

MamaMancini's Holdings, Inc.
Form 10-K
April 23, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the year ended January 31, 2019

OR

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

MAMAMANCINI'S HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Nevada **000-54954** **27-0607116**
(State or other jurisdiction of (Commission (I.R.S. Employer
incorporation or organization) File Number) Identification Number)

25 Branca Road

East Rutherford, NJ 07073

(Address of Principal Executive Offices)

(Former name or former address, if changed since last report)

(201) 531-1212

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, \$0.00001 par value**

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [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 if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements

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incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

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. (Check one):

Large accelerated filer [] Accelerated filer [] Emerging Growth Company []
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 Act). Yes [] No [X]

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on July 31, 2018, based on a closing price of \$0.81 was approximately \$12,210,023.

As of April 23, 2019, the registrant had 31,866,241 shares of its common stock, 0.00001 par value per share, issued and outstanding.

Documents Incorporated by Reference: None.

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FORWARD LOOKING STATEMENTS

Included in this Form 10-K are “forward-looking” statements, as well as historical information. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that the expectations reflected in these forward-looking statements will prove to be correct. Our actual results could differ materially from those anticipated in forward- looking statements as a result of certain factors, including matters described in the section titled “Risk Factors.” Forward-looking statements include those that use forward-looking terminology, such as the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “project,” “plan,” “will,” “shall,” similar expressions, including when used in the negative. Although we believe that the expectations reflected in these forward-looking statements are reasonable and achievable, these statements involve risks and uncertainties and we cannot assure you that actual results will be consistent with these forward-looking statements. We undertake no obligation to update or revise these forward-looking statements, whether to reflect events or circumstances after the date initially filed or published, to reflect the occurrence of unanticipated events or otherwise.

PART I

Item 1. Business.

Our History

MamaMancini’s Holdings, Inc. (formerly Mascot Properties, Inc.) was incorporated in the State of Nevada on July 22, 2009. Mascot Properties, Inc.’s (“Mascot”) activities since its inception consisted of trying to locate real estate properties to manage, primarily related to student housing, and services which included general property management, maintenance and activities coordination for residents. Mascot did not have any significant development of such business and did not derive any revenue. Due to the lack of results in its attempt to implement its original business plan, management determined it was in the best interests of the shareholders to look for other potential business opportunities.

On February 22, 2010, MamaMancini’s LLC was formed as a limited liability company under the laws of the state of New Jersey in order to commercialize our initial products. On March 5, 2012, the members of MamaMancini’s, LLC, holders of 4,700 units (the “Units”) of MamaMancini’s LLC, exchanged the Units for 15,000,000 shares of common stock and those certain options to purchase an additional 223,404 shares of MamaMancini’s Inc. (the “Exchange”). Upon consummation of the Exchange, MamaMancini’s LLC ceased to exist and all further business has been and continues to be conducted by MamaMancini’s Inc.

On January 24, 2013, Mascot, Mascot Properties Acquisition Corp, a Delaware corporation and wholly-owned subsidiary of the Company (“Merger Sub”), MamaMancini’s Inc., a privately-held Delaware Corporation headquartered in New Jersey (“Mama’s”) and David Dreslin, an individual (the “Majority Shareholder”), entered into an Acquisition Agreement and Plan of Merger (the “Agreement”) pursuant to which the Merger Sub was merged with and into Mama’s, with Mama’s surviving as a wholly-owned subsidiary of the Company (the “Merger”). The transaction (the “Closing”) took place on January 24, 2013 (the “Closing Date”). Mascot acquired, through a reverse triangular merger, all of the outstanding capital stock of Mama’s in exchange for issuing Mama’s shareolders (the “Mama’s Shareholders”), pro-rata, a total of 20,054,000 shares of the Company’s common stock. As a result of the Merger, the Mama’s Shareholders became the majority shareholders of Mascot.

Immediately following the Closing of the Agreement, Mascot changed its business plan to that of Mama’s. On March 8, 2013, Mascot received notice from the Financial Industry Regulatory Authority (“FINRA”) that its application to change its name and symbol had been approved and effective Monday, March 11, 2013, Mascot began trading under its new name, “MamaMancini’s Holdings, Inc.” (“MamaMancini’s” or the “Company”) and under its new symbol, “MMMB”.

On November 1, 2017, MamaMancini's, Joseph Epstein Food Enterprises, Inc., a New Jersey corporation ("JEFE"), and MMMB Acquisition, Inc., a Nevada corporation and wholly owned subsidiary of MamaMancini's ("Merger Sub"), completed a merger transaction whereby JEFE merged with and into Merger Sub, with Merger Sub continuing as the surviving entity and a wholly owned subsidiary of MamaMancini's. 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) assumption by the Company of certain third-party loans to JEFE totaling approximately \$782,000 and (d) indemnification of Carl Wolf with respect to his collateralization of a bank loan to JEFE in the amount of approximately \$250,000. As a result of the transaction, (i) the Company became the sole shareholder of JEFE, which became a wholly-owned subsidiary of the Company. No cash or stock was exchanged in connection with the transaction.

Our Company

MamaMancini's roots go back to our founder Dan Dougherty, whose grandmother Anna "Mama" Mancini emigrated from Bari, Italy to Bay Ridge, Brooklyn in 1921. Our products were developed using her old world Italian recipes that were handed down to her grandson, Dan Dougherty. Today we market a line of all-natural specialty prepared, frozen and refrigerated foods for sale in retailers around the country. Our primary products include beef, turkey, chicken and pork meatballs, all with slow cooked Italian Sauce.

Our products are all natural, contain a minimum number of ingredients and are generally derived from the original recipes of Anna "Mama" Mancini. Our products appeal to health-conscious consumers who seek to avoid artificial flavors, synthetic colors and preservatives that are used in many conventional packaged foods.

The United States Department of Agriculture (the "USDA") defines all natural as a product that contains no artificial ingredients, coloring ingredients or chemical preservatives and is minimally processed. The Company's products were submitted to the USDA and approved as all natural. The Food and Safety and Inspection Service ("FSIS") Food Standards and Labeling Policy Book (2003) requires meat and poultry labels to include a brief statement directly beneath or beside the "natural" Label claim that "explains what is meant by the term natural i.e., that the product is a natural food because it contains no artificial ingredients and is only minimally processed". The term "natural" may be used on a meat label or poultry label if the product does not contain any artificial flavor or flavoring, coloring ingredient, chemical preservative, or any other artificial or synthetic ingredient. Additionally, the term "all natural" can be used if the FSIS approves your product and label claims. The Company's product and label claims have been approved by the FSIS to contain the all-natural label.

Our products are principally sold to supermarkets and mass-market retailers. We currently have 26 different product offerings which are packaged in different sized retail and bulk packages. Our products are principally sold in multiple

sections of the supermarket, including: hot bars, salad bars, prepared foods (meals), sandwich, as well as cold deli and foods-to-go sections. Our products are also sold in the frozen food and fresh meat sections. We sell directly to both food retailers and food distributors.

Finally, we also sell our products on QVC through live on-air offerings, auto ship programs and for every day purchases on their web site. QVC is the world's largest direct to consumer marketer.

During the year ended January 31, 2019, the Company earned revenues from two customers representing approximately 50% and 10% of gross sales. During the year ended January 31, 2018, the Company earned revenues from two customers representing approximately 40% and 10% of gross sales. As of January 31, 2019, three customers represented approximately 44%, 19% and 13% of total gross outstanding receivables, respectively. As of January 31, 2018, two customers represented approximately 43% and 15% of total gross outstanding receivables, respectively. We depend heavily on these customers.

The Company continually reviews its accounts in order to focus on maximum performance, and as a result periodically eliminates under-performing accounts.

Industry Overview

Our products are considered specialty prepared foods, in that they are all natural, taste great, are authentic Italian and are made with high quality ingredients. The market for specialty and prepared foods spans several sections of the supermarket, including frozen, deli- prepared foods, and the specialty meat segment of the meat department.

Our Strengths

We believe that the following strengths differentiate our products and our brand:

Authentic recipes and great taste. Our products are founded upon Anna “Mama” Mancini’s old-world Italian recipes. We believe the authenticity of our products has enabled us to build and maintain loyalty and trust among our current customers and will help us attract new customers. Additionally, we continuously receive positive customer testimonials regarding the great taste and quality of our products.

Healthy and convenient. Our products are made only from high quality natural ingredients, including domestic inspected beef, whole Italian tomatoes, genuine imported Pecorino Romano, real eggs, natural breadcrumbs, olive oil and other herbs and spices. Our products are also simple to prepare. Virtually every product we offer is ready-to-serve within 12 minutes, thereby providing quick and easy meal solutions for our customers. By including the sauce and utilizing a tray with our packaging, our meatballs can be prepared quickly and easily.

Great value. We strive to provide our customers with a great tasting product using all-natural ingredients at an affordable price. Typical retail prices for 16 oz. packages ranges from \$4.99 to \$7.99, and \$5.99 to \$9.99 for bulk products sold in delis or hot bars. We believe the sizes of our product offerings represent a great value for the price.

New products and innovation. Since our inception, we have continued to introduce new and innovative products. While we pride on ourselves on our traditional beef, turkey, chicken and pork meatballs, we have continuously made efforts to grow and diversify our line of products while maintaining our high standards for all natural, healthy ingredients and great taste. New items introduced in the last two years include:

| | |
|--|---|
| Five Cheese Stuffed Beef Meatballs | Antibiotic Free Beef and Turkey Meatballs |
| Chicken Parmigiana Stuffed Meatballs | Gluten Free Beef and Turkey Meatballs |
| Chicken Florentine Stuffed Meatballs | Cocktail Beef and Turkey Meatballs |
| Mozzarella Stuffed Beef and Turkey Meatballs | Beef and Turkey Original Meat Loaves |
| Ravioli Lasagna | Sausage and Sauce |
| Vegetarian Meatballs | Sausage, Peppers, Onions and Sauce |
| Stuffed Pepper Filling | Chicken Parmesan |
| Orchiette Pasta and Sauce | Pasta Bowls |
| Sunday Dinner Beef Meatballs and Sausage | |

Sales/Brokers

Strong consumer loyalty. Many of our consumers are loyal and enthusiastic brand advocates. Our consumers trust us to deliver great-tasting products made with all-natural ingredients. Consumers have actively communicated with us through our website and/or social media channels. We believe that this consumer interaction has generated interest in our products and has inspired enthusiasm for our brand. We also believe that enthusiasm for our products has led and will continue to lead to repeat purchases and new consumers trying our products.

Experienced leadership. We have a proven and experienced senior management team. Our Chief Executive Officer and Chairman, Carl Wolf, has been with us since inception and has over 35 years of experience in the management and operations of food companies. Mr. Wolf was the founder, majority shareholder, Chairman of the Board, and CEO of Alpine Lace Brands, Inc., a public company engaged in the development, marketing and distribution of cheese, deli meats and other specialty food products, which was sold to Land O'Lakes, Inc. In addition, the other members of our board of directors also have significant experience in the food industry.

Our Growth Strategy

We are actively executing a strategy to build our brand's reputation, grow sales and improve our product and operating margins by pursuing the following growth initiatives:

Increase product placements in the perimeter within retail locations. We strive for product placements in the perishable departments of retail locations. We believe adding shelf placements within the supermarkets that carry our products will increase customer awareness, leading to more consumers purchasing our products and expanding our market share.

Increase Sales in "Fresh" Section. Increase sales in the "Fresh" section (in the perimeter of the retailer), where there is significant sales growth and higher margins, over products in the "Frozen" section which are showing zero to negative growth.

Increase retail locations. We intend to increase sales by expanding the number of retail stores that sell our products in the mainstream grocery and mass merchandiser channels.

Increase Overall Sales. We have an experienced sales staff and now employ one full time Vice President of Sales as well as our Co-Founder Dan Dougherty, Carl Wolf, our Chief Executive Officer and Chairman, and Matthew Brown, our President, each of whom is involved with selling to, and managing sales with, major supermarket chains.

Expand food brokerage network. We currently work with retail food brokers nationwide and intend to add additional food brokers to increase our geographical coverage in the United States to approximately 90%.

Enhance awareness through marketing. We have increased our social media activity with Facebook, Twitter, Pinterest, and YouTube. We also engage with consumers through newsletter mailings, blogs, and special projects, including a bank of recipe videos and contests and giveaways. Targeted consumer merchandising activity, including virtual couponing, on-pack couponing, mail-in rebates, product demonstrations, and co-op retail advertising will continue into the future in order to increase sales and generate new customers.

Adding new products. Our market research and consumer testing enable us to identify attractive new product opportunities. We intend to continue to introduce new products in both existing and new product lines that appeal to a wide range of consumers.

Maintain a Strong Relationship with QVC. The Company currently offers various lines through QVC and intends to increase its product line offerings offered through QVC.

Increase Media Exposure. Increase the visibility of Dan Dougherty (Mancini) in the media as a product spokesman.

“Club Stores”. The Company is aggressively pursuing sales to “Club Stores”

Pricing

Our pricing strategy focuses on being competitively priced with other premium brands. Since our products are positioned in the authentic premium prepared food category, we maintain prices competitive with those of similar products and prices slightly higher than those in the commodity prepared foods section. This pricing strategy also provides greater long-term flexibility as we grow our product line through the growth curve of our products. Current typical retail prices for 16 oz. packages range from \$5.99 to \$9.99, and \$5.99 to \$9.99 per pound for prepared food products sold to delis or hot bars. Increases in raw materials costs, among other factors, may lead to us consider price increases in the future.

Suppliers/Manufacturers

As of January 31, 2019, approximately 90% of our products are internally produced by the Company's wholly-owned subsidiary, Joseph Epstein Food Enterprises, Inc ("JEFE"). Approximately 10% are manufactured on an outsourced basis. None of our raw materials or ingredients are directly grown or produced by us. From time-to-time we negotiate with other manufacturers to supplement the Company's manufacturing capability. We currently purchase modest quantities from other manufacturers. All of the raw materials and ingredients in our products are readily available and are readily ascertainable by our suppliers. We have not experienced any material shortages of ingredients or other products necessary to our operations and do not anticipate such shortages in the foreseeable future.

