

QUARTERLY DISCLOSURE REPORT
SEPTEMBER 30, 2014
UNAUDITED

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OTC PINK BASIC DISCLOSURE GUIDELINES

1. NAME OF THE ISSUER AND ITS PREDESSORS (IF ANY):
   Armanino Foods of Distinction, Inc. (The Company)

2. ADDRESS OF THE ISSUER'S PRINCIPAL EXECUTIVE OFFICES:
   Company Headquarters:
   Address 1: 30588 San Antonio Street
   Address 2: Hayward, CA 94544
   Phone: (510) 441-9300
   Email: amnf@armaninofoods.com
   Website(s): www.armaninofoods.com

   IR Contact:
   Address 1: 30588 San Antonio Street
   Address 2: Hayward, CA 94544
   Phone: (510) 441-9300
   Email: amnf@armaninofoods.com
   Website(s): www.armaninofoods.com

3. SECURITY INFORMATION:
   a. Trading Symbol: AMNF

   b. Title and class of securities outstanding: Common Stock
      CUSIP: 042166801
      Par or Stated Value: no par

	September 30, 2014	September 30, 2013	September 30, 2012
Common Shares authorized	40,000,000	40,000,000	40,000,000
Common Shares outstanding(1)	32,065,645	32,065,645	32,117,186
Freely tradable shares	30,203,203	30,141,803	29,842,344
# of beneficial shareholders (2)	1,300	1,300	1,300
# of shareholders of record	121	124	126

(1) Common stock shares outstanding are calculated as follows:

	September 30, 2014	*September 30, 2013*	*September 30, 2012*
Common shares outstanding on record with Transfer Agent	*32,065,645*	*32,092,360*	*32,172,773*
Less common stock held in treasury	-	*<26,715>*	*<55,587>*
Common shares outstanding	*32,065,645*	*32,065,645*	*32,117,186*

(2) The number of beneficial shareholders for each year represent estimates, only, as the actual information is not readily available.

c. Additional class of securities: Preferred Stock
CUSIP: 042166801
Par or Stated Value: no par

	September 30, 2014	September 30, 2013	September 30, 2012
Shares authorized	10,000,000	10,000,000	10,000,000
Shares outstanding	-	-	-
Freely tradable shares	-	-	-
# of beneficial shareholders	-	-	-
# of shareholders of record	-	-	-

d. Transfer Agent:
Name: Computershare Trust Company, N.A.
Address 1: 250 Royall Street
Address 2: Canton, MA 02021
Phone: (303) 262-0710

e. Is the Transfer Agent registered under the Exchange Act? Yes: ☒ No: ☐

f. Restrictions on the transfer of security:
1,862,442 shares of common stock are restricted as of 9/30/14; 1,923,842 shares as of 9/30/13; and, 2,274,842 shares as of as of 9/30/12.

g. Trading suspension orders issued by the SEC in the past 12 months: None

h. Stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months: None

4. ISSUANCE HISTORY

The Company had no events which resulted in changes in total shares outstanding by the issuer in the past two fiscal years and any interim period, including offerings of equity securities, debt convertible into equity securities, whether private or public, and all shares or any other securities or options to acquire such securities issued for services.

5. FINANCIAL STATEMENTS

The Company's financial statements are prepared in accordance with US GAAP. Refer to the Company's interim financial statements starting on page 9.

6. ISSUER'S BUSINESS, PRODUCTS, AND SERVICES

   a. Issuer's business operations:
   The Company is currently engaged in the production of upscale and innovative frozen and refrigerated food products, including pesto and other sauces, stuffed pasta products, and cooked meat products.

   b. Date and State (or Jurisdiction) of Incorporation:
   Colorado, 1986

   c. Issuer's primary and secondary SIC Codes:
   2030

   d. Issuer's fiscal year end date:
   December 31

   e. Principal products or services, and their markets:
   The Company's line of frozen products presently includes pesto sauces, stuffed pastas and pasta sheets, as well as value-added specialty Italian pastas, and cooked meat products.

7. ISSUER'S FACILITIES

The Company leases approximately 24,375 square feet of office, production and warehouse space located at 30588 San Antonio Street, Hayward, California, 94544. The Company also leases approximately 7,408 square feet of additional office and warehouse space located at 30641 San Antonio Street, Hayward, California, 94544. Except for a Co2 tank which it leases, the Company owned all of its manufacturing equipment as of September 30, 2014.

8. OFFICERS, DIRECTORS, AND CONTROL PERSONS

   a. Name of Officers, Directors, and Control Persons:

