MamaMancini's Holdings, Inc.
Form 10-Q
December 11, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarter ended: **October 31, 2018**

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 [X] 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 [X] 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	[X]

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

As of December 11, 2018, there were 31,866,241 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

October 31, 2018

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MamaMancini's Holdings, Inc.

Condensed Consolidated Balance Sheets

	October 31, 2018 **(unaudited)**	January 31, 2018
Assets		
Current Assets:		
Cash	$460,089	$581,322
Accounts receivable, net	3,223,311	3,084,715
Inventories	1,004,845	824,276
Prepaid expenses	204,485	261,980
Total current assets	4,892,730	4,752,293
Property and equipment, net	3,044,383	2,499,875
Deposits	20,177	20,177
Total Assets	$7,957,290	$7,272,345
Liabilities and Stockholders' Deficit		
Liabilities:		
Current Liabilities:		
Accounts payable and accrued expenses	$3,763,915	$3,456,918
Line of credit, net	2,206,036	2,688,764
Term loans	315,540	106,938
Capital leases payable	53,730	-
Notes payable – related party	109,844	-
Notes payable – net	1,530,625	1,403,082
Total current liabilities	7,979,690	7,655,702
Term loans - net of current	568,920	651,677
Capital leases payable – net of current	173,177	-
Note payable - net of current	-	250,000
Notes payable - related party	532,000	649,656
Total long-term liabilities	1,274,097	1,551,333
Total Liabilities	9,253,787	9,207,035
Commitments and contingencies		
Stockholders' Deficit:		
Series A Preferred stock, $0.00001 par value; 120,000 shares authorized; 23,400 issued as of October 31, 2018 and January 31, 2018, 0 and 23,400 shares outstanding	-	-

as of October 31, 2018 and January 31, 2018		
Preferred stock, $0.00001 par value; 19,880,000 shares authorized; no shares issued and outstanding	-	-
Common stock, $0.00001 par value; 250,000,000 shares authorized; 31,866,241 and 31,753,437 shares issued and outstanding as of October 31, 2018 and January 31, 2018, respectively	320	319
Additional paid in capital	16,512,832	16,344,794
Accumulated deficit	(17,660,149)	(18,130,303)
Less: Treasury stock, 230,000 shares, respectively	(149,500)	(149,500)
Total Stockholders' Deficit	(1,296,497)	(1,934,690)
Total Liabilities and Stockholders' Deficit	$7,957,290	$7,272,345

See accompanying notes to the condensed consolidated financial statements

MamaMancini's Holdings, Inc.

Condensed Consolidated Statements of Operations

(unaudited)

	For the Three Months Ended October 31,		For the Nine Months Ended October 31,	
	2018	2017	2018	2017
Sales-net of slotting fees and discounts	$8,242,847	$7,351,355	$21,625,671	$19,714,090
Costs of Sales	5,555,359	4,979,504	14,047,647	13,047,131
Gross profit	2,687,488	2,371,851	7,578,024	6,666,959
Operating expenses:				
Research and development	31,628	10,316	98,807	77,647
General and administrative	2,119,751	2,103,081	6,259,769	5,767,759
Total operating expenses	2,151,379	2,113,397	6,358,576	5,845,406
Income from operations	536,109	258,454	1,219,448	821,553
Other expenses				
Interest expense	(159,688)	(198,662)	(648,969)	(571,584)
Amortization of debt discount	(20,073)	(30,447)	(100,325)	(56,457)
Total other expenses	(179,761)	(229,109)	(749,294)	(628,041)
Net income	356,348	29,345	470,154	193,512
Less: preferred dividends	-	-	-	(91,565)
Net income available to common stockholders	$356,348	$29,345	$470,154	$101,947
Net income per common share - basic	$0.01	$0.00	$0.01	$0.00
Net income per common share - diluted	$0.01	$0.00	$0.01	$0.00
Weighted average common shares outstanding – basic	31,866,241	31,503,665	31,836,178	29,152,736
Weighted average common shares outstanding – diluted	32,489,369	33,283,110	32,459,307	30,932,181

See accompanying notes to the condensed consolidated financial statements

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MamaMancini's Holdings, Inc.

Condensed Consolidated Statements of Changes in Stockholders' Deficit

For the Period from February 1, 2018 through October 31, 2018

(unaudited)

	Series A Preferred Stock		Common Stock		Treasury Stock		Additional Paid In	Accumulated	Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Deficit
Balance, February 1, 2018	-	$ -	31,753,437	$ 319	(230,000)	$(149,500)	$16,344,794	$(18,130,303)	$(1,934,690)
Share-based compensation	-	-	-	-	-	-	128,039	-	128,039
Common stock issued for the exercise of options	-	-	40,000	-	-	-	40,000	-	40,000
Common stock issued for the exercise of warrants	-	-	72,804	1	-	-	(1)	-	-
Net income	-	-	-	-	-	-	-	470,154	470,154
Balance, October 31, 2018	-	$ -	31,866,241	$ 320	(230,000)	$(149,500)	$16,512,832	$(17,660,149)	$(1,296,497)

See accompanying notes to the condensed consolidated financial statements

MamaMancini's Holdings, Inc.

