at our contract manufacturer facilities, and increased activity in creating unique flavors for potential customers in our national account pipeline.

## Competition

There is significant competition in the smoothie market at both the consumer purchasing level and also the product level.

The competition at the consumer level is primarily between specialized juice bars (e.g. Jamba Juice) and major fast casual and fast food restaurant chains (such as McDonalds). Barfresh does not compete specifically at this level but intends to supply its product to customers that fall within these segments to enable them to compete for consumer demand.

There may also be new entrants to the smoothie market that may alter the current competitor landscape.

The existing competition from a product perspective can be separated into three categories:

Specialized juice bar products: The product is made in-store and each ingredient is added separately.

Syrup based products: The fruit puree is supplied in bulk and not portion controlled for each smoothie. These types of products still require the addition of juice, milk or water and/or yogurt and ice. While there are a number of competitors for this style of product, the two dominant competitors are Island Oasis and Minute Maid.

Portion pack products: These products contain only the fruit and yogurt and require the addition of juice or milk and ice. The two dominant competitors are General Mills' Yoplait Smoothies and Inventure Group's Jamba Smoothies.

The Company believes that its single serve products afford a very significant competitive advantage based on ease of use, portion control, premium quality, and minimal capital investment required to enable a customer to begin to carry Barfresh beverage products. The Company also believes that its bulk "Easy Pour" product represents an attractive alternative delivery method for customers that serve high volume locations, where speed of service over extended periods is a critical requirement. The Company has recently launched a "no sugar added" version of the bulk "Easy Pour" format that is specifically targeted for the USDA national school meal program, including the School Breakfast Program, the National School Lunch Program, and Smart Snacks in Schools Program.



## **Intellectual Property**

Barfresh owns the domestic and intellectual property rights to its products' sealed pack of ingredients used in its single serve products.

In November 2011, the Company acquired patent applications filed in the United States (Patent Application number 11/660415) and Canada (Patent Application number 2577163) from certain related parties. The United States patent was originally filed on December 4, 2007 and it was granted during August of 2017. The Canadian patent was originally filed on August 16, 2005 and it was granted on May 27, 2014.

On October 15, 2013, the Company acquired all of the related international patent rights, which were filed pursuant to the Patent Cooperation Treaty, have been granted in 13 jurisdictions and are pending in the remainder of the jurisdictions that have signed the PCT. In addition, the Company purchased all of the trademarks related to the patented products.

## **Governmental Approval and Regulation**

The Company is not aware of the need for any governmental approvals of its products.

The Company utilizes contract manufacturers. Before entering into any manufacturing contracts, the Company determines that the manufacturer meets all government requirements.

## **Environmental Laws**

The Company does not believe that it will be subject to any environmental laws, either state or federal. Any laws concerning manufacturing will be the responsibility of the contract manufacturer.

## **Employees**

The Company currently has 30 employees and 3 consultants. There are currently 20 employees and 1 consultant selling our products. We have recently restructured our sales force, eliminating 18 full time positions over a twelve month period, while at the same time expanding our brokerage network.

### **Research and Development**

The Company incurred research and development expenses for the year ended December 31, 2017, in the amount of \$574,989, and for the year ended December 31, 2016 in the amount of \$432,146. The increase in Research and Development expenses was primarily attributable to commissioning of new production lines at our contract manufacturer facilities, and increased activity in creating unique flavors for potential customers in our national account pipeline.

## MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*This discussion includes forward-looking statements, as that term is defined in the federal securities laws, based upon current expectations that involve risks and uncertainties, such as plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors. Words such as “anticipate”, “estimate”, “plan”, “continuing”, “ongoing”, “expect”, “believe”, “intend”, “may”, “will”, “should”, “could” and similar expressions are used to identify forward-looking statements.*

*We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based. Factors that may affect our results include, but are not limited to, the risk factors set forth in this prospectus under the heading “Risk Factors”. Any one or more of these uncertainties, risks and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. Our actual results, performance and achievements could differ materially from those expressed or implied in these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise.*

Barfresh is a leader in the creation, manufacturing and distribution of ready to blend frozen beverages. The current portfolio of products includes smoothies, shakes and frappes. Products are packaged in two distinct formats. The Company’s original single serve format features portion controlled and ready to blend beverage ingredient packs or “beverage packs”. The beverage packs contain all of the solid ingredients necessary to make the beverage, including the base (either sorbet, frozen yogurt or ice cream), real fruit pieces, juices and ice – five ounces of water are added before blending.

The Company’s bulk “Easy Pour” format also contains all of the solid ingredients necessary to make the beverage, packaged in gallon containers in a concentrated formula that is mixed “one to one” with water. The Company has recently launched a “no sugar added” version of the bulk “Easy Pour” format that is specifically targeted for the USDA national school meal program, including the School Breakfast Program, the National School Lunch Program, and Smart Snacks in Schools Program. In addition, the Company recently received approval from the United States Defense Logistics Agency (“DLA”) to sell its smoothie products into all branches of the U.S. Armed Forces, and has begun to sell its bulk Easy Pour product into a number of military bases in the United States.

Domestic and international patents and patents pending are owned by Barfresh, as well as related trademarks for all of the single serve products. Patent rights have been granted in 13 jurisdictions including the United States. In addition,

the Company has purchased all of the trademarks related to the patented products.

The Company conducts sales through several channels, including National Accounts, Regional Accounts, and Broadline Distributors. Barfresh's primary broadline distribution arrangement is through an exclusive nationwide agreement with Sysco Corporation ("Sysco"), the U.S.'s largest broadline distributor, which was entered into during July 2014, and renewed for an additional two year term on October 2, 2017.

During 2016 and 2017 the Company announced that it had signed supply agreements with several of the major global on-site foodservice operators. On March 8, 2018, the Company announced that it had signed a new supply agreement with one of the largest of these foodservice operators, for exclusive distribution of four of Barfresh's single serve sku's to approximately one thousand food service locations. Distribution of product to these locations through SYSCO began during April of 2018. This new agreement, which marks the culmination of successful in market tests conducted at several locations, and makes Barfresh's blended beverages available across many of the most attractive locations of the customer's diverse customer base.



The Company also sells to broadline distributors that supply products to the food services market place. Effective July 2, 2014, the Company entered into an exclusive agreement with Sysco Merchandising and Supply Chain Services, Inc. for resale by the Sysco Corporation (“Sysco”) to the foodservice industry of the Company’s ready-to-blend smoothies, shakes and frappes. Pursuant to that agreement, all Barfresh products are included in Sysco’s national core selection of beverage items, making Barfresh its exclusive single-serve, pre-portioned beverage provider. The agreement is mutually exclusive; however, Barfresh may also sell the products to other foodservice distributors, but only to the extent required for such foodservice distributors to service multi-unit chain operators with at least 20 units and where Sysco is not such multi-unit chain operator’s nominated distributor for our products. On October 2, 2017, the Sysco agreement was extended for an additional two year period, and expanded to cover bulk easy pour products, on a non-exclusive basis.