Name	Business Address	Positions and Offices Held & Term as a Director	Shares Owned
Edmond J. Pera	30588 San Antonio Street Hayward, CA 94544	President and Chief Executive Officer since February 2009. Also, Secretary, Treasurer until February 2009, and Director since August 2000. Served as Chief Operating Officer (Principal Financial Officer) from May 2003 to February 2009.	450,000
Douglas R. Nichols	30588 San Antonio Street Hayward, CA 94544	Chairman of the Board since February 2009. Previously served as Director since June 2001.	1,843,270
John Micek III	30588 San Antonio Street Hayward, CA 94544	Director since February 1988.	142,960
David B. Scatena	30588 San Antonio Street Hayward, CA 94544	Director since February 1988 and Vice Chairman of the Board since February 1999.	8,280
Joseph F. Barletta	30588 San Antonio Street Hayward, CA 94544	Director since December 1999.	-
Patricia A. Fehling	30588 San Antonio Street Hayward, CA 94544	Director since December 2004	100,000
Deborah Armanino LeBlanc	30588 San Antonio Street Hayward, CA 94544	Elected to the Board of Directors in February 2009. Secretary since February 2009.	1,184,292

b. Legal/Disciplinary History – persons who have, in the last five years, been the subject of:
   - A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses): None
   - The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities: None
   - A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated: None
   - The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities: None

c. Beneficial Shareholders -- Name, address and shareholdings or the percentage of shares owned by all persons beneficially owning more than ten percent (10%) of any class of the issuer's equity securities: None

9. THIRD PARTY PROVIDERS

a. Legal Counsel
Name: Mark Cassanego
Firm: Carr, McClellan, P.C.
Address 1: 216 Park Road
Address 2: Burlingame, CA 94011-0513
Phone: (650) 342-9600
Email: amnf@armaninofoods.com

b. Accountant or Auditor
Name: Alan Gregory
Firm: Gregory & Associates, LLC
Address 1: 4397 South Albright Drive
Address 2: Salt Lake City, UT 84124
Phone: (801) 277-2763
Email: alan@gandacpa.com

10. ISSUER CERTIFICATION

I, Edmond J. Pera certify that:

(i) I have reviewed this quarterly disclosure statement of Armanino Foods of Distinction, Inc.;

(ii) Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

(iii) Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 13, 2014
/s/Edmond J Pera
CEO

10. ISSUER CERTIFICATION (Continued)

I, Edgar Estonina certify that:

(i) I have reviewed this quarterly disclosure statement of Armanino Foods of Distinction, Inc.;

(ii) Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

(iii) Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 13, 2014
/s/Edgar Estonina
CFO

INTERIM FINANCIAL STATEMENTS

BALANCE SHEET

	As of September 30, 2014	As of December 31, 2013
CURRENT ASSETS:		
Cash	$ 3,302,460	$ 2,345,737
Certificates of Deposit	703,666	701,466
Accounts Receivable, net	4,468,139	3,743,506
Inventories	2,324,215	2,106,600
Prepaid Expenses	246,794	283,476
Current Deferred Tax Asset	78,956	78,956
Total Current Assets	11,124,230	9,259,741
PROPERTY AND EQUIPMENT, net accumulated depreciation	1,140,254	1,270,047
OTHER ASSETS:		
Deposits	20,000	20,000
Goodwill	375,438	375,438
Total Other Assets	395,438	395,438
Total Assets	$ 12,659,922	$ 10,925,226

The accompanying notes are an integral part of these financial statements

	As of September 30, 2014	As of December 31, 2013
CURRENT LIABILITIES:		
Notes Payable - Current Portion	$ 414,296	$ 401,461
Accounts Payable - Trade	1,663,001	1,421,548
Accrued Payroll and Payroll Taxes	669,357	452,678
Other Accrued Liabilities	5,089	7,497
Dividends Payable	577,182	513,050
Accrued Income Taxes	147,560	11,104
Total Current Liabilities	3,476,485	2,807,338
Notes Payable and Long-Term Debt	499,860	812,042
Deferred Tax Liability - Long Term	48,032	45,197
Other Long-Term Liabilities	1,730	6,984
Total Long Term Liabilities	549,622	864,223
Total Liabilities	4,026,107	3,671,561
STOCKHOLDERS' EQUITY:		
Preferred Stock; no par value, 10,000,000 shares authorized, no shares issued and outstanding	-	-
Common Stock; no par value, 40,000,000 shares authorized, 32,065,645 and 32,065,645 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	2,774,990	2,774,990
Additional Paid-in Capital	48,202	48,202
Accumulated Other Comprehensive Income	(4,296)	(9,123)
Retained Earnings	5,814,919	4,439,596
Total Stockholders' Equity	8,633,815	7,253,665
Total Liabilities and Stockholders' Equity	$ 12,659,922	$ 10,925,226