Condensed Consolidated Statements of Cash Flows

(unaudited)

	For the Nine Months Ended	
	October 31, 2018	October 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$470,154	$193,512
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	511,878	368,604
Amortization of debt discount	100,325	56,457
Share-based compensation	128,039	229,400
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	(138,596)	(1,041,370)
Inventories	(180,569)	(288,175)
Prepaid expenses	57,495	56,806
Increase (Decrease) in:		
Accounts payable and accrued expenses	699,699	1,604,562
Net Cash Provided by Operating Activities	1,648,425	1,179,796
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for fixed assets	(1,026,386)	(1,411,786)
Net Cash Used in Investing Activities	(1,026,386)	(1,411,786)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of note payable - related party	(7,812)	-
Repayment of term loan	(174,155)	(105,003)
Borrowings from term loan	300,000	251,671
Repayment of note payable	(600,000)	(950,000)
Borrowings (repayments) of line of credit, net	(467,087)	940,775
Proceeds from capital lease	213,250	-
Repayment of capital lease obligations	(16,343)	-
Debt extension fees	(31,125)	-
Proceeds from exercise of options	40,000	-
Net Cash Provided by (Used in) Financing Activities	(743,272)	137,443
Net Decrease in Cash	(121,233)	(94,547)
Cash - Beginning of Period	581,322	670,807

Cash - End of Period	$460,089	$576,260
SUPPLEMENTARY CASH FLOW INFORMATION:		
Cash Paid During the Period for:		
Income taxes	$-	$-
Interest	$302,034	$535,685
SUPPLEMENTARY DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accrued interest on note payable reclassified to principal	$392,702	$-
Capital lease asset additions	$30,000	$-
Stock issued for Series A Preferred dividends	$-	$91,565
Debt issuance costs included in principal balance of note	$-	$52,236

See accompanying notes to the condensed consolidated financial statements

MamaMancini's Holdings, Inc.

Notes to Condensed Consolidated Financial Statements

October 31, 2018

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, beef meat loaf 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.

Note 2 - Summary of Significant Accounting Policies

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.

Following the closing of the merger with Joseph Epstein Food Enterprises, Inc. ("JEFE") on November 1, 2017, the financial statements of JEFE are consolidated with that of the Company. The prior period financial statements included in the condensed consolidated financial statements have been adjusted to reflect this transaction.

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, 2018 filed on May 16, 2018. 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, 2018 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, 2019.

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 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 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 a potential 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 October 31, 2018 and January 31, 2018.

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 October 31, 2018 and January 31, 2018, the Company had reserves of $2,000.

Inventories

Inventories are stated at the lower of cost or net realizable value using the first-in, first-out (FIFO) valuation method. Inventory was comprised of the following at October 31, 2018 and January 31, 2018:

	October 31, 2018	January 31, 2018
Raw Materials	$455,923	$486,917
Work in Process	54,303	21,387
Finished goods	494,619	315,972
	$1,004,845	$824,276

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 years
Leasehold improvements	*

(*) Amortized on a straight-line basis over the term of the lease or the estimated useful lives, whichever period is shorter.

Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the consolidated statements of operations.

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.

Research and Development

Research and development is expensed as incurred. Research and development expenses for the three months ended October 31, 2018 and 2017 were $31,628 and $10,316, respectively. Research and development expenses for the nine months ended October 31, 2018 and 2017 were $98,807 and $77,647, 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

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 supersedes the revenue recognition requirements under Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the Industry Topics of the ASC. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Under the new guidance, an entity is required to perform the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new guidance will significantly enhance comparability of revenue recognition practices

across entities, industries, jurisdictions and capital markets. Additionally, the guidance requires improved disclosures as to the nature, amount, timing and uncertainty of revenue that is recognized. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606)—Narrow-Scope Improvements and Practical Expedients*. This ASU clarified guidance on assessing collectability, presenting sales tax, measuring noncash consideration, and certain transition matters.

The Company adopted this guidance and related amendments as of the first quarter of fiscal 2019, applying the full retrospective transition method. The Company has determined that there are no material changes to the recognition, timing and classification of revenues and expenses; additionally, the adoption of ASU 2014-09 did not have a significant impact to pretax income upon adoption or on the consolidated financial statement disclosures.

