

MamaMancini's Holdings, Inc.  
Form 10-Q  
September 13, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 10-Q**

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

For the quarter ended: **July 31, 2016**

OR

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

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **000-54954**

**MamaMancini's Holdings, Inc.**

(Exact name of Registrant as specified in its charter)

**Nevada**                                 **27-067116**  
(State or other jurisdiction   (IRS Employer  
of incorporation)                 I.D. No.)

**25 Branca Road**

**East Rutherford, NJ 07073**

(Address of principal executive offices and zip Code)

**(201) 531-1212**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of September 13, 2016, there were 27,245,344 shares outstanding of the registrant's common stock.



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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**MAMAMANCINI'S HOLDINGS, INC.**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**JULY 31, 2016**

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F-1

MamaMancini's Holdings, Inc.  
Condensed Consolidated Balance Sheets

|  | July 31, 2016<br>(Unaudited) | January 31,<br>2016 |
|--|------------------------------|---------------------|
| Assets   |                              |                     |
| Assets:  |                              |                     |
| Cash   | \$264,446                    | \$587,422           |
| Accounts receivable, net   | 1,360,243                    | 1,476,582           |
| Inventories  | 407,978                      | 252,752             |
| Prepaid expenses   | 226,474                      | 154,458             |
| Due from manufacturer - related party  | 2,180,863                    | 2,248,781           |
| Total current assets   | 4,440,004                    | 4,719,995           |
| Property and equipment, net  | 1,091,835                    | 1,047,455           |
| Total Assets   | \$5,531,839                  | \$5,767,450         |
| Liabilities and Stockholders' Equity   |                              |                     |
| Liabilities:   |                              |                     |
| Accounts payable and accrued expenses  | \$395,950                    | \$769,551           |
| Line of credit, net  | -                            | 933,001             |
| Term loan  | 120,000                      | 120,000             |
| Promissory notes   | 156,275                      | 266,808             |
| Notes payable - related party  | -                            | 125,000             |
| Convertible note payable   | 270,000                      | 2,540,000           |
| Total current liabilities  | 942,225                      | 4,754,360           |
| Term loan - net of current   | 260,000                      | 320,000             |
| Line of credit - net of current portion  | 1,096,630                    | -                   |
| Promissory notes - net of current portion  | -                            | 69,767              |
| Convertible note payable - net of current portion  | 2,540,323                    | -                   |
| Notes payable - related party  | 125,000                      | -                   |
| Total long-term liabilities  | 4,021,953                    | 389,767             |
| Total Liabilities  | 4,964,178                    | 5,144,127           |
| Commitments and contingencies  |                              |                     |
| Stockholders' Equity   |                              |                     |
| Series A Preferred stock, \$0.00001 par value; 120,000 shares authorized; 23,400 and 0 shares issued and outstanding, respectively | -                            | -                   |
| Preferred stock, \$0.00001 par value; 19,880,000 shares authorized; no shares issued and outstanding                               | -                            | -                   |
|  | 272                          | 265                 |

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|   |              |              |
|---|--------------|--------------|
| Common stock, \$0.00001 par value; 250,000,000 shares authorized; 27,245,334 and 26,507,516 shares issued and outstanding, respectively |              |              |
| Additional paid in capital  | 15,513,497   | 14,954,928   |
| Common stock subscribed, \$0.00001 par value; 66,667 shares, respectively   | 1            | 1            |
| Accumulated deficit   | (14,796,609) | (14,182,371) |
| Less: Treasury stock, 230,000 shares, respectively  | (149,500 )   | (149,500 )   |
| Total Stockholders' Equity  | 567,661      | 623,323      |
| <br>  |              |              |
| Total Liabilities and Stockholders' Equity  | \$5,531,839  | \$5,767,450  |

See accompanying notes to the condensed consolidated financial statements

F-2

MamaMancini's Holdings, Inc.  
Condensed Consolidated Statements of Operations  
(Unaudited)

|   | For the Three Months Ended |                      | For the Six Months Ended |                |
|---|----------------------------|----------------------|--------------------------|----------------|
|   | July 31, 2016              | <b>July 31, 2015</b> | July 31, 2016            | July 31, 2015  |
| Sales - net of slotting fees and discounts                    | \$4,138,280                | \$2,739,200          | \$8,062,257              | \$6,092,479    |
| Cost of sales   | 2,772,966                  | 2,091,032            | 5,221,744                | 4,499,331      |
| Gross profit  | 1,365,314                  | 648,168              | 2,840,513                | 1,593,148      |
| Operating expenses  |                            |                      |                          |                |
| Research and development                                      | 37,225                     | 20,479               | 67,787                   | 43,558         |
| General and administrative expenses                           | 1,437,256                  | 1,390,625            | 2,937,113                | 3,173,746      |
| Total operating expenses                                      | 1,474,481                  | 1,411,104            | 3,004,900                | 3,217,304      |
| Loss from operations  | (109,167 )                 | (762,936 )           | (164,387 )               | (1,624,156 )   |
| Other expenses  |                            |                      |                          |                |
| Interest expense  | (157,949 )                 | (124,705 )           | (319,711 )               | (248,062 )     |
| Amortization of debt discount                                 | (9,694 )                   | (83,437 )            | (18,819 )                | (182,270 )     |
| Amortization of closing costs                                 | -                          | (29,228 )            | -                        | (40,374 )      |
| Total other expenses  | (167,643 )                 | (237,370 )           | (338,530 )               | (470,706 )     |
| Net loss  | (276,810 )                 | (1,000,306 )         | (502,917 )               | (2,094,862 )   |
| Less: preferred dividends                                     | (46,800 )                  | (10,959 )            | (111,321 )               | (10,959 )      |
| Net loss available to common stockholders                     | \$(323,610 )               | \$(1,011,265 )       | \$(614,238 )             | \$(2,105,821 ) |
| Net loss per common share - basic and diluted                 | \$(0.01 )                  | \$(0.04 )            | \$(0.02 )                | \$(0.08 )      |
| Weighted average common shares outstanding -basic and diluted | 27,039,199                 | 26,085,916           | 26,776,279               | 26,071,767     |

See accompanying notes to the condensed consolidated financial statements



**MamaMancini's Holdings, Inc.****Condensed Consolidated Statements of Cash Flows****(Unaudited)**

|   | <b>For the Six Months<br/>Ended</b> |                  |
|---|-------------------------------------|------------------|
|   | <b>July 31,<br/>2016</b>            | July 31,<br>2015 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                |                                     |                  |
| Net loss  | \$(502,917)                         | \$(2,094,862)    |
| Adjustments to reconcile net loss to net cash used in operating activities: |                                     |                  |
| Depreciation  | 159,703                             | 137,585          |
| Amortization of debt discount   | 18,819                              | 222,644          |
| Share-based compensation  | 352,137                             | 3,055            |
| Changes in operating assets and liabilities:                                |                                     |                  |
| (Increase) Decrease in:   |                                     |                  |
| Accounts receivable   | 116,339                             | 1,016,864        |
| Inventories   | (155,226)                           | (29,089 )        |
| Prepaid expenses  | (43,891 )                           | (21,649 )        |
| Due from manufacturer - related party                                       | 67,918                              | 10,910           |
| Increase (Decrease) in:   |                                     |                  |
| Accounts payable and accrued expenses                                       | (36,285 )                           | (58,222 )        |
| Liabilities to be settled in stock  | -                                   | 49,347           |
| Net Cash Used In Operating Activities                                       | (23,403 )                           | (763,417 )       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                |                                     |                  |
| Cash paid for fixed assets  | (204,083)                           | (100,683 )       |
| Net Cash Used In Investing Activities                                       | (204,083)                           | (100,683 )       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                |                                     |                  |
| Proceeds from issuance of preferred stock                                   | -                                   | 350,000          |
| Stock issuance costs  | -                                   | (150,811 )       |
| Deferred offering costs   | -                                   | (19,021 )        |
| Proceeds from demand notes  | -                                   | 650,000          |
| Debt issuance costs   | -                                   | (6,191 )         |
| Borrowings (repayments) of line of credit, net                              | 144,810                             | (357,936 )       |
| Repayment of term loan  | (60,000 )                           | (60,000 )        |
| Repayment of promissory notes   | (180,300)                           | -                |
| Net Cash (Used In) Provided By Financing Activities                         | (95,490 )                           | 406,041          |
| Net Decrease in Cash  | (322,976)                           | (458,059 )       |
| Cash - Beginning of Period  | 587,422                             | 854,995          |

|                      |           |           |
|----------------------|-----------|-----------|
| Cash - End of Period | \$264,446 | \$396,936 |
|----------------------|-----------|-----------|

SUPPLEMENTARY CASH FLOW INFORMATION:

Cash Paid During the Period for:

|              |          |           |
|--------------|----------|-----------|
| Income taxes | \$-      | \$-       |
| Interest     | \$76,311 | \$223,062 |

SUPPLEMENTARY DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

|  |           |           |
|--|-----------|-----------|
| Stock issuance costs paid in the form of warrants                      | \$-       | \$76,608  |
| Conversion of demand notes to preferred stock                          | \$-       | \$650,000 |
| Stock issued for debt discount on convertible note                     | \$-       | \$39,600  |
| Accrued dividends  | \$-       | \$10,959  |
| Stock issued for Series A Preferred dividends                          | \$178,314 | \$-       |
| Prepaid stock-based compensation                                       | \$28,125  | \$-       |
| Accrued interest reclassified to principal balance of convertible note | \$270,323 | \$-       |

See accompanying notes to the condensed consolidated financial statements

**MamaMancini's Holdings, Inc.**

**Notes to Condensed Consolidated Financial Statements**

**July 31, 2016**

**Note 1 - Nature of Operations and Basis of Presentation**

**Nature of Operations**

MamaMancini's Holdings, Inc. (the "Company"), (formerly known as Mascot Properties, Inc.) was organized on July 22, 2009 as a Nevada corporation. The Company has a year-end of January 31.

