



ANNUAL REPORT
DECEMBER 31, 2018

ARMANINO FOODS OF DISTINCTION, INC.
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OTC PINK BASIC DISCLOSURE GUIDELINES

1. NAME OF THE ISSUER AND ITS PREDECESSORS (IF ANY):
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
- Voting Rights: one vote per share
- Preemption Rights: None
- Other Material Rights: None
- Provisions in Charter or by-laws that would delay, defer or prevent a change in control of the issuer: None

	December 31, <u>2018</u>	December 31, <u>2017</u>
Common Shares authorized	40,000,000	40,000,000
Common Shares outstanding	32,065,645	32,065,645
Freely tradable shares	31,273,617	31,265,997
# of beneficial shareholders ⁽¹⁾	1,300	1,300
# of shareholders of record	107	109

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

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available.

c. Additional class of securities: Preferred Stock

- CUSIP: 042166801
- Par or Stated Value: no par
- Any rights regarding voting, preemption, etc., will be determined by the Board of Directors at the time of issuance.

	December 31, <u>2018</u>	December 31, <u>2017</u>
Shares authorized	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 securities:

792,028 shares of common stock are restricted as of 12/31/18; and 799,648 shares of common stock are restricted as of 12/31/17.

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 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. The Company's annual audited financial statements are included within its Consolidated Financial Statements starting on page 10.

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 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. The Company owned all of its manufacturing equipment as of December 31, 2018.

8. OFFICERS, DIRECTORS, AND CONTROL PERSONS

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

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<u>Name</u>	<u>Business Address</u>	<u>Positions and Offices Held & Term as a Director</u>	<u>Shares Owned</u>
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.	777,387
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	Director and Secretary since February 2009.	626,975
Edgar Estonina	30588 San Antonio Street Hayward, CA 94544	Chief Operating Officer since December 2015; Chief Financial Officer since February 2009; Controller from June 2006 to February 2009	N/A Information Voluntary

- 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

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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: Tyler Neves

Firm: Sadler, Gibb, & Associates, LLC

Address 1: 2455 East Parleys Way, Suite 320

Address 2: Salt Lake City, UT 84109

Phone: (801) 783-2950

Email: tneves@sadlergibb.com

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10. ISSUER CERTIFICATION

I, Edmond J. Pera, certify that:

- (i) I have reviewed this annual 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.

March 29, 2019
/s/Edmond J. Pera
CEO

ARMANINO FOODS OF DISTINCTION, INC.
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10. ISSUER CERTIFICATION (Continued)

I, Edgar Estonina, certify that:

- (i) I have reviewed this annual 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.

March 29, 2019
/s/Edgar Estonina
COO/CFO

ARMANINO FOODS OF DISTINCTION, INC.
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AUDITED FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of
Armanino Foods of Distinction, Inc.
Hayward, California

We have audited the accompanying financial statements of Armanino Foods of Distinction, Inc. (the Company) which comprise the consolidated balance sheet as of December 31, 2018 and the related statements of earnings and comprehensive income, stockholders' equity and cash flows for the year then ended, and the related notes to the financial statements (collectively referred to as the "financial statements"). The consolidated financial statements of Armanino Foods of Distinction, Inc., Inc. as of December 31, 2017 were audited by other auditors, whose report dated March 30, 2018, expressed an unqualified opinion on those statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Armanino Foods of Distinction, Inc. as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America

Sadler Gibb & Assoc.

Salt Lake City, UT
March 29, 2019



4397 SOUTH ALBRIGHT DRIVE • SALT LAKE CITY, UTAH 84124
(801) 277-2763 PHONE

Report of Independent Certified Public Accountants

Board of Directors and Shareholders
ARMANINO FOODS OF DISTINCTION, INC. AND SUBSIDIARY
Hayward, California

We have audited the accompanying consolidated balance sheet of Armanino Foods of Distinction, Inc. and Subsidiary as of December 31, 2017, and the related consolidated statement of earnings stockholders' equity and consolidated cash flows for the year ended December 31, 2017. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Management's Responsibility for the Consolidated Financial Statements - Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement.

Auditor's Responsibility - Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessing the risk of material misstatement of the consolidated financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the company's internal controls over financial reporting. Accordingly, we express no such opinion on the internal controls.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion - In our opinion, based on our audit the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Armanino Foods of Distinction, Inc. and Subsidiary as of December 31, 2017, and the consolidated statement of earnings, stockholders equity and their consolidated cash flows for the years ended December 31, 2017, in conformity with generally accepted accounting principles in the United States of America.

March 30, 2018
Salt Lake City, Utah

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CONSOLIDATED BALANCE SHEETS:

	As of December 31,	
	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 6,374,142	\$ 4,578,645
Certificates of deposit	1,135,692	1,145,900
Accounts receivable, net	6,253,458	5,879,706
Inventories, net	4,143,233	4,135,873
Prepaid expenses	1,151,072	1,113,033
Total Current Assets	<u>19,057,597</u>	<u>16,853,157</u>
PROPERTY AND EQUIPMENT, net	<u>5,776,716</u>	<u>4,966,144</u>
NON-CURRENT ASSETS		
Deposits	20,000	20,000
Goodwill	375,438	375,438
Trademarks	72,742	72,742
Total Non-Current Assets	<u>468,180</u>	<u>468,180</u>
Total Assets	<u>\$ 25,302,493</u>	<u>\$ 22,287,481</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable - current portion	\$ 731,293	\$ 726,638
Accounts payable - trade	1,757,901	1,888,951
Accrued payroll and payroll taxes	711,248	509,353
Dividends payable	721,477	641,313
Total Current Liabilities	<u>3,921,919</u>	<u>3,766,255</u>
NON-CURRENT LIABILITIES		
Notes payable and long-term debt	2,180,489	2,911,783
Deferred tax liability	1,017,952	807,188
Total Non-Current Liabilities	<u>3,198,441</u>	<u>3,718,971</u>
Total Liabilities	<u>7,120,360</u>	<u>7,485,226</u>
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 December 31, 2018 and 2017, respectively	2,774,990	2,774,990
Additional paid-in capital	48,202	48,202
Retained earnings	15,358,941	11,979,063
Total Stockholders' Equity	<u>18,182,133</u>	<u>14,802,255</u>
Total Liabilities and Stockholders' Equity	<u>\$ 25,302,493</u>	<u>\$ 22,287,481</u>

The accompanying notes are an integral part of these consolidated financial statements

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CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME:

	FOR THE YEAR ENDED DECEMBER 31,	
	2018	2017
NET SALES	\$ 41,838,018	\$ 38,993,196
COST OF GOODS SOLD	27,109,818	25,514,596
GROSS PROFIT	14,728,200	13,478,600
OPERATING EXPENSES		
General, administrative and selling expense	2,288,658	2,044,945
Salaries and wages	3,139,550	3,070,263
Commissions	1,272,333	1,255,465
Total Operating Expense	6,700,541	6,370,673
INCOME FROM OPERATIONS	8,027,659	7,107,927
OTHER INCOME (EXPENSE)		
Interest and other income	211,288	167,962
Loss on sale of fixed assets	-	(5,677)
Interest (expense)	(112,861)	(29,443)
Total Other Income (Expense)	98,427	132,842
INCOME BEFORE INCOME TAXES	8,126,086	7,240,769
CURRENT TAX EXPENSE	1,649,535	1,370,128
DEFERRED TAX EXPENSE	210,764	783,867
NET INCOME	\$ 6,265,786	\$ 5,086,774
EARNINGS PER COMMON AND EQUIVALENT SHARES:		
BASIC EARNINGS PER SHARE	\$ 0.1954	\$ 0.1586
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	32,065,645	32,065,645
DILUTED EARNINGS PER SHARE	\$ 0.1954	\$ 0.1586
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING ASSUMING DILUTION	32,065,645	32,065,645

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CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY:

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Retained</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Other</u>	<u>Earnings</u>
			<u>Capital</u>	<u>Comprehensive</u>	
				<u>Income</u>	
BALANCE, December 31, 2016	32,065,645	\$ 2,774,990	\$ 48,202	\$ (113)	\$ 9,457,541
Dividends on common shares	-	-	-	-	(2,565,252)
Derivative instrument accounted for as a hedge net of tax of \$67	-	-	-	113	-
Net income for the year ended December 31, 2017	-	-	-	-	5,086,774
BALANCE, December 31, 2017	32,065,645	\$ 2,774,990	\$ 48,202	\$ -	\$ 11,979,063
Dividends on common shares	-	-	-	-	(2,885,908)
Net income for the year ended December 31, 2018	-	-	-	-	6,265,786
BALANCE, December 31, 2018	32,065,645	\$ 2,774,990	\$ 48,202	\$ -	\$ 15,358,941

The accompanying notes are an integral part of these consolidated financial statements

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CONSOLIDATED STATEMENTS OF CASH FLOW

Increase (Decrease) in Cash and Cash Equivalents:

	For the Years Ended	
	December 31	
	2018	2017
Cash Flows from Operating Activities:		
Net Income	\$ 6,265,786	\$ 5,086,774
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	555,811	365,599
Change in deferred tax asset / liability	210,764	783,867
Gain on sale of equipment	-	27,003
Changes in assets and liabilities:		
Accounts receivable	(373,752)	(1,330,500)
Inventory	(7,360)	(697,950)
Prepaid expenses	(52,351)	164,691
Accounts payable, accrued expenses, and taxes payable	85,156	(518,080)
Total Adjustments	418,268	(1,205,370)
Net Cash Provided by Operating Activities	6,684,054	3,881,404
Cash Flows from Investing Activities:		
Purchase of property and equipment	(1,366,382)	(3,713,760)
Purchase of Trademarks	-	(173)
Proceeds (Purchase) of certificates of deposit	10,208	(274,113)
Net Cash Used by Investing Activities	(1,356,174)	(3,988,046)
Cash Flows from Financing Activities:		
Proceeds notes payable	-	3,638,421
Payments on notes payable	(726,638)	(89,950)
Dividends paid	(2,805,745)	(2,565,251)
Net Cash Provided by (Used by) Financing Activities	(3,532,383)	983,220
Net Increase (Decrease) in Cash and Cash Equivalents	1,795,497	876,578
Cash and Cash Equivalents at Beginning of Period	4,578,645	3,702,067
Cash and Cash Equivalents at End of Period	\$ 6,374,142	\$ 4,578,645
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	\$ 112,861	\$ 29,443
Income Taxes	\$ 1,635,223	\$ 2,102,000

The accompanying notes are an integral part of these consolidated financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Basis of Presentation - Armanino Foods of Distinction, Inc. (the “Company”) was incorporated in the state of Colorado in October 1986. The Company engages in the production and marketing of upscale and innovative food products, including primarily frozen pesto sauces, frozen pasta products, sauces, and cooked and frozen meat and poultry products, to customers throughout the United States, Canada and Asia.

The consolidated financial statements include the accounts of the Company and its wholly-owned dormant subsidiary AFDI, Inc. which was incorporated in May 1995. 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 \$6,351,187 and \$4,293,571 in excess of federally insured amounts in its bank accounts at December 31, 2018, and 2017, respectively.

Certificates of Deposit - The Company accounts for investments in debt and equity securities in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 320 Investments – Debt and Equity Securities. Under Topic 320 the Company’s certificates of deposit (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 December 31, 2018, the Company had eleven certificates of deposit with a purchase value of \$1,125,325 and a fair value totaling \$1,135,692, amortized value totaling \$1,135,692 and mature through October 4, 2021.

Accounts Receivable - Accounts receivable consist of trade receivables arising in the normal course of business. At December 31, 2018, and 2017, 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 were \$6,466 and \$0 at December 31, 2018, and 2017, respectively.