The Company’s sales predominantly contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks and rewards transfer. Typically, this occurs when the goods are shipped to the customer. Revenues are recognized in an amount that reflects the net consideration the Company expects to receive in exchange for the goods. The Company reports all amounts billed to a customer in a sale transaction as revenue, including those amounts related to shipping and handling. Shipping and handling costs are included in cost of goods sold. Under the new revenue guidance, the Company recognizes shipping and handling activities as a fulfillment of the Company’s promise to transfer products to its customers.

The Company promotes its products with advertising, consumer incentives and trade promotions. These programs include discounts, slotting fees, coupons, rebates, in-store display incentives and volume-based incentives. Customer trade promotion and consumer incentive activities are recorded as a reduction to the sale price based on amounts estimated as being due to customers and consumers at the end of a period. The Company derives these estimates principally on historical utilization and redemption rates.

Payment terms in the Company's invoices are based on the billing schedule established in contracts and purchase orders with customers. The Company generally recognizes the related trade receivable when the goods are shipped.

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

	Nine Months Ended October 31, 2018	Nine Months Ended October 31, 2017
Gross Sales	$21,942,660	$20,055,073
Less: Slotting, Discounts, Allowances	316,989	340,983
Net Sales	$21,625,671	$19,714,090

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 October 31, 2018 and 2017 were $339,987 and $522,823, respectively. Producing and communicating advertising expenses for the nine months ended October 31, 2018 and 2017 were $1,246,170 and $1,261,766, 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 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 October 31, 2018 and 2017, share-based compensation amounted to $48,876 and $81,901, respectively, relating to options issued to board members, employees and consultants for services rendered.

For the nine months ended October 31, 2018 and 2017, share-based compensation amounted to $128,039 and $229,400, respectively, relating to options issued to board members, employees and consultants for services rendered.

For the nine months ended October 31, 2018 and 2017, when computing fair value of share-based payments, the Company has considered the following variables:

	October 31, 2018		**October 31, 2017**	
Risk-free interest rate	1.99% to 2.78	%	1.18% to 1.60	%
Expected life of grants	1.95 to 3.0 years		2 to 3.51 years	
Expected volatility of underlying stock	101% to 172	%	139% to 298	%
Dividends	0	%	0	%

The expected option term is computed using the “simplified” method as permitted under the provisions of ASC 718-10-S99. 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 estimated using the historical volatilities of the Company’s common stock. Risk free interest rates were obtained from U.S. Treasury rates for the applicable periods.

Earnings (Loss) Per Share

Earnings per share (“EPS”) is the amount of earnings attributable to each share of common stock. For convenience, the term is used to refer to either earnings or loss per share. EPS is computed pursuant to Section 260-10-45 of the FASB Accounting Standards Codification. Pursuant to ASC Paragraphs 260-10-45-10 through 260-10-45-16, basic EPS shall be computed by dividing income available to common stockholders (the numerator) by the weighted-average number of common shares outstanding (the denominator) during the period. Income available to common stockholders shall be computed by deducting both the dividends declared in the period on preferred stock (whether or not paid) and the dividends accumulated for the period on cumulative preferred stock (whether or not earned) from income from continuing operations (if that amount appears in the income statement) and also from net income. The computation of diluted EPS is similar to the computation of basic EPS except that the denominator is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued during the period to reflect the potential dilution that could occur from common shares issuable through contingent shares issuance arrangement, stock options or warrants.

The following table provides a reconciliation of the numerator and denominator used in computing basic and diluted net income (loss) attributable to common stockholders per common share.

	For the Three Months Ended	
	October 31, 2018	October 31, 2017
Numerator:		
Net income attributable to common stockholders	$356,348	$29,345
Effect of dilutive securities:	-	-
Diluted net income	$356,348	$29,345
Denominator:		
Weighted average common shares outstanding - basic	31,866,241	31,503,665
Dilutive securities (a):		
Series A Preferred	-	-
Options	156,462	-
Warrants	466,667	1,569,456
Weighted average common shares outstanding and assumed conversion – diluted	32,489,369	33,073,121
Basic net income per common share	$0.01	$0.00
Diluted net income per common share	$0.01	$0.00
(a) - Anti-dilutive securities excluded:	3,074,904	3,041,001

	For the Nine Months Ended	
	October 31, 2018	October 31, 2017
Numerator:		
Net income attributable to common stockholders	$470,154	$101,947
Effect of dilutive securities:	-	-
Diluted net income	$470,154	$101,947
Denominator:		
Weighted average common shares outstanding - basic	31,836,178	29,152,736
Dilutive securities (a):		
Series A Preferred	-	-
Options	156,462	-
Warrants	466,667	1,569,456
Weighted average common shares outstanding and assumed conversion – diluted	32,459,307	30,722,192
Basic net income per common share	$0.01	$0.00
Diluted net income per common share	$0.01	$0.00
(a) - Anti-dilutive securities excluded:	3,074,904	3,041,001

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 2014.

Related Parties

The Company follows subtopic ASC 850-10 for the identification of related parties and disclosure of related party transactions.