On October 26, 2015, Barfresh signed a five year agreement with PepsiCo North America Beverages, a division of PepsiCo, to become its exclusive sales representative within the food service channel to present Barfresh’s line of ready-to-blend smoothies and frozen beverages throughout the United States and Canada. Through this agreement, Barfresh’ products are included as part of PepsiCo’s offerings to its significant customer base. The agreement facilitates access to potential National customer accounts, through introductions provided by PepsiCo’s one-thousand plus person foodservice sales team. Barfresh products have become part of PepsiCo’s customer presentations at national trade shows and similar venues.

Barfresh utilizes contract manufacturers to manufacture all of the products in the United States. Production lines are currently operational at two locations. The first location is in Salt Lake City, which currently produces both bulk easy pour and single serve products. Annual production capacity with this contract manufacturer is 14 million units per year. The second location is with Yarnell Operations, LLC., a subsidiary of Shulze and Burch, located in Arkansas. The Yarnell’s agreement, which was signed during February, 2016, and secures the capacity to ramp up to an incremental production capacity of 100 million units. Yarnell’s location enhances the company’s ability to efficiently move product throughout the supply chain to destinations in the eastern United States, home to many of the country’s large foodservice outlets.

During November, 2016, the Company received an equity investment from Unibel, the majority shareholder of the Bel Group (“Unibel”). The Bel Group is headquartered in Paris, France, with global operations in 33 countries, 30 production sites on 4 continents and nearly 12,000 employees. Its many branded products, including The Laughing Cow®, Mini Babybel® and Boursin®, are sold in over 130 countries around the world. Pursuant to the securities purchase agreement, Unibel purchased 15,625,000 shares of common stock at \$0.64 per share (“Shares”) and warrants to purchase 7,812,500 shares of common stock (“Warrants”) for aggregate gross proceeds to Barfresh of \$10 million. The Warrants are exercisable for a term of five years at a per share price of \$.88 for cash. Pursuant to the Investor Rights agreement, Barfresh has registered the Shares and the Warrants, and Unibel was granted a seat on the Barfresh Board. This strategic investment provided Barfresh with necessary capital while leveraging Unibel’s more than 150 years of industrial expertise, innovative capabilities, world-class marketing and branding expertise to accelerate our growth in new and existing markets and product channels.

On February 14, 2018, we announced the private placement of convertible notes with gross proceeds of \$4.1 million. The closing shall be no later than five (5) business days after receipt of notice from the Company that it has achieved certain milestones establishing significant sales to national accounts. One milestone is that the Company shall have entered into a material agreement or series of related agreements with a national account for the sale of its products into approximately 1,000 new locations. The first milestone was achieved on March 8, 2018, and according to the terms of the note the Company has received 60% of the principal amount. The remaining 40% of the principal amount will be received upon achieving a second milestone, which is entering into a material agreement or series of related agreements with a national account for the sale of its products into approximately 2,500 new locations.

The convertible notes are unsecured and have (i) a two-year term, (ii) a 10% annual coupon to be paid in cash or stock at the Company's discretion at a conversion price equal to 85% of the average closing bid prices of the Common Stock over the twenty (20) consecutive trading day period immediately preceding the payment date, but in no event lower than sixty cents (\$0.60) per share of Common Stock. The investor's may elect to convert their principal into common stock at a conversion price equal to the lower of: (i) \$0.88 per share of Common Stock, or (ii) 85% of the average closing bid prices of the Common Stock over the twenty (20) consecutive trading day period immediately preceding the date of investor's election to convert; but in no event lower than \$0.60 per share of Common Stock. Investors also received warrant coverage of 25% of the number of shares that would be issuable upon a full conversion of the principal amount at an average of the twenty consecutive trading day period immediately preceding the applicable closing date. If any principal amount remains outstanding after the one-year anniversary of the closing, investors will be granted an additional warrant with identical terms. The warrants are exercisable for a period of three years for cash at the greater of 120% of the closing price or \$0.70 per share of common stock. After the initial private placement, investors were offered the opportunity to accelerate the issuance of the additional warrant by increasing their convertible note investment by 10% to 20%. After the close of the first quarter, a number of investors took advantage of this acceleration opportunity, resulting in an increase in the amount of the total convertible note by \$ 177,300 and the issuance of 930,332 additional warrants.

Currently we have 28 employees and 3 consultants. There are currently 18 employees and 1 consultant selling our products.

### **Critical Accounting Policies**

Our financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

### **Revenue Recognition**

In accordance with ASC 606, Revenue from Contracts with Customers, revenue is recognized when a customer obtains ownership of promised goods. The Company adopted this standard at the beginning of fiscal year 2018, with no significant impact to its financial position or results of operations, using the modified retrospective method. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods. The Company applies the following five steps:

1) *Identify the contract with a customer*

A contract with a customer exists when (i) the Company enters into an enforceable contract with a customer that defines each party's rights, (ii) the contract has commercial substance and, (iii) the Company determines that

collection of substantially all consideration for goods or services that are transferred is probable. For the Company, the contract is the approved sales order, which may also be supplemented by other agreements that formalize various terms and conditions with customers.

2) Identify the performance obligation in the contract

Performance obligations promised in a contract are identified based on the goods or that will be transferred to the customer. For the Company, this consists of the delivery of frozen beverages, which provide immediate benefit to the customer.

3) Determine the transaction price

The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring goods, and is generally stated on the approved sales order. Variable consideration, which typically includes volume-based rebates or discounts, are estimated utilizing the most likely amount method.

4) Allocate the transaction price to performance obligations in the contract

Since our contracts contain a single performance obligation, delivery of frozen beverages, the transaction price is allocated to that single performance obligation.

5) Recognize Revenue when or as the Company satisfies a performance obligation

The Company recognizes revenue from the sale of frozen beverages when title and risk of loss passes and the customer accepts the goods, which generally occurs at delivery. Customer sales incentives such as volume-based rebates or discounts are treated as a reduction of sales at the time the sale is recognized. Shipping and handling costs are treated as fulfillment costs and presented in distribution, selling and administrative costs.

The company evaluated the requirement to disaggregate revenue, and concluded that substantially all of its revenue comes from a single product, frozen beverages.

## **Impairments**

We periodically evaluate whether the carrying value of long-lived assets has been impaired when circumstances indicate the carrying value of those assets may not be recoverable. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the carrying value is not recoverable, the impairment loss is measured as the excess of the asset's carrying value over its fair value.