The Company is a manufacturer and distributor of beef meatballs with sauce, turkey meatballs with sauce, and other similar meats and sauces. The Company's customers are located throughout the United States, with a large concentration in the Northeast and Southeast.

**Basis of Presentation**

The condensed consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

The unaudited financial information furnished herein reflects all adjustments, consisting solely of normal recurring items, which in the opinion of management are necessary to fairly state the financial position of the Company and the results of its operations for the periods presented. This report should be read in conjunction with the Company's consolidated financial statements and notes thereto included in the Company's Form 10-K for the year ended January 31, 2016 filed on April 21, 2016. The Company assumes that the users of the interim financial information herein have read or have access to the audited financial statements for the preceding fiscal year and that the adequacy of additional disclosure needed for a fair presentation may be determined in that context. The condensed consolidated balance sheet at January 31, 2016 was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. The results of operations for the interim periods presented are not necessarily indicative of results for the year ending January 31, 2017.

The Company adopted Accounting Standards Update (“ASU”) 2015-03, “*Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*,” during the first quarter of 2016. In accordance with the guidance, \$26,620 of unamortized debt issuance costs, associated with the Company’s debt, were reclassified from other assets, as previously reported on the Consolidated Balance Sheet as of January 31, 2016, to line of credit, net.

### **Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company incurred a net loss available to common shareholders of \$614,238 and \$2,105,821 during the six months ended July 31, 2016 and 2015, respectively. Also, as of July 31, 2016, the Company had \$264,446 in cash, and working capital of \$3,497,779. These factors all raise substantial doubt about the ability of the Company to continue as a going concern. In their report for the fiscal year ended January 31, 2016, the Company’s auditors have expressed an opinion that, as a result of the conditions noted, there is substantial doubt regarding the ability to continue as a going concern.

Management’s plans include raising additional funding from debt and/or equity transactions that will be used to refinance the Company’s maturing debt and for general working capital purposes. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### **Note 2 - Summary of Significant Accounting Policies**

#### **Use of Estimates**

The preparation of condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Such estimates and assumptions impact, among others, the following: allowance for doubtful accounts, inventory obsolescence and the fair value of share-based payments.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the condensed consolidated financial statements, which management considered in formulating its estimate could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from our estimates.

## **Risks and Uncertainties**

The Company operates in an industry that is subject to intense competition and change in consumer demand. The Company's operations are subject to significant risk and uncertainties including financial and operational risks including the potential risk of business failure.

The Company has experienced, and in the future expects to continue to experience, variability in sales and earnings. The factors expected to contribute to this variability include, among others, (i) the cyclical nature of the grocery industry, (ii) general economic conditions in the various local markets in which the Company competes, including the general downturn in the economy, and (iii) the volatility of prices pertaining to food and beverages in connection with the Company's distribution of the product. These factors, among others, make it difficult to project the Company's operating results on a consistent basis.

## **Cash**

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. The Company held no cash equivalents at July 31, 2016 or January 31, 2016.

The Company minimizes its credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits.

## **Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company generally does not require collateral to support customer receivables. The Company provides an allowance for doubtful accounts based upon a review of the outstanding accounts receivable, historical collection information and

existing economic conditions. The Company determines if receivables are past due based on days outstanding, and amounts are written off when determined to be uncollectible by management. The maximum accounting loss from the credit risk associated with accounts receivable is the amount of the receivable recorded, which is the face amount of the receivable net of the allowance for doubtful accounts. As of July 31, 2016 and January 31, 2016, the Company had reserves of \$2,000.

## **Inventories**

Inventories are stated at average cost using the first-in, first-out (FIFO) valuation method. Inventory was comprised of the following at July 31, 2016 and January 31, 2016:

|                | July 31,<br>2016 | January<br>31, 2016 |
|----------------|------------------|---------------------|
| Finished goods | \$407,978        | \$252,752           |

## **Property and Equipment**

Property and equipment are recorded at cost. Depreciation expense is computed using straight-line methods over the estimated useful lives.

Asset lives for financial statement reporting of depreciation are:

|                         |            |
|-------------------------|------------|
| Machinery and equipment | 2-7 years  |
| Furniture and fixtures  | 3-5 years  |
| Leasehold improvements  | 3-10 years |

### **Fair Value of Financial Instruments**

For purpose of this disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The carrying amount of the Company's short-term financial instruments approximates fair value due to the relatively short period to maturity for these instruments.

### **Stock Issuance Costs**

Stock issuance costs are capitalized as incurred. Upon the completion of the offering, the stock issuance costs are reclassified to equity and netted against proceeds. In the event the costs are in excess of the proceeds, the costs are recorded to expense. In the case of an aborted offering, all costs are expensed. Offering costs recorded to equity for the three and six months ended July 31, 2016 and 2015 were \$0 and \$0, respectively.

### **Research and Development**

Research and development is expensed as incurred. Research and development expenses for the three months ended July 31, 2016 and 2015 were \$37,225 and \$20,479, respectively. Research and development expenses for the six months ended July 31, 2016 and 2015 were \$67,787 and \$43,558, respectively.

### **Shipping and Handling Costs**

The Company classifies freight billed to customers as sales revenue and the related freight costs as general and administrative expenses.

### **Revenue Recognition**

The Company records revenue for products when all of the following have occurred: (1) persuasive evidence of an arrangement exists, (2) the product is delivered, (3) the sales price to the customer is fixed or determinable, and (4) collectability of the related customer receivable is reasonably assured. There is no stated right of return for products.

The Company meets these criteria upon shipment.

Expenses such as slotting fees, sales discounts, and allowances are accounted for as a direct reduction of revenues as follows:

|                                       | Six Months<br>Ended<br>July 31,<br>2016 | Six Months<br>Ended<br>July 31,<br>2015 |
|---------------------------------------|---|---|
| Gross Sales                           | \$8,298,592                             | \$6,249,578                             |
| Less: Slotting, Discounts, Allowances | 236,335                                 | 157,099                                 |
| Net Sales                             | \$8,062,257                             | \$6,092,479                             |

### Cost of Sales

Cost of sales represents costs directly related to the production and manufacturing of the Company's products. Costs include product development, freight, packaging, and print production costs.

### Advertising

Costs incurred for producing and communicating advertising for the Company are charged to operations as incurred. Producing and communicating advertising expenses for the three months ended July 31, 2016 and 2015 were \$350,665 and \$521,626, respectively. Producing and communicating advertising expenses for the six months ended July 31, 2016 and 2015 were \$771,557 and \$1,438,558, respectively.



## Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC Topic 718, “*Compensation – Stock Compensation*” (“ASC 718”) which establishes financial accounting and reporting standards for stock-based employee compensation. It defines a fair value based method of accounting for an employee stock option or similar equity instrument. The Company accounts for compensation cost for stock option plans in accordance with ASC 718. The Company accounts for share-based payments to non-employees in accordance with ASC 505-50 “*Equity Based Payments to Non-Employees*”.

The Company recognizes all forms of share-based payments, including stock option grants, warrants and restricted stock grants, at their fair value on the grant date, which are based on the estimated number of awards that are ultimately expected to vest.

Share-based payments, excluding restricted stock, are valued using a Black-Scholes option pricing model. Grants of share-based payment awards issued to non-employees for services rendered have been recorded at the fair value of the share-based payment, which is the more readily determinable value. The grants are amortized on a straight-line basis over the requisite service periods, which is generally the vesting period. If an award is granted, but vesting does not occur, any previously recognized compensation cost is reversed in the period related to the termination of service. Stock-based compensation expenses are included in cost of goods sold or selling, general and administrative expenses, depending on the nature of the services provided, in the condensed consolidated statement of operations. Share-based payments issued to placement agents are classified as a direct cost of a stock offering and are recorded as a reduction in additional paid in capital.

For the three months ended July 31, 2016 and 2015, share-based compensation amounted to \$172,929 and \$77,621, respectively. For the six months ended July 31, 2016 and 2015, share-based compensation amounted to \$352,137 and \$79,663, respectively. During the three and six months ended June 30, 2015, share-based compensation included stock issuance costs of \$76,608 paid in form of warrants.

For the six months ended July 31, 2016, when computing fair value of share-based payments, the Company has considered the following variables:

|   | <b>July 31, 2016</b> |   |
|---|----------------------|---|
| Risk-free interest rate                 | 1.07% to 1.33        | % |
| Expected life of grants                 | 2.5 to 3.5 years     |   |
| Expected volatility of underlying stock | 166% to 179          | % |
| Dividends                               | 0                    | % |

The expected option term is computed using the “simplified” method as permitted under the provisions of ASC 718-10-599. The Company uses the simplified method to calculate expected term of share options and similar instruments as the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term.

The expected stock price volatility for the Company’s stock options was determined by the historical volatilities for industry peers and used an average of those volatilities. Risk free interest rates were obtained from U.S. Treasury rates for the applicable periods.

### **Earnings (Loss) Per Share**

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during each period. Diluted earnings (loss) per share is computed by dividing net income (loss), adjusted for changes in income or loss that resulted from the assumed conversion of convertible shares, by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during the period.