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

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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 December 31 of each year 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 receivables is reasonably assured. Products are primarily shipped FOB shipping point at which time title passes to the customer and the performance obligation has been completed. In some instances, the Company uses common carriers for the delivery of products. In these arrangements, sales are recognized, and performance obligation completed 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 years ended December 31, 2018, and 2017:

	FOR THE YEAR ENDED	
	DECEMBER 31,	
	2018	2017
Gross Sales	\$ 50,445,100	\$ 46,774,624
Less: Discounts	(850,824)	(767,190)
Slotting	(400)	(3,920)
Promotions	(7,755,858)	(7,010,318)
Net Sales	<u>\$ 41,838,018</u>	<u>\$ 38,993,196</u>

Advertising Cost - Cost incurred in connection with advertising of the Company's products are expensed as incurred. Such costs amounted to \$2,476 and \$8,106 for the years ended December 31, 2018, and 2017, respectively.

The accompanying notes are an integral part of these consolidated financial statements

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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 at December 31, 2018, and 2017 are \$9,663 and \$3,089, respectively, of research and development costs.

Income Taxes - The Company accounts for income taxes in accordance with FASB ASC Topic 740 Accounting 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.

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, Compensation – Stock Compensation. Accordingly the fair value estimated on the date of grant using the Black-Scholes option-pricing model is recognized over the vesting period of the underlying options.

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 – In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The new standard requires companies to recognize revenue when control of promised goods or services is transferred to customers at an amount that reflects the

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consideration to which the company expects to be entitled in exchange for the goods or services. The new model requires companies to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time for each of these obligations. The new standard also significantly expands disclosure requirements regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This standard is effective for us beginning in the first quarter of 2019. We do not believe that that adoption of ASU No. 2014-09 will have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), or ASU 2016-02. ASU 2016-02 requires lessees to recognize for all leases (with the exception of short-term leases) at the commencement date, a lease liability which is a lessee's obligation to make lease payments arising from a lease measured on a discounted basis, and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and should be applied with a modified retrospective transition approach, with early adoption permitted. The Company is currently evaluating the impact of the adoption of ASU 2016-02 on its financial statements.

Other 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 years ended December 31, 2018, and 2017, the Company paid fees totaling \$172,509 and \$22,620, respectively, to directors/shareholders for business consulting in connection with strategic planning, industrial engineering, and business development, as well as for tax preparation and related services.

NOTE 3 - INVENTORY

Inventory consists of the following at December 31, 2018, and 2017:

	2018	2017
Raw materials and supplies	\$ 1,185,296	\$ 934,342
Finished goods	2,982,937	3,226,531
Reserve for obsolescence	(25,000)	(25,000)
Net Inventory	<u>\$ 4,143,233</u>	<u>\$ 4,135,873</u>

The Company's inventory is held as collateral on the Company's notes payable.

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NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2018, and 2017:

	Useful Life	2018	2017
Office equipment & furniture	2 – 10	\$ 622,804	\$ 513,164
Machinery and equipment	5 – 20	4,792,186	3,645,294
Vehicles	7	45,989	45,989
Leasehold improvements	3 – 25	3,583,657	3,473,807
		<u>9,044,636</u>	<u>7,678,254</u>
Less Accumulated Depreciation		(3,267,920)	(2,712,110)
Net Property and Equipment		<u>\$ 5,776,716</u>	<u>\$ 4,966,144</u>

Depreciation expense amounted to \$555,811 and \$365,599, for the years ended December 31, 2018, and 2017, respectively. The Company's property and equipment is held as collateral on the notes payable.

NOTE 5 – INDEFINITE LIFE INTANGIBLE ASSETS

Goodwill -- Goodwill represents the excess of the cost of purchasing Alborough, Inc. over the fair market value of the assets on May 20, 1996 less applicable amortization prior to the adoption of FASB ASC Topic 350. At December 31, 2018, and 2017, Goodwill amounted \$375,438.

Trademarks -- Trademarks represents the current costs seeking trademarks. At December 31, 2018, and 2017, trademarks amounted \$72,742 and \$72,742.

On December 31 of each year, the Company tested its goodwill and trademarks for impairment in accordance with FASB ASC Topic 350. The Company used the quoted market price of its stock and projected earnings to test goodwill and trademarks for impairment and determined that the Company's goodwill and trademarks were not impaired.

NOTE 6 – LINES OF CREDIT / NOTE PAYABLE

Line of Credit / Note Payable – During 2018, the Company converted a line of credit, used to finance a plant expansion project, to a note payable calling for monthly principal payments of \$51,667 plus interest totaling approximately \$60,000. The note/line accrues interest at a fixed rate of 3.35% and is secured by all of the Company's personal property and matures in September 2022. During 2018, the Company made \$620,000 in principal payments on the

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note/line. At December 31, 2018 and 2017, there was \$2,436,606 and \$3,056,606 outstanding on the note/line.

Equipment Financing Agreement – During 2017 the Company entered into an equipment financing agreement with a financial institution to support the purchase of new equipment for its plant expansion project. The note accrues interest at a fixed rate of 4.28% and is secured by the equipment purchased. During 2018, the Company made \$106,638 in principal payments on the note. At December 31, 2018, and 2017, there was \$475,177 and \$581,815, payable in monthly installments of \$10,789 and matures in December 2022.

A summary of the lines of credit, notes payable and financing agreements is as follows:

	<u>2018</u>	<u>2017</u>
3.35% Note payable for plant reconstruction Payable in monthly principal installments of \$51,667 plus interest totaling approximately \$60,000, maturing September 22, 2022.	2,436,606	3,056,606
4.28% Equipment financing agreement, Payable in monthly installments of \$10,789, maturing December 2022.	475,177	581,815
	<u>2,911,783</u>	<u>3,638,421</u>
Less Current Portion of Notes Payable	(731,293)	(726,638)
Long Term Portion of Notes Payable	<u>\$ 2,180,490</u>	<u>\$2,911,783</u>

Future Maturities of the notes payable at December 31, 2018 are as follows:

Year ending December 31,	
2019	\$ 731,293
2020	736,151
2021	741,221
2022	703,118
2023	-
Thereafter	-
	<u>\$ 2,911,783</u>

NOTE 7 - LEASES

Operating Leases - During 2016, the Company renewed the lease of 30588 San Antonio Street in Hayward for another five years through December 31, 2021 and negotiated two additional five-year options to extend the lease thereafter. Under the amended and restated lease agreement, the monthly base rent commencing January 1, 2017 is \$21,000, with fixed annual

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rent increases ranging from 2.6% to 2.8%. If the Company elects to exercise its first five-year option, the base rent will be set at the prevailing fair market rental value, but not less than \$23,806, with annual rent increases fixed at 2%. If the Company elects to exercise its second five-year option, the base rent will be set at the prevailing fair market rental value, but not less than \$26,283, with annual rent increases fixed at 2%.

During 2016, the Company renewed the lease of 30641 San Antonio Street in Hayward for another five years through December 31, 2021 and negotiated one additional five-year option to extend the lease thereafter. Under the amended and restated lease agreement, the monthly base rent commencing January 1, 2017 is \$4,300 plus \$1,622 in common operating expenses, with fixed annual rent increases of 3%. If the Company elects to exercise its five-year option, the base rent will be set at the prevailing fair market rental value.

The future minimum lease payments for non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2018 are as follows:

<u>Year ending December 31</u>	<u>Lease Payments</u>
2019	\$ 340,260
2020	348,816
2021	357,612
2022	-
2033	-
Thereafter	-
Total Minimum Lease Payments	<u>\$ 1,046,688</u>

The Company's total lease payments were \$331,668 and \$323,064, for the years ended December 31, 2018, and 2017, respectively.

NOTE 8 - 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 2018 and 2017, Company matching contributions to the plan expensed were \$81,702 and \$83,830, respectively.

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NOTE 9 - INCOME TAXES

The Company accounts for income taxes in accordance with FASB ASC Topic 740, Accounting for Income Taxes; 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 carryforwards. At December 31, 2018, and 2017, the total of all deferred tax assets was \$95,933 and \$77,232, respectively, and the total of the deferred tax liabilities was \$1,113,885 and \$884,420, 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 carryforwards gave rise to the following deferred tax asset (liabilities) at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Inventory 263A adjustment	\$ 38,603	\$ 29,223
Reserve for accrued vacation	43,353	48,009
Bad debt	2,588	-
Obsolete Inventory	6,471	-
Reserve for sales returns	4,918	-
Excess of book over tax depreciation	(1,113,885)	(884,420)
Net deferred tax asset (liability)	<u>\$ (1,017,951)</u>	<u>\$ (807,188)</u>

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

The components of income tax expense (benefit) from continuing operations for the years ended December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Current income tax expense (benefit):		
Federal	\$ 1,292,535	\$ 871,592
State	356,822	497,536
Current tax expense	<u>\$ 1,649,535</u>	<u>\$ 1,370,128</u>
Deferred tax expense (benefit) arising from:		
Excess of tax over financial accounting depreciation	\$ 229,465	\$ 751,807
Reserve for accrued vacation	4,656	21,980
Bad Debt	(2,588)	-

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Obsolete Inventory	(6,471)	-
Reserve for sales returns	(4,918)	-
Inventory 263A adjustment	(9,380)	10,080
Net deferred tax (benefit)	<u>\$ 210,764</u>	<u>\$ 783,867</u>

Deferred income tax expense / (benefit) results primarily from the reversal of temporary timing differences between tax and financial statement income.

The Company files U.S. federal, California, New York, Colorado, Florida, Illinois, Texas and Maryland state income tax returns, and we are generally no longer subject to tax examinations for years prior to 2013 for U.S. federal and U.S. states tax returns. The Company U.S. Federal income tax returns for the years ended December 31, 2013 are currently under audit by the Internal Revenue Service.

A reconciliation of income tax expense at the federal statutory rate to income tax expense at the company's effective rate is as follows at December 31, 2018, and 2017:

	<u>2018</u>	<u>2017</u>
Computed tax at expected statutory rate	\$ 1,706,478	\$ 2,461,861
State and local income taxes, net of federal benefit	396,783	422,455
Non-deductible expenses	17,983	28,835
Change in corporate tax rate	-	(492,827)
Manufacture tax credits	-	(102,026)
Other Items	(51,945)	-
Research & development tax credit	<u>(209,000)</u>	<u>(164,303)</u>
Income tax expense	<u>\$ 1,860,299</u>	<u>\$ 2,153,995</u>

NOTE 10 - 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 years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Net income	\$ 6,265,787	\$ 5,086,774
Weighted average number of common shares outstanding used in basic earnings per share.	32,065,645	32,065,645
Effect of dilutive securities: Stock Options	<u>-</u>	<u>-</u>

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Weighted number of common shares and potential dilutive common shares outstanding used in dilutive earnings per share	<u>32,065,645</u>	<u>32,065,645</u>
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For the year ended December 31, 2018 and 2017, the Company had no options that were not included in the computation of diluted earnings per share.

NOTE 11 - 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 December 31, 2018, and 2017.

Dividends - During the years ended 2018, and 2017 the Company paid total dividends of \$2,885,908 and \$2,565,252, respectively, none of which were considered a liquidating dividend.

Treasury Stock – During 2011, 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 the years ended December 31, 2018, and 2017, 3,057,535 common shares were repurchased under this program at an aggregate cost of \$2,360,764. At December 31, 2018, the Company is authorized to repurchase an additional \$105,706 worth of the Company's common stock.

Stock Options – At December 31, 2018, and 2017 there were no stock options granted or outstanding.

NOTE 12 - 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 distributor customers who accounted for 73% and 5% of outstanding receivables at December 31, 2018; 66% and 10% at December 31, 2017.

During the years ended December 31, 2018, and 2017, 56% and 58% of the Company's total gross sales were handled by a non-exclusive national distributor.

During the years ended December 31, 2018, and 2017, sales to the Company's distributor in Asia amounted to 8% and 8% of the Company's total gross sales.

The Company's food brokers are paid commissions ranging from 2% to 4% of sales depending

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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:

	<u>2018</u>	<u>2017</u>
Broker A	\$6,625,891	\$5,781,270
Broker B	4,682,632	4,638,949
Broker C	3,585,046	3,370,705

NOTE 13 – SUBSEQUENT EVENTS

The Company's management has reviewed all material events through the date of this report and there were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein, except as disclosed in the following paragraphs.