Sales/Brokers

Our products are sold primarily through a commission broker network. We sell to large retail chains who direct our products to their own warehouses or to large food distributors.

The Company increased its sales management efforts with the result that the Company is now actively soliciting business with almost every major retail supermarket chain in the country. MamaMancini's products are currently sold nationwide, with its greatest concentration in the Northeast and Southeast. In April 2019, the Company initiated a major sales effort into the food service, convenience store, export and special projects areas.

Marketing

The majority of our marketing activity has been generated through promotional discounts, consumer trial, consumer product tastings and demonstrations, in-store merchandising and signage, couponing, word of mouth, consumer public relations, social media, special merchandising events with retailers and consumer advertising.

Based on the Company's metrics for determining brand awareness, which includes market studies and analysis of consumer recognition of the MamaMancini's brand, the Company believes that brand awareness for MamaMancini's has grown in the past 12 months.

Investments - Meatball Obsession

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 January 31, 2019 and 2018, the Company’s ownership interest in MO was 12% and 12%, respectively. One of our directors, Steven Burns, serves as the Chairman of the Board of Directors of Meatball Obsession.

Competition

The gourmet and specialty pre-packaged and frozen food industry has many large competitors specializing in various types of cuisine from all over the world. Our product lines are currently concentrated on Italian specialty foods. While it is our contention that our competition is much more limited than the entire frozen and pre-packaged food industry based on our products’ niche market, there can be no assurances that we do not compete with the entire frozen and pre-packaged food industry. We believe our principal competitors include Quaker Maid / Philly-Gourmet Meat Company, Hormel, Rosina Company, Inc., Casa Di Bertacchi, Inc., Farm Rich, Inc., Mama Lucia, and Buona Vita, Inc.

Intellectual Property

Our current intellectual property consists of trade secret recipes and cooking processes for our products and three trademarks for “MamaMancini’s”, “Mac N’ Mamas” and “The Meatball Lovers Meatball”. The recipes and use of the trademarks have been assigned in perpetuity to the Company.

We rely on a combination of trademark, copyright and trade secret laws to establish and protect our proprietary rights. We will also use technical measures to protect our proprietary rights.

Royalty Agreement

In accordance with a Development and License Agreement (the "Development and License Agreement") entered into on January 1, 2009 with Dan Dougherty relating to the use of his grandmother's recipes for the products to be created by MamaMancini's, Mr. Dougherty granted us a 50-year exclusive license (subject to certain minimum payments being made), with a 25-year extension option, to use and commercialize the licensed items. Under the terms of the Development and License Agreement, Mr. Dougherty shall develop 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"). Mr. Dougherty shall work with us to develop Licensor Products that are acceptable to us. Upon acceptance of a Licensor Product by us, Mr. Dougherty's trade secret recipes, formulas methods and ingredients for the preparation and production of such Licensor Products shall be subject to the Development and License Agreement. In connection with the Development and License Agreement, we pay Mr. Dougherty a royalty fee on net sales.

USDA approval / Regulations

Our food products, which are manufactured both in our own manufacturing facilities and in third-party facilities, are subject to various federal, state and local regulations and inspection, and to extensive regulations and inspections, regarding sanitation, quality, packaging and labeling. In order to distribute and sell our products outside the State of New Jersey, the third-party food processing facilities must meet the standards promulgated by the U.S. Department of Agriculture (the "USDA"). Our manufacturing processing facilities and products are subject to periodic inspection by federal, state, and local authorities. In January 2011, the FDA's Food Safety Modernization Act was signed into law. The law will increase the number of inspections at food facilities in the U.S. in an effort to enhance the detection of food borne illness outbreaks and order recalls of tainted food products. The facilities in which our products are manufactured are inspected regularly and comply with all the requirements of the FDA and USDA.

We are subject to the Food, Drug and Cosmetic Act and regulations promulgated thereunder by the FDA. This comprehensive regulatory program governs, among other things, the manufacturing, composition and ingredients, packaging, and safety of food. Under this program, the FDA regulates manufacturing practices for foods through, among other things, its current "good manufacturing practices" regulations, or GMP's, and specifies the recipes for certain foods. Specifically, the USDA defines "all natural" as a product that contains no artificial ingredients, coloring ingredients or chemical preservatives and is minimally processed. The Company's products were submitted to the USDA and approved as "all natural". However, should the USDA change their definition of "all natural" at some point in the future, or should MamaMancini's change their existing recipes to include ingredients that do not meet the USDA's definition of "all natural", our results of operations could be adversely affected.

The FTC and other authorities regulate how we market and advertise our products, and we are currently in compliance with all regulations related thereto, although we could be the target of claims relating to alleged false or deceptive advertising under federal and state laws and regulations. Changes in these laws or regulations or the introduction of new laws or regulations could increase the costs of doing business for us or our customers or suppliers or restrict our actions, causing our results of operations to be adversely affected.

Quality Assurance

We take precautions designed to ensure the quality and safety of our products. In addition to routine third-party inspections of our manufacturing facilities, we have instituted regular audits to address topics such as allergen control, ingredient, packaging and product specifications and sanitation. Under the FDA Food Modernization Act, both our own manufacturing facilities and each of our contract manufacturers are required to have a hazard analysis critical control points plan that identifies critical pathways for contaminants and mandates control measures that must be used to prevent, eliminate or reduce relevant food-borne hazards.

Our manufacturing facility is certified in the Safe Quality Food Program. These standards are integrated food safety and quality management protocols designed specifically for the food sector and offer a comprehensive methodology to manage food safety and quality simultaneously. Certification provides an independent and external validation that a product, process or service complies with applicable regulations and standards.

We work with suppliers who assure the quality and safety of their ingredients. These assurances are supported by our purchasing contracts or quality assurance specification packets, including affidavits, certificates of analysis and analytical testing, where required. The quality assurance staff within our manufacturing facility and of both our contract manufacturers conduct periodic on-site routine audits of critical ingredient suppliers.

Where You Can Find More Information

The public may read and copy any materials the Company files with the U.S. Securities and Exchange Commission (the "SEC") at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0030. The SEC maintains an Internet website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

Item 1A. Risk Factors

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

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Our principal executive office is located at 25 Branca Road East Rutherford, NJ 07073. We currently lease 24,213 square feet of space located in East Rutherford, NJ from Joseph Branca Partnership, Ltd for a current rental of \$15,996 per month. The lease term runs through March 31, 2024 with renewal options through March 31, 2029. In addition, we lease an additional 1,077 square feet of space at 375 Murray Hill Parkway from CLN Associates, LLC for a current rental of \$1,817 per month.

Item 3. Legal Proceedings.

We are not currently involved in any litigation that we believe could have a materially 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 Company's or our Company's subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

(a) Market Information

Our shares of common stock are currently quoted on the OTCQB under the symbol "MMMB" The following table sets forth (i) the intra-day high and low sales price per share for our common stock, as reported on the OTCQB, for the fiscal years ended January 31, 2019 and January 31, 2018. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

| Fiscal Year Ended January 31, 2019 | High | Low |
|------------------------------------|--------|--------|
| First Quarter | \$1.47 | \$1.10 |
| Second Quarter | \$1.14 | \$0.86 |
| Third Quarter | \$0.93 | \$0.65 |
| Fourth Quarter | \$0.93 | \$0.60 |

| Fiscal Year Ended January 31, 2018 | High | Low |
|------------------------------------|--------|--------|
| First Quarter | \$0.95 | \$0.61 |
| Second Quarter | \$1.18 | \$0.85 |
| Third Quarter | \$1.19 | \$0.92 |
| Fourth Quarter | \$1.93 | \$1.04 |

The market price of our common stock, like that of other early stage companies, is highly volatile and is subject to fluctuations in response to variations in operating results, announcements of new products, or other events or factors. Our stock price may also be affected by broader market trends unrelated to our performance.

(b) Holders

As of April 23, 2019 a total of 31,866,241 shares of the Company's common stock are currently outstanding held by approximately 110 shareholders of record. This figure does not take into account those shareholders whose certificates are held in the name of broker-dealers or other nominees.

(c) Dividends

Preferred Stock. The holders of the Series A Convertible Preferred were entitled to receive dividends at a rate of eight percent (8%) per annum payable quarterly in cash or Company Common Stock at the option of the holder. All outstanding shares of Series A Convertible Preferred Stock automatically converted to Company Common Stock on July 27, 2017 and no shares of Preferred Stock are currently issued and outstanding.

Common Stock. The declaration of any future cash dividends is at the discretion of our board of directors and depends upon our earnings, if any, our capital requirements and financial position, general economic conditions, and other pertinent conditions. We have not paid any cash dividends to the holders of our Common Stock and it is not our present intention to pay any cash dividends on our Common Stock in the foreseeable future, but rather to reinvest earnings, if any, in our business operations.

(d) Securities Authorized for Issuance under Equity Compensation Plans

At the present time, we have 450,000 shares of common stock authorized for issuance under our equity compensation plan. For more information on our equity compensation plan please refer to the Current Report on Form 8-K filed with the Securities and Exchange Commission on June 5, 2013.

Recent Sales of Unregistered Securities

During the period between February 1, 2018 and January 31, 2019, the Company issued an aggregate of 112,804 shares of its Common stock. 72,804 of these shares were issued on the cashless exercise of certain Warrants and 40,000 shares were issued on the exercise of certain stock options by directors of the Company. These shares were all issued under an exemption from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended. There were no other sales of unregistered securities not already reported on the Company's quarterly filings on Form 10-Q or on a Current Report on Form 8-K.

Item 6. Selected Financial Data.

Pursuant to permissive authority under Regulation S-K, Rule 301, we have omitted Selected Financial Data.

Item 7. 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" AND THOSE INCLUDED ELSEWHERE IN THIS REPORT.

Results of Operations for the Year ended January 31, 2019 and 2018

The following table sets forth the summary statements of operations for the year ended January 31, 2019 and 2018:

| | Year Ended | |
|--|---------------------|---------------------|
| | January 31, 2019 | January 31, 2018 |
| Sales - Net of Slotting Fees and Discounts | \$28,522,112 | \$27,543,335 |
| Gross Profit | \$9,990,434 | \$9,260,675 |
| Operating Expenses | \$(8,425,370) | \$(8,197,533) |
| Other Expenses | \$(1,015,016) | \$(743,402) |
| Net Income | \$550,048 | \$319,740 |

For the year ended January 31, 2019 and 2018, the Company reported a net income of \$550,048 and \$319,740, respectively. The change in net income between the year ended January 31, 2019 and 2018 was primarily attributable to an increase in sales of 4%.

Sales: Sales, net of slotting fees and discounts increased by approximately 4% to \$28,522,112 during the year ended January 31, 2019, from \$27,543,335 during the year ended January 31, 2018. During the year ended January 31, 2019, 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 year ended January 31, 2019 also contributed to the increase in sales.

Gross Profit: The gross profit margin was 35% for the year ended January 31, 2019 compared to 34% for the year ended January 31, 2018. The increase in gross profit margin is attributable to manufacturing efficiencies and cost control. During the year ended January 31, 2019, cost of sales included an increase in depreciation expense of approximately \$300,000 (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 to more efficient operations.

Operating Expenses: Operating expenses increased by 3% during the year ended January 31, 2019, as compared to the year ended January 31, 2018. The increase in total operating expenses is primarily attributable to the following approximate increases in operating expenses:

Payroll and related expenses of \$160,199;

Postage and freight of \$290,302 due to higher charges from freight carriers; and

Director fees of \$33,992.

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 \$46,247 compared to the prior year; and

Advertising, social media and promotional expenses of \$44,491 related to a change in customer mix.

Other Expense: Other expenses increased by \$271,614 to \$1,015,016 for the year ended January 31, 2019 as compared to \$743,402 during the year ended January 31, 2018. For year ended January 31, 2019, other expenses consisted of \$881,702 in interest expense incurred on the Company's financing arrangements. In addition, the Company recorded \$133,314 of amortization expense related to the debt discount. For the year ended January 31, 2018, other expenses consisted of \$679,974 in interest expense incurred on the Company's finance arrangements. In addition, the Company recorded \$63,428 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 January 31, 2019 compared to January 31, 2018:

| | January 31, 2019 | January 31, 2018 | Increase/(Decrease) |
|---------------------------|---------------------|---------------------|---------------------|
| Current Assets | \$4,859,549 | \$4,752,293 | \$ 107,256 |
| Current Liabilities | \$3,615,662 | \$7,655,702 | \$ (4,040,040) |
| Working Capital (Deficit) | \$1,243,887 | \$(2,903,409) | \$ 4,147,296 |

As of January 31, 2019, we had working capital of \$1,243,887 as compared to a working capital deficit of \$2,903,409 as of January 31, 2018, an increase of \$4,147,296. The increase in working capital deficit is primarily attributable to an increase in cash balances of approximately \$28,100, an increase in inventories of \$572,100, a decrease in accounts payable and accrued expenses of approximately \$395,000 and an approximate \$3,645,000 decrease in the current portion of debt. These amounts were offset by a decrease in accounts receivable of \$386,200 and a decrease in prepaid expenses of \$106,800.

Net cash provided by operating activities for the year ended January 31, 2019 and 2018 was \$1,443,408 and \$1,315,500, respectively. The net income for the year ended January 31, 2019 and 2018 was \$550,048 and \$319,740, respectively.