The Company had the following potential common stock equivalents at July 31, 2016:

|   |           |
|---|-----------|
| Series A Preferred  | 3,466,667 |
| Common stock warrants, exercise price range of \$0.675-\$2.50 | 4,964,734 |
| Common stock options, exercise price of \$0.39-\$2.97         | 799,404   |
| Total common stock equivalents                                | 9,230,805 |

The Company had the following potential common stock equivalents at July 31, 2015:

|  |           |
|--|-----------|
| Series A Preferred   | 1,000,000 |
| Liabilities to be settled in stock                           | 65,617    |
| Common stock warrants, exercise price range of \$1.00-\$2.50 | 1,884,735 |
| Common stock options, exercise price of \$1.00-\$2.97        | 496,404   |
| Total common stock equivalents                               | 3,446,756 |

Since the Company reflected a net loss during the three and six months ended July 31, 2016 and 2015, the effect of considering any common stock equivalents, would have been anti-dilutive. A separate computation of diluted earnings (loss) per share is not presented.

## Income Taxes

Income taxes are provided in accordance with ASC No. 740, "Accounting for Income Taxes". A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting and net operating loss carryforwards. Deferred tax expense (benefit) results from the net change during the period of deferred tax assets and liabilities.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company is no longer subject to tax examinations by tax authorities for years prior to 2012.

## Reclassification

Certain prior period amounts have been reclassified to conform to current period presentation.

## Recent Accounting Pronouncements

In May 2014, the FASB issued a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The standard's core principle (issued as ASU 2014-09 by the FASB), is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The new guidance must be adopted using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU 2014-09 by one year, and would allow entities the option to early adopt the new revenue standard as of the original effective date. This ASU is effective for public reporting companies for interim and annual periods beginning after December 15, 2017. The Company is currently evaluating its adoption method and the impact of the standard on its condensed consolidated financial statements.

In March 2015, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The amendments are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption of the amendments is permitted for financial statements that have not been previously issued. The amendments should be applied on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Upon transition, an entity is required to comply with the applicable disclosures for a change in an accounting principle. These disclosures include the nature of and reason for the change in accounting principle, the transition method, a description of the prior-period information that has been retrospectively adjusted, and the effect of the change on the financial statement line items (i.e., debt issuance cost asset and the debt liability). The Company adopted ASU 2015-03 during the six months ended July 31, 2016.

In July 2015, the FASB issued ASU No. 2015-11, “*Inventory (Topic 330): Simplifying the Measurement of Inventory*”, which modifies existing requirements regarding measuring inventory at the lower of cost or market. Under current inventory standards, the market value requires consideration of replacement cost, net realizable value and net realizable value less an approximately normal profit margin. The new guidance replaces market with net realizable value defined as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This eliminates the need to determine and consider replacement cost or net realizable value less an approximately normal profit margin when measuring inventory. The standard is required to be adopted for annual periods beginning after December 15, 2016, including interim periods within that annual period, which is our fiscal year 2018. The amendment is to be applied prospectively with early adoption permitted. The Company is in the process of evaluating the effect of the new guidance on its condensed consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, “*Leases (Topic 842)*.” Under ASU 2016-02, lessees will be required to recognize, for all leases of 12 months or more, a liability to make lease payments and a right-of-use asset representing the right to use the underlying asset for the lease term. Additionally, the guidance requires improved disclosures to help users of financial statements better understand the nature of an entity’s leasing activities. This ASU is effective for public reporting companies for interim and annual periods beginning after December 15, 2018, with early adoption permitted, and must be adopted using a modified retrospective approach. The Company is in the process of evaluating the effect of the new guidance on its condensed consolidated financial statements and disclosures.

In April 2016, the FASB issued ASU No. 2016-09, “*Compensation – Stock Compensation*” (topic 718). The FASB issued this update to improve the accounting for employee share-based payments and affect all organizations that issue share-based payment awards to their employees. Several aspects of the accounting for share-based payment award transactions are simplified, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The updated guidance is effective for annual periods beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption of the update is permitted. The Company is currently evaluating the impact of the new standard.

In April 2016, the FASB issued ASU No. 2016-10, “*Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*” (topic 606). In March 2016, the FASB issued ASU No. 2016-08, “*Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*” (topic 606). These amendments provide additional clarification and implementation guidance on the previously issued ASU 2014-09, “*Revenue from Contracts with Customers*”. The amendments in ASU 2016-10 provide clarifying guidance on materiality of performance obligations; evaluating distinct performance obligations; treatment of shipping and handling costs; and determining whether an entity’s promise to grant a license provides a customer with either a right to use an entity’s intellectual property or a right to access an entity’s intellectual property. The amendments in ASU 2016-08 clarify how an entity should identify the specified good or service for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements. The adoption of ASU 2016-10 and ASU 2016-08 is to coincide with an entity’s adoption of ASU 2014-09, which we intend to adopt for interim and annual reporting periods beginning after December 15, 2017. The Company is currently evaluating the impact of the new standard.

In May 2016, the FASB issued ASU No. 2016-12, “*Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*”, which narrowly amended the revenue recognition guidance regarding collectability, noncash consideration, presentation of sales tax and transition and is effective during the same period as ASU 2014-09. The Company is currently evaluating the impact of the new standard.

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Management does not believe that any recently issued, but not yet effective accounting pronouncements, when adopted, will have a material effect on the accompanying consolidated financial statements.

**Note 3 - Property and Equipment:**

Property and equipment on July 31, 2016 and January 31, 2016 are as follows:

|                                | July 31,<br>2016 | January 31,<br>2016 |
|--------------------------------|------------------|---------------------|
| Machinery and Equipment        | \$1,311,480      | \$1,112,522         |
| Furniture and Fixtures         | 23,067           | 17,942              |
| Leasehold Improvements         | 429,282          | 429,282             |
|                                | 1,763,829        | 1,559,746           |
| Less: Accumulated Depreciation | 671,994          | 512,291             |
|                                | \$1,091,835      | \$1,047,455         |

Depreciation expense charged to income for the three months ended July 31, 2016 and 2015 amounted to \$83,000 and \$70,385, respectively. Depreciation expense charged to income for the six months ended July 31, 2016 and 2015 amounted to \$159,703 and \$137,585, respectively.

**Note 4 - Investment in Meatball Obsession, LLC**

During 2011 the Company acquired a 34.62% interest in Meatball Obsession, LLC (“MO”) for a total investment of \$27,032. This investment is accounted for using the equity method of accounting. Accordingly, investments are recorded at acquisition cost plus the Company’s equity in the undistributed earnings or losses of the entity.

At December 31, 2011 the investment was written down to \$0 due to losses incurred by MO.

The Company’s ownership interest in MO has decreased due to dilution. At July 31, 2016 and January 31, 2016, the Company’s ownership interest in MO was 12% and 12%, respectively.

**Note 5 - Related Party Transactions**

**Joseph Epstein Foods**

On March 1, 2010, the Company entered into a five year agreement with Joseph Epstein Foods (the “Manufacturer”) who is a related party. The Manufacturer is co-owned by the CEO and President of the Company. The Company analyzed the relationship with the Manufacturer to determine if the Manufacturer is a variable interest entity as defined by FASB ASC 810 “*Consolidation*”. Based on this analysis, the Company has determined that the Manufacturer is a variable interest entity but the Company is not the primary beneficiary of the variable interest entity and therefore consolidation is not required. In addition, based on the analysis the Company determined that the CEO and President of the Company is the primary beneficiary of the variable interest entity and bears the risk of loss. Under the terms of the agreement, the Company grants to the Manufacturer a revocable license to use the Company’s recipes, formulas, methods and ingredients for the preparation and production of Company’s products, for manufacturing the Company’s product and all future improvements, modifications, substitutions and replacements developed by the Company. The Manufacturer in turn grants the Company the exclusive right to purchase the product. Under the terms of the agreement the Manufacturer agrees to manufacture, package, and store the Company’s products and the Company has the right to purchase products from one or more other manufacturers, distributors or suppliers. In September 2016, the agreement was amended and restated to extend the agreement until August 2, 2021. The amended agreement contains a perpetual automatic renewal clause for a period of one year after the expiration of the initial term. During the renewal period either party may cancel the contract with written notice nine months prior to the termination date. The term of this Agreement shall expire on the later of the expiration date or a date which is three (3) years following a Change of Control. For purposes of the agreement, a Change of Control shall occur when a third party who is not currently a shareholder of the Company acquires control of at least fifty-one percent (51%) of the voting shares of the Company.



Under the terms of the agreement if the Company specifies any change in packaging or shipping materials which results in the manufacturer incurring increased expense for packaging and shipping materials or in the Manufacturer being unable to utilize obsolete packaging or shipping materials in ordinary packaging or shipping, the Company agrees to pay as additional product cost the additional cost for packaging and shipping materials and to purchase at cost such obsolete packaging and shipping materials. If the Company requests any repackaging of the product, other than due to defects in the original packaging, the Company will reimburse the Manufacturer for any labor costs incurred in repackaging. Per the agreement, all product delivery shipping costs are the expense of the Company. The Company agreed with the Manufacturer at the end of the last fiscal year that Company would purchase a minimum of \$963,000 of product each month and that any amount below that sum would be a charge of 12% of that shortfall each month. In return, the Manufacturer obligated itself to offer the Company competitive prices and would not co-pack for other suppliers and would either maintain or lower its payable to the Company each quarter. In addition, the Manufacturer agreed to rebate the Company any overage of gross margin above 12% each month.