On January 25, 2019, the Company paid out \$721,477 for regular cash dividends which the Company's Board of Directors declared on December 7, 2018 payable to shareholders of record on January 2, 2019.

On March 7, 2019, the Company's Board of Directors declared a regular cash dividend of \$0.025 per share that is payable on or about April 26, 2019 to shareholders of record on April 1, 2019.

In March 2019, the Company's Board of Directors approved the adoption of a phantom stock bonus program: the "2019 Phantom Stock Plan" or the "Plan". The Plan provides a means to promote company profitability by awarding bonuses upon each participants' exercise that simulate the financial benefits of common stock ownership. The Plan allows for the issuance of up to 1,000,000 shares of phantom stock expiring 10 years from the date of grant with vesting terms and exercise prices to be determined by the Board of Directors from time to time upon the issuance of phantom stock to employees, directors and consultants of the Company. On March 7, 2019, the Company issued 450,000 shares of phantom stock to various directors and management with an exercise price of \$3.33 and with vesting terms over 48 months of continued service.

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SUPPLEMENTAL INFORMATION

I. SAFE HARBOR

This supplemental information contains forward-looking statements within the meaning of U.S. securities laws, including statements regarding the Company's goals and growth prospects. These forward looking statements are subject to certain risks and uncertainties that could cause the actual results to differ materially from those projected, including general economic conditions, fluctuations in customer demand, competitive factors such as pricing pressures on existing products, and the timing and market acceptance of new product introductions, the Company's ability to achieve manufacturing efficiencies necessary for profitable sales at current pricing, and the risk factors listed from time-to-time in the Company's annual and quarterly reports. The Company assumes no obligation to update the information included in this supplemental information, except as required by law.

II. DIVIDENDS DECLARED ON COMMON STOCK

Through December 31, 2018, the Company has declared 75 consecutive quarterly dividends:

i. Q4 2018 = 2.250 cents	xxvi. Q3 2012 = 2.400 cents	li. Q2 2006 = 0.625 cents
ii. Q3 2018 = 2.250 cents	xxvii. Q2 2012 = 1.200 cents	lii. Q1 2006 = 0.625 cents
iii. Q2 2018 = 2.250 cents	xxviii. Q1 2012 = 1.200 cents	liii. Q4 2005 = 3.050 cents*
iv. Q1 2018 = 2.250 cents	xxix. Q4 2011 = 1.200 cents	liv. Q3 2005 = 0.500 cents*
v. Q4 2017 = 2.000 cents	xxx. Q3 2011 = 1.200 cents	lv. Q2 2005 = 0.500 cents*
vi. Q3 2017 = 2.000 cents	xxxi. Q2 2011 = 1.000 cents	lvi. Q1 2005 = 0.500 cents*
vii. Q2 2017 = 2.000 cents	xxxii. Q1 2011 = 1.000 cents	lvii. Q4 2004 = 1.500 cents*
viii. Q1 2017 = 2.000 cents	xxxiii. Q4 2010 = 1.000 cents	lviii. Q3 2004 = 0.500 cents*
ix. Q4 2016 = 2.000 cents	xxxiv. Q3 2010 = 1.650 cents	lix. Q2 2004 = 0.500 cents*
x. Q3 2016 = 2.000 cents	xxxv. Q2 2010 = 0.825 cents	lx. Q1 2004 = 0.500 cents*
xi. Q2 2016 = 2.000 cents	xxxvi. Q1 2010 = 0.825 cents	lxi. Q4 2003 = 1.000 cents*
xii. Q1 2016 = 1.900 cents	xxxvii. Q4 2009 = 1.650 cents	lxii. Q3 2003 = 0.500 cents*
xiii. Q4 2015 = 1.900 cents	xxxviii. Q3 2009 = 0.750 cents	lxiii. Q2 2003 = 0.500 cents*
xiv. Q3 2015 = 1.900 cents	xxxix. Q2 2009 = 0.750 cents	lxiv. Q1 2003 = 0.500 cents*
xv. Q2 2015 = 1.800 cents	xl. Q1 2009 = 0.750 cents	lxv. Q4 2002 = 0.500 cents*
xvi. Q1 2015 = 1.800 cents	xli. Q4 2008 = 0.750 cents	lxvi. Q3 2002 = 0.500 cents*
xvii. Q4 2014 = 1.800 cents	xlvi. Q3 2008 = 0.750 cents	lxvii. Q2 2002 = 0.500 cents*
xviii. Q3 2014 = 1.800 cents	xlvi. Q2 2008 = 0.750 cents	lxviii. Q1 2002 = 0.500 cents*
xix. Q2 2014 = 1.600 cents	xlvi. Q1 2008 = 0.750 cents	lxix. Q4 2001 = 1.800 cents*
xx. Q1 2014 = 1.600 cents	xlvi. Q4 2007 = 1.373 cents	lxx. Q3 2001 = 0.500 cents*
xxi. Q4 2013 = 1.600 cents	xlvi. Q3 2007 = 0.625 cents	lxxi. Q2 2001 = 0.500 cents*
xxii. Q3 2013 = 1.400 cents	xlvi. Q2 2007 = 0.625 cents	lxxii. Q1 2001 = 0.500 cents*
xxiii. Q2 2013 = 1.400 cents	xlvi. Q1 2007 = 0.625 cents	lxxiii. Q4 2000 = 0.300 cents*
xxiv. Q1 2013 = 1.200 cents	xlvi. Q4 2006 = 1.875 cents	lxxiv. Q3 2000 = 0.250 cents*
xxv. Q4 2012 = 1.200 cents	l. Q3 2006 = 0.625 cents	lxxv. Q2 2000 = 1.250 cents*

**Adjusted for the impact from all related splits to date.*

III. NATURE OF ISSUER'S BUSINESS

a. Business Development

Armanino Foods of Distinction, Inc. (the "Company"), is a Colorado corporation incorporated in 1986 operating on a calendar year-end basis.

Since August 2005, the Company's Common Stock has been quoted on the OTC Markets Quotation Service. Prior to August 2005 the Company's common stock was traded on NASDAQ, but the Company decided to deregister itself from NASDAQ. Although following deregistration the Company is not required to file Securities and Exchange Commission Forms 10 KSB, 10 QSB, 8 K and proxy statements, the Company continues to have its financial statements audited and has made its quarterly and annual financial and other information publicly available.

In September 2010 the Company's board of directors authorized \$1,000,000 for the repurchase and retirement of shares of the Company's common stock. The Company's board of directors subsequently authorized an additional \$1,000,000 and \$500,000 in May 2011 and December 2011, respectively, bringing the total amount authorized for the stock repurchase program to \$2,500,000. As of December 31, 2018 the Company has acquired a total of 3,102,135 shares of its common stock at an aggregate purchase price of \$2,394,294. The total number of shares repurchased represents approximately 9% of the Company's common shares outstanding before the stock repurchases. The Company funded its stock repurchase program mainly through a \$2,000,000 line of credit which it entered into with a financial institution back in September 2010, with the remaining balance being funded through cash reserves. As of December 31, 2018, the Company has drawn and repaid the \$2,000,000 from its line of credit.

During the year ending December 31, 2018, and 2017, the Company expended a total of \$1,366,382 and \$3,713,760, for property and equipment, as well as leasehold improvements for the manufacturing plant.

The Company was not party to any material legal proceedings or administrative actions in 2018 and 2017 and is not now a party to any material legal proceedings or administrative actions.

b. Business of Issuer

The Company is currently engaged in the production and marketing of upscale and innovative frozen and refrigerated food products, including pesto and other sauces, stuffed pasta products, and cooked meat products. Its SIC code is 2030. The Company is not now, nor has it ever been a shell company. The Company has a wholly-owned but dormant subsidiary, AFDI, Inc., which was incorporated in May 1995.

The Company's current manufacturing operations are regulated by the United States Food and Drug Administration ("USFDA") as well as state and local authorities. The Company is subject to various regulations with respect to cleanliness, maintenance of food production equipment, food handling and storage, and is subject to onsite inspections by federal, state and local regulatory agencies. Under various statutes and regulations, the regulatory agencies prescribe requirements and establish standards for quality, purity and labeling. The finding of a failure to comply with one or more regulatory requirements can result in a variety of sanctions, including the stopping of production, monetary fines and/or the compulsory recall of products. However, with respect to products not manufactured by the Company, the Company believes that in the event any such violations were found to exist, the Company could seek compensation from the manufacturer of the cited product or products since the manufacturer is responsible for processing, manufacturing, packaging and labeling such products. Nevertheless, there can be no assurance that the Company would be successful in recovering such compensation.

The Company is certified by the British Retail Consortium (BRC) Global Standards for Food Safety. This certification program is recognized worldwide and is often a fundamental requirement of the Company's existing and prospective customers. The certification process entails an independent annual audit of the Company's food safety systems, standards, processes, and controls. Currently, the Company holds a distinguished "AA" rating on its BRC certification which improved from its "A" rating last year.

The Company expenses research and development costs for the development of new products as incurred. Included in general and administrative expense at

December 31, 2018, and 2017 are \$9,663 and \$3,089, respectively, of research and development costs. These costs are not borne directly by customers.

The Company believes that it is in compliance with environmental laws (federal, state and local). The costs and effects of this compliance are not readily determinable at this time and are embedded within the Company's regular operating costs.

As of December 31, 2018, the Company employed 42 persons on a full time basis and 0 on a part time basis.

IV. NATURE OF PRODUCTS OR SERVICES OFFERED

a. Principal Products

The Company's line of frozen products presently includes pestos, sauces, stuffed pastas and pasta sheets, as well as value-added specialty Italian pastas, and cooked meat products. These products are marketed through a network of food brokers and sold to retail and foodservice distributors, club-type stores and industrial accounts. The products and these labels are identified as such in each product's category described below.

The Company presently markets a line of pestos which are available in several varieties including Basil, Classic Ligurian Basil, Light Basil, Cilantro, Dried Tomato-Garlic, Roasted Red Bell Pepper, Artichoke, Chipotle, and Roasted Garlic pestos. The Company also offers sauces including Chimichurri, Harissa, Creamy Garlic, Alfredo and Bolognese sauces, all of which are packaged under the Armanino label. The Basil pesto sauce is available to the Company's retail, foodservice and industrial customers, and the Roasted Garlic, Dried Tomato Garlic, Roasted Red Bell Pepper, Cilantro, Classic Ligurian Basil, Artichoke and Chipotle pesto sauces, as well as its sauces are available to foodservice and industrial customers, only. In addition, the Company makes organic Basil Pestos available to the Company's foodservice customers.

The Company markets several lines of frozen pastas, namely stuffed pastas and pasta sheets, cooked and uncooked. The Company's line of frozen stuffed pastas, both cooked and uncooked, includes meat, butternut squash, cheese ravioli and jumbo cheese, jumbo mushroom ravioli; jumbo cheese/spinach green dough ravioli; cheese raviolini; meat filled, tri-color cheese and cheese tortellini; and tri-color cheese and cheese capelletti, manicotti and stuffed shells. The meat and cheese ravioli and tri-color and cheese tortellini are available to the Company's

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retail and foodservice customers. The afore-mentioned stuffed pasta products, as well as potato gnocchi are available to the Company's foodservice customers only. All of these products are sold under the Armanino brand label.

The Company also sells cooked beef and turkey meatballs, and cheese shakers under the Armanino label. These products are only available to retail customers.

b. Distribution and Marketing.