## **Share-based Compensation**

We account for share-based employee compensation plans under the fair value recognition and measurement provisions in accordance with applicable accounting standards, which require all share-based payments to employees, including grants of stock options and restricted stock units (RSUs), to be measured based on the grant date fair value of the awards, with the resulting expense generally recognized on a straight-line basis over the period during which the employee is required to perform service in exchange for the award.

## **Derivative Liability**

The Company evaluates its convertible instruments, options, warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for under ASC Topic 815, "Derivatives and Hedging." The result of this accounting treatment is that the fair value of any derivative is marked-to-market each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the statement of operations as gain/loss from derivative liability. Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity. We analyzed the derivative financial instruments in accordance with ASC 815. The objective is to provide guidance for determining whether an equity-linked financial instrument is indexed to an entity's own stock. This determination is needed for a scope exception which would enable a derivative instrument to be accounted for under the accrual method. The classification of a non-derivative instrument that falls within the scope of ASC 815-40-05 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" also hinges on whether the instrument is indexed to an entity's own stock. A non-derivative instrument that is not indexed to an entity's own stock cannot be classified as equity and must be accounted for as a liability. There is a two-step approach in determining whether an instrument or embedded feature is indexed to an entity's own stock. First, the instrument's contingent exercise provisions, if any, must be evaluated, followed by an evaluation of the instrument's settlement provisions. The Company utilized the fair value standard set forth by the Financial Accounting Standards Board, defined as the amount at which the assets (or liability) could be bought (or incurred) or sold (or settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

## Results of Operations

### *Results of Operation for Three Months Ended March 31, 2018 as Compared to the Three Months Ended March 31, 2017*

#### *Revenue and cost of revenue*

Revenue increased \$310,901 (99%) from \$312,170 in 2017 to \$623,071 in 2018. The increase in revenue is primarily the result of the rollout of our new bulk Easy Pour product which began during the first quarter of 2017 and has continued to gain momentum during the balance of the year. Our product continues to be distributed through all 72 of Sysco's U.S. mainland distribution centers, as well as through new customers beyond the Sysco distribution network.

Cost of revenue for 2018 was \$278,466 as compared to \$181,649 in 2017. Our gross profit was \$344,605 (55.3%) and \$130,521 (41.8%) for 2018 and 2017, respectively. This improvement was driven by a number factors, including leverage due to larger scale of production and product mix. We anticipate that our gross profit percentage for the remainder of 2018 will be approximately 50%.

### *Operating expenses*

Our operations were primarily directed towards increasing sales and expanding our distribution network.

Our general and administrative expenses decreased \$338,866 (14%) from \$2,433,530 in 2017 to \$2,094,664 in 2018, with the improvement primarily driven by lower personnel expenses resulting from the realignment of our sales force. The following is a breakdown of our general and administrative expenses for the three months ended March 31, 2018 and 2017:

|                                  | three months<br>ended<br>March 31,<br>2018 | three months<br>ended<br>March 31,<br>2017 | Difference    |
|----------------------------------|--|--|---------------|
| Personnel costs                  | \$ 897,803                                 | \$ 1,278,692                               | \$ (380,889 ) |
| Stock based compensation/options | 246,775                                    | 344,268                                    | (97,493 )     |
| Legal and professional fees      | 107,371                                    | 113,014                                    | (5,643 )      |
| Travel                           | 83,848                                     | 92,861                                     | (9,013 )      |
| Rent                             | 53,906                                     | 54,241                                     | (335 )        |
| Marketing and selling            | 160,380                                    | 118,658                                    | 41,722        |
| Consulting fees                  | 17,734                                     | 48,945                                     | (31,211 )     |
| Director fees                    | 62,500                                     | 37,500                                     | 25,000        |
| Research and development         | 190,341                                    | 114,601                                    | 75,740        |
| Shipping and Storage             | 166,071                                    | 64,154                                     | 101,917       |
| Other expenses                   | 107,934                                    | 166,596                                    | (58,662 )     |
|                                  | \$ 2,094,664                               | \$ 2,433,530                               | \$ (338,866 ) |

Personnel cost represents the cost of employees including salaries, bonuses, employee benefits and employment taxes and continues to be our largest cost. Personnel cost decreased \$380,889 (30%) from \$1,278,692 to \$897,803. During the fourth quarters of 2016 and 2017, we realigned our sales force to a more efficient model, by increasing the number of dedicated sales brokers that represent our products, and reducing the number of sales force employees. When taking into consideration start dates for new employees, and separation dates for those employees who left our workforce, we had 43 full time employees during 2016, and at March 31, 2018 we had 28 full time employees. We expect these restructurings to result in estimated annualized savings of \$2.2 to \$2.7 million

Stock based compensation is used as an incentive to attract new employees and to compensate existing employees. Stock based compensation includes stock issued and options granted to employees and non-employees. Stock compensation for the current quarter was \$246,775, a decrease of \$97,493, or 28%, from the year ago quarter expense of \$344,268. The decrease is primarily due to the timing of equity grants. The Company issues additional stock options to its employees from time to time under its Equity Compensation Plan.

Legal and professional fees decreased \$5,643 (5%) from \$113,014 in 2017 to \$107,371 in 2018. The decrease was primarily due to a timing of legal services required. We anticipate legal fees related to our business and financing activities to increase as our business continues to grow.

Travel expenses decreased \$9,013 (10%) from \$92,861 in 2017 to \$83,848 in 2018. The decrease is primarily due to reduction in travel costs associated with terminated employees. We anticipate that travel expenses for the balance of this year will be comparable to the current quarter.



Rent expense is primarily for our location in Beverly Hills, California. Rent expense for the Beverly Hills office is approximately \$14,488 per month. We lease office space at 8383 Wilshire Boulevard, Beverly Hills, California pursuant to a new lease that commenced on November 1, 2016 and expires March 31, 2019.

Marketing and selling expenses increased \$41,277 (35%) from \$118,658 in 2017 to \$160,380 in 2018. Higher marketing and selling expenses were primarily due to higher sales agent commissions associated with higher sales during the quarter.

Consulting fees were \$17,734 in 2018, as compared with \$48,945 in 2017. Our consulting fees vary based on needs. We engaged consultants in the areas of sales and operations during the quarter. The need for future consulting services will be variable.

Director fees increased \$25,000 from \$37,500 in 2017 to \$62,500 in 2018. Annual director fees are anticipated at \$50,000 per non-employee director.