Net cash used in all investing activities for the year ended January 31, 2019 was \$1,033,724 as compared to \$1,474,816 for the year ended January 31, 2018, 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 by all financing activities for the year ended January 31, 2019 was \$381,597 as compared to \$69,831 provided by financing activities for the year ended January 31, 2018. During the year ended January 31, 2019, the Company received proceeds of \$40,000 received from the exercise of options, proceeds of \$213,250 from capital-leaseback transactions and proceeds of \$2.8 million from the term loan. These net proceeds were offset by \$7,812 of repayments on a related party notes payable, repayment of notes payable totaling \$2,130,625, \$120,446 for payment of debt issuance costs, net repayments of the line of credit of \$90,356, payments of term loan of \$1,058,615 and \$26,993 paid for capital lease payments. During the year ended January 31, 2018, the Company had net borrowings increase of \$1,339,245 and \$251,671 for transactions pursuant to the line of credit and term loan, respectively. These borrowings were offset by \$146,388 and \$1,350,000 paid for repayments on a term loan and net payments of the note payable to Manatuck Hill Partners, respectively.

As reflected in the accompanying consolidated financial statements, the Company has a net income and net cash provided by operations of \$550,048 and \$1,443,408, respectively, for the year ended January 31, 2019.

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 fiscal year ending January 31, 2020, 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. table 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

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*," 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.

In October 2016, the FASB issued ASU 2016-16, "*Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory*", which eliminates the exception that prohibits the recognition of current and deferred income tax effects for intra-entity transfers of assets other than inventory until the asset has been sold to an outside party. The updated guidance is effective for annual periods beginning after December 15, 2019, 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 July 2017, the FASB issued ASU 2017-11, "*Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features; II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*". Part I of this update addresses the complexity of accounting for certain financial instruments with down round

features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of this update addresses the difficulty of navigating Topic 480, *Distinguishing Liabilities from Equity*, because of the existence of extensive pending content in the FASB Accounting Standards Codification. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable noncontrolling interests. The amendments in Part II of this update do not have an accounting effect. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018.

In June 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. Under the new standard, companies will no longer be required to value non-employee awards differently from employee awards. Companies will value all equity classified awards at their grant-date under ASC 718 and forgo revaluing the award after the grant date. ASU 2018-07 is effective for annual reporting periods beginning after December 15, 2018, including interim reporting periods within that reporting period. Early adoption is permitted, but no earlier than the Company's adoption date of Topic 606, *Revenue from Contracts with Customers* (as described above under "Revenue Recognition"). The Company does not believe the new standard will have a significant impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, "*Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*". This update is to improve the effectiveness of disclosures in the notes to the financial statements by facilitating clear communication of the information required by U.S. GAAP that is most important to users of each entity's financial statements. The amendments in this update apply to all entities that are required, under existing U.S. GAAP, to make disclosures about recurring or nonrecurring fair value measurements. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company is currently evaluating this guidance and the impact of this update on its consolidated financial statements.

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.

Critical Accounting Policies

Our 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. 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 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.

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 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.

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 term is the life of the grant.

The expected volatility was estimated using the historical volatilities of the Company’s common stock.

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

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 update clarifies the objectives of collectability, sales and other taxes, noncash consideration, contract modifications at transition, completed contracts at transition and technical correction. The amendments in this update affect the guidance in ASU 2014-09. In September 2017, the FASB issued additional amendments providing clarification and implementation guidance.

The Company adopted this guidance and related amendments as of the first quarter of fiscal 2019, applying the full retrospective transition method. As the underlying principles of the new standard, relating to the measurement of revenue and the timing of recognition, are closely aligned with the Company's current business model and practices, the adoption of ASU 2014-09 did not have a material impact on the consolidated financial statements. In addition, the adoption of ASC 606 did not impact the previously reported financial statements in any prior period nor did it result in a cumulative effect adjustment to retained earnings.

The Company's sales predominantly are generated from the sale of finished products to customers, 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. Under the new revenue guidance, the Company elected to treat shipping and handling activities as fulfillment activities, and the related costs are recorded as selling expenses in general and administrative expenses on the consolidated statement of operations.

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 7A. Quantitative and Qualitative Disclosures About Market Risk.

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

Item 8. Financial Statements.

Our consolidated financial statements appear at the end of this Annual Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

There are no reportable events under this item for the year ended January 31, 2019.

Item 9A. Controls and Procedures.

(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Based on their evaluation as of the end of the period covered by this Annual Report on Form 10-K, 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) MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

This Company's management is responsible for establishing and maintaining internal controls over financial reporting and disclosure controls. Internal Control Over Financial Reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, or persons performing similar functions, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- (1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the registrant; and

- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the financial statements.

Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is appropriately recorded, processed, summarized and reported within the specified time periods.

Management has conducted an evaluation of the effectiveness of our internal control over financial reporting as of January 31, 2019, based on the framework established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Based on this assessment, management concluded that as of the period covered by this Annual Report on Form 10-K, it had material weaknesses in its internal control procedures.

As of period covered by this Annual Report on Form 10-K, we have concluded that our internal control over financial reporting was ineffective. The Company's assessment identified certain material weaknesses which are set forth below:

Functional Controls and Segregation of Duties

Because of the Company's limited resources, there are limited controls over information processing.

There is an inadequate segregation of duties consistent with control objectives. Our Company's management is composed of a small number of individuals resulting in a situation where limitations on segregation of duties exist. In order to remedy this situation, we would need to hire additional staff to provide greater segregation of duties. Currently, it is not feasible to hire additional staff to obtain optimal segregation of duties. Management will reassess this matter in the following year to determine whether improvement in segregation of duty is feasible.

Accordingly, as the result of identifying the above material weakness we have concluded that these control deficiencies resulted in a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis by the Company's internal controls.

Management believes that the material weaknesses set forth above were the result of the scale of our operations and are intrinsic to our small size. Management believes these weaknesses did not have a material effect on our financial results and intends to take remedial actions upon receiving funding for the Company's business operations.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report herein.

(c) CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

We are committed to improving our financial organization. As part of this commitment, we will create a position to segregate duties consistent with control objectives and will increase our personnel resources and technical accounting expertise within the accounting function when funds are available to us by preparing and implementing sufficient written policies and checklists which will set forth procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements.

Management believes that preparing and implementing sufficient written policies and checklists will remedy the material weaknesses pertaining to insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements.

We intend to take appropriate and reasonable steps to make the necessary improvements to remediate these deficiencies, including:

- (1) We will revise processes to provide for a greater role of independent board members in the oversight and review until such time that we are adequately capitalized to permit hiring additional personnel to address segregation of duties issues, ineffective controls over the revenue cycle and insufficient supervision and review by our corporate management.
- (2) We will update the documentation of our internal control processes, including formal risk assessment of our financial reporting processes.

We intend to consider the results of our remediation efforts and related testing as part of our year-end 2019 assessment of the effectiveness of our internal control over financial reporting.

Subsequent to January 31, 2019, we intend to continue to undertake the following steps to address the deficiencies stated above:

Continued the development and documentation of internal controls and procedures surrounding the financial reporting process, primarily through the use of account reconciliations, and supervision.

Added additional accounting staff to further segregate duties and help the Company maintain timely reporting of financial results.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors and Executive Officers

The following table discloses our directors and executive officers as of April 23, 2019.

| Name | Age | Position |
|----------------------|-----|--|
| Carl Wolf | 75 | Chief Executive Officer and Chairman of the Board of Directors |
| Matthew Brown | 50 | President and Director |
| Lawrence Morgenstein | 68 | Chief Financial Officer |
| Steven Burns | 58 | Director |
| Alfred D'Agostino | 65 | Director |
| Thomas Toto | 64 | Director |
| Dean Janeway | 75 | Director |

Carl Wolf has over 35 years of experience in the management and operations of companies in the food industry. Mr. Wolf has served as Chief Executive Officer and Chairman of the Board of MamaMancini's from February 2010 through the Present. Mr. Wolf was the founder, majority shareholder, Chairman of the Board, and CEO of Alpine Lace Brands, Inc., a NASDAQ-listed public company with over \$125 million in wholesale sales. He also founded, managed, and sold MCT Dairies, Inc., a \$60 million international dairy component resource company. Other experience in the food industry includes his role as Co-chairman of Saratoga Beverage Company, a publicly traded (formerly NASDAQ: TOGA) bottled water and fresh juice company prior to its successful sale to a private equity firm. Mr. Wolf served as an advisor to Mamma Sez Biscotti, a snack and bakery product company (which was sold in a later period to Nonnis, the largest biscotti company in the United States) from 2002 to 2004. Previously he served as Director and on the Audit and Development committees of American Home Food Products, Inc. a publically traded marketer Artisanal Brand Cheeses, from 2007 to 2009. Mr. Wolf also served as Chairman of the Board of Media Bay, which was a NASDAQ-listed public company which ally traded direct seller of spoken word through its audio book club and old-time radio classic activities and download spoken content, from 2002 to 2004.

Mr. Wolf received his B.A. in 1965 from Rutgers University (Henry Rutgers Scholar) and his M.B.A. in 1966 from the University of Pittsburgh (with honors).

In evaluating Mr. Wolf's specific experience, qualifications, attributes and skills in connection with his appointment to our board, we took into account his numerous years of experience in the food industry, as a serial entrepreneur in growing business, his knowledge of publicly traded companies, and his proven track record of success in such endeavors.

Matthew Brown has over 20 years of experience in the sales and marketing of products in the food industry. Beginning in February 2010 through the present, he has served as President of MamaMancini's. From April 2001 until January of 2012, he served as the President of Hors D'oeuvres Unlimited, overseeing the day to day operations of their food manufacturing business. He previously worked as a marketing associate from September 1993 to December 1998 at Kraft Foods, Inc., where he dealt with numerous aspects of the company's marketing of their food products.

Mr. Brown received his B.A. from the University of Michigan in 1991 and his M.B.A. from the University of Illinois in 1993.

In evaluating Mr. Brown's specific experience, qualifications, attributes and skills in connection with his appointment to our board, we took into account his numerous years of experience in sales and marketing, and his proven track record of success in such endeavors.

Lawrence Morgenstein has been Chief Financial Officer of the Company since April 1, 2018. He has been previously employed as Controller for Emerging Power, Inc. from July 7, 2016 through January 12, 2018. He was also employed by Elaut USA, Inc. from April 4, 2013 through July 3, 2016. He was controller of Mama Mia Produce from March 2010 to April 2013. Mr. Morgenstein was Corporate Controller & VP of Finance. Mr. Morgenstein holds a BS in Economics from Rider University in 1972. He further holds an MBA from Rutgers University GSB in 1976.

Steven Burns has over 20 years of experience in the management and operations of various companies. Mr. Burns has served as a director of MamaMancini's from February 2010 through the present. Beginning in June 2011 and still presently, he serves as the Chairman of the Board of Directors of Meatball Obsession, LLC. Additionally, beginning in 2006 and still Presently he works as the President and CEO of Point Prospect, Inc., where he oversees the day to day operations of the company, which primarily deal with investments and services in real estate, clean and efficient energy sources, high-quality and healthy food services, and healthcare technology. Prior to that, for a period of 24 years he worked at and was senior executive at Accenture where he led the U.S. Health Insurance Industry Program comprised of approximately 600 professionals. He also has sat on various financial committees and boards of directors throughout his career.

Mr. Burns received his B.S. in Business Management from Boston College in 1982.

In evaluating Mr. Burns' specific experience, qualifications, attributes and skills in connection with his appointment to our board, we took into account his numerous years of experience in serving on board of directors, his knowledge of running and managing companies, and his proven track record of success in such endeavors.

Alfred D'Agostino has over 34 years of experience in the management and ownership of food brokerage and food distribution companies. Mr. D'Agostino has served as a director of MamaMancini's from February 2010 through the Present. Beginning in March 2001 and still presently, he serves as the President for World Wide Sales Inc., a perishable food broker that services the New York / New Jersey Metropolitan and Philadelphia marketplace. Prior to this he worked from September 1995 until February 2001 as Vice- President of the perishable business unit at Marketing Specialists, a nationwide food brokerage. Previously, from February 1987 until August 1995 he worked as a Partner for the perishable division of Food Associates until its merger with Merket Enterprises.

In evaluating Mr. D'Agostino's specific experience, qualifications, attributes and skills in connection with his appointment to our board, we took into account his numerous years of experience in the food brokerage and other food related industries, his knowledge of running and managing companies, and his proven track record of success in such endeavors.

Mr. D'Agostino received his B.S. in Business Management from the City College of New York in 1974.

Thomas Toto has over 32 years of experience in the management and ownership of food brokerage and food distribution companies. Mr. Toto has served as a director of MamaMancini's from February 2010 through the Present. Beginning in June 2009 and still presently, he serves as the Senior Business manager for World Wide Sales Inc., a perishable food broker that services the New York / New Jersey Metropolitan and Philadelphia marketplace. Prior to this he worked from September 2007 until May 2009 as a Division President for DCI Cheese Co., a company that imported and distributed various kinds of cheeses. Previously from March 1993 until September 2007 he was the President and owner of Advantage International Foods Corporation, where he ran the day-to-day operations of importing and distributing cheeses around the world.

Mr. Toto received his B.A. from Seton Hall University in 1976 and his M.B.A. from Seton Hall University in 1979.

In evaluating Mr. Toto's specific experience, qualifications, attributes and skills in connection with his appointment to our board, we took into account his numerous years of experience in the food brokerage and other food related industries, his knowledge of running and managing companies, and his proven track record of success in such endeavors.

Dean Janeway has served as a director of MamaMancini's since 2012. Mr. Janeway is an executive with more than 40 years of broad leadership skills and extensive experience in the areas of corporate strategy, business development, operational oversight and financial management. From 1966 through 2011, Mr. Janeway served in various positions at Wakefern Food Corp., the largest retailer- owned cooperative in the United States. From 1966 through 1990, Mr. Janeway advanced through various positions of increasing responsibility including positions in Wakefern's accounting, merchandising, dairy-deli, and frozen foods divisions. From 1990 through 1995 Mr. Janeway provided oversight for all of Wakefern's procurement, marketing, merchandising, advertising and logistics divisions. From 1995 until his retirement in 2011, Mr. Janeway served as President and Chief Operating Officer of "Wakefern" providing primary oversight for the company's financial and treasury functions, human resources, labor relations, new business development, strategic acquisitions, government relations, corporate social responsibility, sustainability initiatives and member relations. Mr. Janeway previously served as the chairman for the National Grocers Association from 1993 through 2001. From 2009 through the present, Mr. Janeway has served as the Chairman of the Foundation for the University of Medicine and Dentistry of New Jersey.