The Company's products are marketed through a network of food brokers and sold to retail, foodservice, and industrial accounts. The Company's food brokers are paid commissions ranging from 2% to 4% 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:

	December 31,	
	2018	2017
Broker A	\$6,625,891	\$5,781,270
Broker B	4,682,632	4,638,949
Broker C	3,585,046	3,370,705

The loss of brokers who represent a significant amount of sales could have a materially adverse effect on the business of the Company. However, the Company believes that once brokers have established accounts with customers such as supermarket chains, the termination of a broker will not generally affect sales to such customers when another broker serving the area is available, or the Company is able to take over marketing responsibilities.

c. New Products

The Company has a full time Research & Development department that continually explores the addition of sauces, sandwich spreads/dressings and stuffed pasta products to enhance the foodservice and retail lines of products in the future.

d. Competitive Business Conditions

The Company faces substantial competition in its business. Because many of the Company's products are sold frozen, they have a relatively shorter shelf life and are more expensive than many competing dried products and products packed in

cans or jars. Although these types of competing products are marketed by some companies which have significantly greater financial and other resources than those of the Company, including advertising budgets, the Company markets its products on the basis of quality and natural ingredients rather than price.

With respect to other frozen food manufacturers, the Company believes that its products are highly competitive with other frozen products in pricing and quality. However, the Company faces stiff competition in the area of ongoing promotional support, and the Company often finds it difficult to convince new accounts to change their established suppliers. The Company may also face competition from future entrants into the industry.

There is no assurance that the Company's products will meet with public acceptance in new markets. The Company believes that it has achieved name recognition nationally with emphasis in the West Coast Region.

e. Sources and Availability of Raw Materials

The Company primarily uses basil, vegetables, canola oil, eggs, dairy products, cooked and uncooked meat, dried tomatoes, bread crumbs, flour, garlic, herbs and spices in the production of its products. It is the Company's opinion that there are ample supplies of these raw materials available in the marketplace. Although the Company's main product ingredient, basil, is obtained from a single supplier, the Company believes that supplier has access to basil from multiple source locations and has significant volumes of inventory available to supply the Company's demand. The Company entered into a long term supply agreement with a secondary supplier of basil that provides the Company with additional assurance of a continuity of supply of basil that meets the Company's specifications.

The Company is faced with inherent risks of rising costs in all of its raw materials. It manages these risks through several methods. In some instances, the Company enters into long term contracts (i.e., up to one year) to purchase certain raw materials at fixed quantities and/or fixed prices. It also carefully manages its operational practices to promote efficiencies and offset the impact from higher costs.

f. Major Customers

The Company had two distributor customers who accounted for 73% and 5% of outstanding receivables at December 31, 2018, and 66% and 10% at December 31, 2017.

During the years ended December 31, 2018, and 2017, 56% and 58% of the

Company's total gross sales were handled by a non-exclusive national distributor.

During the years ended December 31, 2018, and 2017, sales to the Company's distributor in Asia amounted to 8%, and 8% of the Company's total gross sales.

The loss of distributors who represent a significant amount of sales could have a materially adverse effect on the business of the Company. However, the Company believes that once distributors have established accounts with customers such as supermarket chains, the termination of a distributor will not generally affect sales to such customers when another distributor serving the area is available, or the Company is able to take over marketing responsibilities.

g. Patents, Copyrights and Trademarks

Although the Company's processes, formulas and recipes are not subject to patent or copyright protection, the Company treats these as proprietary and uses confidentiality agreements as appropriate in an attempt to protect such processes, formulas and recipes as trade secrets. To date, the Company has not encountered any difficulties in keeping its processes, formulas and recipes confidential, and has not been required to enforce its confidentiality agreements.

The Company uses the name "Armanino" in a stylized rendition as a trademark for most of its products.

h. Government Regulations

The Company's current manufacturing operations are regulated by the United States Federal and Drug Administration ("USFDA") as well as state and local authorities. The Company is subject to various regulations with respect to cleanliness, maintenance of food production equipment, food handling and storage, and is subject to onsite inspections by federal, state, and local regulatory agencies. Under various statutes and regulations, the regulatory agencies prescribe requirements and establish standards for quality, purity and labeling. The finding of a failure to comply with one or more regulatory requirements can result in a variety of sanctions, including the stopping of production, monetary fines and/or the compulsory recall of products. However, with respect to products not manufactured by the Company, the Company believes that in the event any such violations were found to exist, the Company could seek compensation from the manufacturer of the cited product or products since the manufacturer is responsible for processing, manufacturing, packaging and labeling such products. Nevertheless, there can be no assurance that the Company would be successful in recovering such compensation.

V. NATURE AND EXTENT OF 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. During 2016, the Company renewed the lease for another five years through December 31, 2021, and negotiated two additional five year options to extend the lease thereafter. Under the amended and restated lease agreement, the monthly base rent commencing January 1, 2017 is \$21,000, with fixed annual rent increases ranging from 2.6% to 2.8%. If the Company elects to exercise its first five year option, the base rent will be set at the prevailing fair market rental value, but not less than \$23,806, with annual rent increases fixed at 2%. If the Company elects to exercise its second five year option, the base rent will be set at the prevailing fair market rental value, but not less than \$26,283, with annual rent increases fixed at 2%.

The Company also leases approximately 7,408 square feet of additional office and warehouse space located at 30641 San Antonio Street, Hayward, California, 94544. During 2016, the Company renewed the lease for another five years through December 31, 2021, and negotiated one additional five year options to extend the lease thereafter. Under the amended and restated lease agreement, the monthly base rent commencing January 1, 2017 is \$4,300 plus \$1,622 in common operating expenses, with fixed annual rent increases of 3%. The Company is also responsible to pay for utilities, insurance, as well as its pro rata portion of any increase in real estate taxes on the property. If the Company elects to exercise its five year option, the base rent will be set at the prevailing fair market rental value

As of December 31, 2018, the Company owned all of its manufacturing equipment. All of the Company's pesto sauces are manufactured in its production facility. The annual production rate of products varies as does the capacity of the equipment, depending on the type of product being produced. The Company believes that its equipment has sufficient capacity to meet its production needs for at least the next twelve months. Other products manufactured by outside sources (co-packers) are produced on a "co-pack" or "completed-cost" basis, except for the cost of branded packaging and labeling which are borne by the Company.

With regard to the production of frozen pesto sauces and pasta products at the Company's own facilities, the Company is responsible for the supervision of its own quality assurance measures and has employed in-house quality control personnel to assure that the Company's processing and sanitation compliances are met. The Company also performs process analysis as well as microbiological analysis and nutritional calculations of its in-house production, and uses a Modesto, California laboratory firm to assist in this testing, as needed. The Company completed its Hazard Analysis and Critical Control Points ("HACCP") program, required by USDA regulations. The Company implemented this program subsequent to receiving approval of the program by the USDA in January

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1999. In addition to the Company's HACCP program, the Company has had in place since 1996, a Recall Plan. This plan is updated, as needed or warranted, and mock recalls are performed on a periodic basis. As previously mentioned, the Company is certified by the BRC Global Standards for food safety with a distinguished "AA" rating.

With regard to co-packers, those outside manufacturers make their own arrangements to purchase and inspect raw materials, schedule actual production, and initiate movement of all finished goods to a warehouse designated by the Company. Quality assurance is monitored continually by the manufacturer during processing for temperature, color, flavor, consistency, net weight and integrity of packaging.

VI. NAME OF CHIEF EXECUTIVE OFFICER, MEMBERS OF THE BOARD OF DIRECTORS, AS WELL AS CONTROL PERSONS

a. Officers and Directors as of December 31, 2018

Name	Business Address	Positions and Offices Held and Term as a Director
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.
Douglas R. Nichols	30588 San Antonio Street Hayward, CA 94544	Chairman of the Board since February 2009. Previously served as Director since June 2001.
John Micek, III	30588 San Antonio Street Hayward, CA 94544	Director since February 1988.
David B. Scatena	30588 San Antonio Street Hayward, CA 94544	Director since February 1988 and Vice Chairman of the Board since February 1999. Retired from the Board after December 31, 2018
Joseph F. Barletta	30588 San Antonio Street Hayward, CA 94544	Director since December 1999. Retired from the Board after December 31, 2018
Patricia A. Fehling	30588 San Antonio Street Hayward, CA 94544	Director since December 2004
Deborah Armanino LeBlanc	30588 San Antonio Street Hayward, CA 94544	Director and Secretary since February 2009
Edgar Estonina	30588 San Antonio Street Hayward, CA 94544	Chief Operating Officer since December 2015; Chief Financial Officer since February 2009; Controller from June 2006 to February 2009

Set forth below are the names of all nominees for Director and Executive Officers of the Company, all positions and offices with the Company held by each such person, the period during which he has served as such, and the principal occupations and employment of such persons during at least the last five years:

EDMOND J. PERA, PRESIDENT, CHIEF EXECUTIVE OFFICER AND DIRECTOR. Prior to becoming President and Chief Executive Officer in February 2009, Mr. Pera had been Secretary and Treasurer of the Company since March 2000, was a Director since August 2000, and since May 2003, had served as Chief

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Operating Officer and Principal Financial Officer of the Company. From March 2000 to April 30, 2003, Mr. Pera served as Chief Financial Officer. From 1991 to April 2003, Mr. Pera was the sole owner of Pera Management Consulting, a consulting firm specializing in start-ups, restructuring and reorganization, finances, etc. The consulting service consisted of Mr. Pera being a part time CEO or CFO of various businesses. From 1999 to February 2000, Mr. Pera was a consultant to the Company in the area of finance and shareholder relations. From 1982 to 1991, Mr. Pera was President and CEO of Advanced Communications, which manufactured and marketed electronic mail equipment. From 1967 to 1982, Mr. Pera was employed by Levi Strauss & Company, a leading manufacturer of clothing apparel, where he served in increasingly responsible positions, the latter of which was Division General Manager of Levi's Canada/Latin American division. Mr. Pera received a Bachelor of Science Degree in Commerce from Santa Clara University in Santa Clara, California in 1962. Mr. Pera currently devotes substantially all of his time to the business of the Company. Armanino shares beneficially owned: 450,000 shares of Armanino common stock.

DOUGLAS R. NICHOLS, CHAIRMAN OF THE BOARD. Prior to becoming Chairman of the Board in February 2009, Mr. Nichols had been a Director since June 2001. Since March 1991, Mr. Nichols has served as President of First London Securities Corporation, a FINRA member firm providing investment banking services. From 1989 to 1991, Mr. Nichols was a Vice President with the Dallas, Texas office of Smith Barney, and from 1986 to 1989, was a broker with the Dallas branch of Shearson Lehman Brothers. In addition, Mr. Nichols is President of DGN Securities which owns 100% of First London Securities Corporation. Mr. Nichols received his Bachelor of Arts degree from Allegheny College in 1974 and received his license as a Certified Public Accountant in Pennsylvania in 1980, however, his license is not current at this time. Armanino shares beneficially owned: 832,545 shares of Armanino common stock.

JOHN J. MICEK III, DIRECTOR. Mr. Micek has been a Director of the Company since February 1988. He also served as a director of the Company's wholly owned subsidiary from May 1987 until it was merged into the Company in December 1990, and was a Vice President of the Company from September 1989 to December 1993. From February 1988 to December 31, 1988, he served as General Counsel and Chief Financial Officer for the Company, and served in these capacities for the Company's wholly owned subsidiary from May 1987 to December 31, 1988. From July 1997, Mr. Micek served as Chief Operating Officer for Protozoa, Inc. in San Francisco, California. From April 1994 to February 1997, Mr. Micek was General Counsel for Enova Systems, Inc. in San Francisco, California. From January 1989 to March 1994, Mr. Micek practiced law and served as a consultant to the Company on corporate finance matters. From September 1998 to May 2004, Mr. Micek was

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President of Universal Assurors, Inc., a member company of Universal Group, Inc., a midwest group of insurance companies. Since April 2001, he has also been managing director of Silicon Prairie Partners, L.P., a venture fund. He also serves as a director of Universal Group, Inc., UTEK Corporation of Tampa, Florida, and Enova Systems, Inc. He received a Bachelor of Arts degree in History from the University of Santa Clara in 1974 and a Juris Doctorate from the University of San Francisco School of Law in 1979. Armanino shares beneficially owned: 142,960 shares of Armanino common stock.