From time to time the Company will make improvements to the Manufacturer's facility. The improvements are capitalized and depreciated over the estimated useful life.

During the three months ended July 31, 2016 and 2015, the Company purchased inventory of \$2,667,959 and \$1,624,008, respectively, from the Manufacturer. During the six months ended July 31, 2016 and 2015, the Company purchased inventory of \$5,368,970 and \$4,049,630, respectively, from the Manufacturer.

During the three months ended July 31, 2016 and 2015, the Manufacturer incurred expenses of \$6,000 and \$6,000, respectively, on behalf of the Company for shared administrative expenses and salary expenses. During the six months ended July 31, 2016 and 2015, the Manufacturer incurred expenses of \$12,000 and \$12,000, respectively, on behalf of the Company for shared administrative expenses and salary expenses.

At July 31, 2016 and January 31, 2016, the amount due from the Manufacturer is \$2,180,863 and \$2,248,781 respectively.

### **Meatball Obsession, LLC**

A current director of the Company is the chairman of the board and shareholder of Meatball Obsession LLC ("MO").

For the three months ended July 31, 2016 and 2015, the Company generated approximately \$223 and \$6,528 in revenues from MO, respectively. For the six months ended July 31, 2016 and 2015, the Company generated

approximately \$10,325 and \$31,936 in revenues from MO, respectively.

As of July 31, 2016 and January 31, 2016, the Company had a receivable of \$0 and \$6,512 due from MO, respectively.

### **WWS, Inc.**

A current director of the Company is the president of WWS, Inc.

For the three months ended July 31, 2016 and 2015, the Company recorded \$12,000 and \$12,000 in commissions and consulting expense from WWS, Inc. generated sales, respectively. For the six months ended July 31, 2016 and 2015, the Company recorded \$24,000 and \$24,000 in commissions and consulting expense from WWS, Inc. generated sales, respectively.

### **Notes Payable**

During the year ended January 31, 2016, the Company received aggregate proceeds of \$125,000 from notes payable with the CEO of the Company. The notes bear interest at a rate of 4% per annum and mature on December 31, 2016. During the six months ended July 31, 2016, the notes were extended until February 2018. As of July 31, 2016, the outstanding principal balance of the notes was \$125,000.

**Note 6 - Promissory Notes**

On October 31, 2015, the Company entered into a promissory note agreement with a third party to settle outstanding payables. The note is for a total principal balance of \$358,832, bearing interest at a rate of 10% and maturing in October 2017. The Company is required to prepay the note 10% of the net proceeds received upon the closing of a capital raise, except for, those transactions conducted with the Company's Chief Executive Officer. The Company paid \$248,373 toward the outstanding balance, a portion of which is 10% of the net proceeds from the final closing of the private placement in November 2015. As of July 31, 2016 and January 31, 2016, the outstanding balance on the note was \$120,272 and \$239,459, respectively.

In January 2016, the Company entered into a promissory note agreement with a third party to settle outstanding payables. The note is for a total principal balance of \$116,003, bearing interest at a rate of 6% and maturing in October 2016. As of July 31, 2016 and January 31, 2016, the outstanding balance on the note was \$36,003 and \$97,116, respectively.

As of July 31, 2016 and January 31, 2016, the aggregate outstanding balance on the notes was \$156,275 and \$336,575, respectively.

**Note 7 - Loan and Security Agreement**

On September 3, 2014, the Company entered into a Loan and Security Agreement ("Loan and Security Agreement") with Entrepreneur Growth Capital, LLC ("EGC") which contains a line of credit. As of July 31, 2016 and January 31, 2016, the outstanding balance on the line of credit was \$1,096,630 and \$933,001, respectively, net of debt discount of \$7,801 and \$26,620, respectively. In September 2016 the agreement was amended and the total facility increased to an aggregate principal amount of up to \$3,200,000. The facility consists of the following:

|                                     |             |
|-------------------------------------|-------------|
| Accounts Revolving Line of Credit:  | \$2,150,000 |
| Inventory Revolving Line of Credit: | \$350,000   |
| Term Loan:                          | \$700,000   |

EGC may from time to time make loans in an aggregate amount not to exceed the Accounts Revolving Line of Credit up to 85% of the net amount of Eligible Accounts (as defined in the Loan and Security Agreement). EGC may from time to time make loans in an aggregate amount not to exceed the Inventory Revolving Line of Credit against Eligible Inventory (as defined in the Loan and Security Agreement) in an amount up to 50% of finished goods and in an amount up to 20% of raw material.

The revolving interest rates is equal to the highest prime rate in effect during each month as generally reported by Citibank, N.A. plus (a) 2.5% on loans and advances made against eligible accounts and (b) 4.0% on loans made against eligible inventory. The term loan bears interest at a rate of the highest prime rate in effect during each month as generally reported by Citibank, N.A. plus 4.0%. The initial term of the facility is for a period of two years and will automatically renew for an additional one year period. The Company was required to pay a one-time, up-front facility fee equal to 2.25% of the total \$3,100,000 facility and pays an annualized maintenance fee equal to 3% of the total facility. In the event of default, the Company shall pay 10% above the stated rates of interest per the Agreement. The drawdowns are secured by all of the assets of the Company.

During the first quarter of 2016, the Company adopted ASU 2015-03, "*Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.*" In accordance with the guidance, \$26,620 of unamortized debt issuance costs, specifically attributable to each of the Company's debt issuances, were reclassified from other assets, as previously reported on the Consolidated Balance Sheet as of January 31, 2016, to line of credit, net. The unamortized debt issuance costs are now presented as a direct deduction from each debt liability, consistent with the presentation of the corresponding debt discount, where applicable.

The debt discount will be amortized over the earlier of (i) the term of the debt or (ii) conversion of the debt, using the straight-line method which approximates the effective interest method. The amortization of debt discount is included as a component of other expense in the condensed consolidated statements of operations. There was unamortized debt discount of \$7,801 and \$26,620 as of July 31, 2016 and January 31, 2016, respectively.

As of July 31, 2016 and January 31, 2016 the outstanding balance on the line of credit was \$1,104,431 and \$959,621, respectively. In September 2016, the line of credit maturity date was extended to September 30, 2018 and is consequently shown as a long-term liability on the condensed consolidated balance sheets.

On September 3, 2014, the Company also entered into a 5 year \$600,000 Secured Promissory Note (“EGC Note”) with EGC. The EGC Note is payable in 60 monthly installments of \$10,000. The EGC Note bears interest at the prime rate plus 4.0% and is payable monthly, in arrears. In the event of default, the Company shall pay 10% above the stated rates of interest per the Loan and Security Agreement. The EGC Note is secured by all of the assets of the Company. The outstanding balance on the term loan was \$380,000 and \$440,000 as of July 31, 2016 and January 31, 2016, respectively. In September 2016, the EGC Note was increased to \$700,000 with an extended maturity date of September 30, 2021.

Additionally, in connection with the Loan and Security Agreement, Carl Wolf, the Company’s Chief Executive Officer entered into a Guarantee Agreement with EGC, personally guaranteeing all the amounts borrowed on behalf of the Company under the Loan and Security Agreement.

#### **Note 8 - Convertible Note**

On December 19, 2014, the Company entered into a securities purchase agreement (the “Manatuck Purchase Agreement”) with Manatuck Hill Partners, LLC (“Manatuck”) whereby the Company issued a convertible redeemable debenture (the “Manatuck Debenture”) in favor of Manatuck. The Manatuck Debenture is for \$2,000,000 bearing interest at a rate of 14% and matures in February 2016. Upon issuance of the Manatuck Debenture, the Company granted Manatuck 200,000 shares of the Company’s restricted common stock. In April 2015, the maturity date was extended to May 2016 and 30,000 shares of restricted common stock were issued to Manatuck. Based on management’s review, the accounting for debt modification applied. The Company valued the 30,000 shares at the grant date share price of \$1.32 and recorded \$39,600 to debt discount on the condensed consolidated balance sheet.

Upon issuance of the debenture and subsequent extension, a debt discount of \$498,350 was recorded for the fees incurred by the buyer as well as the value of the common shares granted to Manatuck. The debt discount will be amortized over the earlier of (i) the term of the debt or (ii) conversion of the debt, using the straight-line method which approximates the effective interest method. The amortization of debt discount is included as a component of other expense in the condensed consolidated statements of operations. There was unamortized debt discount of \$0 and \$0 as of July 31, 2016 and January 31, 2016, respectively.

On October 29, 2015, the note was further amended to extend the maturity date to December 19, 2016. Per the terms of the execution of the extension, the Company was required to purchase the above 230,000 shares issued to

Manatuck for a share price of \$0.65, a value of \$149,500 and incurred an amendment fee of \$170,500, both of which were added to the outstanding principal of the debt. In addition, the extension reduced accrued interest by \$220,000 and increased the outstanding principal of the debt by \$220,000. Based on management's review, the accounting for debt extinguishment applied. In accordance with the accounting for debt extinguishment, the Company wrote-off the existing debt of \$2,000,000, wrote-off the unamortized debt discount of \$190,483 and wrote-off the remaining debt issuance costs relating to this note of \$19,106. The loss on debt extinguishment of \$380,089 on the statement of operations is comprised of the write-off of the remaining debt discount of \$190,483, the write-off of the debt issuance costs of \$19,106, and the amendment fee of \$170,500.