The accompanying notes are an integral part of these financial statements

ARMANINO FOODS OF DISTINCTION, INC.
QUARTERLY REPORT
SEPTEMBER 30, 2014
UNAUDITED

STATEMENT OF EARNINGS

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	**2013**	**2014**	**2013**
NET SALES	$ 8,697,316	$ 7,389,449	$23,668,523	$21,305,041
COST OF GOODS SOLD	5,468,620	4,677,159	14,830,727	13,536,235
GROSS PROFIT	3,228,696	2,712,290	8,837,796	7,768,806
OPERATING EXPENSES:				
General, administrative and selling expense	399,847	380,708	1,251,760	1,199,485
Salaries & wages	703,603	618,602	1,981,076	1,822,921
Commissions	270,873	269,361	774,947	707,770
Total Operating Expense	1,374,323	1,268,671	4,007,783	3,730,176
INCOME FROM OPERATIONS	1,854,373	1,443,619	4,830,013	4,038,630
OTHER INCOME (EXPENSE)				
Interest and Other Income	27,875	28,217	64,961	68,758
Interest (Expense)	(10,038)	(14,935)	(33,266)	(45,845)
Total Other Income (Expense)	17,837	13,282	31,695	22,913
INCOME BEFORE INCOME TAXES	1,872,209	1,456,901	4,861,708	4,061,543
CURRENT TAX EXPENSE	725,661	563,691	1,882,566	1,570,529
DEFERRED TAX (BENEFIT)	-	-	-	-
NET INCOME	$ 1,146,548	$ 893,210	$ 2,979,142	$ 2,491,014
Derivative instrument acounted for as a hedge, net of tax of $682, $837, $2,154 and $2,228	2,506	1,426	4,827	4,360
COMPREHENSIVE INCOME	$ 1,149,054	$ 894,636	$ 2,983,969	$ 2,495,374
EARNINGS PER COMMON AND EQUIVALENT SHARES:				
BASIC EARNINGS PER SHARE	$ 0.036	$ 0.028	$ 0.093	$ 0.078
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	32,065,645	32,065,645	32,065,645	32,048,429
DILUTED EARNINGS PER SHARE	$ 0.036	$ 0.028	$ 0.093	$ 0.078
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING ASSUMING DILUTION	32,065,645	32,170,835	32,065,645	32,133,069

The accompanying notes are an integral part of these financial statements

STATEMENT OF STOCKHOLDER'S EQUITY

	Common Stock		Treasury Stock		Additional Paid-in	Other Comprehensive	Retained
	Shares	Amount	Shares	Amount	Capital	Income	Earnings
BALANCE, December 31, 2012	32,042,360	$ 2,762,773	(26,715)	$ (23,934)	$ 48,202	$ (14,830)	$ 2,906,307
Dividends on common shares	-	-	-	-	-	-	(1,795,076)
Cancelation of common shares held in treasury	(26,715)	(23,933)	26,715	23,934	-	-	-
Shares of common stock issued for options exercised at $0.723 per share, March 2013	50,000	36,150	-	-	-	-	-
Derivative instrument acounted for as a hedge net of tax of $3,351	-	-	-	-	-	5,707	-
Net income for the year ended December 31, 2013	-	-	-	-	-	-	3,328,365
BALANCE, December 31, 2013	32,065,645	$ 2,774,990	-	$ -	$ 48,202	$ (9,123)	$ 4,439,596
Dividends on common shares	-	-	-	-	-	-	(1,603,816)
Derivative instrument acounted for as a hedge net of tax of $2,154	-	-	-	-	-	4,827	-
Net income for the nine months ended September 30, 2014	-	-	-	-	-	-	2,979,139
BALANCE, September 30, 2014	32,065,645	$ 2,774,990	-	$ -	$ 48,202	$ (4,296)	$ 5,814,919

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOW

	For the Nine Months September 30,	
	2014	**2013**
Cash Flows from Operating Activities:		
Net Income	$ 2,979,142	$ 2,491,014
Adjustments to reconcile net income		
to net cash provided by operations:		
Depreciation and amortization	178,181	178,697
(Increase) decrease in accounts receivable	(724,633)	(505,128)
(Increase) decrease in inventory	(217,615)	(143,204)
(Increase) decrease in prepaid expenses	36,681	145,197
Increase (decrease) in accounts payable,		
accrued expenses, and taxes payable	594,591	177,784
Total Adjustments	(132,795)	(146,654)
Net Cash Provided by Operating Activities	2,846,347	2,344,360
Cash Flows from Investing Activities:		
Purchase of property and equipment	(48,388)	(584,299)
Proceeds (Purchase) of certificates of deposit	(2,200)	(300,000)
Net Cash Used by Investing Activities	(50,588)	(884,299)
Cash Flows from Financing Activities:		
Payments on notes payable	(299,347)	(287,046)
Proceeds from exercise of stock options	-	36,150
Repurchase of common shares	-	-
Dividends paid	(1,539,689)	(833,802)
Net Cash Used by Financing Activities	(1,839,036)	(1,084,698)
Net Increase (Decrease) in Cash and Cash Equivalents	956,723	375,363
Cash and Cash Equivalents at Beginning of Period	2,345,737	1,329,955
Cash and Cash Equivalents at End of Period	$ 3,302,460	$ 1,705,318
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 33,266	$ 45,845
Income Taxes	$ 1,638,000	1,351,000

The accompanying notes are an integral part of these financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Basis of Presentation - The consolidated financial statements include the accounts of Armanino Foods of Distinction, Inc. (the "Company"), which engages in the production and marketing of upscale and innovative food products, including primarily frozen pesto sauces, frozen pasta products, cooked and frozen meat and poultry products, garlic spreads and its wholly-owned dormant subsidiary AFDI, Inc. which was incorporated in May 1995.

Consolidation - All significant inter-company accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents - The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company had $2,423,484 and $1,724,923 in excess of federally insured amounts in its bank accounts at September 30, 2014 and December 31, 2013.