DAVID B. SCATENA, VICE CHAIRMAN OF THE BOARD (RETIRED FROM THE BOARD AFTER DECEMBER 31, 2018). Mr. Scatena has been Vice Chairman of the Board since February 1999, and has been a Director of the Company since February 1988. He was also a Director of the Company's wholly owned subsidiary from January 1987, until it was merged into the Company in December 1990. He also served as Treasurer of the Company from February 1988 to January 1989, and of its wholly owned subsidiary from January 1987 to January 1989. He is Managing Partner of Polly, Scatena, Vasheresse & May, a Certified Public Accounting firm in San Mateo, California, where he has practiced as a Certified Public Accountant for over 30 years. Mr. Scatena received a Bachelor of Science Degree from the University of San Francisco in 1964. Armanino shares beneficially owned: 8,280 shares of Armanino common stock.

JOSEPH F. BARLETTA, DIRECTOR (RETIRED FROM THE BOARD AFTER DECEMBER 31, 2018). Mr. Barletta has been a Director since December, 1999. Mr. Barletta previously served as a Director of the Company from February 1988 until May 1994, and of its wholly owned subsidiary from May 1987 until it was merged into the Company in December, 1990. Mr. Barletta is a counselor and business consultant located in Napa Valley, California. He has served as chief executive officer or chief operating officer of six companies in the media industry and has also served on the boards of over 20 commercial and not-for-profit corporations. He was a member of the San Francisco mayor's Fiscal Advisory Committee, was Chairman of the Human Resources Committee of the American Newspaper Publishers Association, served as a Public Utilities Commissioner of the City and County of San Francisco, and as a United States Senior Associate Independent Counsel in Washington, D.C. assisting two U.S. Independent Counsels in their investigations. Mr. Barletta received a Bachelor of Arts Degree from Marietta College in 1959 and a Juris Doctorate from Duquesne University School of Law in 1963. Armanino shares beneficially owned: 0 shares of Armanino common stock.

PATRICIA A. FEHLING, DIRECTOR. Mrs. Fehling has been a Director since December 2004. Since 1983, Mrs. Fehling has been the owner of Fehling and

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Associates Food Industry Consultants. During Mrs. Fehling's 37 years in the food industry, she has taught product development seminars for the University of California at Davis and other universities in addition to conducting product development for food firms throughout the United States and abroad. Mrs. Fehling is a member and active in the National Institute of Food Technologists. She is a member of the Lodi Salvation Army Advisory Board and Culinary Board, and is a Red Cross Disaster Captain. Mrs. Fehling has studied abroad and has received a Bachelor of Science, Food Science and Technology from the University of California at Davis in 1967. Armanino shares beneficially owned: 100,000 shares of Armanino common stock.

DEBORAH ARMANINO-LEBLANC, DIRECTOR. Mrs. Armanino-LeBlanc was elected to the Board of Directors in February 2009. She was employed by Armanino Foods from February 1988 until April 2016, serving in various capacities. Mrs. Armanino-LeBlanc's most recent role was Director of Sales for the Company. Armanino shares beneficially owned: 666,975 shares of Armanino common stock.

EDGAR ESTONINA, CHIEF OPERATING OFFICER AND CHIEF FINANCIAL OFFICER. Mr. Estonina has been with Armanino Foods since June 2006 when he was hired as the Company's Controller before becoming Chief Financial Officer in February 2009. On December 2015 Mr. Estonina took on the additional role of the Company's Chief Operating Officer. After graduating from Golden Gate University in 1989 with a Bachelor's of Science degree in Accounting, Mr. Estonina worked in the audit practice of Deloitte until 1992. Thereafter, Mr. Estonina went on to work in various finance and accounting roles ranging from a Senior Accountant to Director of Finance and Accounting for such companies as Levi Strauss & Co. from 1992-1999, Hewlett-Packard from 1999-2000, Kasenna, Inc. (a streaming software company) from 2000-2002, National Oncology Alliance, Inc. (a national buying group for cancer drugs) from 2002-2005, and Accretive Solutions (a financial consulting firm) from 2005 to 2006. Mr. Estonina has been a Certified Public Accountant since 1994, and currently holds an active license to practice in California.

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Name and Principal Position	Calendar Year (to date)	Salary	Bonus	Other Annual Compensation	Restricted Stock Awards	Securities/Underlying Options SARs (Number)	LTIP Payouts	All Other Compensation
Edmond J. Pera, CEO since February 2009; previously Secretary, Treasurer, Chief Operating Officer	12/31/2018	\$ 200,000	\$ 200,000	\$ -	\$ -	\$ -	\$ -	\$ -
	12/31/2017	\$ 200,000	\$ 200,000	\$ -	\$ -	\$ -	\$ -	\$ -
Edgar Estonina, COO since December 2015; CFO since February 2009; previously Controller	12/31/2018	<i>N/A Information Voluntary</i>						
	12/31/2017							

- b. Legal/Disciplinary History -- None
- c. Disclosure of Family Relationships -- There is currently no family relationship between any Director or Executive Officer of the Company.
- d. Disclosure of Related Party Transactions – During the years ended December 31, 2018, and 2017, the Company paid fees totaling \$172,509 and \$22,620, respectively, to directors/shareholders for business consulting in connection with strategic planning, industrial engineering, and business development, as well as for tax preparation and related services.
- e. Disclosure of Conflicts of Interest – None; however, refer to item “d” above regarding related party transactions.

VII. BENEFICIAL OWNERS

The Company is not aware of any shareholders who beneficially own more than 5% of its common stock.

VIII. MANAGEMENT'S DISCUSSION AND ANALYSIS

a. Liquidity and Capital Resources

The Company is confident about its ability to generate positive cash flow from operations during the next twelve months. In combination with its cash and investment balances at December 31, 2018, the Company is expected to have sufficient capital to fund its operations for the next twelve months.

During 2018, the Company converted a line of credit entered into on September 30, 2016, used to finance a plant expansion project, to a note payable calling for monthly principal payments of \$51,667 plus interest totaling approximately \$60,000. The note/line accrues interest at a fixed rate of 3.35% and is secured by all of the Company's personal property and matures in September 2022. At December 31, 2018 and 2017, there was \$2,436,606 and \$3,056,606 outstanding on the note/line.

During 2017 the Company entered into an equipment financing agreement with a financial institution to support the purchase of new equipment for its plant expansion project. The note accrues interest at a fixed rate of 4.28% and is secured by the equipment purchased. At December 31, 2018, and 2017, there was \$475,177 and \$581,815, payable in monthly installments of \$10,789 and matures in December 2022.

In 2010 and 2011, the Company's Board of Directors approved a plan for the Company to repurchase shares of its common stock expending up to \$2,500,000. Since the inception of the plan through December 31, 2018, the Company has acquired a total of 3,102,135 shares of its common stock at an aggregate purchase price of \$2,394,294. The total number of shares repurchased represents approximately 9% of the Company's common shares outstanding before the stock repurchases began. Although the Company has not repurchased any common stock under the plan since 2013, it is still authorized to repurchase an additional \$105,706 worth of the Company's common stock under the plan as of December 31, 2018. Any additional repurchases will be made at the discretion of management from time to time in compliance with Rule 10b-18 under the Securities Exchange Act of 1934. If purchases are made, they will be executed through any combination of purchases made in the open market, through block trades or otherwise, or in privately negotiated transactions off the market, subject to market conditions. The repurchase program does not require the Company to acquire a specific number of shares and may be suspended from time-to-time or discontinued at any time. The cost of the shares acquired to date, were funded through a \$2,000,000 line of credit established with a financial institution in October 2010, as well as through cash reserves. The line of credit has since

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matured and was fully paid off in June 2017.

As of December 31, 2018 and 2017, the Company made a total of \$1,366,382 and \$3,713,760 in capital expenditures on equipment and leasehold improvements. The capital expenditures made in 2018 were largely associated with the purchase of new manufacturing equipment which the Company believes will help it keep up with expected demand in new markets. The capital expenditures made in 2017 were largely associated with the Company's plant expansion project which was made in order to help it meet expected growing demand in the future. This expansion project was completed in 2017 and involved the acquisition of additional equipment and major leasehold improvements.

b. Financial Condition and Results of Operations

Financial Condition:

The Company's cash position on December 31, 2018 and 2017 was \$6,374,142 and \$4,578,645, respectively. The \$1,795,497 increase in cash from 2017 to 2018 was a result of several factors: (1) \$6,684,054 generated from operating activities consistent with the Company's 7% growth in net sales and 23% growth in net income, offset by (2) \$1,366,382 in total capital expenditures mainly for new manufacturing equipment, (3) \$2,805,745 in dividends paid, and (4) \$726,638 in payments on notes payable.

Certificates of deposit on December 31, 2018 and 2017 were \$1,135,692 and \$1,145,900, respectively. The decrease in certificates of deposits in 2018 is timing related as the Company intends to reinvest funds from the expired certificates of deposits back into the same investment vehicles soon after year end. No more than \$250,000 (the FDIC limit) is held in certificate of deposits with any one financial institution.

Accounts receivable on December 31, 2018 and 2017, were \$6,253,458 and \$5,879,706, respectively. The change in accounts receivables in 2018 from 2017 largely reflects the impact from timing differences in the collection of receivables and reflects the impact from higher gross sales.

Inventory levels on December 31, 2018 and 2017 were \$4,143,233 and \$4,135,873, respectively. Inventories change annually due to timing and also to support the Company's increase in sales activities.

Property and equipment, net of accumulated depreciation, on December 31, 2018 and 2017 was \$5,776,716 and \$4,966,144, respectively. Gross capital expenditures in 2018 and 2017 were \$1,366,382 and \$3,713,760, respectively, for

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plant equipment upgrades, leasehold improvements to the plant, packaging equipment, software applications, and technology equipment. Gross capital expenditures were offset by depreciation expense totaling \$555,811 and \$365,599 for the years ended December 31, 2018 and 2017, respectively.

At December 31, 2018 and 2017, there was \$2,911,782 and \$3,638,421 outstanding on notes payable, respectively. The balance at December 31, 2018 and 2017 represents the principal balance on the \$2,436,606 and \$3,100,000 note/line of credit and \$475,177 and \$581,815 equipment financing agreement which were largely established to fund the \$3.5 million plant expansion project in order to help it keep up with expected growth in demand for its products, as well as the food safety requirements of its customers. The line of credit was also used to fund other deferred maintenance projects in order to take advantage of the loan's low interest rates. The notes associated with these lines of credit bear interest at 3.35% and 4.28%, respectively, and are being amortized over a five year repayment period. At December 31, 2018, the current and long term portion of these notes were \$731,293 and \$2,180,490, respectively. At December 31, 2017, the current and long term portion of these notes were \$726,638 and \$2,911,783, respectively.

Accounts payable on December 31, 2018 and 2017 was \$1,757,901 and \$1,888,951, respectively. The \$131,050 decrease between 2018 and 2017 is primarily due to the timing of payments.

Accrued payroll and payroll taxes on December 31, 2018 and 2017 were \$711,248 and \$509,353, respectively. The increases between 2018 and 2017 is largely due to the impact from timing of payments at year end. Total head count remained relatively stable in 2018 and 2017.

Dividends Payable on December 31, 2018 and 2017 were \$721,477 and \$641,313, respectively. The year-end dividend accrual for 2018 increased due to the increase in the dividend per share to \$0.0225 in 2018 from \$0.02 in 2017.

Common Stock on December 31, 2018 and 2017 was \$2,774,990, and \$2,774,990, respectively.

Results of Operations:

The Company's annual net sales for the year ending December 31, 2018 and 2017 were \$41,838,018 and \$38,993,196, respectively. Sales in both the Company's US domestic and Asia markets were strong across all key product lines. Despite additional spending on several strategic planning initiatives related to product development, digital marketing and tax planning, the Company's annual income

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before taxes grew by 12% over last year. By contrast, the Company's annual net income grew by 23% due to the non-recurring effects of the significant decrease in the Company's annual effective tax rates from 30% in 2017 to 23% in 2018. 2018 marks the Company's 16th profitable year in a row.