In August 2016, the note was further amended to extend the maturity date to September 30, 2017. The principal amount of the note shall be increased to \$2,898,523, which shall be inclusive of accrued interest payable through October 31, 2016. In addition, the Company shall pay an origination fee of \$50,000, payable in cash on October 31, 2016.

The outstanding balance including principal and interest at July 31, 2016 was \$2,810,323. The outstanding principal balance as of January 31, 2016 was \$2,540,000.

Optional conversion to convertible preferred stock is available upon completion of a qualified offering (as defined in the Manatuck Purchase Agreement) while the Manatuck Debenture is outstanding. Upon conversion of the Manatuck Debenture, the Company shall issue Manatuck shares of common stock as defined in the Manatuck Purchase Agreement.

Future maturities of long-term debt are as follows:

|   |             |
|---|-------------|
| For the Twelve Month Period Ending July 31, |             |
| 2017  | \$546,275   |
| 2018  | 2,785,323   |
| 2019  | 1,216,630   |
| 2020  | 20,000      |
|   | \$4,568,228 |

### **Note 9 - Concentrations**

#### **Revenues**

During the six months ended July 31, 2016, the Company earned revenues from four customers representing approximately 20%, 13%, 12% and 11% of gross sales. As of July 31, 2016, these customers represented approximately 22%, 21%, 6% and 11% of total gross outstanding receivables, respectively.

During the six months ended July 31, 2015, the Company earned revenues from three customers representing approximately 19%, 17% and 12% of gross sales. As of July 31, 2015, these customers represented approximately 15%, 22% and 10% of total gross outstanding receivables, respectively.

#### **Cost of Sales**

For the six months ended July 31, 2016 and 2015, one vendor (a related party) represented 100% and 95% of the Company's purchases, respectively.

### **Note 10 - Stockholders' Equity**

#### **(A) Series A Convertible Preferred Stock Transactions**

On May 28, 2015, the Company amended its articles of incorporation to establish the designation, powers, rights, privileges, preferences and restrictions of the Series A Convertible Preferred Stock ("Series A Preferred"). The Company authorized 120,000 shares of Series A Preferred with each share of our Series A Preferred having a par value of \$0.00001 and stated value equal to \$100, as adjusted for stock dividends, combinations, splits and certain other events. The Company analyzed the conversion feature for potential derivative classification. On May 28, 2015, the Company amended its articles of incorporation to establish the designation, powers, rights, privileges, preferences and restrictions of the Series A Convertible Preferred Stock ("Series A Preferred"). The Company authorized 120,000 shares of Series A Preferred with each share of our Series A Preferred having a par value of \$0.00001 and stated value equal to \$100 ("Stated Value"), as adjusted for stock dividends, combinations, splits and certain other events. The Company analyzed the conversion feature for potential derivative classification. Despite the ratchet features included in the conversion option, the Company concluded that equity treatment was warranted since the feature was clearly and closely related to the host contract. The holders of the Series Preferred A will be entitled to (a) dividends at a rate of 8% per annum, (b) a liquidation preference equal to \$0.675 per Series A Preferred share, (c) the option to convert the Series A Preferred shares to a number of shares of common stock calculated by dividing the Stated Value by \$0.675 and (d) warrants to purchase a number of common shares calculated by dividing the Stated Value by \$0.675 exercisable for a period of five years at a price of \$1.00 per share. There is also an automatic conversion based on the occurrence of certain events detailed in the Certificate of Designation. As of July 31, 2016, all accrued dividends had been paid in Company common stock. Additionally, in April 2016 the Company granted an aggregate of an additional 2,510,001 Warrants to investors in a prior offering. These Warrants are for a term of five (5) years at an exercise price of \$1.50 per share.

During May 2015, six directors of the Company entered into convertible note agreements with a maturity date of July 22, 2016 for total proceeds to the Company of \$650,000. In June 2015, the notes were converted into Series A Preferred. Additional proceeds of \$560,000 were received pursuant to closings that occurred in June, August and September. In connection with the closings, the Company also granted warrants to purchase 1,481,481 and 179,259 shares of common stock at \$0.675 per share to shareholders and the placement agent, respectively. The warrants granted to the placement agent have a grant date fair value of \$84,547 which is treated as a direct cost of the Financing and has been recorded as a reduction in additional paid in capital.



During November 2015, the Company completed the final closing of a private placement with 11 accredited investors and issued an aggregate of 10,200 shares of Series A Preferred and warrants to purchase 1,511,112 shares of common stock for aggregate gross proceeds to the Company of \$1,020,000. Stock issuance costs of \$132,600 were paid to placement agents yielding net proceeds of \$887,400. Of these issuance costs, approximately \$86,000 were pursuant to the promissory note agreement as discussed in Note 6.

As discussed in Note 6, during January 2016, the Company settled an outstanding payable with one of its vendors by issuing a promissory note in the principal amount of \$116,003 and 1,100 shares of the Company's Series A Preferred and warrants to purchase 162,963 shares of common stock.

## **(B) Common Stock Transactions**

### *Common Stock*

During the six months ended July 31, 2016, the Company issued 333,902 shares of its common stock to the holders of the Series A Preferred stockholders for the dividends in arrears totaling \$178,314.

During the six months ended July 31, 2016, the Company issued 403,916 shares of its common stock to employees and consultants for services rendered a value of \$259,881.

### *Treasury Stock*

As discussed in Note 8, upon amendment of the Manatuck Debenture on October 29, 2015, the Company repurchased the 230,000 shares for an aggregate purchase price of \$149,500 which is presented as Treasury Stock on the condensed consolidated balance sheets.

## **(C) Options**

The following is a summary of the Company's option activity:

|                                | Options | Weighted<br>Average<br>Exercise<br>Price |
|--------------------------------|---------|--|
| Outstanding – January 31, 2016 | 496,404 | \$ 1.04                                  |
| Exercisable – January 31, 2016 | 496,404 | \$ 1.04                                  |
| Granted                        | 385,000 | \$ 0.46                                  |
| Exercised                      | -       | \$ -                                     |
| Forfeited/Cancelled            | -       | \$ -                                     |
| Outstanding – July 31, 2016    | 881,404 | \$ 0.78                                  |
| Exercisable – July 31, 2016    | 799,404 | \$ 0.78                                  |

| <b>Options Outstanding</b> |                           | <b>Options Exercisable</b>                                    |  |                           |  |
|----------------------------|---------------------------|---|--|---------------------------|--|
| <b>Exercise Price</b>      | <b>Number Outstanding</b> | <b>Weighted Average Remaining Contractual Life (in years)</b> | <b>Weighted Average Exercise Price</b> | <b>Number Exercisable</b> | <b>Weighted Average Exercise Price</b> |
| \$0.39 – 2.97              | 881,404                   | 2.76 years  | \$0.78                                 | 799,404                   | \$ 0.78                                |

At July 31, 2016 and 2015, the total intrinsic value of options outstanding and exercisable was \$107,720 and \$0, respectively.

**(D) Warrants**

The following is a summary of the Company's warrant activity:

|                                | Warrants  | Weighted<br>Average<br>Exercise<br>Price |
|--------------------------------|-----------|--|
| Outstanding – January 31, 2016 | 4,964,734 | \$ 0.80                                  |
| Exercisable – January 31, 2016 | 4,964,734 | \$ 0.80                                  |
| Granted                        | -         | \$ -                                     |
| Exercised                      | -         | \$ -                                     |
| Forfeited/Cancelled            | -         | \$ -                                     |
| Outstanding – July 31, 2016    | 4,964,734 | \$ 0.80                                  |
| Exercisable – July 31, 2016    | 4,964,734 | \$ 0.80                                  |

| <b>Warrants Outstanding</b>            |                               |   | <b>Warrants<br/>Exercisable</b>                    |                               |  |
|--|-------------------------------|---|--|-------------------------------|--|
| <b>Range of<br/>Exercise<br/>Price</b> | <b>Number<br/>Outstanding</b> | <b>Weighted<br/>Average<br/>Remaining<br/>Contractual<br/>Life<br/>(in years)</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> | <b>Number<br/>Exercisable</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> |
| \$0.68-\$2.50                          | 4,964,734                     | 3.61 years  | \$ 0.80  | 4,964,734                     | \$ 0.80  |

At July 31, 2016 and 2015, the total intrinsic value of warrants outstanding and exercisable was \$247,770 and \$0, respectively.

**Note 11 - Commitments and Contingencies**

**Litigations, Claims and Assessments**

From time to time, the Company may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. Litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm its business. The Company is currently not aware of any such legal proceedings or claims that they believe will have, individually or in the aggregate, a material adverse effect on its business, financial condition or operating results.

### **Licensing and Royalty Agreements**

On March 1, 2010, the Company was assigned a Development and License agreement (the "Agreement"). Under the terms of the Agreement the Licensor shall develop for the Company a line of beef meatballs with sauce, turkey meatballs with sauce and other similar meats and sauces for commercial manufacture, distribution and sale (each a "Licensor Product" and collectively the "Licensor Products"). Licensor shall work with Licensee to develop Licensor Products that are acceptable to Licensee. Upon acceptance of a Licensor Product by Licensee, Licensor's trade secret recipes, formulas methods and ingredients for the preparation and production of such Licensor Products (the "Recipes") shall be subject to this Development and License Agreement.

The term of the Agreement (the "Term") shall consist of the Exclusive Term and the Non-Exclusive Term. The 12-month period beginning on each January 1 and ending on each December 31 is referred to herein as an "Agreement Year".