The Board of Directors determined that Mr. Janeway's qualifications to serve as a director include his notable business and leadership experience in the all areas of management, particularly in the food industry. He also has experience in the area of whole sale wholesale distribution, due to his past position at Wakefern and his knowledge of running and managing companies and his proven track record of success in such endeavors will be invaluable to the Company going forward.

Mr. Janeway received his B.A. in Marketing from Rutgers University, and his M.B.A from Wharton School of Business, University of Pennsylvania.

Family Relationships

Mr. Matthew Brown, our Chief Operating Officer, is the son-in-law of Mr. Carl Wolf, our Chief Executive Officer.

Board Committees and Charters

Our board of directors has established the following committees: an audit committee, a compensation committee and a nominating/corporate governance committee. Copies of each committee's charter are posted on our website, www.mamamancini's.com. Our board of directors may from time to time establish other committees.

Audit Committee

The purpose of the Audit Committee is to oversee the processes of accounting and financial reporting of the Company and the audits and financial statements of the Company. The Audit Committee's primary duties and responsibilities are to:

Monitor the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting and legal compliance.

Monitor the independence and performance of the Company's independent auditors and the Company's accounting personnel.

Provide an avenue of communication among the independent auditors, management, the Company's accounting personnel, and the Board.

Appoint and provide oversight for the independent auditors engaged to perform the audit of the financial statements.

Discuss the scope of the independent auditors' examination.

Review the financial statements and the independent auditors' report.

Review areas of potential significant financial risk to the Company.

Monitor compliance with legal and regulatory requirements.

Solicit recommendations from the independent auditors regarding internal controls and other matters.

Make recommendations to the Board.

Resolve any disagreements between management and the auditors regarding financial reporting.

Prepare the report required by Item 407(d) of Regulation S-K, as required by the rules of the Securities and Exchange Commission (the "SEC").

Perform other related tasks as requested by the Board.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent auditors as well as anyone in the organization. The Committee has the ability to retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties.

Our Audit Committee consists of Mr. Burns and Mr. Toto. Mr. Toto serves as the Chairman of our Audit Committee. Mr. Burns is our Audit Committee financial expert as currently defined under applicable SEC rules.

Compensation Committee

The Compensation Committee's responsibilities include, but are not limited to, the responsibilities which are required under the corporate governance rules of NASDAQ, including the responsibility to determine compensation of the Chairman of the Board, the Chief Executive Officer ("CEO"), the President and all other executive officers. The Compensation Committee's actions shall generally be related to overall considerations, policies and strategies.

The following are specific duties and responsibilities of the Compensation Committee:

Review the competitiveness of the Company's executive compensation programs to ensure (a) the attraction and retention of corporate officers, (b) the motivation of corporate officers to achieve the Company's business objectives, and (c) the alignment of the interests of key leadership with the long-term interests of the Company's stockholders.

Review and determine the annual salary, bonus, stock options, other equity-based incentives, and other benefits, direct and indirect, of the Company's executive officers, including development of an appropriate balance between short-term pay and long-term incentives while focusing on long-term stockholder interests.

Determine salary increases and bonus grants for the Chairman of the Board, the CEO, the President and all other executive officers of the Company.

Review and approve corporate goals and objectives for purposes of bonuses and long-term incentive plans.

Review and approve benefit plans, including equity incentive plans, and approval of individual grants and awards.

Review and approve employment or other agreements relating to compensation for the Chairman of the Board, the CEO, the President and the other executive officers of the Company.

Review and discuss with management the Company's CD&A and recommend to the Board that the CD&A be included in the annual report on Form 10-K and/or proxy statement in accordance with applicable SEC rules.

If required by SEC rules, provide a Compensation Committee Report on executive compensation to be included in the Company's annual proxy statement in accordance with applicable SEC rules.

Perform an annual evaluation of the performance of the Chairman of the Board, the CEO, the President and the other executive officers.

Perform an annual review of non-employee director compensation programs and recommend changes thereto to the Board when appropriate.

Plan for executive development and succession.

Review and approve all equity-based compensation plans and amendments thereto, subject to any stockholder approval under the listing standards of NASDAQ.

Recommend an appropriate method by which stockholder concerns about compensation may be communicated by stockholders to the Committee and, as the Committee deems appropriate, to respond to such stockholder concerns.

Perform such duties and responsibilities as may be assigned by the Board to the Committee under the terms of any executive compensation plan, incentive compensation plan or equity-based plan.

Review risks related to the Company's compensation policies and practices and review and discuss, at least annually, the relationship between the Company's risk management policies and practices, corporate strategy and compensation policies and practices.

Our Compensation Committee consists of Mr. D'Agostino, and Mr. Janeway. Mr. D'Agostino serves as the Chairman of our Compensation Committee.

Nominating/Corporate Governance Committee

The Nominating/Corporate Governance Committee's responsibilities include, but are not limited to, the responsibilities which are required under the corporate governance rules of NASDAQ, including the responsibilities to identify individuals who are qualified to become directors of the Company, consistent with criteria approved by the Board, and make recommendations to the Board of nominees, including Stockholder Nominees (nominees whether by appointment or election at the Annual Meeting of Stockholders) to serve as a directors of the Company. To fulfill its purpose, the responsibilities and duties of the Nominating/Corporate Governance Committee are as follows:

Evaluate, in consultation with the Chairman of the Board and Chief Executive Officer (“CEO”), the current composition, size, role and functions of the Board and its committees to oversee successfully the business and affairs of the Company in a manner consistent with the Company’s Corporate Governance Guidelines, and make recommendations to the Board for approval.

Determine, in consultation with the Chairman of the Board and CEO, director selection criteria consistent with the Company’s Corporate Governance Guidelines and conduct searches for prospective directors whose skills and attributes reflect these criteria.

Assist in identifying, interviewing and recruiting candidates for the Board.

Evaluate, in consultation with the Chairman of the Board and CEO, nominees, including nominees nominated by stockholders in accordance with the provisions of the Company’s Bylaws, and recommend nominees for election to the Board or to fill vacancies on the Board.

Before recommending an incumbent, replacement or additional director, review his or her qualifications, including capability, availability to serve, conflicts of interest, and other relevant factors.

Evaluate, in consultation with the Chairman of the Board and CEO and make recommendations to the Board concerning the appointment of directors to Board committees and the selection of the Chairman of the Board and the Board committee chairs consistent with the Company’s Corporate Governance Guidelines.

Determine the methods and execution of the annual evaluations of the Board’s and each Board committee’s effectiveness and support the annual performance evaluation process.

Evaluate and make recommendations to the Board regarding director retirements, director re-nominations and directors’ changes in circumstances in accordance with the Company’s Corporate Governance Guidelines.

Review and make recommendations to the Board regarding policies relating to directors’ compensation, consistent with the Company’s Corporate Governance Guidelines.

As set forth herein, monitor compliance with, and at least annually evaluate and make recommendations to the Board regarding, the Company’s Corporate Governance Guidelines and overall corporate governance of the Company.

Assist the Board and the Company’s officers in ensuring compliance with an implementation of the Company’s Corporate Governance Guidelines.

Develop and implement continuing education programs for all directors, including orientation and training programs for new directors.

Annually evaluate and make recommendations to the Board regarding the Committee’s performance and adequacy of this Charter.

Review the Code of Ethics periodically and propose changes thereto to the Board, if appropriate.

Review requests from outside the Committee for any waiver or amendment of the Company's Code of Business Conduct and Ethics and recommend to the Board whether a particular waiver should be granted or whether a particular amendment should be adopted.

Oversee Committee membership and qualifications and the performance of members of the Board.

Review and recommend changes in (i) the structure and operations of Board Committees, and (ii) Committee reporting to the Board.

Make recommendations annually to the Board as to the independence of directors under the Corporate Governance Guidelines.

Review and make recommendations to the Board regarding the position the Company should take with respect to any proposals submitted by stockholders for approval at any annual or special meeting of stockholders.

Regularly report on Committee activities and recommendations to the Board.

Perform any other activities consistent with this Charter, the Company's Certificate of Incorporation and Bylaws, as amended from time to time, the NASDAQ company guide, and any governing law, as the Board considers appropriate and delegates to the Committee.

Our Nominating/Corporate Governance Committee consists of Mr. Janeway and Mr. D'Agostino, with Mr. Janeway serving as the Chairman.

Code of Business Conduct and Ethics

Effective January 21, 2014, the Board of Directors (the "Board") of MamaMancini's Holdings, Inc. (the "Company") adopted a Code of Ethics (the "Code of Ethics") applicable to the Company and all subsidiaries and entities controlled by the Company and the Company's directors, officers and employees. Compliance with the Code of Ethics is required of all Company personnel at all times. The Company's senior management is charged with ensuring that the Code of Ethics and the Company's corporate policies will govern, without exception, all business activities of the Company. The Code of Ethics addresses, among other things, the use and protection of Company assets and information, avoiding conflicts of interest, corporate opportunities and transactions with business associates and document retention.

Involvement in Certain Legal Proceedings

During the past five years no director, person nominated to become a director, executive officer, promoter or control person of the Company has: (i) had any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (ii) been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (iii) been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or (iv) been found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Compliance with Section 16(A) of the Exchange Act

Section 16(a) of the Exchange Act requires the Company's directors, executive officers and persons who beneficially own 10% or more of a class of securities registered under Section 12 of the Exchange Act to file reports of beneficial ownership and changes in beneficial ownership with the SEC. Directors, executive officers and greater than 10% stockholders are required by the rules and regulations of the SEC to furnish the Company with copies of all reports filed by them in compliance with Section 16(a).

Based solely on our review of certain reports filed with the Securities and Exchange Commission pursuant to Section 16(a) of the Securities Exchange Act of 1934, as amended, the reports required to be filed with respect to transactions in our common stock during the period covered by this Annual Report on Form 10-K, were timely.

Legal Proceedings

There are no material proceedings to which any director or officer, or any associate of any such director or officer, is a party that is adverse to our Company or any of our subsidiaries or has a material interest adverse to our Company or any of our subsidiaries. No director or executive officer has been a director or executive officer of any business which has filed a bankruptcy petition or had a bankruptcy petition filed against it during the past ten years. No director or executive officer has been convicted of a criminal offense or is the subject of a pending criminal proceeding during the past ten years. No director or executive officer has been the subject of any order, judgment or decree of any court permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities during the past ten years. No director or officer has been found by a court to have violated a federal or state securities or commodities law during the past ten years.

Item 11. Executive Compensation.

The following summary compensation table sets forth all compensation awarded to, earned by, or paid to the named executive officers paid by us during the years ended January 31, 2019 and January 31, 2018.

| Name and Principal Position | Year(5) | Salary (\$) | Bonus (\$) | Stock Awards (\$) | Option Awards (\$) | Non-Equity Incentive Plan Compensation (\$) | Non-Qualified Deferred Compensation Earnings (\$) | All Other Compensation (\$) | Totals (\$) |
|--------------------------------|---------|-------------|------------|-------------------|--------------------|---|---|-----------------------------|-------------|
| Carl Wolf CEO/Chairman(1) | 2019 | \$180,500 | 0 | 0 | 0 | 0 | 0 | 0 | \$180,500 |
| | 2018 | \$160,000 | 0 | 0 | 0 | 0 | 0 | 0 | \$160,000 |
| Matt Brown President(2) | 2019 | \$180,000 | 0 | 0 | 0 | 0 | 0 | 0 | \$180,000 |
| | 2018 | \$186,000 | 0 | 0 | 0 | 0 | 0 | 0 | \$186,000 |
| Lawrence Morgenstein CFO(3) | 2019 | \$130,000 | 0 | 0 | 28,332 | 0 | 0 | 0 | \$158,332 |
| Lewis Ochs Former CFO(4) | 2019 | \$33,700 | 0 | 0 | 0 | 0 | 0 | 0 | \$121,200 |
| | 2018 | \$121,200 | 0 | 0 | 0 | 0 | 0 | 0 | \$121,200 |

1. Mr. Wolf was appointed as Chief Executive Officer of the Company on January 24, 2013.

2. Mr. Brown was appointed as President of the Company on January 24, 2013.

Mr. Morgenstein was appointed as Chief Financial Officer on April 1, 2018. Upon appointment to this position,
3. Mr. Morgenstein was granted 30,000 options to purchase common stock. The options had a grant date fair value of \$28,332.