The Company has been pleased with the progress of its strategic planning initiatives and continues to work hard so that they will bear fruit in the future. The new manufacturing equipment acquisition that the Company previously announced at the end of the end of Q3'18, was installed on time and within budget before the end of 2018. The Company is now manufacturing new and existing products utilizing this equipment.

The Company is cautiously optimistic about its sales and profitability in 2019. The Company's current sales pipeline is strong. The Company's current cash position is very healthy and significantly higher than it was this same time a year ago as a result of the growth in profitability this past year. The Company plans to continue investing in strategic planning efforts to find ways to profitably reinvest into its business without compromising the Company's track record of quarterly dividend payments.

Cost of goods sold for the year ending December 31, 2018 and 2017 were \$27,109,818 and \$25,514,596, respectively. As a percentage of net sales, cost of goods sold were 64.8% in 2018, and 65.4% in 2017, respectively, reflecting a combination of the impact from product mix and also from the effects of price increases which were put into place at the beginning of the second half of 2018.

Operating expenses as a percentage of net sales for the years ending December 31, 2018 and 2017 were 16% and 16%, respectively. The Company's headcount has remained static over the past two years while net sales volume has grown.

Interest and other income for the years ending December 31, 2018 and 2017, were \$211,288 and \$167,962, respectively. These amounts include interest income earned on investments in money market funds and certificates of deposits, and also include discounts earned on vendor invoices.

Interest expense for the years ending December 31, 2018 and 2017, largely represent interest paid on balances outstanding from the Company's \$3,100,000 line of credit/note payable and \$581,815 equipment financing agreement which were established mainly to fund the Company's \$3.5 million plant expansion project, as well as other deferred maintenance.

c. Off-Balance Sheet Arrangements – None

IX. LIST OF SECURITIES OFFERINGS AND SHARES ISSUED FOR SERVICES IN THE PAST TWO YEARS

- a. None

X. MATERIAL CONTRACTS

- a. 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.
- b. Suppliers -- In 2016 the Company and its sole Basil supplier entered into a long term supply agreement that provides the Company with additional assurance of a continuity of supply of basil that meets the Company's specifications.
- c. 401(K) Profit Sharing Plan - The Company has a 401(K) profit sharing plan and trust that covers all eligible employees. The Company matches 50% up to a maximum of 7% deferral. Any employees who are employed by the Company during a consecutive six 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 2018 and 2017, Company matching contributions to the plan expensed were \$81,702 and \$83,830, respectively.

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XI. ARTICLES OF INCORPORATION AND BYLAWS

ARTICLES OF INCORPORATION:

RECEIVED
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SECRETARY OF STATE
STATE OF COLORADO

7899
ARTICLES OF INCORPORATION

FILED-COLO. DEPT. OF STATE
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O:

FALCON FUND, INC.

KNCV ALL, MEN BY THESE PRESENTS: That the undersigned incorporator being a natural person of the age of eighteen years or more and desiring to form a body corporate under the laws of the State of Colorado does hereby sign, verify and deliver in duplicate to the Secretary of State of the State of Colorado, these Articles of Incorporation:

ARTICLE I

NAME

The name of the Corporation shall be: Falcon Fund, Inc.

ARTICLE II

PERIOD OF DURATION

The Corporation shall exist in perpetuity, from and after the date of filing these Articles of Incorporation with the Secretary of State of the State of Colorado unless dissolved according to law.

COMPUTER UPDATE COMPLETED

6955 11/01/18 8969
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ARTICLE III

PURPOSES AND POWERS

1. Purposes. Except as restricted by these Articles of Incorporation, the Corporation is organized for the purpose of transacting all lawful business for which corporations may be incorporated pursuant to the Colorado Corporation Code.

2. General Powers. Except as restricted by these Articles of Incorporation, the Corporation shall have and may exercise all powers and rights which a corporation may exercise legally pursuant to the Colorado Corporation Code.

3. Issuance of Shares. The board of directors of the Corporation may divide and issue any class of stock of the Corporation in series pursuant to a resolution properly filed with the Secretary of State of the State of Colorado.

ARTICLE IV

CAPITAL STOCK

The aggregate number of shares which this Corporation shall have authority to issue is Eight Hundred Million (800,000,000) shares of no par value each, which shares shall be designated "Common Stock"; and Ten Million (10,000,000) shares of no par value each, which shares shall be designated "Preferred Stock" and which may be issued in one or more series at the discretion of the Board of Directors. In establishing a series the Board of Directors

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shall give to it a distinctive designation so as to distinguish it from the shares of all other series and classes, shall fix the number of shares in such series, and the preferences, rights and restrictions thereof. All shares of any one series shall be alike in every particular except as otherwise provided by these Articles of Incorporation or the Colorado Corporation Code.

1. Dividends. Dividends in cash, property or shares shall be paid upon the Preferred Stock for any year on a cumulative or noncumulative basis as determined by a resolution of the Board of Directors prior to the issuance of such Preferred Stock, to the extent earned surplus for each such year is available, in an amount as determined by a resolution of the Board of Directors. Such Preferred Stock dividends shall be paid pro rata to holders of Preferred Stock in any amount not less than nor more than the rate as determined by a resolution of the Board of Directors prior to the issuance of such Preferred Stock. No other dividend shall be paid on the Preferred Stock.

Dividends in cash, property or shares of the Corporation may be paid upon the Common Stock, as and when declared by the Board of Directors, out of funds of the Corporation to the extent and in the manner permitted by law, except that no Common Stock dividend shall be paid for any year unless the holders of Preferred Stock, if any, shall receive

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the maximum allowable Preferred Stock dividend for such year.

2. Distribution in Liquidation. Upon any liquidation, dissolution or winding up of the Corporation, and after paying or adequately providing for the payment of all its obligations, the remainder of the assets of the Corporation shall be distributed, either in cash or in kind, first pro rata to the holders of the Preferred Stock until an amount to be determined by a resolution of the Board of Directors prior to issuance of such Preferred Stock, has been distributed per share, and, then, the remainder pro rata to the holders of the Common Stock.

3. Redemption. The Preferred Stock may be redeemed in whole or in part as determined by a resolution of the Board of Directors prior to the issuance of such Preferred Stock, upon prior notice to the holders of record of the Preferred Stock, published, mailed and given in such manner and form and on such other terms and conditions as may be prescribed by the Bylaws or by resolution of the Board of Directors, by payment in cash or Common Stock for each share of the Preferred Stock to be redeemed, as determined by a resolution of the Board of Directors prior to the issuance of such Preferred Stock. Common Stock used to redeem Preferred Stock shall be valued as determined by a resolution of the Board of Directors prior to the issuance of such Preferred

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Stock. Any rights to or arising from fractional shares shall be treated as rights to or arising from one share. No such purchase or retirement shall be made if the capital of the Corporation would be impaired thereby.

If less than all the outstanding shares are to be redeemed, such redemption may be made by lot or pro rata as may be prescribed by resolution of the Board of Directors; provided, however, that the Board of Directors may alternatively invite from shareholders offers to the Corporation of Preferred Stock at less than an amount to be determined by a resolution of the Board of Directors prior to issuance of such Preferred Stock, and when such offers are invited, the Board of Directors shall then be required to buy at the lowest price or prices offered, up to the amount to be purchased.

From and after the date fixed in any such notice as the date of redemption (unless default shall be made by the Corporation in the payment of the redemption price), all dividends on the Preferred Stock thereby called for redemption shall cease to accrue and all rights of the holders thereof as stockholders of the Corporation, except the right to receive the redemption price, shall cease and terminate.

Any purchase by the Corporation of the shares of its Preferred Stock shall not be made at prices in excess of said redemption price.

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4. Voting Rights; Cumulative Voting. Each outstanding share of Common Stock shall be entitled to one vote and each fractional share of Common Stock shall be entitled to a corresponding fractional vote on each matter submitted to a vote of shareholders. A majority of the shares of Common Stock entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. Except as otherwise provided by these Articles of Incorporation or the Colorado Corporation Code, if a quorum is present, the affirmative vote of a majority of the shares represented at the meeting and entitled to vote on the subject matter shall be the act of the shareholders. When, with respect to any action to be taken by shareholders of this Corporation, the laws of Colorado require the vote or concurrence of the holders of two-thirds of the outstanding shares, of the shares entitled to vote thereon, or of any class or series, such action may be taken by the vote or concurrence of a majority of such shares or class or series thereof. Cumulative voting shall not be allowed in the election of directors of this Corporation.

Shares of Preferred Stock shall only be entitled to such vote as is determined by the Board of Directors prior to the issuance of such stock, except as required by law, in which case each share of Preferred Stock shall be entitled to one vote.

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5. Denial of Preemptive Rights. No holder of any shares of the Corporation, whether now or hereafter authorized, shall have any preemptive or preferential right to acquire any shares or securities of the Corporation, including shares or securities held in the treasury of the Corporation.

6. Conversion Rights. Holders of shares of Preferred Stock may be granted the right to convert such Preferred Stock to Common Stock of the Corporation on such terms as may be determined by the Board of Directors prior to issuance of such Preferred Stock.

ARTICLE V

TRANSACTIONS WITH INTERESTED DIRECTORS

No contract or other transaction between the Corporation and one or more of its directors or any other corporation, firm, association, or entity in which one or more of its directors are directors or officers or are financially interested shall be either void or voidable solely because of such relationship or interest or solely because such directors are present at the meeting of the board of directors or a committee thereof which authorizes, approves, or ratifies such contract or transaction or solely because their votes are counted for such purpose if:

(a) The fact of such relationship or interest is disclosed or known to the board of directors or committee which authorizes, approves, or ratifies the contract or transaction by a vote or consent sufficient for the purpose without counting the votes or consents of such interested directors; or

(b) The fact of such relationship or interest is disclosed or known to the shareholders entitled to vote and they authorize, approve, or ratify such contract or transaction by vote or written consent; or

(c) The contract or transaction is fair and reasonable to the corporation.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors or a committee thereof which authorizes, approves, or ratifies such contract or transaction.

ARTICLE VI

CORPORATE OPPORTUNITY

The officers, directors and other members of management of this Corporation shall be subject to the doctrine of "corporate opportunities" only insofar as it applies to business opportunities in which this Corporation has expressed an interest as determined from time to time by this Corporation's board of directors as evidenced by resolutions

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appearing in the Corporation's minutes. Once such areas of interest are delineated, all such business opportunities within such areas of interest which come to the attention of the officers, directors, and other members of management of this Corporation shall be disclosed promptly to this Corporation and made available to it. The board of directors may reject any business opportunity presented to it and thereafter any officer, director or other member of management may avail himself of such opportunity. Until such time as this Corporation, through its board of directors, has designated an area of interest, the officers, directors and other members of management of this Corporation shall be free to engage in such areas of interest on their own and this doctrine shall not limit the rights of any officer, director or other member of management of this Corporation to continue a business existing prior to the time that such area of interest is designated by the Corporation. This provision shall not be construed to release any employee of this Corporation (other than an officer, director or member of management) from any duties which he may have to this Corporation.

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ARTICLE VII

INDEMNIFICATION

The Corporation may indemnify any director, officer, employee, fiduciary, or agent of the Corporation to the full extent permitted by the Colorado Corporation Code as in effect at the time of the conduct by such person.

ARTICLE VIII

AMENDMENTS

The Corporation reserves the right to amend its Articles of Incorporation from time to time in accordance with the Colorado Corporation Code.

ARTICLE IX

ADOPTION AND AMENDMENT OF BYLAWS

The initial Bylaws of the Corporation shall be adopted by its board of directors. Subject to repeal or change by action of the shareholders, the power to alter, amend or repeal the Bylaws or adopt new Bylaws shall be vested in the board of directors. The Bylaws may contain any provisions for the regulation and management of the affairs of the Corporation not inconsistent with law or these Articles of Incorporation.