The Exclusive Term began on January 1, 2009 (the "Effective Date") and ends on the 50th anniversary of the Effective Date, unless terminated or extended as provided herein. Licensor, at its option, may terminate the Exclusive Term by notice in writing to Licensee, delivered between the 60th and the 90th day following the end of any Agreement Year if, on or before the 60th day following the end of such Agreement Year, Licensee has not paid Licensor Royalties with respect to such Agreement Year at least equal to the minimum royalty (the "Minimum Royalty") for such Agreement Year. Subject to the foregoing sentence, and provided Licensee has not breached this Agreement and failed to cure such breach in accordance herewith, Licensee may extend the Exclusive Term for an additional twenty five (25) years, by notice in writing to Licensor, delivered on or before the 50th anniversary of the Effective Date.

The Non-Exclusive Term begins upon expiration of the Exclusive Term and continues indefinitely thereafter, until terminated by Licensor due to a material breach hereof by Licensee that remains uncured after notice and opportunity to cure in accordance herewith, or until terminated by Licensee.

Either party may terminate this Agreement in the event that the other party materially breaches its obligations and fails to cure such material breach within sixty (60) days following written notice from the non-breaching party specifying the nature of the breach. The following termination rights are in addition to the termination rights provided elsewhere in the agreement.

Termination by Licensee - Licensee shall have the right to terminate this Agreement at any time on sixty (60) days written notice to Licensor. In such event, all moneys paid to Licensor shall be deemed non-refundable.

Under the terms of the Agreement the Company is required to pay quarterly royalty fees as follows:

During the Exclusive Term and the Non-Exclusive Term the Company will pay a royalty equal to the royalty rate (the "Royalty Rate"), multiplied by Company's "Net Sales". As used herein, "Net Sales" means gross invoiced sales of Products, directly or indirectly to unrelated third parties, less (a) discounts (including cash discounts), and retroactive price reductions or allowances actually allowed or granted from the billed amount (collectively "Discounts"); (b) credits, rebates, and allowances actually granted upon claims, rejections or returns, including recalls (voluntary or otherwise) (collectively, "Credits"); (c) freight, postage, shipping and insurance charges; (d) taxes, duties or other governmental charges levied on or measured by the billing amount, when included in billing, as adjusted for rebates and refunds; and (e) provisions for uncollectible accounts determined in accordance with reasonable accounting methods, consistently applied.

The Royalty Rate shall be: 6% of net sales up to \$500,000 of net sales for each Agreement year; 4% of Net Sales from \$500,000 up to \$2,500,000 of Net Sales for each Agreement year; 2% of Net Sales from \$2,500,000 up to \$20,000,000 of Net Sales for each Agreement year; and 1% of Net Sales in excess of \$20,000,000 of Net Sales for each Agreement year.

In order to continue the Exclusive term, the Company shall pay a minimum royalty with respect to the preceding Agreement year as follows:

| Agreement Year  | <b>Minimum<br/>Royalty<br/>to be Paid with Respect to Such Agreement Year</b> |
|---|---|
| 1 <sup>st</sup> and 2 <sup>nd</sup>                   | \$-   |
| 3 <sup>rd</sup> and 4 <sup>th</sup>                   | \$50,000  |
| 5 <sup>th</sup> , 6 <sup>th</sup> and 7 <sup>th</sup> | \$75,000  |
| 8 <sup>th</sup> and 9 <sup>th</sup>                   | \$100,000   |
| 10 <sup>th</sup> and thereafter                       | \$125,000   |

The Company incurred \$55,980 and \$45,542 of royalty expenses for the three months ended July 31, 2016 and 2015. The Company incurred \$141,684 and \$131,379 of royalty expenses for the six months ended July 31, 2016 and 2015. Royalty expenses are included in general and administrative expenses on the condensed consolidated statement of operations.

## **Agreements with Placement Agents and Finders**

(A) April 1, 2015

The Company entered into a fourth Financial Advisory and Investment Banking Agreement with Spartan Capital Securities, LLC (“Spartan”) effective April 1, 2015 (the “Spartan Advisory Agreement”). Pursuant to the Spartan Advisory Agreement, the Company shall pay to Spartan a non-refundable monthly fee of \$10,000 through October 1, 2015. The monthly fee shall survive any termination of the Agreement. Additionally, (i) if at least \$4,000,000 is raised in the Financing, the Company shall pay to Spartan a non-refundable fee of \$5,000 per month from November 1, 2015 through October 2017; and (ii) if at least \$5,000,000 is raised in the Financing, the Company shall pay to Spartan a non-refundable fee of \$5,000 per month from November 1, 2017 through October 2019. If \$10,000,000 or more is raised in the Financing, the Company shall issue to Spartan shares of its common stock having an aggregate value of \$5,000 (as determined by reference to the average volume weighted average trading price for the last five trading days of the immediately preceding month) on the first day of each month during the period from November 1, 2015 through October 1, 2019.

The Company upon closing of the Financing shall pay consideration to Spartan, in cash, a fee in an amount equal to 10% of the aggregate gross proceeds raised in the Financing and 3% of the aggregate gross proceeds raised in the Financing for expenses incurred by Spartan. The Company shall grant and deliver to Spartan at the closing of the Financing, for nominal consideration, five year warrants to purchase a number of shares of the Company’s common stock equal to 10% of the number of shares of common stock (and/or shares of common stock issuable upon exercise of securities or upon conversion or exchange of convertible or exchangeable securities) sold at such closing. The warrants shall be exercisable at any time during the five year period commencing on the closing to which they relate at an exercise price equal to the purchase price per share of common stock paid by investors in the Financing or, in the case of exercisable, convertible, or exchangeable securities, the exercise, conversion or exchange price thereof. If the Financing is consummated by means of more than one closing, Spartan shall be entitled to the fees provided herein with respect to each such closing.

During the year ended January 31, 2016, the Company paid to Spartan a one-time engagement fee of \$10,000. In connection with the Initial Closing, the Company agreed to pay an aggregate cash fee and non-accountable allowance of \$157,300. The Company also granted warrants to purchase 179,259 shares of common stock at \$0.675 per share. The warrants have a grant date fair value of \$84,547 which is treated as a direct cost of the Financing and has been recorded as a reduction in additional paid in capital.

## **Operating Lease**

In January 2015, the Company began a lease agreement for office space in East Rutherford, NJ. The lease is for a 51 month term expiring on March 31, 2019 with annual payments of \$18,848.

Total future minimum payments required under operating lease as of July 31, 2016 are as follows.

| For the Twelve Month Period Ending July 31, |           |
|---|-----------|
| 2017  | \$ 18,848 |
| 2018  | 18,848    |
| 2019  | 12,565    |
|   | \$50,261  |

**Note 12 – Subsequent Events**

The Company has evaluated subsequent events through the date the financial statements were available to be issued. Based on this evaluation, the Company has identified no reportable subsequent events other than those disclosed elsewhere in these financials.



## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

THE FOLLOWING DISCUSSION OF OUR PLAN OF OPERATION AND RESULTS OF OPERATIONS SHOULD BE READ IN CONJUNCTION WITH THE FINANCIAL STATEMENTS AND RELATED NOTES TO THE FINANCIAL STATEMENTS INCLUDED ELSEWHERE IN THIS REPORT. THIS DISCUSSION CONTAINS FORWARD-LOOKING STATEMENTS THAT RELATE TO FUTURE EVENTS OR OUR FUTURE FINANCIAL PERFORMANCE. THESE STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE OUR ACTUAL RESULTS, LEVELS OF ACTIVITY, PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, LEVELS OF ACTIVITY, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY THESE FORWARD-LOOKING STATEMENTS. THESE RISKS AND OTHER FACTORS INCLUDE, AMONG OTHERS, THOSE LISTED UNDER "FORWARD-LOOKING STATEMENTS" AND "RISK FACTORS" DETAILED IN PRIOR COMPANY FILINGS AND THOSE INCLUDED ELSEWHERE IN THIS REPORT.

### **Plan of Operation**

The Company plans to sell more of its products into new and existing food retail outlets. At the same time, the Company is refining its customer base to concentrate on more profitable accounts. Social media activity has increased with Facebook, Twitter, Pinterest, YouTube, newsletter mailings, blogs, and helpful consumer content and special projects including a recipe bank of videos and MamaMancini's contest and giveaways. Increased consumer merchandising activity, including virtual couponing, on-pack couponing, mail-in rebates, product demonstrations, and co-op retail advertising has commenced to increase sales to existing customers and new customers.

We believe that the ongoing introduction of the Company's new all natural brand Slow Cooked Italian Sauce and various meatball and entrée products show promise for additional product placements and sales in 2016 and thereafter. These products include Eggplant Parmigiana, Stuffed Peppers, Baked Ziti and Meatballs, Five Cheese Stuffed Beef Meatballs, Chicken Parmigiana Style Stuffed Meatballs, Chicken Florentine Stuffed Meatballs, Gluten Free Beef and Turkey Meatballs, Antibiotic Free Beef and Turkey Meatballs, Cocktail Meat Balls, Original Beef and Original Turkey Meat Loaves, Beef Parmigiana and Turkey Parmigiana Meat Loaves, Beef and Bacon Gorgonzola Meat Loaves and Grass-fed Beef Meatballs. This line is available in bulk food service pack, retail packages in fresh varieties, and club store pack in fresh varieties. Additionally, the Company plans to continue expansion into various new retailers with placement of its existing product line of Beef, Turkey, Pork and Chicken Meatballs and Sauce, as well as Marinara and Italian Sauce with beef flavors.