4. Mr. Ochs resigned on April 1, 2018.

2019 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

STOCK AWARDS

| Name (a) | Number of Securities Underlying Unexercised Options (#) Exercisable (b) | Number of Securities Underlying Unexercised Options (#) Unexercisable (c) | Equity Incentive Plan Awards: | | Expiration Date (f) | Number of Shares or Units of Stock That Have Not Vested (g) | Number of Shares or Units of Stock That Have Not Vested (h) | Number of Unearned Shares, Units or Rights That Have Not Vested (i) | Payout Value of Unearned Shares, Units or Rights That Have Not Vested (j) |
|---|---|---|---|------------|---------------------|---|---|---|---|
| | | | Number of Securities Underlying Unexercised Options (#) Unexercised (d) | Price (\$) | | | | | |
| Carl Wolf Chief Executive Officer(1) | 0 | 0 | 0 | 0 | | | | | |
| Matthew Brown President(2) | 0 | 0 | 0 | 0 | | | | | |
| Steven Burns Director(3) | 50,000 | 0 | 0 | \$ 0.39 | 4/13/2021 | | | | |
| | 25,000 | 0 | 0 | \$ 1.05 | 6/27/2022 | | | | |
| | 6,250 | 18,750 | 0 | \$ 0.80 | 9/3/2023 | | | | |
| Alfred D'Agostino Director(4) | 50,000 | 0 | 0 | \$ 0.39 | 4/13/2021 | | | | |
| | 25,000 | 0 | 0 | \$ 1.05 | 6/27/2022 | | | | |
| | 6,250 | 18,750 | 0 | \$ 0.80 | 9/3/2023 | | | | |
| Thomas Toto Director(5) | 50,000 | 0 | 0 | \$ 0.39 | 4/13/2021 | | | | |
| | 25,000 | 0 | 0 | \$ 1.05 | 6/27/2022 | | | | |

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| | | | | | | |
|--|--------|--------|---|---------|-----------|-------------------|
| | 6,250 | 18,750 | 0 | \$ 0.80 | 9/3/2023 | |
| Dean Janeway Director(6) | 25,000 | 0 | 0 | \$ 1.05 | 6/27/2022 | |
| | 6,250 | 18,750 | 0 | \$ 0.80 | 9/3/2023 | |
| Lawrence Morgenstein(7) Chief Financial Officer | 7,500 | 22,500 | 0 | \$ 1.21 | 9/30/2023 | |
| Brent Smith(8) | 8,000 | 4,000 | 0 | \$ 1.38 | 11/2/2022 | |
| Chris Styler(8) | 18,000 | - | 0 | \$ 0.60 | 5/2/2021 | |
| | 6,666 | 3,334 | 0 | \$ 1.38 | 11/2/2022 | |
| Dan Mancini(8) | 12,000 | 6,000 | 0 | \$ 0.60 | 5/2/2021 | |
| Emma Rosario(8) | 3,000 | - | 0 | \$ 0.60 | 5/2/2021 | |
| | 4,000 | 2,000 | 0 | \$ 1.38 | 11/2/2022 | |
| Eric Felice(8) | 12,000 | - | 0 | \$ 0.60 | 5/2/2021 | |
| | 16,000 | 8,000 | 0 | \$ 1.38 | 11/2/2022 | |
| Joe Smith(8) | 18,000 | - | 0 | \$ 0.60 | 5/2/2021 | |
| | 20,000 | 10,000 | 0 | \$ 1.38 | 11/2/2022 | |
| John Kaminsky(8) | 6,000 | - | 0 | \$ 0.60 | 5/2/2021 | |
| | 4,000 | 2,000 | 0 | \$ 1.38 | 11/2/2022 | |
| Pete de Pasquale(8) | 6,000 | - | 0 | \$ 0.60 | 5/2/2021 | |
| Priscilla Goldman(8) | 6,000 | - | 0 | \$ 0.60 | 5/2/2021 | |
| Rich Franco(8) | 6,000 | - | 0 | \$ 0.60 | 5/2/2021 | |
| | 4,000 | 2,000 | 0 | \$ 1.38 | 11/2/2022 | |
| Scott Shaffer(8) | 18,000 | - | 0 | \$ 0.60 | 5/2/2021 | |
| | | | | | | 125,666 \$173,419 |

1. Mr. Wolf was appointed as Chief Executive Officer of the Company on January 24, 2013
2. Mr. Brown was appointed as President of the Company on January 24, 2013
3. Mr. Burns was appointed as a director of the Company on January 24, 2013
4. Mr. D'Agostino was appointed as a director of the Company on January 24, 2013
5. Mr. Toto was appointed as a director of the Company on January 24, 2013
6. Mr. Janeway was appointed as a director on January 24, 2013

7. Mr. Morgenstein was appointed Chief Financial Officer on April 1, 2018

8. Non-Management employee
9. Shares vest upon a change of control of the Company

DIRECTOR COMPENSATION

Our executive officers who are members of our board of directors and the directors who are not considered independent under the corporate governance rules of the New York Stock Exchange do not receive compensation from us for their service on our board of directors. Accordingly, Mr. Wolf and Mr. Brown do not receive compensation from us for their service on our board of directors. Only those directors who are considered independent directors under the corporate governance rules of the New York Stock Exchange receive compensation from us for their service on our board of directors. Mr. Burns, Mr. D'Agostino, Mr. Toto and Mr. Janeway are to be paid \$10,000 per annum for their service as members of the board, payable quarterly in Company common stock.

In June 2017, each of our directors were granted stock options to purchase 25,000 shares of the Company's common stock at an exercise of \$1.05. All such options vested quarterly over a one-year period and expire 5 years from the date of grant.

In September 2018, each of our directors were granted stock options to purchase 25,000 shares of the Company's common stock at an exercise of \$0.80. All such options vested quarterly over a one-year period and expire 5 years from the date of grant.

There is no formal arrangement with our board of directors for the granting of options. There is no assurance that the Company will continue to issue options to the board of directors or on what terms such issuance would occur. In addition, our Lead Director, Steven Burns was paid \$58,000 in cash compensation for the year ended January 31, 2019 for his additional services in that capacity.

We also reimburse all of our directors for reasonable expenses incurred to attend board of director or committee meetings.

The following Director Compensation Table sets forth the compensation of our directors for the fiscal years ending January 31, 2019 and 2018.

| Name and Principal Position (a) | Year (b) | Salary (\$) (b) | Bonus (\$) (b) | Stock Awards (\$) (b) | Option Awards (\$) (b) | Non-Equity Incentive Plan Compensation (\$) (b) | All Other Compensation (\$) (b) | Total (\$) (b) |
|---------------------------------|----------|--------------------|-------------------|--------------------------|---------------------------|--|------------------------------------|-------------------|
| | | | | | | | | |

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| | | | | | (b) | | | |
|-----------------------|------|----------|------|----------|----------|------|------|----------|
| Director | 2019 | \$58,000 | \$ 0 | \$0 | \$17,876 | \$ 0 | \$ 0 | \$75,876 |
| Steven Burns (1) | 2018 | \$0 | \$ 0 | \$25,000 | \$8,918 | \$ 0 | \$ 0 | \$33,918 |
| Director | 2019 | \$10,000 | \$ 0 | \$0 | \$17,876 | \$ 0 | \$ 0 | \$27,876 |
| Alfred D'Agostino (2) | 2018 | \$0 | \$ 0 | \$25,000 | \$8,918 | \$ 0 | \$ 0 | \$33,918 |
| Director | 2019 | \$10,000 | \$ 0 | \$0 | \$17,876 | \$ 0 | \$ 0 | \$27,876 |
| Thomas Toto (3) | 2018 | \$0 | \$ 0 | \$25,000 | \$8,918 | \$ 0 | \$ 0 | \$33,918 |
| Director | 2019 | \$10,000 | \$ 0 | \$0 | \$17,876 | \$ 0 | \$ 0 | \$27,876 |
| Dean Janeway (4) | 2018 | \$0 | \$ 0 | \$25,000 | \$8,918 | \$ 0 | \$ 0 | \$33,918 |

1. Mr. Burns was appointed as a director of the Company on January 24, 2013.

2. Mr. D'Agostino was appointed as a director of the Company on January 24, 2013.

3. Mr. Toto was appointed as a director of the Company on January 24, 2013.

4. Mr. Janeway was appointed as a director of the Company on January 24, 2013.

Employment Agreements

Carl Wolf

On March 5, 2012 MamaMancini's entered into an Employment Agreement with Mr. Carl Wolf as Chief Executive Officer for a term of 3 years. Mr. Wolf's employment agreement automatically renews for successive one-year terms, unless the Company gives written notice of non-renewal not less than six (6) months prior to an anniversary date or until terminated as set forth herein. Mr. Wolf's employment agreement was renewed for a period of one year on March 5, 2019. As compensation for his services, Mr. Wolf's compensation was increased to \$190,000 per year effective November 1, 2017. Such base salary is reviewed yearly with regard to possible increase. In addition, Mr. Wolf is eligible to receive an annual bonus as determined by the Board. As part of the agreement, Mr. Wolf is subject to confidentiality provisions regarding MamaMancini's, and certain covenants not to compete. Mr. Wolf is also entitled to receive Termination Payments (as defined Section 11.1 of Mr. Wolf's Employment Agreement) in the event his employment is terminated in conjunction with the following:

| Reason for Termination | Payment to be Received |
|------------------------|---|
| Death | Termination Payments (1) |
| Disability | Termination Payments plus 12 months Base Salary |
| Without Cause | Termination Payments plus lesser of 12 months Base Salary or remaining Initial Term of employment |
| For Cause | Termination Payments minus any yearly bonus |

(1) Termination Payment equals: (i) any unpaid Base Salary through the date of termination, (ii) any Bonus for the year in which such termination occurs prorated as of the date of termination, (iii) accrued and unpaid vacation pay for the year in which such termination occurs prorated as of the date of termination, (iv) any sums due under any of MamaMancini's benefit plans, and (v) any unreimbursed expenses incurred by the Employee on MamaMancini's behalf.

Matthew Brown

On March 5, 2012 MamaMancini's entered into an employment agreement with Mr. Matthew Brown as President of MamaMancini's for an initial term of 3 years. Mr. Brown's employment agreement automatically renews for successive one-year terms, unless the Company gives written notice of non-renewal not less than six (6) months prior to an anniversary date or until terminated as set forth herein. Mr. Brown's employment agreement was renewed for a period of one year on March 5, 2019. As compensation for his services, Mr. Brown receives a base salary of \$186,000 per

year. Such base salary is reviewed yearly with regard to possible increase. In addition, Mr. Brown is eligible to receive an annual bonus as determined by the Board. As part of the agreement, Mr. Brown is subject to confidentiality provisions regarding MamaMancini's, and certain covenants not to compete. Mr. Brown is also entitled to receive Termination Payments (as defined in Section 11.1 of Mr. Brown's Employment Agreement) in the event his employment is terminated in conjunction with the following:

| Reason for Termination | Payment to be Received |
|------------------------|---|
| Death | Termination Payments (1) |
| Disability | Termination Payments plus 12 months Base Salary |
| Without Cause | Termination Payments plus lesser of 12 months Base Salary or remaining Initial Term of employment |
| For Cause | Termination Payments minus any yearly bonus |

(1) Termination Payment equals: (i) any unpaid Base Salary through the date of termination, (ii) any Bonus for the year in which such termination occurs prorated as of the date of termination, (iii) accrued and unpaid vacation pay for the year in which such termination occurs prorated as of the date of termination, (iv) any sums due under any of MamaMancini's benefit plans, and (v) any unreimbursed expenses incurred by the Employee on the MamaMancini's behalf.

Lawrence Morgenstein

On April 1, 2018 MamaMancini's entered into an employment agreement with Lawrence Morgenstein as Chief Financial Officer of MamaMancini's for an initial term of one year. Unless terminated, Mr. Morgenstein's employment agreement automatically renews for successive one-year terms. As compensation for his services, Mr. Morgenstein receives a base salary of \$125,000 per year and is eligible for a year-end bonus of up to \$25,000. Such base salary is reviewed yearly with regard to possible increase. In addition, Mr. Morgenstein is eligible to receive an annual bonus as determined by the Board. In addition, Mr. Morgenstein was initially granted an option to acquire 30,000 shares of Company Common Stock, vesting 7,500 shares per half year. As part of the agreement, Mr. Morgenstein is subject to confidentiality provisions regarding MamaMancini's, and certain covenants not to compete.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table provides the names and addresses of each person known to us to own more than 5% of our outstanding shares of common stock as of April 8, 2019 and by the officers and directors, individually and as a group. Except as otherwise indicated, all shares are owned directly and the shareholders listed possess sole voting and investment power with respect to the shares shown.

| Name of Beneficial Owner(1) | Shares | Percent (2) |
|---|---------------|----------------|
| 5% or Greater Stockholders | | |
| N/A | — | — |
| Named Executive Officers and Directors | | |
| Carl Wolf | 7,426,886 (3) | 22.75 % |
| Matthew Brown | 5,589,181 (4) | 17.48 % |
| Lawrence Morgenstein | 7,500 (5) | * |
| Steven Burns | 1,465,893 (6) | 4.57 % |
| Alfred D'Agostino | 950,751 (7) | 2.97 % |
| Thomas Toto | 860,693 (8) | 2.65 % |
| Dean Janeway | 405,586 (9) | 1.27 % |
| All executive officers and directors as a group (7 persons) | 16,706,490 | 49.97 %(2) |

*Less than 1%

(1) Beneficial ownership is determined in accordance with Rule 13d-3(a) of the Exchange Act and generally includes voting or investment power with respect to securities. In determining beneficial ownership of our Common Stock, the number of shares shown includes shares which the beneficial owner may acquire upon exercise of debentures,

warrants and options which may be acquired within 60 days. In determining the percent of Common Stock owned by a person or entity on April 8, 2019, (a) the numerator is the number of shares of the class beneficially owned by such person or entity, including shares which the beneficial ownership may acquire within 60 days of the conversion of Series A Preferred shares, exercise of debentures, warrants and options; and (b) the denominator is the sum of (i) the total shares of that class outstanding on April 23, 2019 (31,866,241 shares of Common Stock) and (ii) the total number of shares that the beneficial owner may acquire upon exercise of warrants and options. Unless otherwise stated, each beneficial owner has sole power to vote and dispose of its shares. The address of each of the holders is 25 Branca Road, East Rutherford, NJ 07073.

(2) Figures may not add up due to rounding of percentages.

The amount includes 6,170,356 shares held jointly with Ms. Marion F. Wolf and 482,455 shares held directly by (3) Mr. Wolf. Ms. Wolf is the wife of Mr. Carl Wolf. Mr. Wolf maintains full voting control of such shares. Share total also includes 774,075 shares issuable on the exercise of Warrants.

5,253,675 of the shares are held jointly with Ms. Karen Wolf and 228,098 shares are held by Mr. Brown. Ms. (4) Wolf is the wife of Mr. Matthew Brown. Mr. Brown maintains full voting control of such shares. Share total includes 107,408 shares issuable on the exercise of Warrants.

(5) Includes portion of 7,500 stock options which are currently exercisable.