Pursuant to Section 850-10-20, the related parties include: (a) affiliates of the Company ("Affiliate" means, with respect to any specified person, any other person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such person, as such terms are used in and construed under Rule 405 under the Securities Act); (b) entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825-10-15, to be accounted for by the equity method by the investing entity; (c) trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; (d) principal owners of the Company; (e) management of the Company; (f) other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and (g) other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02 which will require recognition on the balance sheet for the rights and obligations created by leases with terms greater than twelve months. The new standard is effective for fiscal years and interim periods within those years beginning after December 15, 2018, with early adoption permitted. The Company plans to adopt this guidance at the beginning of its first quarter of fiscal 2020 and plans to utilize the transition option which does not require application of the guidance to comparative periods in the year of adoption. While the Company continues to evaluate this standard and the effect on related disclosures, the primary effect of adoption will be recording right-of-use assets and corresponding lease obligations for current operating leases. The adoption is expected to have a material impact on the Company's consolidated balance sheets, but not on the consolidated statements of income or cash flows. However, the ultimate impact of adopting ASU 2016-02 will depend on the Company's lease portfolio as of the adoption date. Additionally, the Company is in the process of reviewing current accounting policies, changes to business processes, systems and controls to support adoption of the new standard.

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

Reclassification

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

Subsequent Events

The Company evaluates subsequent events and transactions that occur after the balance sheet date for potential recognition or disclosure. Any material events that occur between the balance sheet date and the date that the financial statements were issued are disclosed as subsequent events, while the financial statements are adjusted to reflect any conditions that existed at the balance sheet date.

Note 3 - Property and Equipment:

Property and equipment on October 31, 2018 and January 31, 2018 are as follows:

	October 31, 2018	January 31, 2018
Machinery and Equipment	$2,655,064	$2,431,589
Furniture and Fixtures	81,099	71,969
Leasehold Improvements	2,894,950	2,071,169
	5,631,113	4,574,727
Less: Accumulated Depreciation	2,586,730	2,074,852
	$3,044,383	$2,499,875

During the nine months ended October 31, 2018, leasehold improvements increased by $823,781 in relation to the continued plant expansion in progress since 2017.

Depreciation expense charged to income for the three months ended October 31, 2018 and 2017 amounted to $174,045 and $128,399, respectively. Depreciation expense charged to income for the nine months ended October 31, 2018 and 2017 amounted to $511,878 and $368,604, 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 October 31, 2018 and January 31, 2018, the Company’s ownership interest in MO was 12% and 12%, respectively.

Note 5 - Related Party Transactions

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 October 31, 2018 and 2017, the Company generated approximately $40,401 and $29,684 in revenues from MO, respectively. For the nine months ended October 31, 2018 and 2017, the Company generated approximately $81,111 and $62,723 in revenues from MO, respectively.

As of October 31, 2018 and January 31, 2018, the Company had a receivable of $53,608 and $32,869 due from MO, respectively.

WWS, Inc.

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

For the three months ended October 31, 2018 and 2017, the Company recorded $12,000 in commission expense from WWS, Inc. generated sales. For the nine months ended October 31, 2018 and 2017, the Company recorded $36,000 in commission expense from WWS, Inc. generated sales.

Notes Payable – Related Party

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 matured on December 31, 2016. The notes were subsequently extended until February 2019. As of October 31, 2018 and January 31, 2018, the outstanding principal balance of the notes was $109,844 and $117,656, respectively.

The Company received advances from the CEO of the Company which bear interest at 8%. The advances are due on February 1, 2020. At October 31, 2018 and January 31, 2018, there was $400,000 of principal outstanding, respectively.

The Company received advances from an entity 100% owned by the CEO of the Company, which bear interest at 8%. The advances are due on February 1, 2020. At October 31, 2018 and January 31, 2018 and 2017, there was $132,000 of principal outstanding, respectively.

For the three months ended October 31, 2018 and 2017, the Company recorded interest expense of $6,185 and $11,817, respectively, related to the above related party notes payable. For the nine months ended October 31, 2018 and 2017, the Company recorded interest expense of $38,872 and $35,452, respectively, related to the above related party notes payable.

Note 6 - 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. In September 2016, the agreement was amended and the total facility increased to an aggregate principal amount of up to $3,200,000. In June 2018, the line was increased by $300,000. The increase was personally guaranteed by the CEO of the Company. As of October 31, 2018 and January 31, 2018, the outstanding balance on the line of credit was $2,240,490 and $2,702,390, respectively. In May 2018, the agreement was amended to extend the termination date to October 1, 2020.

On September 3, 2014, the Company also entered into a 5-year $600,000 Secured Promissory Note ("EGC Note") with EGC. In September 2016, the ECG Note was increased to $700,000 with an extended maturity date of September 30, 2021. The amended EGC Note is payable in 60 monthly installments of $11,667. The EGC Note was further amended in October 2017 to increase the note to $800,000 with principal payments of $13,795. 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.