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ARTICLE X

REGISTERED OFFICE AND REGISTERED AGENT

The address of the initial registered office of the Corporation is 325 Canyon Boulevard, Boulder, Colorado 80302, and the name of the initial registered agent at such address is Allen R. Goldstone. Either the registered office or the registered agent may be changed in the manner permitted by law.

ARTICLE XI

INITIAL BOARD OF DIRECTORS

The number of directors of the Corporation shall be fixed by the Bylaws of the Corporation, with the provision that there need be only as many directors as there are shareholders in the event that the outstanding shares are held of record by fewer than three shareholders. The initial board of directors of the Corporation shall consist of three (3) directors. The names and addresses of the persons who shall serve as directors until the first annual meeting of shareholders and until their successors are elected and shall qualify are as follows:

<u>Name</u>	<u>Address</u>
Allen R. Goldstone	325 Canyon Blvd. Boulder, CO 80302
Sanford L. Schwartz	1720 Fourteenth Street Boulder, CO 80302
Robert M. Geller	1720 Fourteenth Street Boulder, CO 80302

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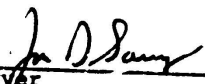
ARTICLE XII

INCORPORATOR

The name and address of the incorporator is as follows:

<u>Name</u>	<u>Address</u>
Jon D. Sawyer	511 16th Street, Suite 400 Denver, CO 80202

IN WITNESS WHEREOF, the above-named incorporator has signed these Articles of Incorporation this 31st day of October, 1986.



Jon D. Sawyer

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ARTICLES OF INCORPORATION (FIRST AMENDMENT)

copy of 12/31/18
ARTICLES OF AMENDMENT

TO THE

ARTICLES OF INCORPORATION

OF

Change of Name
FALCON FUND, INC. *copy of 12/31/18*

INCLUDING A CHANGE OF NAME TO

ARMANINO FOODS OF DISTINCTION, INC.

Pursuant to the provisions of the Colorado Corporation Code, the undersigned Corporation adopts the following Articles of Amendment to its Articles of Incorporation:

FIRST: The name of the Corporation is Falcon Fund Inc.

SECOND: The following amendment was adopted by the board of directors and shareholders of the Corporation in the manner prescribed by the Colorado Corporation Code November 10, 1988.

The Articles of Incorporation shall be amended striking the existing Article I and inserting in lieu thereof the following new Article I:

"ARTICLE I

NAME

The name of the corporation shall be Armanino Foods of Distinction, Inc."

copy of 12/31/18
COMPUTER UPDATE COMPLETE



ARMANINO FOODS OF DISTINCTION, INC.
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A new Article XIII shall be inserted in the Articles of Incorporation as follows:

"ARTICLE XIII

LIMITATION OF LIABILITY OF

DIRECTORS TO CORPORATIONS AND SHAREHOLDERS

No director shall be liable to the Corporation or any shareholder for monetary damages for breach of fiduciary duty as a director, except for any matter in respect of which such director (a) shall be liable under C.R.S. Section 7-5-114 or any amendment thereto or successor provision thereto; (b) shall have breached the director's duty of loyalty to the Corporation or its shareholders; (c) shall have not acted in good faith or, in failing to act, shall not have acted in good faith; (d) shall have acted or failed to act in a manner involving intentional misconduct or a knowing violation of law; or (e) shall have derived an improper personal benefit. Neither the amendment nor repeal of this Article, nor the adoption of any provision in the Articles of Incorporation inconsistent with this Article, shall eliminate or reduce the effect of this Article in respect of any matter occurring prior to such amendment, repeal or adoption of an inconsistent provision. This Article shall apply to the full extent now permitted by Colorado law or as may be permitted in the future by changes or enactments in Colorado law, including without limitation C.R.S. Section 7-2-102 and/or C.R.S. Section 7-3-101."

THIRD: The number of shares voted for the amendment was sufficient for approval.

FOURTH: The manner, if not set forth in such amendment, in which any exchange, reclassification, or cancellation of issued shares provided for in the amendment shall be effected, is as follows: Stock certificates reflecting the new name and shares of the Corporation shall be exchanged for the old stock certificates.

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FIFTH: The amendment does not effect a change in the
amount of stated capital.

DATED: November, 1988.

FALCON FUND, INC.

By William J. Armanino
William J. Armanino, President

ATTEST:

Deborah Armanino
Deborah Armanino, Secretary

ARMANINO FOODS OF DISTINCTION, INC.
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ARTICLES OF INCORPORATION (SECOND AMENDMENT)

DP 871695584

RECEIVED
APR 16 9 35 AM '91
DEPARTMENT OF STATE
STATE OF COLORADO

ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF
ARMANINO FOODS OF DISTINCTION, INC.

04-16-91 09:35
911026287 \$30.00

Pursuant to the provisions of the Colorado Corporation Code, the undersigned Corporation adopts the following Articles of Amendment to its Articles of Incorporation:

FIRST: The name of the Corporation is Armanino Foods of Distinction, Inc. *Handwritten initials*

SECOND: The following amendment was adopted by the board of directors and shareholders of the Corporation in the manner prescribed by the Colorado Corporation Code on April 15, 1991. ✓

The Articles of Incorporation shall be amended by striking the existing Article IV and inserting in lieu thereof the following new Article IV:

"ARTICLE IV

CAPITAL STOCK

The aggregate number of shares which this Corporation shall have authority to issue is Forty Million (40,000,000) shares of no par value each, which shares shall be designated "Common Stock"; and Ten Million (10,000,000) shares of no par value each, which shares shall be designated "Preferred Stock" and which may be issued in one or more series at the discretion of the Board of Directors. In establishing a series the Board of Directors shall give to it a distinctive designation so as to distinguish it from the shares of all other series and classes, shall fix the number of shares in such series, and the preferences, rights and restrictions thereof. All shares of any one series shall be alike in every particular except as otherwise provided by these Articles of Incorporation or the Colorado Corporation Code.

1. Dividends. Dividends in cash, property or shares shall be paid upon the Preferred Stock for any

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year on a cumulative or noncumulative basis as determined by a resolution of the Board of Directors prior to the issuance of such Preferred Stock, to the extent earned surplus for each such year is available, in an amount as determined by a resolution of the Board of Directors. Such Preferred Stock dividends shall be paid pro rata to holders of Preferred Stock in any amount not less than nor more than the rate as determined by a resolution of the Board of Directors prior to the issuance of such Preferred Stock. No other dividend shall be paid on the Preferred Stock.

Dividends in cash, property or shares of the Corporation may be paid upon the Common Stock, as and when declared by the Board of Directors, out of funds of the Corporation to the extent and in the manner permitted by law, except that no Common Stock dividend shall be paid for any year unless the holders of Preferred Stock, if any, shall receive the maximum allowable Preferred Stock dividend for such year.

2. Distribution in Liquidation. Upon any liquidation, dissolution or winding up of the Corporation, and after paying or adequately providing for the payment of all its obligations, the remainder of the assets of the Corporation shall be distributed, either in cash or in kind, first pro rata to the holders of the Preferred Stock until an amount to be determined by a resolution of the Board of Directors prior to issuance of such Preferred Stock, has been distributed per share, and, then, the remainder pro rata to the holders of the Common Stock.

3. Redemption. The Preferred Stock may be redeemed in whole or in part as determined by a resolution of the Board of Directors prior to the issuance of such Preferred Stock, upon prior notice to the holders of record of the Preferred Stock, published, mailed and given in such manner and form and on such other terms and conditions as may be prescribed by the Bylaws or by resolution of the Board of Directors, by payment in cash or Common Stock for each share of the Preferred Stock to be redeemed, as determined by a resolution of the Board of Directors prior to the issuance of such Preferred Stock. Common Stock used to redeem Preferred Stock shall be valued as determined by a resolution of the Board of Directors prior to the issuance of such Preferred Stock. Any rights to or arising from fractional shares shall be treated as rights to or arising from one share. No such purchase or retirement shall be made if the capital of the Corporation would be impaired thereby.

If less than all the outstanding shares are to be redeemed, such redemption may be made by lot or pro rata

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as may be prescribed by resolution of the Board of Directors; provided, however, that the Board of Directors may alternatively invite from shareholders offers to the Corporation of Preferred Stock at less than an amount to be determined by a resolution of the Board of Directors prior to issuance of such Preferred Stock, and when such offers are invited, the Board of Directors shall then be required to buy at the lowest price or prices offered, up to the amount to be purchased.

From and after the date fixed in any such notice as the date of redemption (unless default shall be made by the Corporation in the payment of the redemption price), all dividends on the Preferred Stock thereby called for redemption shall cease to accrue and all rights of the holders thereof as stockholders of the Corporation, except the right to receive the redemption price, shall cease and terminate.

Any purchase by the Corporation of the shares of its Preferred Stock shall not be made at prices in excess of said redemption price.

4. Voting Rights; Cumulative Voting. Each outstanding share of Common Stock shall be entitled to one vote and each fractional share of Common Stock shall be entitled to a corresponding fractional vote on each matter submitted to a vote of shareholders. A majority of the shares of Common Stock entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. Except as otherwise provided by these Articles of Incorporation or the Colorado Corporation Code, if a quorum is present, the affirmative vote of a majority of the shares represented at the meeting and entitled to vote on the subject matter shall be the act of the shareholders. When, with respect to any action to be taken by shareholders of this Corporation, the laws of Colorado require the vote or concurrence of the holders of two-thirds of the outstanding shares, of the shares entitled to vote thereon, or of any class or series, such action may be taken by the vote or concurrence of a majority of such shares or class or series thereof. Cumulative voting shall not be allowed in the election of directors of this Corporation.

Shares of Preferred Stock shall only be entitled to such vote as is determined by the Board of Directors prior to the issuance of such stock, except as required by law, in which case each share of Preferred Stock shall be entitled to one vote.

5. Denial of Preemptive Rights. No holder of any shares of the Corporation, whether now or hereafter authorized, shall have any preemptive or preferential

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9/10/2018

right to acquire any shares or securities of the Corporation, including shares or securities held in the treasury of the Corporation.

6. Conversion Rights. Holders of shares of Preferred Stock may be granted the right to convert such Preferred Stock to Common Stock of the Corporation on such terms as may be determined by the Board of Directors prior to issuance of such Preferred Stock."

THIRD: The number of shares voted for the amendment was sufficient for approval.

FOURTH: Upon the effectiveness of this amendment, each 15 outstanding shares of Common Stock, no par value, shall be combined into one share of Common Stock. No fractional shares or scrip certificates therefore shall be issued to the holders of the presently outstanding Common Stock by reason of the foregoing, but the Corporation shall issue to each holder entitled to a fraction of a share one full share in lieu thereof.

FIFTH: The amendment does not effect a change in the amount of stated capital of the Corporation.

DATED: April 15, 1991.

ARMANINO FOODS OF DISTINCTION, INC.

By William J. Armanino
William J. Armanino, President

ATTEST:

Deborah Armanino-LeBlanc
Deborah Armanino-LeBlanc,
Secretary

(SM8697.aoa)

ARMANINO FOODS OF DISTINCTION, INC.
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BYLAWS:

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BYLAWS
OF
FALCON FUND, INC.

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ARTICLE I
OFFICES

1.1 Business Office. The principal office and place of business of the corporation in the State of Colorado shall be at 325 Canyon Boulevard, Boulder, Colorado 80302. Other offices and places of business may be established from time to time by resolution of the Board of Directors or as the business of the corporation may require.

1.2 Registered Office. The registered office of the corporation, required by the Colorado Corporation Code to be maintained in the State of Colorado, may be, but need not be, identical with the principal office in the State of Colorado, and the address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE II
SHARES AND TRANSFER THEREOF

2.1 Regulation. The Board of Directors may make such rules and regulations as it may deem appropriate concerning the issuance, transfer and registration of certificates for shares of the corporation, including the appointment of transfer agents and registrars.