Research and development expenses increased \$75,740, (66%) from \$114,601 in 2017 to \$190,341 in 2018. These expenses relate to the services performed by our Director of Manufacturing and Product Development, and consultants supporting that employee. The increase in research and development expense was primarily driven by the commissioning of manufacturing facilities.

Shipping and storage expense increased \$101,917 (159%) from \$64,154 in 2017 to \$166,071 in 2018. Shipping and storage expense as a percentage of revenue increased from 20% in 2017 to 26% in 2018. The higher expense in 2018 is due to a number of factors, including the continued movement of inventory to new forward warehouses as the Company expanded its business into Canada, and building of inventory levels in preparation for expected national account launch in early 2018. We anticipate that shipping and storage expense as a percentage of sales will reduce during the balance of the year, as the Company is able to take advantage of more efficient distribution arrangements.

Other expenses consist of ordinary operating expenses such as investor relations, office, telephone, insurance, and stock related costs. We anticipate these expenses to be comparable for the balance of the year.

We had operating losses of \$1,862,526 and \$2,359,040 for the three month periods ended March 31, 2018 and 2017, respectively. The improvement of \$496,515, or 21%, was primarily due to higher gross profit margin on higher sales, and lower G&A expenses.

Interest expense in the first quarter of 2018 is \$30,876. Interest relates to convertible debt in the amount of \$2,527,500 that was issued on March 14, 2018, which bears interest at 10%, and to a note payable in the amount of \$250,000 that was issued on March 5, 2018, which bears interest at 12%. Interest expense includes amortization of \$16,967 of the value of warrants issued with the convertible debt.

We had net losses of \$2,338,138 and \$2,359,040 in the three month periods ended March 31, 2018 and 2017.

## **Results of Operations**

### ***Results of Operation for the Twelve Months Ended December 31, 2017 as Compared to the Twelve Months Ended December 31, 2016***

#### **Revenue and Cost of Revenue**

Revenue for 2017 was \$1,997,012 as compared to \$1,457,499 in 2016, an increase of 37%. Our business grew through the continuing expansion of our business relationship with Sysco Corporation (“Sysco”), a major broad line food distributor. We began shipping to Sysco in July 2014, and by early 2016 had our products in all 72 of Sysco’s Operating Companies. Our business also grew as a result of the introduction of our Bulk Easy Pour product during early 2017.

Cost of revenue for 2017 was \$1,085,575 as compared to \$772,827 in 2016. Our gross profit was \$911,437 or 46%, for 2017 and \$684,672 or 47% for 2016. We anticipate that our gross profit percentage will improve in the future, as our business gains scale and as we expand our manufacturing operations.

### Operating Expenses

Our operations during 2017 were directed towards increasing sales and creating and finalizing customized flavors for potential customers. The increase in our business relationship with Sysco, and the expansion of our product offerings to include Bulk Easy Pour, drove an increase in our selling, marketing, and general and administrative expenses. During the fourth quarter of 2016, and during the fourth quarter of 2017, we re-aligned our sales force to a more efficient model, by increasing the number of dedicated sales brokers that represent our products, and reducing the number of sales force employees.

Primarily as a result of re-aligning our sales force, general and administrative expenses decreased from \$10,415,933 in 2016 to \$9,492,094 in 2017, a decrease of \$923,839, or 9%.

Following is a breakdown of our selling, marketing and general and administrative expenses for 2017 and 2016.

|                                  | Twelve<br>months<br>ended<br>December<br>31, 2017 | Twelve<br>months<br>ended<br>December<br>31, 2016 | Difference    |
|----------------------------------|---|---|---------------|
| Personnel costs                  | \$4,260,946                                       | \$5,560,502                                       | \$(1,299,556) |
| Stock based compensation/options | 1,360,688   | 1,133,149   | 227,539       |
| Legal and professional fees      | 465,737   | 425,781   | 39,956        |
| Travel                           | 422,284   | 605,920   | (183,636 )    |
| Rent                             | 142,572   | 96,151  | 46,421        |
| Marketing and selling            | 696,253   | 730,142   | (33,889 )     |
| Consulting fees                  | 203,721   | 242,668   | (38,947 )     |
| Director fees                    | 206,296   | 165,227   | 41,069        |
| Research and development         | 574,989   | 432,146   | 142,843       |
| Shipping Expense and storage     | 619,871   | 407,247   | 212,624       |
| Other expenses                   | 538,737   | 617,000   | (78,262 )     |
|                                  | \$9,492,094                                       | \$10,415,933                                      | \$(923,838 )  |

Personnel cost represents the cost of employees including salaries, employee benefits, car allowances, and employment taxes, and continues to be our largest expense. Personnel costs decreased 23%, or \$1,299,556, from \$5,560,502 in 2016 to \$4,260,946 in 2017. During the fourth quarters of 2016 and 2017, we re-aligned our sales force to a more efficient model, by increasing the number of dedicated sales brokers that represent our products, and reducing the number of sales force employees. When taking into consideration start dates for new employees, and separation dates for those employees who left our workforce, we had 43 full time equivalent employees during 2016. At December 31, 2017, we had 30 full time employees, as compared to 34 at December 31, 2016. We do not anticipate any significant change in personnel during 2018.

Stock based compensation is used as an incentive to attract new employees and to compensate and retain existing employees. Stock based compensation includes stock issued and stock options granted to employees and certain non-employees, increased \$227,539 (20%) from \$1,133,149 in 2016 to \$1,360,688 in 2017 in part to offset salary reductions. The fair value of the stock grants is based on the trading value of our shares on the date of the grants and are being amortized over applicable vesting periods. We anticipate making additional grants in the future.

Legal and professional fees, which include accounting and legal services, increased \$39,956 (9%) from \$425,781 in 2016 to \$465,737 in 2017. We anticipate legal fees related to ongoing legal compliance to remain comparable in 2018.

Travel and entertainment expenses decreased \$183,636 (30%) from \$605,920 in 2016 to \$422,284 in 2017. The decrease is due to the re-alignment of our sales force and the related decrease in the number of personnel traveling on company business.

Rent expense increased \$46,421 from \$96,151 in 2016 to \$142,572 in 2017. Rent expense is primarily incurred for our Headquarters location in Beverly Hills, California. During September of 2016 we relocated our Headquarters location to larger sub-leased premises in Beverly Hills, where the monthly rent of \$10,997, increased to \$11,327 on November 1, 2017. We have entered into a direct lease on the same premises beginning on March 1, 2018, expiring March 31, 2019, at a monthly rent of \$14,488.

Marketing and selling expenses decreased \$33,889 (5%), from \$730,142 in 2016, to \$696,253 in 2017. Lower marketing and selling expenses were primarily due to lower personnel expense and lower sample expense.