Effective June 6, 2018, the Company executed a Secured Promissory Note with EGC which provides for $300,000 in financing with a maturity date of June 1, 2020. The Note provides for 24 monthly payments of $12,500 together with interest on the outstanding balance at Four percent (4%) over the applicable prime rate.

The outstanding balance on the term loans was $884,460 and $758,615 as of October 31, 2018 and January 31, 2018, respectively.

Note 7 – Notes Payable

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. Subsequent to issuance, the note was amended to extend the maturity date and also removed the convertible feature of the note. On January 22, 2018, the Company further extended the maturity date to November 1, 2018.

On July 17, 2018, the Company further extended the maturity date to May 1, 2019. The Company paid to Manatuck a cash fee equal to two percent (2%) of the mutually-agreed pro-forma balance payable on account of the note as of July

17, 2018, which shall include all interest which would be accrued on the note through July 17, 2018. Total accrued interest of $392,702 was added to the outstanding principal balance as of the extension date. The 2% fee was expensed in accordance with debt extinguishment accounting.

There was unamortized debt discount of $0 and $84,841 as of October 31, 2018 and January 31, 2018, respectively.

The outstanding principal net of debt discount at October 31, 2018 and January 31, 2018 was $1,280,625 and $1,403,082, respectively.

On April 29, 2015, the Company entered into a note payable with a bank for $250,000, which was used to pay down and replace a prior note payable. The note bears interest at 3.75%, with interest being due monthly. The note is due in full on the maturity date of April 1, 2019. The note is fully guaranteed by the Company’s Chief Executive Officer. The outstanding balance on the note was $250,000 as of October 31, 2018 and January 31, 2018.

Note 8 – Capital Leases Payable

Capital lease obligations consisted of the following at October 31, 2018:

	October 31, 2018
Capital lease obligation to a financing company for a term of four (4) years, collateralized by equipment, with interest at 7.5% per annum, with principal and interest due and payable in monthly installments of $5,152 and buyout purchase option of $31,988 at end of lease [(i)]	$200,145
Capital lease obligation to a financing company for a term of five (5) years, collateralized by kitchen equipment, with interest at 5.9% per annum, with principal and interest due and payable in monthly installments of $610 and buyout purchase option of $1 at end of lease	26,762
	226,907
Less current maturities	53,730
Capital lease obligation, net of current maturities	$173,177

(i) In May 2018, the Company executed a sale-leaseback arrangement with an unrelated third party whereby the Company sold its equipment and leased it back for a period of 4 years. Pursuant to the agreement, the Company received gross proceeds of $213,250. This transaction is recorded as a financing transaction with the assets and related financing obligation on the condensed consolidated balance sheet. The lease expires in April 2022 and includes purchase, renewal and return options and certain default provisions requiring the Company to perform repairs and maintenance, make timely rent payments and insure the equipment.

Future maturities of all debt and capital leases (including debt discussed above in Notes 5, 6, 7 and 8) are as follows:

For the Twelve Months Ending October 31,	
2019	$4,215,775
2020	866,078
2021	228,859
2022	174,557
2023	4,603
	$5,489,872

Note 9- Concentrations

Revenues

During the nine months ended October 31, 2018, the Company earned revenues from one customer representing approximately 52% of gross sales. During the nine months ended October 31, 2017, the Company earned revenues from three customers representing approximately 24%, 12% and 11% of gross sales.

As of October 31, 2018, this customer represented approximately 50% of total gross outstanding receivables, respectively. As of October 31, 2017, these two customers represented approximately 43% and 13% of total gross outstanding receivables, respectively.

Note 10 - Stockholders' Deficit

(A) Options

The following is a summary of stock options issued by the Company:

	Options	Weighted Average Exercise Price
Outstanding – January 31, 2018	866,000	$ 0.87
Exercisable – January 31, 2018	699,000	$ 0.78
Granted	130,000	$ 0.89
Exercised	(40,000)	$ 1.00
Forfeited/Cancelled	(257,000)	$ -
Outstanding – October 31, 2018	699,000	$ 0.74
Exercisable – October 31, 2018	516,500	$ 0.64

	Options Outstanding			**Options Exercisable**	
Exercise Price	**Number Outstanding**	Weighted Average Remaining Contractual Life (in years)	**Weighted Average Exercise Price**	**Number Exercisable**	**Weighted Average Exercise Price**
$0.39 – 1.38	699,000	3.00 years	$0.74	516,500	$0.64

At October 31, 2018 the total intrinsic value of options outstanding and exercisable was $122,040 and $122,040, respectively.