The Company has key sales personnel and a sales network of paid broker representatives. We currently work with approximately 35 retail food brokers. In December 2015 we expanded our broker sales representative network, adding 8 within various territories and with specific accounts of focus. We intend to add additional food brokers in 2016 to increase our geographical coverage in the United States from approximately 60% coverage in 2015 to approximately

90%. Management continues to solicit all major supermarket retailers, club stores and mass-market accounts. The Company is also soliciting business in Canada and Mexico.

The Company currently has supply agreement with JEFE, a related party, which has been extended to August 2, 2021. This agreement automatically renews for periods of one year unless otherwise terminated by nine months prior written notice. JEFE is owned by the CEO and President of the Company.

JEFE increased its manufacturing capacity in 2015 and added 12,000 square feet of warehouse space in April 2016 to meet the anticipated increased demand of the Company. Additions of high-speed equipment and new production order flow have occurred. The Company also expects that its packaging costs will decrease as it purchases longer runs of material and supplies but cannot guarantee that such packaging costs will decrease with the purchase of such materials or at all.

We believe that MamaMancini's products have the ability to expand sales and deliver more products within several areas of consumption by consumers such as fresh meat, prepared foods, hot bars, cold bars in delis, and sandwich sections of supermarkets and other food retailers. In addition, we believe that MamaMancini's products can be sold into food service channels, mass market, and exported or as a component of other products.

In addition, since April 2015, the Company has streamlined its sales, and in the process has eliminated sales to about 20% of its customers that had produced a negative profit contribution.

### Results of Operations for the Three Months ended July 31, 2016 and July 31, 2015

The following table sets forth the summary statements of operations for the three months ended July 31, 2016 and July 31, 2015:

|  | Three Months Ended |                  |
|--|--------------------|------------------|
|  | July 31,<br>2016   | July 31,<br>2015 |
| Sales - Net of Slotting Fees and Discounts (1) | \$4,138,280        | \$2,739,200      |
| Gross Profit                                   | \$1,365,314        | \$648,168        |
| Operating Expenses                             | \$(1,474,481)      | \$(1,411,104)    |
| Other Expense                                  | \$(167,643 )       | \$(237,370 )     |
| Net Loss                                       | \$(276,810 )       | \$(1,000,306)    |

Slotting fees are required in new placements with some, but not a majority of supermarket chains that the Company does business with. They are negotiated with each chain depending upon the expected return to the Company. We believe that we have successfully negotiated such slotting fees to a relatively low expense. We have taken into (1) account future fees currently being negotiated in preliminary negotiations for new placements. We do not believe our size or financial limitations are an impediment to being able to pay such slotting fees. Slotting fee costs are an expense in growing the business as are other marketing and sales costs and the Company has accounted for these fees in assessing its estimated working capital for the next 12 months.

For the quarters ended July 31, 2016 and July 31, 2015, the Company reported a net loss of \$(276,810) and \$(1,000,306), respectively. The change in net loss between the quarters ended July 31, 2016 and July 31, 2015, was primarily attributable to an increase in sales.

*Sales:* Sales, net of slotting fees and discounts increased by approximately 51% to \$4,138,280 during the quarter ended July 31, 2016, from \$2,739,200 during the quarter ended July 31, 2015. During the quarter ended July 31, 2016,

the Company sold into higher volume locations compared to the quarter ended July 31, 2015. The Company has sold into approximately 36,000 retail and grocery locations at July 31, 2016 as compared to approximately 37,600 retail and grocery locations at July 31, 2015. The reduction of sales locations was done to eliminate certain unprofitable retailers. These actions have contributed to an increased profit margin percentage.

*Gross Profit:* The gross profit margin was 33% for the quarter ended July 31, 2016 compared to 24% for the quarter ended July 31, 2015.

*Operating Expenses:* Operating expenses increased by 5% during the quarter ended July 31, 2016, as compared to the quarter ended July 31, 2015. The \$63,377 increase in operating expenses is primarily attributable to the following approximate increases in operating expenses:

Stock-based compensation for services rendered by employees and consultants increased by of \$177,200 compared to the same quarter of the prior year;

Postage and freight of \$120,700 due to higher sales offset by better efficiency, and higher shipping and handling costs for QVC.

Commission expenses of \$44,500 related to increased sales;

Research and development costs increased by \$16,700 due to the increase in overall costs for research and development during the year;

Depreciation expense of \$12,600 due to new fixed asset purchases during the period;

Payroll and related expense of \$12,900 as compensation to personnel; and

Royalty expense of \$10,400 related to increased sales.

These expense increases were offset by decreases in the following expenses:

Advertising, social media and promotional expenses of \$170,961 related to a decrease in spending on our radio advertising campaign and special promotions;

Professional fees decreased by \$82,500 due to better management of this expense; and

Trade show and travel expenses of \$10,000 related to better management of expenses.

*Other Expense:* Other expenses decreased by \$69,727 to \$167,643 for the quarter ended July 31, 2016 as compared to \$237,370 during the quarter ended July 31, 2015. For the quarter ended July 31, 2016, other expenses consisted of \$157,949 in interest expense incurred on the Company's line of credit and term loan with EGC, the convertible debenture with Manatuck, the promissory notes and the related party notes payable. In addition, the Company recorded \$9,694 of amortization expense related to the debt discount and finance arrangements. For the quarter ended July 31, 2015, other expenses consisted of \$124,705 in interest expense incurred on the Company's line of credit and term loan with EGC and the convertible debenture with Manatuck. In addition, the Company recorded \$112,665 of amortization expense related to the debt discount and finance arrangements.

### **Results of Operations for the Six Months ended July 31, 2016 and July 31, 2015**

The following table sets forth the summary statements of operations for the six months ended July 31, 2016 and July 31, 2015:

|  | Six Months Ended |                  |
|--|------------------|------------------|
|  | July 31,<br>2016 | July 31,<br>2015 |
| Sales - Net of Slotting Fees and Discounts (1) | \$8,062,257      | \$6,092,479      |
| Gross Profit                                   | \$2,840,513      | \$1,593,148      |
| Operating Expenses                             | \$(3,004,900)    | \$(3,217,304)    |
| Other Expense                                  | \$(338,530 )     | \$(470,706 )     |
| Net Loss                                       | \$(502,917 )     | \$(2,094,862)    |

Slotting fees are required in new placements with some, but not a majority of supermarket chains that the Company does business with. They are negotiated with each chain depending upon the expected return to the Company. We believe that we have successfully negotiated such slotting fees to a relatively low expense. We have taken into (1) account future fees currently being negotiated in preliminary negotiations for new placements. We do not believe our size or financial limitations are an impediment to being able to pay such slotting fees. Slotting fee costs are an expense in growing the business as are other marketing and sales costs and the Company has accounted for these fees in assessing its estimated working capital for the next 12 months.

For the six months ended July 31, 2016 and July 31, 2015, the Company reported a net loss of \$(502,917) and \$(2,094,862), respectively. The change in net loss between the periods ended July 31, 2016 and July 31, 2015, was primarily attributable to an increase in sales and decreases in expenses detailed below.

*Sales:* Sales, net of slotting fees and discounts increased by approximately 32% to \$8,062,257 during the six months ended July 31, 2016, from \$6,092,479 during the six months ended July 31, 2015. During the six months ended July 31, 2016, the Company sold into higher volume locations compared to the six months ended July 31, 2015. The Company has sold into approximately 36,000 retail and grocery locations at July 31, 2016 as compared to approximately 37,600 retail and grocery locations at July 31, 2015. The reduction of sales locations was done to eliminate certain unprofitable retailers. These actions have contributed to an increased profit margin percentage.

*Gross Profit:* The gross profit margin was 35% for the six months ended July 31, 2016 compared to 26% for the six months ended July 31, 2015.

*Operating Expenses:* Operating expenses decreased by 7% during the six months ended July 31, 2016, as compared to the six months ended July 31, 2015. The \$212,404 decrease in operating expenses is primarily attributable to the following approximate decreases in operating expenses:

Advertising, social media and promotional expenses of \$667,001 related to a decrease in spending on our radio advertising campaign and special promotions; and

Professional fees decreased by \$93,100 due to better management of this expense.

These expense decreases were offset by increases in the following expenses:

Stock-based compensation for services rendered by employees and consultants increased by of \$176,400 compared to the same quarter of the prior year;

Postage and freight of \$237,606 due to higher sales offset by better efficiency, and higher shipping and handling costs for QVC.

Commission expenses of \$76,300 related to increased sales;

Research and development costs increased by \$24,200 due to the increase in overall costs for research and development during the year;

Depreciation expense of \$22,100 due to new fixed asset purchases during the period; and

Royalty expense of \$10,300 related to increased sales.

*Other Expense:* Other expenses decreased by \$132,176 to \$338,530 for the six months ended July 31, 2016 as compared to \$470,706 during the six months ended July 31, 2015. For the six months ended July 31, 2016, other expenses consisted of \$319,711 in interest expense incurred on the Company's line of credit and term loan with EGC, the convertible debenture with Manatuck, the promissory notes and the related party notes payable. In addition, the Company recorded \$18,819 of amortization expense related to the debt discount and finance arrangements. For the six months ended July 31, 2015, other expenses consisted of \$248,062 in interest expense incurred on the Company's line of credit and term loan with EGC and the convertible debenture with Manatuck. In addition, the Company recorded \$222,644 of amortization expense related to the debt discount and finance arrangements.