Certificates of Deposit and Treasury Bills - The Company accounts for investments in debt and equity securities in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") ASC Topic 320 Investments – Debt and Equity Securities. Under Topic 320 the Company's certificates of deposit and treasury bills (debt securities) have been classified as held-to-maturity and are recorded at amortized cost. Held-to-maturity securities represent those securities that the Company has both the positive intent and ability to hold until maturity. At September 30, 2014 and December 31, 2013, the Company had certificates of deposit with a purchase value and fair value totaling $703,666 and $699,996, respectively, amortized Value totaling $703,666 and $701,466, respectively, and which mature through March 2016.

Accounts Receivable - Accounts receivable consist of trade receivables arising in the normal course of business. At September 30, 2014 and December 31, 2013, the Company has established an allowance for doubtful accounts of $10,000 and $10,000, respectively, which reflects the Company's best estimate of probable losses inherent in the accounts receivable balance. The Company determines the allowance based on known troubled accounts, historical experience, and other currently available evidence. Amounts written off for the years presented are insignificant for disclosure.

Inventory - Inventory is carried at the lower of cost or market, as determined on the first-in, first-out method.

Property and Equipment - Property and equipment are stated at cost. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are

capitalized, upon being placed in service. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed for financial statement purposes on a straight-line basis over the estimated useful lives of the assets which range from two to twenty-five years (See Note 4).

Intangible Assets – Intangible assets consist of Goodwill and indefinite life intangible assets which include proprietary formulas and trademarks. Goodwill represents the excess of purchase price paid over the fair market value of identifiable net assets of companies acquired. The Company accounts for goodwill and indefinite life intangible assets in accordance with FASB ASC Topic 350, "Goodwill and Other Intangible Assets" and accordingly tests these assets at least annually for impairment.

Revenue Recognition and Sales Incentives - The Company's accounts for revenue recognition in accordance with the Securities and Exchange Commission Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101), FASB ASC 605 Revenue Recognition. The Company recognizes revenue when rights and risk of ownership have passed to the customer, when there is persuasive evidence of an arrangement, product has been shipped or delivered to the customer, the price and terms are finalized, and collections of resulting receivable is reasonably assured. Products are primarily shipped FOB shipping point at which time title passes to the customer. In some instances the Company uses common carriers for the delivery of products. In these arrangements, sales are recognized upon delivery to the customer. The Company's revenue arrangements with its customers often include early payment discounts and such sales incentives as trade allowances, promotions and co-operative advertising. These sales incentives are recorded at the later of when revenue is recognized or when the incentives are offered. Sales incentives that do not provide an identifiable benefit or provide a benefit where the Company could not have entered into an exchange transaction with a party other than the customer are netted against revenues. Incentives providing an identifiable benefit, where the Company could have entered into the same transaction with a party other than the customer, are classified under "General, administrative and selling expenses" in the Operating Expenses section of the Consolidated Statements of Earnings.

Net sales comprised of the following for the three and nine months ending September 30, 2014 and 2013:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	**2013**	**2014**	**2013**
Gross Sales	$ 9,996,949	$ 8,684,361	$ 27,261,797	$ 24,767,455
Less: Discounts	(151,443)	(132,118)	(407,192)	(367,237)
Slotting	(2,495)	(390)	(7,496)	(390)
Promotions	(1,145,696)	(1,162,405)	(3,178,586)	(3,094,787)
Net Sales	$ 8,697,316	$ 7,389,449	$ 23,668,523	$ 21,305,041

Advertising Cost - Cost incurred in connection with advertising of the Company's products are expensed as incurred. Such costs amounted to $0 and $150 for the three months ending September 30, 2014 and 2013, respectively; and $1,480 and $1,630 for the nine months ending September 30, 2014 and 2013, respectively.

Research and Development Cost - The Company expenses research and development costs for the development of new products as incurred. Included in general and administrative expense for the three months at September 30, 2014 and 2013 are $29,431 and $2,616, respectively, of research and development costs; and $48,977 and $5,064, respectively, for the nine months ending September 30, 2014 and 2013.

Income Taxes - The Company accounts for income taxes in accordance with FASB ASC Topic 740 for Income Taxes. This statement requires an asset and liability approach for accounting for income taxes.

Earnings Per Share – The Company calculates earnings per share in accordance with FASB ASC 260 Earnings Per Share. Basic earnings per common share (EPS) are based on the weighted average number of common shares outstanding during each period. Diluted earnings per common share are based on shares outstanding (computed as under basic EPS) and potentially dilutive common shares. Potential common shares included in the diluted earnings per share calculation include in-the-money stock options that have been granted but have not been exercised.

Fair Value of Financial Instruments - The Company accounts for fair value measurements for financial assets and financial liabilities in accordance with FASB ASC Topic 820. The authoritative guidance, which, among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. Fair value is defined as the exit price, representing the amount that would either be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Unless otherwise disclosed, the fair value of the Company's financial instruments including

cash, accounts receivable, prepaid expenses, accounts payable, accrued expenses and notes payable approximates their recorded values due to their short-term maturities.

Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimated.

Stock Options - The Company accounts for the stock option issued in accordance with FASB ASC Topic 718, Stock Compensation, accordingly the fair value of options issued after December 31, 2005 is recognized over the vesting period of the underlying options.