This amount includes 130,397 shares held by Steven Burns, 10,000 shares held by Milvia Burns, Mr. Burns' wife (6) and 1,136,839 shares held by Point Prospect, Inc., a corporation which is wholly-owned by Steven Burns. Share total also includes 107,407 shares issuable on the exercise of Warrants and options to purchase 81,250 shares of common stock.

This amount includes 126,938 shares directly held by Alfred D'Agostino, 635,156 shares held by Alfred (7) D'Agostino Revocable Living Trust 11/6/2009, of which Alfred D'Agostino is the beneficial owner. Share total also includes 107,407 shares issuable on the exercise of Warrants and an option to purchase 81,250 shares of common stock.

This amount includes 679,443 held by Thomas Toto and 66,667 held by Thomas and Andrea Toto, for which (8) Thomas Toto is the beneficial owner. Share total also includes 33,333 shares issuable on the exercise of Warrants and an option to purchase 81,250 shares of common stock.

This amount includes 201,035 shares held by Dean Janeway and 15,894 owned by Mary Janeway & Dean (9) Janeway Jt Ten. Share total also includes 107,407 shares issuable on the exercise of Warrants and an option to purchase 81,250 shares of common stock.

General

The Company is authorized to issue an aggregate number of 270,000,000 shares of capital stock, of which 20,000,000 shares are preferred stock, \$0.00001 par value per share and 250,000,000 shares are common stock, \$0.00001 par value per share.

Common Stock

The Company authorized to issue 250,000,000 shares of common stock, \$0.00001 par value per share. At April 23, 2019, we have 31,866,241 shares of common stock issued and outstanding.

Each share of common stock has one (1) vote per share for all purposes. Our common stock does not provide any preemptive, subscription or conversion rights and there are no redemption or sinking fund provisions or rights. Our common stock holders are not entitled to cumulative voting for purposes of electing members to our board of

directors.

Preferred Stock

The Company is authorized to issue 20,000,000 shares of preferred stock, \$0.00001 par value per share. The Company has designated 120,000 shares of preferred stock as Series A Convertible Preferred stock. As of April 8, 2019, no shares of Series A Convertible Preferred Stock are issued and outstanding. The Series A Convertible Preferred Stock shares were convertible, at the option of the holder, into shares of Company Common Stock at a conversion price of \$0.675 (subject to adjustment) based upon the stated value of the Series A Convertible Preferred Stock.

Dividends

Preferred Stock. The holders of the Series A Convertible Preferred were entitled to receive dividends at a rate of either percent (8%) per annum payable quarterly in cash or Company Common Stock at the option of the holder. We have not paid any cash dividends to the holders of our Common Stock. During the fiscal year ended January 31, 2019, no dividends were paid on the Company's Series A Preferred Stock dividends.

Common Stock. The declaration of any future cash dividends is at the discretion of our board of directors and depends upon our earnings, if any, our capital requirements and financial position, general economic conditions, and other pertinent conditions. It is our present intention not to pay any cash dividends on our Common Stock in the foreseeable future, but rather to reinvest earnings, if any, in our business operations.

Warrants

As of April 23, 2019, there are outstanding warrants to purchase 6,245,331 of our common shares. All of the warrants are exercisable for a term of five years with 14,000 having an exercise price of \$2.50 per share (which expire on October 15, 2019), 3,466,664 having an exercise price of \$0.675 per share (which expire between June 10, 2020 and November 20, 2020) 80,000 having an exercise price of \$1.00 per share (which expire on November 20, 2020) and 2,684,667 having an exercise price of \$1.50 per share (which expire on November 20, 2020).

Options

As of April 23, 2019, there outstanding options to purchase 649,000 shares of Company Common Stock. Of this amount, 30,000 options at \$1.21 per share expire on March 31, 2021, 200,000 options at \$0.39 per share expire on April 13, 2021, 12,000 options at \$0.49 per share expire on April 13, 2021, 117,000 options at \$0.60 per share expire on May 2, 2021, 100,000 options at \$1.05 per share expire on June 27, 2022, 90,000 options at \$1.38 per share expire on November 5, 2022 and 100,000 options at \$0.80 expire on September 3, 2023.

Manatuck Debenture

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.

On January 4, 2019, the Manatuck Debenture was fully repaid and retired in lieu of a payment in the amount of \$1,199,288.

M&T Bank Facility

Effective, January 4, 2019, the Company arranged a new \$3.5 million working capital line of credit with M&T Bank at LIBOR plus four points with a two-year expiration. The Company also arranged a \$2.5 million five-year note with M&T Bank at LIBOR plus four points with repayments in equal payments over 60 months. The new financing replaces the Company's existing Senior Note from Manatuck Hill Partners (which was due on May 1, 2019) in the amount of approximately \$1.2 million; working capital and term loans in the amount of approximately \$2.8 million payable to EGC and a \$250,000 term loan payable to Valley National Bank. Advances under the line of credit are limited to eighty percent (80%) of eligible accounts receivable (which is subject to an agreed limitation and is further subject to certain asset concentration provisions) and fifty percent (50%) of eligible inventory (which is subject to an agreed dollar limitation). The new facility is supported by a first priority security interest in all of the Company's business assets and is further subject to various affirmative and negative financial covenants and a limited Guaranty by the Company's Chief executive Officer, Carl Wolf.

The effect of the financing as well as an amendment to certain related party financing to notes maturing January 2024 is to reclassify approximately \$3.4 million from short-term liabilities to long-term loans. The Company estimates it initially will be paying a 6.5% per annum interest rate on the new financing, versus an average of over 12.5% per annum on the prior financing it replaces. The Company estimates that it will initially reduce its monthly interest and related fees by approximately \$33,000, as well as initially improving its monthly cash flow by \$101,000 in interest and related expenses and monthly debt payments.

The Company recorded a one-time charge of \$121,500 for termination of its existing loans in the month of January and will also amortize origination fees of \$89,000 on the new facility over a 24-month period.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Two of our directors, Thomas Toto and Alfred D'Agostino, work for World Wide Sales, Inc. ("World Wide Sales"), a perishable food broker that services the New York / New Jersey Metropolitan and Philadelphia marketplace. Mr. D'Agostino is the President of World Wide Sales. Pursuant to an informal arrangement, the Company has agreed to pay World Wide Sales the greater of \$4,000 or 3% sales commission on net sales (sales less any promotions, credits, allowance, and short pay) to supermarket chains headquartered in the New York Metropolitan area per month. To date, World Wide Sales has never been paid in excess of \$4,000 in any month.

Director Independence

Our board of directors has determined that each of Mr. Burns, Mr. D'Agostino, Mr. Toto and Mr. Janeway is an independent director within the meaning of the applicable rules of the SEC and the New York Stock Exchange, and that each of them is also an independent director under Rule 10A-3 of the Exchange Act for the purpose of audit committee membership. In addition, our board of directors has determined that Mr. Burns is an audit committee financial expert within the meaning of the applicable rules of the SEC and the New York Stock Exchange.

Item 14. Principal Accounting Fees and Services.

Audit Fees

Audit Fees consist of assurance and related services that are reasonably related to the performance of the audit or review of our financial statements. This category includes fees related to the performance of audits and attest services not required by statute or regulations, and accounts consultations regarding the application of GAAP to proposed transactions. The aggregate Audit Fees billed for the fiscal years ended January 31, 2019 and January 31, 2018, were \$40,000 and \$40,000, respectively.

Audit Related Fees

The aggregate fees billed for assurance and related services by our principal accountant that are reasonably related to the performance of the audit or review of our financial statements, other than those previously reported in this Item 14, for the fiscal year ended January 31, 2019 and January 31, 2018 were \$43,000 and \$30,000, respectively.

Tax Fees

Tax Fees consist of the aggregate fees billed for professional services rendered by our principal accounts for tax compliance, tax advice, and tax planning. These services include preparation for federal and state income tax returns. The aggregate Tax Fees billed for the years ended January 31, 2019 and January 31, 2018 were \$7,500 and \$7,500, respectively.

Audit Committee Pre-Approval Policies and Procedures

Effective May 6, 2003, the SEC adopted rules that require that before our auditor is engaged by us to render any auditing or permitted non-audit related service, the engagement be:

approved by our audit committee; or

entered into pursuant to pre-approval policies and procedures established by the audit committee, provided the policies and procedures are detailed as to the particular service, the audit committee is informed of each service, and such policies and procedures do not include delegation of the audit committee's responsibilities to management.

Our Audit Committee pre-approved all services provided by our independent auditors for the period covered by this Annual Report on Form 10-K.

PART IV

Item 15. Exhibits, Financial Statements Schedules

| Exhibit No. | Description |
|-------------|---|
| 31.1 | <u>Certification by the Principal Executive Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).</u> |
| 31.2 | <u>Certification by the Principal Financial Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).</u> |
| 32.1 | <u>Certification by the Principal Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u> |
| 32.2 | <u>Certification by the Principal Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u> |

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

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101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF XBRL Taxonomy Extension Definition Linkbase Document
101.LAB XBRL Taxonomy Extension Label Linkbase Document
101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MAMAMANCINI'S HOLDINGS, INC.

Date: April 23, 2019 By: */s/ Carl Wolf*
 Name: Carl Wolf
 Title: Chief Executive Officer (Principal Executive Officer)

By: */s/ Lawrence Morgenstein*
 Name: Lawrence Morgenstein
 Title: Chief Financial Officer (Principal Financial Officer)

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|----------------|
| <i>/s/ Carl Wolf</i> Carl Wolf | Chief Executive Officer, Chairman of the Board of Directors | April 23, 2019 |
| <i>/s/ Matthew Brown</i> Matthew Brown | President, Director | April 23, 2019 |
| <i>/s/ Lawrence Morgenstein</i> Lewis Ochs | Chief Financial Officer | April 23, 2019 |
| <i>/s/ Steven Burns</i> Steven Burns | Director | April 23, 2019 |
| <i>/s/ Alfred D'Agostino</i> Alfred D'Agostino | Director | April 23, 2019 |
| <i>/s/ Tom Toto</i> Tom Toto | Director | April 23, 2019 |
| <i>/s/ Dean Janeway</i> Dean Janeway | Director | April 23, 2019 |

MAMAMANCINI'S HOLDINGS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2019

| | Page(s) |
|---|---------|
| <u>Consolidated Balance Sheets as of January 31, 2019 and 2018</u> | F-2 |
| <u>Consolidated Statements of Operations For the Years ended January 31, 2019 and 2018</u> | F-3 |
| <u>Consolidated Statements of Changes in Stockholders' Equity For the Period from February 1, 2017 through January 31, 2019</u> | F-4 |
| <u>Consolidated Statements of Cash Flows For the Years Ended January 31, 2019 and 2018</u> | F-5 |
| <u>Notes to Consolidated Financial Statements</u> | F-6 |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of MamaMancini's Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of MamaMancini's Holdings, Inc. (the Company) as of January 31, 2019 and 2018, and the related consolidated statements of operations, stockholders' deficit, and cash flows for each of the years in the two period ended January 31, 2019, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of January 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for each of the years in the two period ended January 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures

included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Rosenberg Rich Baker Berman, P.A.

We have served as the Company's auditor since 2011.

Somerset, New Jersey

April 22, 2019

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MamaMancini's Holdings, Inc.**Consolidated Balance Sheets**

| | January 31, 2019 | January 31, 2018 |
|---|---------------------|---------------------|
| Assets | | |
| Current Assets: | | |
| Cash | \$609,409 | \$581,322 |
| Accounts receivable, net | 2,698,562 | 3,084,715 |
| Inventories | 1,396,400 | 824,276 |
| Prepaid expenses | 155,178 | 261,980 |
| Total current assets | 4,859,549 | 4,752,293 |
| Property and equipment, net | 2,884,594 | 2,499,875 |
| Deposits | 20,177 | 20,177 |
| Total Assets | \$7,764,320 | \$7,272,345 |
| Liabilities and Stockholders' Deficit | | |
| Liabilities: | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | \$3,061,932 | \$3,456,918 |
| Line of credit, net | - | 2,688,764 |
| Term loans | 500,000 | 106,938 |
| Capital leases payable | 53,730 | - |
| Notes payable – net | - | 1,403,082 |
| Total current liabilities | 3,615,662 | 7,655,702 |
| Term loans - net | 1,914,401 | 651,677 |
| Line of credit – net | 2,612,034 | - |
| Capital leases payable – net | 162,527 | - |
| Note payable - net | - | 250,000 |
| Notes payable - related party | 641,844 | 649,656 |
| Total long-term liabilities | 5,330,806 | 1,551,333 |
| Total Liabilities | 8,946,468 | 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 January 31, 2019 and 2018, 0 and 23,400 shares outstanding as of January 31, | - | - |

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2019 and 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 January 31, 2019 and 2018, respectively | 320 | 319 |
| Additional paid in capital | 16,547,287 | 16,344,794 |
| Accumulated deficit | (17,580,255) | (18,130,303) |
| Less: Treasury stock, 230,000 shares, respectively | (149,500) | (149,500) |
| Total Stockholders' Deficit | (1,182,148) | (1,934,690) |
| Total Liabilities and Stockholders' Deficit | \$7,764,320 | \$7,272,345 |

See accompanying notes to the consolidated financial statements

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MamaMancini's Holdings, Inc.**Consolidated Statements of Operations**

| | For the Years Ended | |
|--|---------------------|---------------------|
| | January 31, 2019 | January 31, 2018 |
| Sales - net of slotting fees and discounts | \$28,522,112 | \$27,543,335 |
| Cost of sales | 18,531,678 | 18,282,660 |
| Gross profit | 9,990,434 | 9,260,675 |
| Operating expenses | | |
| Research and development | 130,920 | 138,000 |
| General and administrative | 8,294,450 | 8,059,533 |
| Total operating expenses | 8,425,370 | 8,197,533 |
| Income from operations | 1,565,064 | 1,063,142 |
| Other expenses | | |
| Interest | (881,702) | (679,974) |
| Amortization of debt discount | (133,314) | (63,428) |
| Total other expenses | (1,015,016) | (743,402) |
| Net income | 550,048 | 319,740 |
| Less: preferred dividends | - | (91,565) |
| Net income (loss) available to common stockholders | \$550,048 | \$228,175 |
| Net income (loss) per common share - basic and diluted | \$0.02 | \$0.01 |
| Weighted average common shares outstanding | | |
| - basic | 31,843,755 | 29,811,521 |
| - diluted | 32,521,821 | 32,205,577 |