For the nine months ended October 31, 2018 and 2017, the Company recognized share-based compensation related to options of an aggregate of $128,039 and $229,400, respectively. At October 31, 2018, unrecognized share-based compensation was $116,163.

(D) Warrants

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

	Warrants	Weighted Average Exercise Price
Outstanding – January 31, 2018	7,061,399	$ 1.06
Exercisable – January 31, 2018	7,061,399	$ 1.06
Granted	-	$ -
Exercised	(467,496)	$ 1.00
Forfeited/Cancelled	(401,905)	$ -
Outstanding – October 31, 2018	6,191,998	$ 1.03
Exercisable – October 31, 2018	6,191,998	$ 1.03

Warrants Outstanding			**Warrants Exercisable**		
Exercise Price	**Number Outstanding**	**Weighted Average Remaining Contractual Life (in years)**	**Weighted Average Exercise Price**	**Number Exercisable**	**Weighted Average Exercise Price**
$0.68 – 2.50	6,191,998	2.08 years	$1.03	6,191,998	$ 1.03

At October 31, 2018, the total intrinsic value of warrants outstanding and exercisable was $364,000 and $364,000, respectively.

During the nine months ended October 31, 2018, 467,496 warrants were exercised by the warrant holders on a cashless basis. The Company issued 72,804 shares of common stock as a result of this exercise.

Note 11 - Commitments and Contingencies

Litigation, 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 Exclusive Term began on January 1, 2009 (the “Effective Date”) and ends on the 50th anniversary of the Effective Date.

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

The Company incurred $105,834 and $98,133 of royalty expenses for the three months ended October 31, 2018 and 2017. The Company incurred $306,690 and $304,324 of royalty expenses for the nine months ended October 31, 2018 and 2017. Royalty expenses are included in general and administrative expenses on the condensed consolidated statement of operations.

Agreements with Placement Agents and Finders

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.

If the Company enters into a change of control transaction during the term of the agreement through October 1, 2022, the Company shall pay to Spartan a fee equal to 3% of the consideration paid or received by the Company and/or its stockholders in such transaction.

During the nine months ended October 31, 2018, no payments were made to Spartan.

Operating Lease

The Company has a lease for office, manufacturing, and warehouse space in East Rutherford, NJ. The lease expires on March 31, 2024, with a 5-year renewal option. The Company leases additional office space in East Rutherford, NJ.

This lease is for a 51-month term expiring on March 31, 2019 with annual payments of $18,847.

Rent expense for the nine months ended October 31, 2018 and 2017 was $213,975 and $216,928, respectively.

Total future minimum payments required under the lease as of October 31, 2018 are as follows:

Twelve Months Ending January 31,	
2019 (remaining)	$66,841
2020	201,599
2021	199,757
2022	209,846
2023	211,864
Thereafter	247,174
Total	$1,137,054

Note 12 – Subsequent Events

The Company has evaluated subsequent events through the date the financial statements were available to be issued.

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 Operations

The Company's product lines include, Italian Sauce and Beef Meatballs, and Turkey Meatballs; Italian Sauce and Cheese Stuffed Meatballs, Chicken Parmigiana and Florentine Style Stuffed Meatballs, Gluten Free Beef and Turkey Meatballs, Antibiotic Free Beef and Turkey Meatballs, Cocktail Beef and Turkey Meatballs, Original Beef and Original Turkey Meat Loaves, Chicken Parmigiana, Sausage n Peppers, Sausage and Sauce, Pasta meals and Beef Stuffed Pepper Mix. 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. The Company plans to introduce additional pasta-based entrees in late fiscal year 2019. The Company plans to introduce Authentic Italian Sauces and Vegetarian Meatballs in fiscal year 2019 on a limited test basis.

The Company has key sales personnel and a sales network of paid broker representatives. We currently work with approximately 35 retail food brokers who sell to Supermarket and Club Store customers.

The Company had a supply agreement with Joseph Epstein Food Enterprises, Inc. ("JEFE"), a related party. On November 1, 2017, the Company acquired JEFE through a merger transaction whereby JEFE became a wholly-owned subsidiary of the Company. Under the terms of the Merger Agreement and in connection with the merger, the Company acquired all assets of JEFE. The consideration for the transaction was (a) the extinguishment of the Inter-Company Loan between the parties, (b) the assumption by the Company of all JEFE accounts payable and accrued expenses, (c) the assumption by the Company of certain third-party loans to JEFE and (d) the indemnification of Carl Wolf with respect to his collateralization of a bank loan to JEFE. As a result of the transaction, JEFE's financial statements have been consolidated with the financial statements of the Company. No cash or stock was exchanged in connection with the transaction.

Management believes the merger of JEFE into the Company has had a positive effect upon operations. Management believes that gross margin, operating profit, and net income has increased in this quarter and will increase in the future as a result due to plant efficiencies with higher volume and plant overhead reduction as a percentage of sales.

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.