Derivative Financial Instruments - The Company is required to recognize all of its derivative instruments as either assets or liabilities in the Consolidated Balance Sheets at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated, and is effective, as a hedge and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, or cash flow hedge. Gains and losses related to a hedge are either recognized in income immediately to offset the gain or loss on the hedged item or are deferred and reported as a component of Accumulated Other Comprehensive Income in the Stockholders' Equity and subsequently recognized in Net income when the hedged item affects Net income. The change in fair value of the ineffective portion of a financial instrument is recognized in Net income immediately. The gain or loss related to financial instruments that are not designated as hedges are recognized immediately in Net income.

Derivative financial instruments are used in the normal course of business to manage interest rate. Credit risk is managed through the selection of sound financial institutions as counterparties.

On April 29, 2011, the Company entered into a five-year interest rate swap agreement to manage interest costs and the risk associated with changing interest rates associated with the $1,000,000 of the $2,000,000 line of credit/note payable. See Note 8, “Derivative Financial Instruments” for additional information regarding the Company’s derivative instrument.

On April 29, 2012, the Company entered into a five-year interest rate swap agreement to manage interest costs and the risk associated with changing interest rates associated with the remaining $1,000,000 of the $2,000,000 line of credit/note payable. See Note 8, “Derivative Financial Instruments” for additional information regarding the Company’s derivative instrument.

Treasury Stock - The Board of Directors may authorize share repurchases of the Company’s

common stock (Share Repurchase Authorizations). Share repurchases under these authorizations may be made through open market transactions, negotiated purchase or otherwise, at times and in such amounts as the Company, and a committee of the Board, deem appropriate. Shares repurchased under Share Repurchase Authorizations are held in treasury for general corporate purposes, including issuances under various employee share-based award plans. Treasury shares are accounted for under the cost method and reported as a reduction of Stockholders' Equity. Share Repurchase Authorizations may be suspended, limited or terminated at any time without notice.

Recently Enacted Accounting Standards – Recent accounting pronouncements issued by the FASB did not or are not believed by management to have a material impact on the Company's present or future financial statements.

NOTE 2 - RELATED PARTY TRANSACTIONS

During the three months ending September 30, 2014 and 2013, the Company paid accounting fees of $615 and $1,970, respectively, to a company controlled by a director/shareholder. For the nine months ending September 30, 2014 and 2013 these fees amounted to $8,600 and $6,885 Services provided by this accounting firm are in the area of tax preparation and related services, management and business consulting. No audit services were provided by this company.

NOTE 3 - INVENTORY

Inventory consists of the following at September 30, 2014 and December 31, 2013:

	September 30, 2014	**December 31, 2013**
Raw Materials and Supplies	953,460	756,746
Finished Goods	1,395,755	1,374,854
Reserve for Obsolescence	(25,000)	(25,000)
	$ 2,324,215	**$ 2,106,600**

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2014 and December 31, 2013:

	Useful Life (Years)	September 30, 2014	December 31, 2013
Office equipment & furniture	2-10	$ 644,014	$ 650,607
Machinery & equipment	5-20	5,058,001	5,117,055
Vehicles - Trucks	7	45,989	45,989
Leasehold Improvements	3-25	2,113,948	1,999,913
		7,861,952	7,813,564
Less Accumulated Depreciation		(6,721,697)	(6,543,517)
Net property & equipment		$ 1,140,254	$ 1,270,047

Depreciation expense amounted to $58,707 and $61,666 for the three months ending September 30, 2014 and 2013, respectively, and $178,181 and $178,697 for the nine months ending September 30, 2014 and 2013, respectively.

NOTE 5 - INTANGIBLE ASSETS

Goodwill represents the excess of the cost of purchasing Alborough, Inc. over the fair market value of the assets on May 20, 1996.

During the nine months ended September 30, 2014, the Company tested the Company's intangible assets for impairment in accordance with FASB ASC Topic 350. The Company used the quoted market price of its stock to test its intangible assets for impairment and determined that the Company's intangible assets were not impaired.

NOTE 6 - LEASES

Operating Leases - In February 2012, the Company amended and restated its lease agreement for 30588 San Antonio Street in Hayward. Under the amended and restated lease agreement the expiration of the lease term on this building was extended from August 9, 2013, to December 31, 2016, with an option to extend the lease for another five years thereafter. The monthly base rent from August 10, 2013 through December 31, 2016, is $18,997. If the Company elects to extend the lease agreement for another five years after December 31, 2016, the base rent will be set at the prevailing fair market rental value, but not less than $18,997. The Company also leases equipment under an operating lease expiring upon 90 days written notice.

The future minimum lease payments for non-cancelable operating leases having remaining terms in excess of one year as of September 30, 2014 are as follows:

Year ending December 31,	
2014	71,771
2015	288,344
2016	289,640
Thereafter	
Total minimum lease payments	649,755

Lease expense charged to operations were $71,771 and $71,465 for the three months ending September 30, 2014 and 2013 $215,314 and $214,395 for the nine months ending September 30, 2014 and 2013, respectively.

NOTE 7 – LINE OF CREDIT

Note Payable - On April 29, 2011, the Company entered into a swap agreement which enabled the Company to effectively lock in a fixed 4.5% interest rate on the $1,000,000 which it had drawn through March 31, 2011, from its $2,000,000 line of credit. Under the terms, $1,000,000 of the line is payable over a 5 year amortization period starting on September 2, 2011 and has been recorded as a note payable in the accompanying financial statements.