Consulting fees decreased from \$242,668 in 2016 to \$203,721 in 2017, a decrease of \$38,947 or 16%. We anticipate consulting costs to continue to decline during 2018.

Director fees for 2017 were \$206,296 as compared with \$165,227 in 2016. The increase is primarily due to the full year effect of an increase of the number of our directors during the second half of 2016. We currently pay our non-employee directors \$50,000 per year. These fees can either be paid in cash, or in stock or stock options, at the election of the director.

The Company incurred research and development expenses for the year ended December 31, 2017, in the amount of \$574,989 and for the year ended December 31, 2016 in the amount of \$432,146. During the quarter ended September 30, 2016, we re-classified certain personnel expenses that had previously been included in personnel expense, to Research and Development. These expenses relate primarily to the services performed by our Director of Manufacturing and Product Development, and supporting consultant expenses. The re-classification is shown in both the current period and the prior period. The increase in Research and Development expenses was primarily attributable to increased activity in creating unique flavors for potential customers in our national account pipeline. We anticipate this cost continuing in future periods, at an increased rate as compared with 2017.

Shipping and storage expense increased \$212,624 (52%), from \$407,247 in 2016 to \$619,871 in 2017. Shipping and storage expense as a percentage of revenue increased from 28% in 2016 to 31% in 2017. The higher expense in 2017 is due to a number of factors, including the continued movement of inventory to new forward warehouse as the company expanded its business into Canada, and building of inventory levels in preparation for expected national account launch in early 2018.

Other expenses consist of ordinary operating expenses such as office, telephone, insurance, and other similar expenses. These expenses directly correlate to our overall business activity. We expect these expenses to continue to increase during 2018 as our business grows.

Operating loss was \$8,911,540 in 2017, and \$9,939,875 in 2016.

Interest expense was zero in 2017, as compared with \$250,850 in 2016. Interest expense for 2016 relates to \$2,670,000 of convertible debt that was issued during September of 2015, the majority of which was converted to equity during the first quarter of 2016. The stated interest rate on the convertible debt issued during September of 2015 was 10%.

Net loss was \$8,911,540 in 2017, and \$10,190,725 in 2016.

## **Liquidity and Capital Resources**

During the three months ended March 31, 2018, we used cash for operations of \$1,491,691, purchased equipment for \$172,231, and incurred spending for trademarks in the amount \$2,293. We raised cash from issuance of convertible notes, net of issuance cost, in the amount of \$2,503,200 plus issuance of short term note in the amount of \$250,000.

During the twelve month period ended December 31, 2017, we used cash of \$7,334,239 in operations, \$535,196 for the purchase of equipment, net of sales of equipment, and \$29,179 for patents and trademarks

As of December 31, 2017, we had a working capital surplus of \$1,774,719, as compared with a working capital surplus of \$8,751,702 at December 31, 2016. The reduction in working capital surplus is primarily due to the reduction in cash raised from investing activities, partially offset by a reduction of cash used in operations, and a significant increase in inventory levels.

We have a history of operating losses and negative cash flow. As our operations grow, we expect to experience significant increases in our working capital requirements. These conditions raise substantial doubt over the Company's ability to meet all of its obligations over the twelve months following the filing of this Form 10-Q. Management has evaluated these conditions, and concluded that current plans will alleviate this concern. We have significantly reduced core operating costs beginning in 2016, including reducing the number of our employees from 44 to 28 over this time period. In addition, we plan to address this concern by raising additional capital through an additional loan or loans, and by continuing to reduce core operating expenses as required. While these plans have not yet been implemented, management has concluded that it is probable that they will be implemented within one year of the issuance of the financial statements, and that they will mitigate the substantial doubt of our ability to continue as a going concern. However, the Company cannot predict, with certainty, the outcome of its action to generate liquidity, including the availability of additional financing, or whether such actions would generate the expect liquidity as planned.

We lease office space under a non-cancelable operating lease, which expires March 31, 2019. The aggregate minimum requirements under non-cancelable leases as of March 31, 2018 is \$173,851.

## **Off-Balance Sheet Arrangements**

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

expenditures or capital resources that are material to stockholders.



## DESCRIPTION OF PROPERTY

Our principal executive offices are located at 8383 Wilshire Blvd., Suite 750, Beverly Hills, CA 90211. Beginning in September, 2016, We leased this office space pursuant to a sub-lease with the primary tenant for \$10,997 per month, increasing to \$11,327 per month as of November 1, 2017. As of March 1, 2018, We lease the same office space pursuant to a direct lease for \$14,488 a month through March 31, 2019.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following includes a summary of transactions since the beginning of fiscal 2015, or any currently proposed transaction, in which we were or are to be a participant and the amount involved exceeded or exceeds the lesser of \$120,000 or one percent of the average of our total assets at year end for the last two completed fiscal years and in which any related person had or will have a direct or indirect material interest (other than compensation described under "Executive Compensation"). We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to or better than terms available or the amounts that would be paid or received, as applicable, in arm's-length transactions.

During the three months ended March 31, 2018, we closed an offering of \$2,527,500 in convertible notes, of this which, management, directors and significant shareholders have invested \$810,000. The convertible notes bear 10% interest per annum and are due and payable on March 14, 2020. The notes are convertible at any time prior to the due date into our common stock at conversion price of \$0.88 per share or 85% of the average closing price of the common stock over the twenty consecutive trading days immediately preceding the date of note holders' election; but in no events lower than \$0.60 per share. In addition, the interest is convertible at any time prior to the due dates into our common stock at conversion price of 85% of the average closing price of the common stock over the twenty consecutive trading days immediately preceding the date of note holders' election; but in no events lower than \$0.60 per share. Investors also received warrant coverage of 25% of the number of shares that would be issuable upon a full conversion of the principal amount at an average of the twenty consecutive trading day period immediately preceding the applicable closing date. If any principal amount remains outstanding after the one-year anniversary of the closing, investors will be granted an additional warrant with identical terms. The warrants are exercisable for a period of three years for cash at the greater of 120% of the closing price or \$0.70 per share of common stock.

On January 29, 2016, we closed a private placement to accredited investors of \$2,670,000 in promissory notes and warrants to purchase up to 1,297,500 shares of common stock of the Company for aggregate gross proceeds to the Company of \$2,670,000. Of the aggregate offering amount, \$635,000 of the notes and warrants to purchase up to 317,500 shares of common stock were placed with members of the Company's management, including officers and directors of the Company, and family members of certain officers and directors.

On September 28, 2016, we closed a private placement to accredited investors of 4,687,504 shares of common stock at \$.64 per share, and warrants to purchase up to 2,343,752 shares of common stock, for aggregate proceeds to the Company of \$3,000,000. Of the aggregate offering amount, 371,639 shares and 185,819 warrants, were placed with members of the Company's management, including officers and directors of the Company, and family members of certain officers and directors.