Results of Operations for the Three Months ended October 31, 2018 and 2017

The following table sets forth the summary statements of operations for the three months ended October 31, 2018 and 2017:

	Three Months Ended	
	October 31, 2018	October 31, 2017
Sales - Net of Slotting Fees and Discounts	$8,242,847	$7,351,355
Gross Profit	$2,687,488	$2,371,851
Operating Expenses	$(2,151,379)	$(2,113,397)
Other Expenses	$(179,761)	$(229,109)
Net Income	$356,348	$29,345

For the three months ended October 31, 2018 and 2017, the Company reported a net income of $356,348 and $29,345, respectively. The change in net income between the three months ended October 31, 2018 and 2017 was primarily attributable to an increase in sales of 12%.

Sales: Sales, net of slotting fees and discounts increased by approximately 12% to $8,242,847 during the three months ended October 31, 2018, from $7,351,355 during the three months ended October 31, 2017. The Company has sold into approximately 45,200 SKU's in 12,600 retail and grocery locations at October 31, 2018 as compared to approximately 43,500 SKU's in 12,200 retail and grocery locations at October 31, 2017. Sales for the quarter increased due to sales increases with its largest customer.

Gross Profit: The gross profit margin was 33% for the three months ended October 31, 2018 compared to 32% for the three months ended October 31, 2017. During the three months ended October 31, 2018, cost of sales included an increase in depreciation expense of approximately $151,000 (representing approximately 2% of sales) related to the significant plant additions during the period. The Company believes its gross margin as a percentage of sales will increase in future operating periods due more efficient operations.

Operating Expenses: Operating expenses increased by 2% during the three months ended October 31, 2018, as compared to the three months ended October 31, 2017. The $37,982 increase in total operating expenses is primarily attributable to the following approximate increase in operating expenses:

Postage and freight of $105,737 due to higher sales this fiscal year;

Payroll and related expenses of $100,099;

Insurance expense of $69,097; and

Other general and Administration expenses of $65,251.

These expense increases were offset by decreases in the following as well as minimal decreases in other expense categories:

Advertising, social media and promotional expenses of $190,836 due to a change in customer mix; and

Stock-based compensation for services rendered by employees and consultants decreased by $33,025 compared to the prior year

Other Expense: Other expenses decreased by $49,348 to $179,761 for the three months ended October 31, 2018 as compared to $229,109 during the three months ended October 31, 2017. For three months ended October 31, 2018, other expenses consisted of $159,688 in interest expense incurred on the Company’s financing arrangements. In addition, the Company recorded $20,073 of amortization expense related to the debt discount. For the three months ended October 31, 2017, other expenses consisted of $198,662 in interest expense incurred on the Company’s finance arrangements. In addition, during the three months ended October 31, 2017, the Company recorded $30,447 of amortization expense related to the debt discount and finance arrangements.

Results of Operations for the Nine Months ended October 31, 2018 and 2017

The following table sets forth the summary statements of operations for the nine months ended October 31, 2018 and 2017:

	Nine Months Ended	
	October 31, 2018	**October 31, 2017**
Sales - Net of Slotting Fees and Discounts	$21,625,671	$19,714,090
Gross Profit	$7,578,024	$6,666,959
Operating Expenses	$(6,358,576)	$(5,845,406)
Other Expenses	$(749,294)	$(628,041)
Net Income	$470,154	$193,512

For the nine months ended October 31, 2018 and 2017, the Company reported a net income of $470,154 and $193,512, respectively. The change in net income between the nine months ended October 31, 2018 and 2017 was primarily attributable to an increase in sales of 10% offset by an increase in operating expenses and other expenses of approximately 12% and 24%, respectively.

Sales: Sales, net of slotting fees and discounts increased by approximately 10% to $21,625,671 during the nine months ended October 31, 2018, from $19,714,090 during the nine months ended October 31, 2017. During the nine months ended October 31, 2018, the Company sold into higher volume locations compared to the nine months ended October 31, 2017. The Company has sold into approximately 45,200 SKU’s in 12,600 retail and grocery locations at October 31, 2018 as compared to approximately 43,500 SKU’s in 12,200 retail and grocery locations at October 31, 2017. In addition, during the nine months ended October 31, 2018, the Company was able to increase its sales through new customers as well as its existing customer base. A merchandising event with one customer during the nine months ended October 31, 2018 also contributed to the increase in sales.

Gross Profit: The gross profit margin was 35% for the nine months ended October 31, 2018 compared to 34% for the nine months ended October 31, 2017. The increase in gross profit margin is attributable to manufacturing efficiencies and cost control. During the nine months ended October 31, 2018, cost of sales included an increase in depreciation expense of approximately $151,000 (representing approximately 1% of sales) related to the significant plant additions during the period. The Company believes its gross margin as a percentage of sales will increase in future operating periods due more efficient operations.