During the three months ended March 31, 2012, the Company drew down the remaining $100,000 that was available on the revolving line. On May 2, 2012, the Company entered into a swap agreement which enabled the Company to effectively lock in a fixed 3.9% interest rate on the remaining $1,000,000 from its $2,000,000 line of credit, which it had drawn through March 31, 2013,. Under the terms, the remaining $1,000,000 of the line is payable over a 5 year amortization period starting on September 4, 2012 and has been recorded as a note payable in the accompanying financial statements.

At September 30, 2014 and December 31, 2013, there was $914,156 and $1,213,503, respectively, outstanding on the note.

Future Maturities of the note payable at September 30, 2014 are as follows:

Year ending December 31,	
2014	102,114
2015	418,676
2016	303,417
2017	89,949
Thereafter	
Total Notes Payable	914,156

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Company is exposed to certain risks related to fluctuations in interest rates. The Company uses a derivative contract interest rate swaps, to manage risks from these market fluctuations. The financial instruments used by the Company are straight-forward, non-leveraged instruments. The counterparties to these financial instruments are financial institutions with strong credit ratings. The Company maintains control over the size of positions entered into with any one counterparty and regularly monitors the credit ratings of these institutions.

Interest Rate Risk

The Company is exposed to changes in interest rates on its $2,000,000 Note payable / Line of Credit. In order to manage this risk, on April 29, 2011, and May 2, 2012 the Company entered into a five year interest rate swap agreement to manage interest costs and the risk associated with changing interest rates. The Company designated this interest rate swap as a cash flow hedge of floating rate borrowings and expects the hedge to be highly effective in offsetting fluctuations in the designated interest payments resulting from changes in the benchmark interest rate. The gains and losses on the designated swap agreement will offset changes in the interest rate of the $2,000,000 Note payable / line of credit, which enabled the Company to effectively lock in a fixed 4.5% interest rate on the $1,000,000 which it had drawn through March 31, 2011, and to effectively lock in a fixed 3.9% interest rate on the remaining $1,000,000 of the $2,000,000 Note payable / line of credit. The Company formally documented the effectiveness of this qualifying hedge instrument (both at the inception of the swap and on an ongoing basis) in offsetting changes in cash flows of the hedged transaction. The fair value of the interest rate swap is calculated as described in Note 8, “Fair Value of Financial Instruments”, taking into consideration current interest rates and the current creditworthiness of the counterparties or the Company, as applicable.

As a result of these swaps, the Company will pay interest at a fixed rate and receive payment at a variable rate beginning on April 29, 2011 and May 2, 2012. The swaps effectively fixes the interest rate to 4.5% on $1,000,000 and 3.9% on the remaining $1,000,000 under the Note Payable, with the outstanding balance subject to the swaps declining over time. The interest rate swaps expire on April 29, 2016 and May 2, 2017. The effective portion of the change in value of the swap is reflected as a component of comprehensive income and recognized as Interest expense, net as payments are paid or accrued. The remaining gain or loss in excess of the cumulative change in the present value of the future cash flows of the hedged item, if any (i.e., the ineffective portion) or hedge components excluded from the assessment of effectiveness are recognized as Interest expense, net during the current period.

Under the terms, $1,000,000 of the line is payable over a 5 year amortization period starting on September 2, 2011 and the remaining $1,000,000 is payable over a 5 year amortization period starting May 2, 2012 and have been recorded as a note payable in the accompanying financial statements.

As of September 30, 2014, the fair value of the derivative instruments were recorded as follows:

	September 30, 2014	
	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments		
Interest rate swap – current	Accrued expenses and other current liabilities	$ 5,089
Interest rate swap – non-current	Other non-current liabilities	1,730
		$ 6,819

The effect of derivative instruments on the Consolidated Statements of Income for the nine months ended September 30, 2014 and 2013 was as follows:

Derivatives Designated as Cash Flow Hedging Relationships	Amount of Gain/(Loss) Recognized in Accumulated OCL on Derivative (Effective Portion)	Location of Gain/(Loss) Reclassified from Accumulated OCL into Income (Effective Portion)	Amount of Gain/(Loss) Reclassified from Accumulated OCL into Income (Effective Portion)	Location of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
For the Nine Months Ended September 30 2014					
Interest rate swap	$ 7,662	Interest expense	$ 7,662	Interest expense	$ —
For the Nine Months Ended September 30, 2013					
Interest rate swap	$ 6,921	Interest expense	$ 6,921	Interest expense	$ —

NOTE 9 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fair Value Measurement and Disclosure Topic of FASB and ASC:

- Defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value;
- Establishes a three-level hierarchy for fair value measurement based upon the transparency of inputs to the valuation as of the measurement date; and
- Expands disclosures about financial instruments measured at fair value.

Financial assets and financial liabilities record on the Balance sheet at fair value are categorized based on the reliability of inputs to the valuation techniques as follows:

Level 1: Financial assets and financial liabilities whose values are based on unadjusted

quoted prices for identical assets or liabilities in an active market that the Company can access.

Level 2: Financial assets and financial liabilities whose values are based on the following:

Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in non-active markets or Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the assets or liability.