The Company's policy with regard to related party transactions requires any related party loans that are (i) non-interest bearing and in excess of \$100,000 or (ii) interest bearing, irrespective of amount, must be approved by the Company's board of directors. All issuances of securities by the Company must be approved by the board of directors, irrespective of whether the recipient is a related party. Each of the foregoing transactions, if required by its terms, was approved in this manner.

**EXECUTIVE COMPENSATION**

The following table summarizes all compensation for the fiscal years ending December 31, 2017 (“2017”) and December 31, 2016 (“2016”) received by our “Named Executive Officers”:

| Name and<br>Principal<br>Position  | Period | Salary<br>(\$) | Bonus<br>(1)<br>(\$) | Stock<br>Awards<br>(\$) | Option<br>Awards<br>(\$) | Non-Equity<br>Incentive<br>Plan<br>Compensation<br>(\$) | Change<br>in<br>Pension<br>Value<br>and<br>Nonqualified<br>Deferred<br>Compensation<br>Earnings<br>(\$) | All Other<br>Compensation<br>(\$) | Total<br>(\$) |
|--|--------|----------------|----------------------|-------------------------|--------------------------|---|---|-----------------------------------|---------------|
| Riccardo<br>Delle<br>Coste,<br>Chief<br>Executive<br>Officer                                 | 2017   | 350,000 (2)    | -                    | -                       | 105,000 (3)              |   |   | 10,800 (4)                        | 455,000       |
|  | 2016   | 364,583        | 43,750               | 57,118 (5)              | 158,750 (6)              |   |   | 11,700 (4)                        | 624,201       |
| Joseph<br>Cugine,<br>President,<br>Barfresh<br>Corp. Inc.<br>a wholly<br>owned<br>subsidiary | 2017   | 300,000 (7)    |                      | -                       | 105,000 (8)              |   |   |                                   | 405,000       |
|  | 2016   | 300,000        | 25,137               | 32,818 (9)              | 139,382 (10)             |   |   |                                   | 497,337       |
| Joseph<br>Tesoriero,<br>Chief<br>Financial<br>Officer  | 2017   | 290,000 (11)   | -                    |                         | 253,364 (12)             |   |   |                                   | 543,364       |
|  | 2016   | 290,000        | 19,488               | 25,443 (13)             | 95,646 (14)              |   |   |                                   | 430,577       |

1. Represents discretionary bonuses for fiscal year 2015 that were paid during fiscal year 2016.

2. Of the salary earned, \$294,135 was paid and \$55,865 was deferred.

3. Represents a stock option grant 250,000 options shares issued 9/15/17 with an exercise price of \$0.55, which vest ratably over the next three years and are exercisable until 9/15/25.

4. Represents the car allowance paid to Mr. Delle Coste

5. Represents 121,527 shares of restricted stock valued the trading price on the date of grant. The shares were granted on 11/25/16 and vest ratably each year until 2019.

6. Represents two stock option grants: (1) 250,000 options shares issued 5/25/2016, with an exercise price of \$0.61, which vest ratably over the next three years and are exercisable until 5/25/2024 and (2) 125,000 options issued on 11/25/2016, with an exercise price of \$0.72, which vest ratably over the next three years and are exercisable until 11/25/2024.

7. Of the salary earned, \$252,115 was paid and \$47,885 was deferred.

8. Represents a stock option grant 250,000 options shares issued 9/15/17 with an exercise price of \$0.55, which vest ratably over the next three years and are exercisable until 9/15/25.

9. Represents 69,825 shares of restricted valued the trading price on the date of grant. The shares were granted on 12/12/2016 and vest ratably each year until 2019.

10. Represents two stock option grants: (1) 250,000 options shares issued 5/25/2016, with an exercise price of \$0.61, which vest ratably over the next three years and are exercisable until 5/25/2024 and (2) 125,000 options issued on 11/25/2016, with an exercise price of \$0.72, which vest ratably over the next three years and are exercisable until 11/25/2024.

11. Of the salary earned, \$243,711 was paid and \$46,289 was deferred.

12. Represents two stock option grants: (1) 300,000 options shares issued 7/5/17, with an exercise price of \$0.77, which vest ratably over the next three years and are exercisable until 7/5/2025 and (2) 175,000 options issued on 9/15/2017, with an exercise price of \$0.55, which vest ratably over the next three years and are exercisable until 9/5/25.

13. Represents 54,133 shares of restricted stock valued using the Black-Scholes pricing model. The shares were granted on 12/12/ 2016 and vest ratably until 2019.

14. Represents two stock option grants: (1) 175,000 options issued on 5/25/2016, with an exercise price of \$0.61, which vest ratably over the next three years and are exercisable until 5/25/2024 and (2) 54,567 options issued on 11/25/2016, with an exercise price of \$0.72, which vest ratably over the next three years and are exercisable until 11/25/2024.

**Outstanding Equity Awards at Fiscal Year-End Table**

| Option Awards        |   |     |  |                            |                        | Stock Awards  |  |
|----------------------|---|-----|--|----------------------------|------------------------|---|--|
| Name                 | Number of securities underlying unexercised options (#) exercisable |     | Equity incentive plan awards: Number of securities underlying unexercised unearned options (#) | Option exercise price (\$) | Option expiration date | Number of shares or units of stock that have not vested (#) | Market value of shares or units of stock that have not vested (\$) |
| Riccardo Delle Coste | 300,000   | (1) |  | 0.45                       | 1/21/20                |   |  |
|                      | 83,333  | (2) | 166,667  | 0.61                       | 5/25/24                |   |  |
|                      | 41,667  | (3) | 83,333   | 0.72                       | 11/25/24               |   |  |
|                      | 250,000   | (4) |  | 0.55                       | 9/15/25                |   |  |
|                      |   |     |  |                            |                        | 81,018  | 47,801   |
| Joseph Cugine        | 300,000   | (5) | 300,000  | 0.50                       | 5/1/23                 |   |  |
|                      | 83,333  | (2) | 166,667  | 0.61                       | 5/25/24                |   |  |
|                      | 27,930  | (3) | 42,124   | 0.72                       | 11/25/24               |   |  |
|                      | 250,000   | (4) |  | 0.55                       | 9/15/25                |   |  |
|                      |   |     |  |                            |                        | 546,550   | 322,465  |
| Joseph Tesoriero     | 250,000   | (5) | 250,000  | 0.82                       | 5/1/23                 |   |  |
|                      | 58,333  | (2) | 116,667  | 0.61                       | 5/25/24                |   |  |
|                      | 18,189  | (3) | 36,378   | 0.72                       | 11/25/24               |   |  |
|                      | 175,000   | (4) |  | 0.55                       | 9/15/25                |   |  |
|                      |   |     |  |                            |                        | 286,089   | 168,793  |

1. Fully vested.
2. Vest in equal increments on 5/25/2017, 5/25/2018 and 5/25/2019.
3. Vest in equal increments on 11/25/2017, 11/25/2018, and 11/25/2019.
4. Vest in equal increments on 9/15/18, 9/15/19, and 9/15/20.
5. Vest in equal increments on 5/1/2017 and 5/1/2018.