Operating Expenses: Operating expenses increased by 9% during the nine months ended October 31, 2018, as compared to the nine months ended October 31, 2017. The $513,170 increase in total operating expenses is primarily

attributable to the following approximate increases in operating expenses:

- Payroll and related expenses of $282,634;
- Postage and freight of $144,767 due to higher sales this fiscal year;
- Other general and Administration expenses of $129,521; and
- Insurance expense of $68,457.

These expense increases were offset by decreases in the following as well as minimal decreases in other expense categories:

- Stock-based compensation for services rendered by employees and consultants decreased by $101,362 compared to the prior year; and
- Advertising, social media and promotional expenses of $26,096 related to a change in customer mix.

Other Expense: Other expenses increased by $121,253 to $749,294 for the nine months ended October 31, 2018 as compared to $628,041 during the nine months ended October 31, 2017. For the nine months ended October 31, 2018, other expenses consisted of $648,969 in interest expense incurred on the Company’s financing arrangements. In addition, the Company recorded $100,325 of amortization expense related to the debt discount. During the nine months ended October 31, 2018, the Company also incurred non-recurring interest charges of approximately $112,500 in relation to the extension of the Manatuck note and the corresponding accounting for debt modification which resulted in additional interest expense, finance charges and the write-off of debt discount related to prior debt. For the nine months ended October 31, 2017, other expenses consisted of $571,584 in interest expense incurred on the Company’s finance arrangements. In addition, during the nine months ended October 31, 2017, the Company recorded $56,457 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 October 31, 2018 compared to January 31, 2018:

	October 31, 2018	January 31, 2018	Increase/(Decrease)
Current Assets	$4,892,730	$4,752,293	$ 140,437
Current Liabilities	$7,979,690	$7,655,702	$ 323,988
Working Capital Deficit	$3,086,960	$2,903,409	$ 183,551

As of October 31, 2018, we had a working capital deficit of $3,086,960 as compared to a working capital deficit of $2,903,409 as of January 31, 2018, an increase of $183,551. The increase in working capital deficit is primarily attributable to a decrease in cash balances of approximately $121,000, an increase in accounts payable and accrued expenses of approximately $307,000 and an approximate $17,000 increase in the current portion of debt. These amounts were offset by an increase in accounts receivable of $138,600 and an increase in inventories of $181,600.

Net cash provided by operating activities for the nine months ended October 31, 2018 and 2017 was $1,648,425 and $1,179,796, respectively. The net income for the nine months ended October 31, 2018 and 2017 was $470,154 and $193,512, respectively.

Net cash used in all investing activities for the nine months ended October 31, 2018 was $1,026,386 as compared to $1,411,786 for the nine months ended October 31, 2017, respectively, to acquire new machinery and equipment and leasehold improvements. Our capital expenditures are attributed to a Plant Expansion Project in progress since mid-2017 to expand plant capacity and efficiency to meet growing demand.

Net cash used in all financing activities for the nine months ended October 31, 2018 was $743,272 as compared to $137,443 provided by financing activities for the nine months ended October 31, 2017. During the nine months ended October 31, 2018, the Company received proceeds of $40,000 received from the exercise of options, proceeds of $213,250 from a capital-leaseback transaction and proceeds of $300,000 from term loan. These net proceeds were offset by $175,155 and $600,000 paid for repayments on a term loan and net payments of the note payable to Manatuck Hill Partners, respectively. During the nine months ended October 31, 2017, the Company had net borrowings of $940,775 and $251,671 for transactions pursuant to the line of credit and the term loan. These decreases were offset by $105,003 and $950,000 paid for repayments on a term loan and repayments of notes payable, respectively.

As reflected in the accompanying condensed consolidated financial statements, the Company has a net income and net cash provided by operations of $470,154 and $1,648,425, respectively, for the nine months ended October 31, 2018.

Although the continued revenue growth coupled with improved gross margins and control of expenses leads management to believe that it is probable that the Company’s cash resources will be sufficient to meet our cash requirements through the fourth quarter of fiscal year ended January 31, 2019, 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.

Subsequent to October 31, 2018, the Company collected a net amount of $3.4 million on outstanding receivables.

Recent Accounting Pronouncements

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.

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

There have been no material changes to our critical accounting policies and estimates from the information provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in our January 31, 2018 Annual Report.

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 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.

During the period between February 1, 2018 and December 11, 2018 the Company issued an aggregate of 112,804 shares of its Common stock as follows:

Warrant Exercises	72,804 shares
Stock Option Exercises	40,000 shares

In addition, 15,000 shares previously issued to a director of the Company in lieu of compensation were cancelled.

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.

Exhibit No.	Description
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: December 11, 2018 By: */s/ Carl Wolf*
Name: Carl Wolf
Title: Chief Executive Officer
(Principal Executive Officer)