Level 3: Financial assets and financial liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs may reflect our estimates of the assumptions that market participants would use in valuing the financial assets and financial liabilities.

The following tables summarize Level 1, 2 and 3 financial assets and financial (liabilities) by their classification in the Statement of Financial Position:

As of September 30, 2014	Level 1	Level 2	Level 3
Interest Rate Swap	-	(6,819)	-
Total	-	(6,819)	-

As of December 31, 2013	Level 1	Level 2	Level 3
Interest Rate Swap	-	(14,481)	-
Total	-	(14,481)	-

NOTE 10 - AGREEMENTS AND COMMITMENTS

Manufacturing - Certain of the Company's products are manufactured and packaged on a "co-pack" or "toll-pack" basis by third parties at agreed upon prices. The agreements with the co-packers have terms of one year and allow for periodic price adjustments. These agreements generally allow for either party to give a two months cancellation notice.

401(K) Profit Sharing Plan - The Company has a 401(K) profit sharing plan and trust that covers all employees. The Company matches 50% up to a maximum of 7% deferral. Any employees who are employed by the Company during a six consecutive month period and have reached age 21 are eligible to participate in the plan. The plan became effective January 1, 1993 and has a plan year of January 1 through December 31. During the three months ending September 30, 2014 and 2013 the Company matching contributions to the plan expensed were $16,030 and $15,345, respectively. For the nine months ending September 30, 2014 and 2013 the Company matching contributions were $48,912 and $47,560.

NOTE 11 - INCOME TAXES

The Company accounts for income taxes in accordance with FASB ASC Topic 740 which requires the Company to provide a net deferred tax asset or liability equal to the expected future tax benefit or expense of temporary reporting differences between book and tax accounting and any available operating loss or tax credit carry forwards. At September 30, 2014, and December 31, 2013, the total of all deferred tax assets was $83,479, and $84,314 respectively, and the total of the deferred tax liabilities was $52,555, and $50,555, respectively. The amount of and ultimate realization of the benefits from the deferred tax assets for income tax purposes is dependent, in part, upon the tax laws in effect, the Company's future earnings, and other future events, the effects of which cannot be determined.

The temporary differences, tax credits and carry forwards gave rise to the following deferred tax asset at September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Inventory 263A adjustment	$ 29,370	$ 29,370
Reserve for accrued vacation	49,586	49,586
	78,956	78,956
Excess of tax over book depreciation	(52,555)	(50,555)
Other	4,523	5,358
	(48,032)	(45,197)
	$ 30,924	$ 33,759

Management estimates that the Company will generate adequate net profits to use the deferred tax assets, consequently, a valuation allowance has not been recorded.

NOTE 12 - EARNINGS PER SHARE

The following data shows the amounts used in computing earnings per share and the effect on income and the weighted average number of shares of potential dilutive common stock:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Net Income	$ 1,146,548	$ 893,210	$ 2,979,142	$ 2,491,014
Weighted average number of common shares outstanding used in basic earnings per share	32,065,645	32,065,645	32,065,645	32,048,429
Effect of dilutive securities:				
Stock Options	-	105,190	-	84,640
Weighted average number of common shares and pontential dilutive shares outstanding used in diluted earnings per share	32,065,645	32,170,835	32,065,645	32,133,069

For the nine months ended September 30, 2014 and 2013, the Company had no options that were not included in the computation of diluted earnings per share.

NOTE 13 - STOCKHOLDERS' EQUITY

Preferred Stock - The Company is authorized to issue 10,000,000 shares of no par value preferred stock with such rights and preferences and in such series as determined by the Board of Directors at the time of issuance. No shares are issued or outstanding as of September 30, 2014 and December 31, 2013.

Common Stock Issuances – During April 2013, the Company issued 50,000 common shares of stock, at $0.723 per share, upon the exercise of stock options under the 2002 Stock option plan.

Dividends - During the nine months ended September 30, 2014 and 2013, the Company paid $1,539,689 and $833,801, respectively, in dividends to common shareholders, none of which was considered a liquidating dividend.

Repurchase of Common Shares - The Board of Directors has authorized the Company to repurchase up to $2,500,000 of the Company’s Common Stock at market prices. The amount and timing of the shares to be repurchased are at the discretion of management. Through September 30, 2014, 3,102,135 shares, at $0.70 to $0.94 per share at an aggregate cost of $2,394,294, were repurchased and canceled under this program. At September 30, 2014, the

Company is authorized to repurchase an additional $105,706 of the Company's common stock.

2002 Stock Option Plan - During the nine months ended September 30, 2014 and 2013, the Company received $0 and $36,150, respectively, upon the exercise awards and realized an estimated tax benefit of $0 and $7,000, respectively, due to the exercise of the options.

NOTE 14 - SIGNIFICANT CUSTOMERS / CONCENTRATION

The Company's products are marketed by a network of food brokers and sold to retail, foodservice, club-type stores, and industrial accounts. The Company's products are sold by the Company and through distributors.

The Company had two customers who accounted for 63%, and 21% of outstanding receivables at September 30, 2014, 62% and 15% at December 31, 2013.