See accompanying notes to the consolidated financial statements

MamaMancini's Holdings, Inc.**Consolidated Statements of Changes in Stockholders' Deficit****For the Period from February 1, 2017 through January 31, 2019**

| | Series A Preferred Stock Shares | Amount | Common Stock Shares | Amount | Treasury Stock Shares | Amount | Additional Paid In Capital | Accumulated Deficit | Stockholders' Deficit |
|--|--|--------|------------------------|--------|--------------------------|-----------|----------------------------------|------------------------|--------------------------|
| Balance, February 1, 2017 | 23,400 | \$ - | 27,810,717 | \$ 279 | (230,000) | (149,500) | \$ 15,825,029 | \$(18,358,478) | \$(2,682,670) |
| Common stock issued for services | - | - | 225,882 | 2 | - | - | 255,498 | - | 255,500 |
| Stock options issued for services | - | - | - | - | - | - | 172,740 | - | 172,740 |
| Common stock issued for the exercise of warrants | - | - | 159,454 | 2 | - | - | (2) | - | - |
| Series A Preferred dividend issued in common shares | - | - | 90,717 | 1 | - | - | 91,564 | - | 91,565 |
| Series A Preferred dividend | - | - | - | - | - | - | - | (91,565) | (91,565) |
| Conversion of Series A | (23,400) | - | 3,466,667 | 35 | - | - | (35) | - | - |

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Preferred
to common

| | | | | | | | | | |
|---|---|------|------------|--------|-----------|-------------|---------------|----------------|---------------|
| Net income | - | - | - | - | - | - | - | 319,740 | 319,740 |
| Balance, January 31, 2018 | - | - | 31,753,437 | 319 | (230,000) | (149,500) | 16,344,794 | (18,130,303) | (1,934,690) |
| Stock options issued for services | - | - | - | - | - | - | 162,494 | - | 162,494 |
| 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 | - | - | - | - | - | - | - | 550,048 | 550,048 |
| Balance, January 31, 2019 | - | \$ - | 31,866,241 | \$ 320 | (230,000) | \$(149,500) | \$ 16,547,287 | \$(17,580,255) | \$(1,182,148) |

See accompanying notes to the consolidated financial statements

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MamaMancini's Holdings, Inc.**Consolidated Statements of Cash Flows**

| | For the Years Ended | |
|---|----------------------------|----------------------------|
| | January 31,2019 | January 31,2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 550,048 | \$ 319,740 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 679,005 | 538,322 |
| Amortization of debt discount | 133,314 | 63,428 |
| Share-based compensation | 162,494 | 428,240 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 386,153 | (1,266,895) |
| Inventories | (572,124) | (17,653) |
| Prepaid expenses | 106,802 | (81,720) |
| Accounts payable and accrued expenses | (2,284) | 1,332,038 |
| Net Cash Provided by Operating Activities | 1,443,408 | 1,315,500 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Cash paid for fixed assets | (1,033,724) | (1,474,816) |
| Net Cash Used in Investing Activities | (1,033,724) | (1,474,816) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayment of note payable - related party | (7,812) | - |
| Repayment of term loan | (1,058,615) | (146,388) |
| Borrowings from term loan | 2,800,000 | 251,671 |
| Repayment of note payable | (2,130,625) | (1,350,000) |
| Borrowings (repayments) of line of credit, net | (90,356) | 1,339,245 |
| Proceeds from capital lease | 213,250 | - |
| Repayment of capital lease obligations | (26,993) | - |
| Debt issuance costs | (120,446) | (24,697) |
| Proceeds from exercise of options | 40,000 | - |
| Net Cash Provided by (Used in) Financing Activities | (381,597) | 69,831 |
| Net Increase (Decrease) in Cash | 28,087 | (89,485) |
| Cash - Beginning of Period | 581,322 | 670,807 |
| Cash - End of Period | \$ 609,409 | \$ 581,322 |
| SUPPLEMENTARY CASH FLOW INFORMATION: | | |
| Cash Paid During the Period for: | | |

| | | |
|--------------|-----------|-----------|
| Income taxes | \$- | \$- |
| Interest | \$638,029 | \$464,958 |

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 consolidated financial statements

MamaMancini's Holdings, Inc.

Notes to Consolidated Financial Statements

January 31, 2019

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.

Recent Developments

On November 1, 2017, the Company, Joseph Epstein Food Enterprises, Inc., a New Jersey corporation ("JEFE"), and MMMB Acquisition, Inc., a Nevada corporation and wholly owned subsidiary of the Company ("Merger Sub"), completed the merger contemplated by the Agreement and Plan of Merger ("Merger Agreement") by and among the Company, JEFE, and Merger Sub, dated as of November 1, 2017. Pursuant to the terms of the Merger Agreement, JEFE has merged with and into Merger Sub, with Merger Sub continuing as the surviving entity and 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) assumption by the Company of certain third-party loans to JEFE and (d) indemnification of Carl Wolf with respect to his collateralization of a bank loan to JEFE in the amount of approximately \$250,000. As a result of the transaction, (i) the Company became the sole shareholder of JEFE, which became a wholly-owned subsidiary of the Company (ii) following the Closing, JEFE's financial statements as of the Closing are consolidated with the Consolidated Financial

Statements of the Company (collectively, the “Merger Transaction”). No cash or stock was exchanged in connection with the transaction.

In accordance with the guidance under Accounting Standards Codification Topic 805: *Business Combinations*, the Merger transactions are accounted for as a reorganization of entities under common control. The assets and liabilities of JEFE transferred between entities under common control were recorded by the Company based on JEFE’s historical cost basis. The financial statements of both entities have been combined for all periods presented.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The 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.

Principles of Consolidation

The consolidated financial statements include all accounts of the entities as of the reporting period ending date(s) and for the reporting period(s). All inter-company balances and transactions have been eliminated.

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.

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 January 31, 2019 and 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 January 31, 2019 and 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 January 31, 2019 and 2018:

| | January 31, 2019 | January 31, 2018 |
|-----------------|---------------------|---------------------|
| Raw Materials | \$556,703 | \$486,917 |
| Work in Process | 38,769 | 21,387 |
| Finished goods | 800,928 | 315,972 |
| | \$1,396,400 | \$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 years ended January 31, 2019 and 2018 were \$130,920 and \$138,000, 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 update clarifies the objectives of collectability, sales and other taxes, noncash consideration, contract modifications at transition, completed contracts at transition and technical correction. The amendments in this update affect the guidance in ASU 2014-09. In September 2017, the FASB issued additional amendments providing clarification and implementation guidance.

The Company adopted this guidance and related amendments as of the first quarter of fiscal 2019, applying the full retrospective transition method. As the underlying principles of the new standard, relating to the measurement of revenue and the timing of recognition, are closely aligned with the Company's current business model and practices, the adoption of ASU 2014-09 did not have a material impact on the consolidated financial statements. In addition, the adoption of ASC 606 did not impact the previously reported financial statements in any prior period nor did it result in a cumulative effect adjustment to retained earnings.

The Company's sales predominantly are generated from the sale of finished products to customers, 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. Under the new revenue guidance, the Company elected to treat shipping and handling activities as fulfillment activities, and the related costs are recorded as selling expenses in general and administrative expenses on the consolidated statement of operations.

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 transaction 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. The Company does not receive a distinct service in relation to the advertising, consumer incentives and trade promotions.

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:

| | Year Ended | Year Ended |
|---------------------------------------|--------------|--------------|
| | January 31, | January 31, |
| | 2019 | 2018 |
| Gross Sales | \$28,952,187 | \$28,004,078 |
| Less: Slotting, Discounts, Allowances | 430,075 | 460,743 |
| Net Sales | \$28,522,112 | \$27,543,335 |

Disaggregation of Revenue from Contracts with Customers. The following table disaggregates gross revenue by significant geographic area for the years ended January 31, 2019 and 2018:

| | For the Year Ended | |
|---------------|---------------------|---------------------|
| | January 31, 2019 | January 31, 2018 |
| Northeast | \$8,339,738 | \$8,719,757 |
| Southeast | 8,134,168 | 7,334,575 |
| Midwest | 6,013,536 | 6,555,607 |
| West | 4,135,590 | 3,669,491 |
| Southwest | 2,329,155 | 1,724,648 |
| Total revenue | \$28,952,187 | \$28,004,078 |

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 years January 31, 2019 and 2018 were \$1,729,448 and \$1,773,939, 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 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.

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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 years ended January 31, 2019 and 2018, share-based compensation amounted to \$162,494 and \$428,240, respectively.

For the years ended January 31, 2019 and 2018, when computing fair value of share-based payments, the Company has considered the following variables:

| | January 31, 2019 | January 31, 2018 |
|---|------------------|------------------|
| Risk-free interest rate | 1.99% to 2.78 % | 1.60% to 1.99 % |
| Expected life of grants | 2.0 to 3.0 years | 2.0 – 4.0 years |
| Expected volatility of underlying stock | 154% to 172 % | 139% to 177 % |
| 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 Years Ended | |
|---|---------------------|---------------------|
| | January 31, 2019 | January 31, 2018 |
| Numerator: | | |
| Net income attributable to common stockholders | \$550,048 | \$228,175 |
| Effect of dilutive securities: | — | — |
| Diluted net income | \$550,048 | \$228,175 |
| Denominator: | | |
| Weighted average common shares outstanding - basic | 31,843,755 | 29,811,521 |
| Dilutive securities (a): | | |
| Series A Preferred | - | - |
| Options | 136,400 | 350,694 |
| Warrants | 541,666 | 1,974,648 |
| Weighted average common shares outstanding and assumed conversion – diluted | 32,521,821 | 32,205,577 |
| Basic net income per common share | \$0.02 | \$0.01 |
| Diluted net income per common share | \$0.02 | \$0.01 |
| (a) - Anti-dilutive securities excluded: | 3,098,667 | 3,041,001 |

Income Taxes

The Company follows the asset and liability method of accounting for income taxes under FASB ASC 740, “Income Taxes.” Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

FASB ASC 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a

tax position must be more likely than not to be sustained upon examination by taxing authorities. There were no unrecognized tax benefits as of January 31, 2019. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. No amounts were accrued for the payment of interest and penalties at January 31, 2019. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position. The Company is subject to income tax examinations by major taxing authorities since inception.

The Company may be subject to potential examination by federal, state, and city taxing authorities in the areas of income taxes. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions, and compliance with federal, state, and city tax laws. The Company's management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

The Company is no longer subject to tax examinations by tax authorities for years prior to 2016.

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, “*Leases (Topic 842)*,” 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.

In October 2016, the FASB issued ASU 2016-16, “*Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory*”, which eliminates the exception that prohibits the recognition of current and deferred income tax effects for intra-entity transfers of assets other than inventory until the asset has been sold to an outside party. The updated guidance is effective for annual periods beginning after December 15, 2019, 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 July 2017, the FASB issued ASU 2017-11, “*Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features; II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*”. Part I of this update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of this update addresses the difficulty of navigating Topic 480, *Distinguishing Liabilities from Equity*, because of the existence of extensive pending content in the FASB Accounting Standards Codification. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable noncontrolling interests. The amendments in Part II of this update do not have an accounting effect. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018.

In June 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. Under the new standard, companies will no longer be required to value non-employee awards differently from employee awards. Companies will value all equity classified awards at their grant-date under ASC 718 and forgo revaluing the award after the grant date. ASU 2018-07 is effective for annual reporting periods beginning after December 15, 2018, including interim reporting periods within that reporting period. Early adoption is permitted, but no earlier than the Company's adoption date of Topic 606, *Revenue from Contracts with Customers* (as described above under "Revenue Recognition"). The Company does not believe the new standard will have a significant impact on its consolidated financial statements.

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In August 2018, the FASB issued ASU 2018-13, “*Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*”. This update is to improve the effectiveness of disclosures in the notes to the financial statements by facilitating clear communication of the information required by U.S. GAAP that is most important to users of each entity’s financial statements. The amendments in this update apply to all entities that are required, under existing U.S. GAAP, to make disclosures about recurring or nonrecurring fair value measurements. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company is currently evaluating this guidance and the impact of this update on its consolidated financial statements.

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.

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 January 31, 2019 and 2018 are as follows:

| | January 31, 2019 | January 31, 2018 |
|-------------------------|---------------------|---------------------|
| Machinery and Equipment | \$2,662,403 | \$2,431,589 |
| Furniture and Fixtures | 81,099 | 71,969 |

| | | |
|--------------------------------|-------------|-------------|
| Leasehold Improvements | 2,894,949 | 2,071,169 |
| | 5,638,451 | 4,574,727 |
| Less: Accumulated Depreciation | 2,753,857 | 2,074,852 |
| | \$2,884,594 | \$2,499,875 |

During the year ended January 31, 2019, leasehold improvements increased by \$823,780 in relation to the continued plant expansion in progress since 2017.

Depreciation expense charged to income for the years ended January 31, 2019 and 2018 amounted to \$679,005 and \$538,322, 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 January 31, 2019 and 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 years ended January 31, 2019 and 2018, the Company generated approximately \$106,596 and \$104,081 in revenues from MO, respectively.

As of January 31, 2019 and 2018, the Company had a receivable of \$57,374 and \$32,869 due from MO, respectively.

WWS, Inc.

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

For the years ended January 31, 2019 and 2018, the Company recorded \$59,000 and \$24,000 in commission expense from WWS, Inc. generated sales, respectively.

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 January 2024. As of January 31, 2019 and 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 January 2024. At January 31, 2019 and 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 January 2024. At January 31, 2019 and 2018, there was \$132,000 of principal outstanding, respectively.