**Compensation of Directors**

The following table summarizes the compensation paid to our directors that were not employees for the fiscal year ended December 31, 2017. A director who is a Company employee does not receive any compensation for service as a director. The compensation received by directors that are employees of the Company is shown above in the summary compensation table. We reimburse all directors for expenses incurred in their capacity as directors.

| Name                     | Fees<br>Earned<br>or<br>Paid in<br>Cash<br>(\$) | Stock<br>Awards<br>(\$) | Option<br>Awards<br>(\$) | Non-Equity<br>Incentive<br>Plan<br>Compensation<br>(\$) | Nonqualified<br>Deferred<br>Compensation<br>Earnings<br>(\$) | All Other<br>Compensation<br>(\$) | Total<br>(\$) |
|--------------------------|---|-------------------------|--------------------------|---|--|-----------------------------------|---------------|
| Arnold Tinter            | 50,000  |                         |                          |   |  | 70,000 (1)                        | 120,000       |
| Steven Lang              |   |                         | 50,000 (2)               |   |  |                                   | 50,000        |
| Alice Elliot             |   |                         | 50,000 (3)               |   |  |                                   | 50,000        |
| Alex Ware                |   | 50,000 (4)              |                          |   |  |                                   | 50,000        |
| Isabelle<br>Ortiz-Cochet |   |                         | 50,000 (5)               |   |  |                                   | 50,000        |

(1) Represents consulting fees paid to Mr. Tinter.

(2) Mr. Lang elected to receive \$25,000 in cash and 40,843 Stock Options in lieu of cash.

(3) Ms. Elliot elected to receive 81,075 Stock Options in lieu of cash.

(4) Mr. Ware elected to receive 95,995 shares of Stock in lieu of cash.

(5) Ms. Ortiz-Cochet elected to receive Stock Options in lieu of cash.

### Employment Agreements

On April 27, 2015, The Company entered into an executive employment agreement with Riccardo Delle Coste, its Chief Executive Officer and director. Mr. Delle Coste is also the Chief Executive Officer and Chairman of the Company. Pursuant to the employment agreement, he will receive a base salary of \$350,000 and performance bonuses of 75% of his base salary based on mutually agreed upon performance targets. In addition, Mr. Delle Coste will receive up to an additional 500,000 performance options, on an annual basis. All options granted under the employment agreement are subject to the Company's 2015 Equity Incentive Plan.

On April 27, 2015, Smoothie entered into an executive employment agreement with Joseph M. Cugine to serve as President of Smoothie, Inc. Pursuant to the employment agreement, Mr. Cugine will receive a base salary of \$300,000 and performance bonuses of 75% of his base salary based on mutually agreed upon performance targets. In addition, Mr. Cugine will receive 8-year options to purchase up to 600,000 shares of Barfresh, one-half vesting on each of the second and third anniversaries of the date of Mr. Cugine's employment agreement. In addition, he will receive up to an additional 500,000 performance options, on an annual basis. All options granted under the employment agreement are

subject to the Company's 2015 Equity Incentive Plan

The Company entered into an executive employment agreement with Joseph S. Tesoriero on May 18, 2015, pursuant to which he agreed to serve as Chief Financial Officer. Pursuant to the employment agreement, Mr. Tesoriero will receive a base salary of \$250,000 and performance bonuses of 75% of his base salary, based upon performance targets determined by the Board of Directors. In addition, Mr. Tesoriero was granted 350,000 shares of common stock of Barfresh and 8-year options to purchase up to 500,000 shares of common stock of Barfresh. One-half of each of the share and option grants vests on each of the second and third anniversaries of the date of commencement of Mr. Tesoriero's employment. Mr. Tesoriero will also receive 8-year performance options to purchase up to an additional 350,000 shares on an annual basis. All shares and options granted under the employment agreement are subject to the Company's 2015 Equity Incentive Plan.



## CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in or disagreements with our accountants on accounting and financial disclosure during the last two fiscal years, the fiscal years ending December 31, 2017 and December 31, 2016 .

## MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

### Market Information

Our common stock is currently traded on the OTCQB under the symbol “BRFH”. Our common stock had been quoted on the OTC Bulletin Board since July 27, 2011 under the symbol MVBX. Effective February 29, 2012, our symbol changed to BRFH based on the forward split and name change. On March 21, 2012, our common stock was delisted to Pink Sheets. On January 21, 2014, we registered our common stock under Section 12(g) of the Exchange Act. The following table sets forth the range of high and low bid quotations for the applicable period. These quotations as reported by the OTCQB reflect inter-dealer prices without retail mark-up, markdown or commissions and may not necessarily represent actual transactions.

| Financial Quarter Ended | Bid Quotation |             |
|-------------------------|---------------|-------------|
|                         | High<br>(\$)  | Low<br>(\$) |
| March 31, 2018          | 0.69          | 0.35        |
| December 31, 2017       | 0.70          | 0.52        |
| September 30, 2017      | 0.82          | 0.52        |
| June 30, 2017           | 0.82          | 0.57        |
| March 31, 2017          | 0.83          | 0.52        |
| December 31, 2016       | 0.83          | 0.56        |
| September 30, 2016      | 0.76          | 0.55        |
| June 30, 2016           | 0.86          | 0.55        |
| March 31, 2016          | 0.91          | 0.72        |

### Holders

At May 25, 2018, there were 119,464,208 shares of our common stock outstanding. Our shares of common stock are held by 100 stockholders of record. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers and registered clearing agencies.

## Dividends

We have never declared or paid a cash dividend. Any future decisions regarding dividends will be made by our board of directors. We currently intend to retain and use any future earnings for the development and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. Our board of directors has complete discretion on whether to pay dividends. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

## Purchases of Equity Securities by the Company

There were no purchases of equity securities made by the Company in the period covered by this report.

## Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information, as of December 31, 2017, with respect to equity securities authorized for issuance under our equity compensation plans:

| Plan Category | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a) | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b) | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in Column (a))(c) |
|---------------|---|---|--|
|               |   |   |  |

|  |                  |           |             |                  |
|--|------------------|-----------|-------------|------------------|
| Equity compensation plans approved by security holders     | 6,715,419        | \$        | 0.63        | 8,084,581        |
| Equity compensation plans not approved by security holders | -                | \$        | -           | -                |
| <b>TOTAL</b>   | <b>6,715,419</b> | <b>\$</b> | <b>0.63</b> | <b>8,084,581</b> |

**Transfer Agent**

Our transfer agent, Action Stock Transfer, is located at 2469 E. Fort Union Blvd, Suite 214, Salt Lake City, Utah 84121, and its telephone number is (801) 274-1088.

## WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1, including exhibits and schedules, under the Securities Act, with respect to the shares of common stock being offered by this prospectus. This prospectus, which constitutes part of the registration statement, does not contain all of the information in the registration statement and its exhibits. For further about the Company and the common stock offered by this prospectus, we refer you to the registration statement and its exhibits. Statements contained in this prospectus as to the contents of any contract or any other document referred to are not necessarily complete, and in each instance, we refer you to the copy of the contract or other document filed as an exhibit to the registration statement. Each of these statements is qualified in all respects by this reference.

You can read our SEC filings, including the registration statement, over the Internet at the SEC's website at [www.sec.gov](http://www.sec.gov). You may also read and copy any document we file with the SEC at its public reference facilities at 100 F Street, NE, Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. You may also request a copy of these filings, at no cost, by writing us at 8383 Wilshire Blvd., Suite 750, Beverly Hills, CA 90211 or calling us at (310) 598-7113.

We are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and we will file reports, proxy statements and other information with the SEC. These reports, proxy statements and other information will be available for inspection and copying at the public reference room and web site of the SEC referred to above. We also maintain a website at [www.barfresh.com/us/](http://www.barfresh.com/us/), at which you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Information contained on or accessible through our website is not a part of this prospectus, and the inclusion of our website address in this prospectus is an inactive textual reference only.

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## Barfresh Food Group Inc.

## Condensed Consolidated Balance Sheets

|  | March 31,<br>2018<br>(Unaudited) | December<br>31, 2017<br>(Audited) |
|--|----------------------------------|-----------------------------------|
| Assets   |                                  |                                   |
| Current assets:  |                                  |                                   |
| Cash   | \$2,391,901                      | \$1,304,916                       |
| Accounts Receivable  | 349,935                          | 301,012                           |
| Inventory  | 1,546,051                        | 1,415,495                         |
| Prepaid expenses and other current assets  | 107,114                          | 24,496                            |
| Total current assets   | 4,440,001                        | 3,045,919                         |
| Property, plant and equipment, net of depreciation   | 2,179,005                        | 1,760,890                         |
| Intangible asset, net of amortization  | 573,334                          | 586,943                           |
| Deposits   | 39,369                           | 39,369                            |
| Total Assets   | \$7,231,709                      | \$5,433,121                       |
| Liabilities And Stockholders' Equity   |                                  |                                   |
| Current liabilities:   |                                  |                                   |
| Accounts payable   | \$531,826                        | \$421,176                         |
| Accrued expenses   | 1,315,175                        | 849,529                           |
| Deferred rent liability  | -                                | 495                               |
| Notes Payable  | 250,000                          | -                                 |
| Total current liabilities  | 2,097,001                        | 1,271,200                         |
| Convertible note - related party, net of discount  | 554,432                          | -                                 |
| Convertible note, net of discount  | 1,175,601                        | -                                 |
| Derivative Liabilities   | 1,014,323                        | -                                 |
| Total liabilities  | 4,841,357                        | 1,271,200                         |
| Commitments and contingencies (Note 7, 8, 12)  |                                  |                                   |
| Stockholders' equity:  |                                  |                                   |
| Preferred stock, \$0.000001 par value, 5,000,000 shares authorized, none issued or outstanding   | -                                | -                                 |
| Common stock, \$0.000001 par value; 300,000,000 shares authorized; 118,789,733 and 118,690,527 shares issued and outstanding at March 31, 2018 and December 31, 2017, respectively | 119                              | 119                               |
| Additional paid in capital   | 38,560,122                       | 37,992,799                        |
| Accumulated deficit  | (36,169,889)                     | (33,830,997)                      |
| Total stockholders' equity   | 2,390,352                        | 4,161,921                         |
| Total Liabilities and Stockholders' Equity   | \$7,231,709                      | \$5,433,121                       |

See the accompanying notes to the condensed consolidated financial statements

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Barfresh Food Group Inc.

Condensed Consolidated Statements of Operations

For the three months ended March 31, 2018 and 2017

(Unaudited)

|  | 2018           | 2017           |
|--|----------------|----------------|
| Revenue, net                                     | \$623,071      | \$312,170      |
| Cost of revenue                                  | 278,466        | 181,649        |
| Gross profit                                     | 344,605        | 130,521        |
| Operating expenses:                              |                |                |
| General and administrative                       | 2,094,664      | 2,433,530      |
| Depreciation and Amortization                    | 112,467        | 56,031         |
| Total operating expenses                         | 2,207,131      | 2,489,561      |
| Operating loss                                   | (1,862,526 )   | (2,359,040 )   |
| Other expenses                                   |                |                |
| Loss from derivative liability                   | 444,736        | -              |
| Interest   | 30,876         | -              |
| Net (loss)                                       | \$(2,338,138 ) | \$(2,359,040 ) |
| Per share information - basic and fully diluted: |                |                |
| Weighted average shares outstanding              | 118,682,325    | 117,251,662    |
| Net (loss) per share                             | \$(0.02 )      | \$(0.02 )      |

See the accompanying notes to the condensed consolidated financial statements

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Barfresh Food Group Inc.

Condensed Consolidated Statements of Cash Flows

For the three months ended March 31, 2018 and 2017

(Unaudited)

|  | 2018          | 2017          |
|--|---------------|---------------|
| Net Cash used in operations                          | \$(1,491,691) | \$(1,614,825) |
| Cash flow from investing activities:                 |               |               |
| Investment in trademark                              | (2,293 )      | (5,132 )      |
| Purchase of equipment                                | (172,231 )    | (146,440 )    |
| Sale of equipment                                    | -             | 940           |
| Net Cash used in investing activities                | (174,524 )    | (150,632 )    |
| Cash flow from financing activities:                 |               |               |
| Exercise of Warrant                                  | -             | 35,401        |
| Issuance of short term notes                         | 250,000       | -             |
| Issuance of convertible notes, net of issuance costs | 2,503,200     | -             |
| Repayment of long term debt                          | -             | (960 )        |
| Net cash provided by financing activities            | 2,753,200     | 34,441        |
| Net increase (decrease) in cash                      |               |               |