**Liquidity and Capital Resources**

The following table summarizes total current assets, liabilities and working capital at July 31, 2016 compared to January 31, 2016:

|                              | July 31,<br>2016 | January 31,<br>2016 | Increase/(Decrease) |
|------------------------------|------------------|---------------------|---------------------|
| Current Assets               | \$4,440,004      | \$4,719,995         | \$ (279,991 )       |
| Current Liabilities          | \$942,225        | \$4,754,360         | \$ (3,812,135 )     |
| Working Capital (Deficiency) | \$3,497,779      | \$(34,365 )         | \$ 3,532,144        |



As of July 31, 2016, we had a working capital of \$3,497,779 as compared to a working capital deficiency of \$(34,365) as of January 31, 2016, an increase of \$3,532,144. The increase in working capital is primarily attributable to decreases in cash, accounts receivable, prepaid expenses and due from manufacturer all of which were offset by increases in inventories and decreases in accounts payable and accrued expenses. In addition, the line of credit and convertible note were amended in September 2016 and consequently reclassified to long-term on the condensed consolidated balance sheets.

Net cash used in operating activities for the six months ended July 31, 2016 and 2015 was \$23,403 and \$763,417, respectively. The net loss for the six months ended July 31, 2016 and 2015 was \$502,917 and \$2,094,862, respectively.

Net cash used in all investing activities for the six months ended July 31, 2016 was \$204,083 as compared to \$100,683 for the quarter ended July 31, 2015, respectively, to acquire new machinery and equipment.

Net cash used in by all financing activities for the six months ended July 31, 2016 was \$(95,490) as compared to cash provided by financing activities of \$406,041 for the quarter ended July 31, 2015. During the six months ended July 31, 2016, the Company had net borrowings of \$144,810 for transactions pursuant to the line of credit. These increases were offset by \$60,000 and \$180,300 paid for repayments on a term loan and net payments of promissory notes, respectively. During the six months ended July 31, 2015, the Company raised net proceeds of \$650,000 and \$350,000 from demand notes and the issuance of preferred stock, respectively. This increase was offset by \$19,021, \$357,936, \$60,000 and \$150,811 paid for deferred offering costs, net repayments on a line of credit, repayments of the term loan, and stock issuance costs, respectively.

As reflected in the accompanying condensed consolidated financial statements, the Company has a net loss and net cash used in operations of \$502,917 and \$23,403, respectively, for the six months ended July 31, 2016.

Our auditor has expressed substantial doubt about our ability to continue as a going concern. The ability of the Company to continue its operations is dependent on Management's plans, which include the raising of capital through debt and/or equity markets with some additional funding from other traditional financing sources, including term notes, until such time that funds provided by operations are sufficient to fund working capital requirements. The Company may need to incur additional liabilities with certain related parties to sustain the Company's existence. In the event that we are unable to generate adequate revenues to cover expenses and cannot obtain additional financing in the near future, we may seek protection under bankruptcy laws. The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company may require additional funding to finance the growth of its current and expected future operations as well as to achieve its strategic objectives. There can be no assurance that financing will be available in amounts or terms acceptable to the Company, if at all. In that event, the Company would be required to change its growth strategy and seek funding on that basis, though there is no guarantee it will be able to do so.

### **Recent Accounting Pronouncements**

Our condensed consolidated financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States (“GAAP”). GAAP requires the use of estimates; assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenues and expense amounts reported. These estimates can also affect supplemental information contained in our external disclosures including information regarding contingencies, risk and financial condition. We believe our use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.

## Critical Accounting Policies

Our condensed consolidated financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States (“GAAP”). GAAP requires the use of estimates; assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenues and expense amounts reported. These estimates can also affect supplemental information contained in our external disclosures including information regarding contingencies, risk and financial condition. We believe our use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.

Our significant accounting policies are summarized in Note 2 of our condensed consolidated financial statements. While all these significant accounting policies impact our financial condition and results of operations, we view certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on our financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates. Our management believes that given current facts and circumstances, it is unlikely that applying any other reasonable judgments or estimate methodologies would cause effect on our consolidated results of operations, financial position or liquidity for the periods presented in this report.

We believe the following critical accounting policies and procedures, among others, affect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

Use of Estimates - The preparation of condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Such estimates and assumptions impact, among others, the following: allowance for bad debt, inventory obsolescence, the fair value of share-based payments.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from our estimates.

Stock-Based Compensation - The Company accounts for stock-based compensation in accordance with ASC Topic 718, “*Accounting for Stock-Based Compensation*” established financial accounting and reporting standards for stock-based employee compensation. It defines a fair value based method of accounting for an employee stock option or similar equity instrument. The Company accounts for compensation cost for stock option plans in accordance with ASC 718. The Company accounts for share based payments to non-employees in accordance with ASC 505-50 “*Accounting for Equity Instruments Issued to Non-Employees for Acquiring, or in Conjunction with Selling, Goods or Services*”.

The Company recognizes all forms of share-based payments, including stock option grants, warrants and restricted stock grants, at their fair value on the grant date, which are based on the estimated number of awards that are ultimately expected to vest.

Share-based payments, excluding restricted stock, are valued using a Black-Scholes option pricing model. Share-based payment awards issued to non-employees for services rendered are recorded at either the fair value of the services rendered or the fair value of the share-based payment, whichever is more readily determinable. The grants are amortized on a straight-line basis over the requisite service periods, which is generally the vesting period. If an award is granted, but vesting does not occur, any previously recognized compensation cost is reversed in the period related to the termination of service. Stock-based compensation expenses are included in cost of goods sold or selling, general and administrative expenses, depending on the nature of the services provided, in the condensed consolidated statement of operations.

When computing fair value of share-based payments, the Company has considered the following variables:

The risk-free interest rate assumption is based on the U.S. Treasury yield for a period consistent with the expected term of the option in effect at the time of the grant.

The Company has not paid any dividends on common stock since its inception and does not anticipate paying dividends on its common stock in the foreseeable future.

The expected option term is computed using the “simplified” method as permitted under the provisions of Staff Accounting Bulletin (“SAB”) 110.

The warrant term is the life of the warrant.

The expected volatility was benchmarked against similar companies in a similar industry.

The forfeiture rate is based on the historical forfeiture rate for the Company’s unvested stock options, which was 0%.

**Revenue Recognition** - The Company follows the guidance of the Securities and Exchange Commission’s Staff Accounting Bulletin No. 104 for revenue recognition and records revenue when all of the following have occurred: (1) persuasive evidence of an arrangement exists, (2) the product is delivered, (3) the sales price to the customer is fixed or determinable, and (4) collectability of the related customer receivable is reasonably assured. There is no stated right of return for products. Sales are recognized upon shipment of products to customers.

**Advertising** - Costs incurred for producing and communicating advertising for the Company are charged to operations as incurred.

### **Off Balance Sheet Arrangements:**

We do not have any off-balance sheet arrangements, financings, or other relationships with unconsolidated entities or other persons, also known as “special purpose entities” (SPEs).

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We do not hold any derivative instruments and do not engage in any hedging activities.

#### **Item 4. Controls and Procedures**

##### *(a) Evaluation of Disclosure Controls and Procedures*

Based on evaluation as of the end of the period covered by this Form 10-Q, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(c) and 15d-15(e) under the Exchange Act) are not effective to ensure that information required to be disclosed by us in report that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms and to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

##### *(b) Changes in Internal Control over Financial Reporting*

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II - OTHER INFORMATION**

#### **Item 1. Legal Proceedings.**

We are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

**Item 1A. Risk Factors.**

Smaller reporting companies are not required to provide the information required by this item.

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

Below is a list of securities issued by us from May 1, 2016 through September 6, 2016 which were not registered under the Securities Act.

Common Stock:

| Shareholder      | Issue Date | Security | Shares | Consideration   |
|------------------|------------|----------|--------|-----------------|
| ARANEA PARTNERS  | 5/15/2016  | Common   | 90,000 | Consulting Fees |
| BERNARD F. GIRMA | 5/15/2016  | Common   | 10,000 | Consulting Fees |

The securities issued in the abovementioned transactions were issued in connection with transactions which were exempt from the registration requirements of Section 5 of the Securities Act of 1933, as amended, pursuant to the terms of Section 4(2) of that Act.

**Item 3. Defaults upon Senior Securities.**

There has been no default in payment of principal, interest, sinking or purchase fund installment, or any other material default, with respect to any indebtedness of the Company.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

There is no other information required to be disclosed under this item which was not previously disclosed.

**Item 6. Exhibits.**

| <b>Exhibit No.</b> | <b>Description</b>  |
|--------------------|---|
| 31.1               | Certification of Principal Executive Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 302 of 2002*                           |
| 31.2               | Certification of Principal Financial Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 302 of 2002*                           |
| 32.1               | Certification of Principal Executive Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* |
| 32.2               | Certification of Principal Financial Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* |
| 101.INS            | XBRL Instance Document**  |
| 101.SCH            | XBRL Taxonomy Extension Schema Document**   |
| 101.CAL            | XBRL Taxonomy Extension Calculation Linkbase Document**   |
| 101.DEF            | XBRL Taxonomy Extension Definition Linkbase Document**  |
| 101.LAB            | XBRL Taxonomy Extension Label Linkbase Document**   |
| 101.PRE            | XBRL Taxonomy Extension Presentation Linkbase Document**  |

\* Filed herewith.

\*\* Furnished herewith.



**SIGNATURES**

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

**MAMAMANCINI'S HOLDINGS,  
INC.**

Date: September 13, 2016 By: */s/ Carl Wolf*  
Name: Carl Wolf  
Title: Chief Executive Officer  
(Principal Executive Officer)