During the three months ending September 30, 2014 and 2013, 54% and 55% of the Company's total gross sales, respectively, were handled by a non-exclusive national distributor. For the nine months ended September 30, 2014 and 2013 these same distributors represented 55% and 54%.

During the three months ending September 30, 2014 and 2013 Asian sales amounted to 13% and 10% of the Company's total gross sales, respectively. For the nine months ended September 30, 2014, sales into Asia represented 13% and 11%, respectively, of the Company's total gross sales for such period.

The Company's food brokers are paid commissions ranging from 2% to 5% of sales depending on products sold and selling price. The following table lists the total gross sales from continuing operations through each of the Company's top three brokers for the three and six months ending September 30:

	For the Three Months Ended September 30,		**For the Nine Months Ended September 30,**	
	2014	**2013**	**2014**	**2013**
Broker A	$1,314,140	$ 1,212,367	$3,761,163	3,585,301
Broker B	$911,100	$ 871,449	$2,749,476	2,510,757
Broker C	$700,045	$ 642,779	$2,002,944	1,823,572

NOTE 15 – SUBSEQUENT EVENT

Subsequent events have been evaluated through November 13, 2014.

On September 11, 2014, the Company's Board of Directors declared a regular cash dividend of $0.018 per share that was paid on October 24, 2014 to shareholders of record on October 3, 2014.

SUPPLEMENTAL INFORMATION

1. MANAGEMENT DISCUSSION AND ANALYSIS

A. Results of Operations

Liquidity and Capital Resources:

At September 30, 2014 the Company had working capital of $7,647,745 compared to $6,452,403 on December 31, 2013. This increase reflects the Company's continued profitability which in turn has resulted in higher balances in cash, and receivables. Also, inventories were higher partly due to timing and the Company's need to build inventory to keep up with higher demand. As an offset, current liabilities were higher due to timing. The Company's strong cash position has enabled it to pay down its debt incurred to repurchase common shares and to pay an increased quarterly dividend. This quarter's dividend is the Company's 57th consecutive regular quarterly dividend, constituting 14 years of regular quarterly dividend payments.

Results of Operations:

Net sales for the quarter ending September 30, 2014 has increased by 18% to $8,697,316 from $7,389,449 in the same quarter last year. This increase reflects higher demand for the Company's core products, as well as an increase in its customer base.

Cost of goods sold as a percentage of net sales for the quarter ending September 30, 2014 was 63%, consistent with the same quarter last year. Since the beginning of 2014, the Company continued to invest in higher than normal promotional expenses which have helped to fuel growth in sales, market share, and overall profitability. As an offset to higher promotional expenses, the Company has had a favorable change in its product mix which shifted towards more profitable items.

Operating expenses as a percentage of net sales for the quarter ending September 30, 2014 decreased to 16% from 17% in the same quarter last year. The Company continues to benefit from economies of scale in its operating expenses.

Net income of $1,146,548 for the three months ended September 30, 2014 increased $253,338 or 28% over the net income of $893,210 for the three months ended September 30, 2013 largely as a result of higher demand for its products.

On a year to date basis the Company's net income for the nine months ending September 30, 2014 was 20% higher than the same period last year.

The Company continues to remain cautiously optimistic about its overall sales and profitability for the remainder of 2014 as its flavorful natural products, wide distribution network, excellent quality assurance programs and customer service continue to be well received by the foodservice and industrial food market segments. It continued to invest in higher than normal promotional expenses in the third quarter which helped fuel higher sales. It plans to continue this model for the near term with a goal of obtaining additional market share in several domestic markets. So far this year the higher promotional expenses have been largely offset by favorable changes in the overall product mix towards more profitable products. The Company's domestic and international sales pipeline and its cash position currently remain strong.

Cash Flow:
For the nine months ending September 30, 2014 cash flow from operating activities increased by $501,987 to $2,846,347 from $2,344,360 in the same period last year. This increase is consistent with the Company's increase in sales and profitability.

Net cash used in investing activities for the nine months ending September 30, 2014 decreased by $833,711 to $<50,588> from $<884,299> in the same period last year. This comparative decrease is largely due to the 2013 impact of the Company's purchase of new plant equipment in that year, as well as the impact from the timing of the maturity and reinvestment of certificates of deposit.

Net cash used by financing activities for the nine months ending September 30, 2014 increased by $<754,338> to $<1,839,036> from $<1,084,698> in the same period of 2013. The increase is mainly due to prior year timing differences in the payment of dividends – no dividends were paid in the first quarter of 2013 because the Company decided to pay the dividend in December of the prior year so that shareholders could take advantage of lower tax rates on dividends for that year. Also, the company's dividend rate in the first nine months of 2014 increased to $0.016 per share compared to $0.012 per share for the same period last year.

While the Company's cash flow is currently strong, it intends to closely manage its cash flow activities for the remainder of 2014.

B. Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

2. LEGAL PROCEEDINGS
The Company is not party to any material legal proceedings or administrative actions.

3. DEFAULTS UPON SENIOR SECURITIES
The Company is not in default upon any of its debts.

4. EXHIBITS

   There are no updates to the “Material Contracts”, “Articles of Incorporation” or “Bylaws” described in items XVIII and XIX, respectively, of the Company’s 2013 Annual Report.