For the years ended January 31, 2019 and 2018, the Company recorded interest expense of \$45,150 and \$47,266, respectively, related to the above related party notes payable. As of January 31, 2019 and 2018, the Company accrued interest on the related party notes totaling \$48,141 and \$11,422, respectively.

Note 6 - Loan and Security Agreement

Entrepreneur Growth Capital, LLC

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 May 2018, the agreement was amended to extend the termination date to October 1, 2020. In June 2018, the line was increased by \$300,000. The increase was personally guaranteed by the CEO of the Company. As of January 31, 2019 and 2018, the outstanding balance on the line of credit was \$0 and \$2,702,390, respectively. As noted below, the loan was paid off upon execution of the M&T Bank agreement.

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 EGC Note was increased to \$700,000 with an extended maturity date of September 30, 2021. The amended EGC Note was 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 bore interest at the prime rate plus 4.0% and was payable monthly, in arrears. In the event of default, the Company would pay 10% above the stated rates of interest per the Loan and Security Agreement. The EGC Note was secured by all of the assets of the Company. As of January 31, 2019 and 2018, the outstanding balance on the note was \$0 and \$758,615, respectively. As noted below, the loan was paid off upon execution of the M&T Bank agreement.

Effective June 6, 2018, the Company executed a Secured Promissory Note with EGC which provided for \$300,000 in financing with a maturity date of June 1, 2020. The Note required 24 monthly payments of \$12,500 together with interest on the outstanding balance at four percent (4%) over the applicable prime rate. As noted below, the loan was paid off upon execution of the M&T Bank agreement.

The Company recorded a one-time charge of \$121,500 for termination of its existing loans in the month of January 2019.

M&T Bank

Effective, January 4, 2019, the Company also entered into a \$2.5 million five-year note with M&T Bank at LIBOR plus four points with repayments in equal payments over 60 months. The new facility is supported by a first priority security interest in all of the Company's business assets and is further subject to various affirmative and negative financial covenants and a limited Guaranty by the Company's Chief Executive Officer, Carl Wolf. The Company recorded \$89,321 as a debt discount and will be amortized over the remaining life of the note using the effective interest method. There was unamortized debt discount of \$85,599 as of January 31, 2019. The outstanding balance on the term loan was \$2,500,000 as of January 31, 2019.

Effective, January 4, 2019, the Company has arranged a new \$3.5 million working capital line of credit with M&T Bank at LIBOR plus four points with a two-year expiration. The new facility is supported by a first priority security interest in all of the Company's business assets and is further subject to various affirmative and negative financial covenants and a limited Guaranty by the Company's Chief Executive Officer, Carl Wolf. Advances under the line of credit are limited to eighty percent (80%) of eligible accounts receivable (which is subject to an agreed limitation and is further subject to certain asset concentration provisions) and fifty percent (50%) of eligible inventory (which is subject to an agreed dollar limitation). All advances under the line of credit are due upon maturity. The outstanding balance on the line of credit was \$2,612,034 as of January 31, 2019.

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 remove 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 January 31, 2019 and 2018, respectively.

The outstanding principal at January 31, 2019 and 2018 was \$0 and \$1,487,923, 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 bore interest at 3.75%, with interest being due monthly. The note was due in full on the maturity date of April 1, 2019. The note was fully guaranteed by the Company's Chief Executive Officer. As noted above, the Company completed a financing on January 4, 2019 upon which time this note was fully satisfied. The outstanding balance on the note was \$0 and \$250,000 as of January 31, 2019 and 2018, respectively.

Note 8 – Capital Leases Payable

Capital lease obligations consisted of the following at January 31, 2019:

| | January 31, 2019 |
|--|---------------------|
| 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⁾ | \$ 189,264 |
| 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 | 26,993 |
| | 216,257 |
| Less current maturities | 53,730 |
| Capital lease obligations, net of current maturities | \$ 162,527 |

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 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 (excluding debt discount discussed above in Notes 5, 6, 7 and 8) are as follows:

| For the Years Ending January 31, | |
|----------------------------------|-------------|
| 2020 | \$553,730 |
| 2021 | 3,171,983 |
| 2022 | 564,489 |
| 2023 | 521,833 |
| 2024 | 1,158,099 |
| Thereafter | - |
| | \$5,970,134 |

The cost basis and accumulated depreciation of the capitalized equipment at January 31, 2019 was \$273,844 and \$45,296, respectively. Depreciation associated with these capital lease arrangements is included in cost of sales on the consolidated statement of operations.

Note 9 - Concentrations

Revenues

During the year ended January 31, 2019, the Company earned revenues from two customers representing approximately 50% and 10% of gross sales. During the year ended January 31, 2018, the Company earned revenues from two customers representing approximately 40% and 10% of gross sales. As of January 31, 2019, three customers represented approximately 44%, 19% and 13% of total gross outstanding receivables, respectively. As of January 31, 2018, two customers represented approximately 43% and 15% of total gross outstanding receivables, respectively.

Note 10 - Stockholders' Deficit

Common Stock

On July 27, 2017, (the effective date), 23,400 shares of the Company's Series A Preferred Stock were automatically converted into approximately 3,466,667 shares of the Company's Common Stock. Pursuant to the terms of the Certificate of Designation, the automatic conversion occurred on June 27, 2017 following the volume weighted average price of the Common Stock during any ten consecutive trading days remaining at least \$1.0125. The conversion became effective on July 27, 2017.

During the year ended January 31, 2018, the Company issued 90,717 shares of its common stock to the holders of the Series A Preferred stockholders for the dividends in arrears totaling \$91,565.

During the year ended January 31, 2018, the Company issued 225,882 shares of its common stock to employees and consultants for services rendered of \$255,500.

(C) Options

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

| | Options | Weighted Average Exercise Price |
|--------------------------------|-----------|--|
| Outstanding – January 31, 2017 | 881,404 | \$ 0.78 |
| Exercisable – January 31, 2017 | 799,404 | \$ 0.78 |
| Granted | 239,000 | \$ 1.21 |
| Exercised | - | \$ - |
| Forfeited/Cancelled | (254,404) | \$ 1.05 |
| 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 | (307,000) | \$ 0.98 |
| Outstanding – January 31, 2019 | 649,000 | \$ 0.77 |
| Exercisable – January 31, 2019 | 521,500 | \$ 0.71 |

| Exercise Price | Options Outstanding | | | Options Exercisable | |
|-------------------|-----------------------|---|--|-----------------------|--|
| | Number Outstanding | Weighted Average Remaining Contractual Life (in years) | Weighted Average Exercise Price | Number Exercisable | Weighted Average Exercise Price |
| \$ 0.39 – 2.97 | 649,000 | 2.84 years | \$ 0.77 | 521,500 | \$ 0.71 |

At January 31, 2019 the total intrinsic value of options outstanding and exercisable was \$109,120 and \$109,120, respectively.

During the year ended January 31, 2019, 40,000 options were exercised by the option holders. The Company issued 40,000 shares of common stock as a result of this exercise and received proceeds of \$40,000.

For the years ended January 31, 2019 and 2018, the Company recognized share-based compensation related to options of an aggregate of \$162,494 and \$172,740, respectively. At January 31, 2019, unrecognized share-based compensation was \$40,778.

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(D) Warrants

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

| | Warrants | Weighted Average Exercise Price |
|--------------------------------|------------|--|
| Outstanding – January 31, 2017 | 7,425,865 | \$ 1.06 |
| Exercisable – January 31, 2017 | 7,425,865 | \$ 1.06 |
| Granted | - | \$ - |
| Exercised | (364,466) | \$ - |
| Forfeited/Cancelled | - | \$ - |
| Outstanding – January 31, 2018 | 7,061,399 | \$ 1.06 |
| Exercisable – January 31, 2018 | 7,061,399 | \$ 1.06 |
| Granted | - | \$ - |
| Exercised | (482,734) | \$ 1.00 |
| Forfeited/Cancelled | (333,334) | \$ 1.50 |
| Outstanding – January 31, 2019 | 6,245,331 | \$ 1.04 |
| Exercisable – January 31, 2019 | 6,245,331 | \$ 1.04 |

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 | 6,245,331 | 1.83 years | \$1.04 | 6,245,331 | \$ 1.04 |

At January 31, 2019, the total intrinsic value of warrants outstanding and exercisable was \$433,333 and \$433,333, respectively.

During the year ended January 31, 2019, 482,734 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.

During the year ended January 31, 2018, 364,466 warrants were exercised by the warrant holders on a cashless basis. The Company issued 159,454 shares of common stock as a result of this exercise.

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 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 |
|---|---|
| 1 st and 2 nd | \$ - |
| 3 rd and 4 th | \$ 50,000 |
| 5 th , 6 th and 7 th | \$ 75,000 |
| 8 th and 9 th | \$ 100,000 |
| 10 th and thereafter | \$ 125,000 |

The Company incurred \$413,497 and \$429,934 of royalty expenses for the years ended January 31, 2019 and 2018. Royalty expenses are included in general and administrative expenses on the 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 years ended January 31, 2019 and 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 renewal options through March 2029. The Company leases additional office space in East Rutherford, NJ. This lease is for a 51-month term expiring on March 31, 2019 which was extended through March 2022.

Rent expense for the years ended January 31, 2019 and 2018 was \$279,799 and \$297,339, respectively.

Total future minimum payments required under the lease as of January 31, 2019 are as follows:

| | |
|--------------------------|-------------|
| Years Ending January 31, | |
| 2020 | \$218,203 |
| 2021 | 219,682 |
| 2022 | 229,771 |
| 2023 | 215,184 |
| 2024 | 211,864 |
| Thereafter | 35,311 |
| Total | \$1,130,015 |

Note 12 - Income Tax Provision (Benefit)

The income tax provision (benefit) consists of the following:

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| | January 31, 2019 | January 31, 2018 |
|--------------------------------|---------------------|---------------------|
| Federal | | |
| Current | \$- | \$- |
| Deferred | (383,948) | (2,188,418) |
| State and Local | | |
| Current | | |
| Deferred | - | - |
| Change in valuation allowance | 383,948 | 2,188,418 |
| Income tax provision (benefit) | \$- | \$- |

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Reform Bill") was signed into law. Prior to the enactment of the Tax Reform Bill, the Company measured its deferred tax assets at the federal rate of 34%. The Tax Reform Bill reduced the federal tax rate to 21% resulting in the re-measurement of the deferred tax asset as of January 31, 2018. Beginning January 1, 2018, the lower tax rate of 21% will be used to calculate the amount of any federal income tax due on taxable income earned during 2019.

The Company has U.S. federal net operating loss carryovers (NOLs) of approximately \$10.8 million and \$11.1 million at January 31, 2019 and 2018, respectively, available to offset taxable income through 2034. If not used, these NOLs may be subject to limitation under Internal Revenue Code Section 382 should there be a greater than 50% ownership change as determined under the regulations. The Company plans on undertaking a detailed analysis of any historical and/or current Section 382 ownership changes that may limit the utilization of the net operating loss carryovers. The Company also has New Jersey State Net Operating Loss carry overs of \$10.0 million and \$10.9 million at January 31, 2019 and 2018, respectively, available to offset future taxable income through 2035.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon future generation for taxable income during the periods in which temporary differences representing net future deductible amounts become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. After consideration of all the information available, Management believes that significant uncertainty exists with respect to future realization of the deferred tax assets and has therefore established a full valuation allowance. For the years ended January 31, 2019 and 2018, the change in the valuation allowance was \$383,948 and \$2,188,418, respectively.

The Company evaluated the provisions of ASC 740 related to the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. ASC 740 prescribes a comprehensive model for how a company should recognize, present, and disclose uncertain positions that the Company has taken or expects to take in its tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. Differences between tax positions taken or expected to be taken in a tax return and the net benefit recognized and measured pursuant to the interpretation are referred to as "unrecognized benefits." A liability is recognized (or amount of net operating loss carry forward or amount of tax refundable is reduced) for unrecognized tax benefit because it represents an enterprise's potential future obligation to the taxing authority for a tax position that was not recognized as a result of applying the provisions of ASC 740.

If applicable, interest costs related to the unrecognized tax benefits are required to be calculated and would be classified as "Other expenses – Interest" in the statement of operations. Penalties would be recognized as a component of "General and administrative."

No interest or penalties on unpaid tax were recorded during the years ended January 31, 2019 and 2018, respectively. As of January 31, 2019 and 2018, no liability for unrecognized tax benefits was required to be reported. The Company does not expect any significant changes in its unrecognized tax benefits in the next year.

The Company's deferred tax assets (liabilities) consisted of the effects of temporary differences attributable to the following:

| | Year Ended January 31, 2019 | Year Ended January 31, 2018 |
|-------------------------------|-----------------------------------|-----------------------------------|
| Deferred Tax Assets | | |
| Net operating loss carryovers | \$2,780,110 | \$3,252,384 |
| Total deferred tax assets | 2,780,110 | 3,252,384 |

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| | | |
|--|-------------|-------------|
| Valuation allowance | (2,813,148) | (3,183,275) |
| Deferred tax asset, net of valuation allowance | (33,038) | 69,109 |
| Deferred Tax Liabilities | | |
| Other deferred tax liabilities | 33,038 | (69,109) |
| Total deferred tax liabilities | \$33,038 | \$(69,109) |
| Net deferred tax asset (liability) | \$- | \$- |

The expected tax expense (benefit) based on the statutory rate is reconciled with actual tax expense benefit as follows:

| | Year Ended January 31, 2019 | Year Ended January 31, 2018 |
|--|---|---|
| US Federal statutory rate | (21.00)% | (21.00)% |
| State income tax, net of federal benefit | (8.98) | (5.94) |
| Deferred tax adjustment | (4.26) | - |
| Change in valuation allowance | 30.52 | 27.03 |
| Other permanent differences | (3.72) | (0.09) |
| Income tax provision (benefit) | - % | - % |

Note 13 – 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 the following reportable subsequent events other than those disclosed elsewhere in these financials.