2.2 Certificates for Shares. Certificates representing shares of the corporation shall be respectively numbered serially for each class of shares, or series thereof, as they are issued, shall be impressed with the corporate seal or a facsimile thereof, and shall be signed by the Chairman or Vice Chairman of the Board of Directors or by the President or a Vice-President and by the Treasurer or an Assistant Treasurer or by the Secretary or an Assistant Secretary; provided that any or all of the signatures may be facsimiles if the certificate is countersigned by a transfer agent, or registered by a registrar, other than the corporation itself or its employee. Each certificate shall state the name of the corporation, the fact that the corporation is organized or incorporated under the laws of the State of Colorado, the name of the person to whom issued, the date of issue, the class (or series of any class), the number of shares represented thereby and the par value of the shares represented thereby or a statement that such shares are without par value. A statement of the designations, preferences, qualifications, limitations, restrictions and special or relative rights of the shares of each class shall be set forth in full or summarized on the face or back of the certificates which the corporation shall issue, or in lieu

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thereof, the certificate may set forth that such a statement or summary will be furnished to any shareholder upon request without charge. Each certificate shall be otherwise in such form as may be prescribed by the Board of Directors and as shall conform to the rules of any stock exchange on which the shares may be listed. The corporation shall not issue certificates representing fractional shares and shall not be obligated to make any transfers creating a fractional interest in a share of stock. The corporation may, but shall not be obligated to, issue scrip in lieu of any fractional shares, such scrip to have terms and conditions specified by the Board of Directors.

2.3 Cancellation of Certificates. All certificates surrendered to the corporation for transfer shall be cancelled and no new certificates shall be issued in lieu thereof until the former certificate for a like number of shares shall have been surrendered and cancelled, except as herein provided with respect to lost, stolen or destroyed certificates.

2.4 Lost, Stolen or Destroyed Certificates. Any shareholder claiming that his certificate for shares is lost, stolen or destroyed may make an affidavit or affirmation of the fact and lodge the same with the Secretary of the corporation, accompanied by a signed application for a new certificate. Thereupon, and upon the giving of a satisfactory bond of indemnity to the corporation not exceeding an amount double the value of the shares as represented by such certificate (the necessity for such bond and the amount required to be determined by the President and Treasurer of the corporation), a new certificate may be issued of the same tenor and representing the same number, class and series of shares as were represented by the certificate alleged to be lost, stolen or destroyed.

2.5 Transfer of Shares. Subject to the terms of any shareholder agreement relating to the transfer of shares or other transfer restrictions contained in the Articles of Incorporation or authorized therein, shares of the corporation shall be transferable on the books of the corporation by the holder thereof in person or by his duly authorized attorney, upon the surrender and cancellation of a certificate or certificates for a like number of shares. Upon presentation and surrender of a certificate for shares properly endorsed and payment of all taxes therefor, the transferee shall be entitled to a new certificate or certificates in lieu thereof. As against the corporation, a transfer of shares can be made only on the books of the corporation and in the manner hereinabove provided, and the corporation

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shall be entitled to treat the holder of record of any share as the owner thereof and shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, save as expressly provided by the statutes of the State of Colorado.

2.6 Transfer Agent. Unless otherwise specified by the Board of Directors by resolution, the Secretary of the corporation shall act as transfer agent of the certificates representing the shares of stock of the corporation. He shall maintain a stock transfer book, the stubs in which shall set forth among other things, the names and addresses of the holders of all issued shares of the corporation, the number of shares held by each, the certificate numbers representing such shares, the date of issue of the certificates representing such shares, and whether or not such shares originate from original issue or from transfer. Subject to Section 3.7, the names and addresses of the shareholders as they appear on the stubs of the stock transfer book shall be conclusive evidence as to who are the shareholders of record and as such entitled to receive notice of the meetings of shareholders; to vote at such meetings; to examine the list of the shareholders entitled to vote at meetings; to receive dividends; and to own, enjoy and exercise any other property or rights deriving from such shares against the corporation. Each shareholder shall be responsible for notifying the Secretary in writing of any change in his name or address and failure so to do will relieve the corporation, its directors, officers and agents, from liability for failure to direct notices or other documents, or pay over or transfer dividends or other property or rights, to a name or address other than the name and address appearing on the stub of the stock transfer book.

2.7 Close of Transfer Book and Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders, or any adjournment thereof, or entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors may provide that the stock transfer books shall be closed for a stated period, but not to exceed, in any case, fifty days. If the stock transfer books shall be closed for the purpose of determining shareholders entitled to notice of, or to vote at a meeting of shareholders, such books shall be closed for at least ten days immediately preceding such meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to

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be not more than fifty days and, in case of a meeting of shareholders, not less than ten days prior to the date on which the particular action requiring such determination of shareholders is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof.

ARTICLE III
SHAREHOLDERS AND MEETINGS THEREOF

3.1 Shareholders of Record. Only shareholders of record on the books of the corporation shall be entitled to be treated by the corporation as holders in fact of the shares standing in their respective names, and the corporation shall not be bound to recognize any equitable or other claim to, or interest in, any shares on the part of any other person, firm or corporation, whether or not it shall have express or other notice thereof, except as expressly provided by the laws of Colorado.

3.2 Meetings. Meetings of shareholders shall be held at the principal office of the corporation, or at such other place as specified from time to time by the Board of Directors. If the Board of Directors shall specify another location such change in location shall be recorded on the notice calling such meeting.

3.3 Annual Meeting. The annual meeting of shareholders of the corporation for the election of directors, and for the transaction of such other business as may properly come before the meeting, shall be held at such time as may be determined by the Board of Directors by resolution in conformance with Colorado law. If the election of Directors shall not be held on the day designated herein for any annual meeting of the shareholders, the Board of Directors shall cause the election to be held at a special meeting of the shareholders as soon thereafter as may be convenient.

3.4 Special Meetings. Special meetings of shareholders, for any purpose or purposes, unless otherwise pre-

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scribed by statute, may be called by the President, the Board of Directors, the holders of not less than one-tenth of all the shares entitled to vote at the meeting, or legal counsel of the corporation as last designated by resolution of the Board of Directors.

3.5 Notice. Written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered unless otherwise prescribed by statute not less than ten days nor more than fifty days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary, or the officer or person calling the meeting to each shareholder of record entitled to vote at such meeting; except that, if the authorized shares are to be increased, at least thirty days' notice shall be given, and if the sale of all or substantially all of the corporation's assets is to be voted upon, at least twenty days' notice shall be given. Any shareholder may waive notice of any meeting. Notice to shareholders of record, if mailed, shall be deemed given as to any shareholder of record, when deposited in the United States mail, addressed to the shareholder at his address as it appears on the stock transfer books of the corporation, with postage thereon prepaid, but if three successive letters mailed to the last-known address of any shareholder of record are returned as undeliverable, no further notices to such shareholder shall be necessary, until another address for such shareholder is made known to the corporation.

3.6 Meeting of All Shareholders. If all of the shareholders shall meet at any time and place, either within or without the State of Colorado, and consent to the holding of a meeting at such time and place, such meeting shall be valid without call or notice, and at such meeting any corporate action may be taken.

3.7 Voting Record. The officer or agent having charge of the stock transfer books for shares of the corporation shall make, at least ten days before such meeting of shareholders, a complete record of the shareholders entitled to vote at each meeting of shareholders or any adjournment thereof, arranged in alphabetical order, with the address and the number of shares held by each. The record, for a period of ten days prior to such meeting, shall be kept on file at the principal office of the corporation, whether within or without the State of Colorado, and shall be subject to inspection by any shareholder for any purpose germane to the meeting at any time during usual business hours. Such record shall be produced and kept open at the

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time and place of the meeting and shall be subject to the inspection of any shareholder for any purpose germane to the meeting during the whole time of the meeting for the purposes thereof. The original stock transfer books shall be the prima facie evidence as to who are the shareholders entitled to examine the record or transfer books or to vote at any meeting of shareholders.

3.8 Quorum. A majority of the outstanding shares of the corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at any meeting of shareholders, except as otherwise provided by the Colorado Corporation Code and the Articles of Incorporation. In the absence of a quorum at any such meeting, a majority of the shares so represented may adjourn the meeting from time to time for a period not to exceed sixty days without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. The shareholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

3.9 Manner of Acting. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on the subject matter shall be the act of the shareholders, unless the vote of a greater proportion or number or voting by classes is otherwise required by statute or by the Articles of Incorporation or these Bylaws.

3.10 Proxies. At all meetings of shareholders a shareholder may vote in person or by proxy executed in writing by the shareholder or by his duly authorized attorney-in-fact. Such proxy shall be filed with the Secretary of the corporation before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

3.11 Voting of Shares. Unless otherwise provided by these Bylaws or the Articles of Incorporation, each outstanding share entitled to vote shall be entitled to one vote upon each matter submitted to a vote at a meeting of shareholders, and each fractional share shall be entitled to a corresponding fractional vote on each such matter.

3.12 Voting of Shares by Certain Holders. Shares standing in the name of another corporation may be voted by such officer, agent or proxy as the bylaws of such corpora-

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tion may prescribe, or, in the absence of such provision, as the Board of Directors of such other corporation may determine. Shares standing in the name of a deceased person, a minor ward or an incompetent person, may be voted by his administrator, executor, court appointed guardian or conservator, either in person or by proxy without a transfer of such shares into the name of such administrator, executor, court appointed guardian or conservator. Shares standing in the name of a trustee may be voted by him, either in person or by proxy, but no trustee shall be entitled to vote shares held by him without a transfer of such shares into his name. Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority so to do be contained in an appropriate order of the court by which such receiver was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred. Neither shares of its own stock belonging to this corporation, nor shares of its own stock held by it in a fiduciary capacity, nor shares of its own stock held by another corporation if the majority of shares entitled to vote for the election of directors of such corporation is held by this corporation may be voted, directly or indirectly, at any meeting and shall not be counted in determining the total number of outstanding shares at any given time. Redeemable shares which have been called for redemption shall not be entitled to vote on any matter and shall not be deemed outstanding shares on and after the date on which written notice of redemption has been mailed to shareholders and a sum sufficient to redeem such shares has been deposited with a bank or trust company with irrevocable instruction and authority to pay the redemption price to the holders of the shares upon surrender of certificates therefor.

3.13 Informal Action by Shareholders. Any action required or permitted to be taken at a meeting of the shareholders may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the shareholders entitled to vote with respect to the subject matter thereof.

3.14 Voting by Ballot. Voting on any question or in any election may be by voice vote unless the presiding officer shall order or any shareholder shall demand that voting be by ballot.

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3.15 Cumulative Voting. No shareholder shall be permitted to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes on the same principal among any number of candidates.

ARTICLE IV
DIRECTORS, POWERS AND MEETINGS

4.1 Board of Directors. The business and affairs of the corporation shall be managed by a board of not less than three (3) nor more than seven (7) directors; except that there shall be only as many directors as there are shareholders in the event the outstanding shares are held of record by fewer than three shareholders. Directors need not be shareholders of the corporation or residents of the State of Colorado and who shall be elected at the annual meeting of shareholders or some adjournment thereof. Directors shall hold office until the next succeeding annual meeting of shareholders and until their successors shall have been elected and shall qualify. The Board of Directors may increase or decrease, to not less than three (3) nor more than seven (7), the number of directors by resolution.

4.2 Regular Meetings. A regular, annual meeting of the Board of Directors shall be held at the same place as, and immediately after, the annual meeting of shareholders, and no notice shall be required in connection therewith. The annual meeting of the Board of Directors shall be for the purpose of electing officers and the transaction of such other business as may come before the meeting. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Colorado, for the holding of additional regular meetings without other notice than such resolution.

4.3 Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President or any two directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Colorado, as the place for holding any special meeting of the Board of Directors called by them.

4.4 Notice. Written notice of any special meeting of directors shall be given as follows:

(a) By mail to each director at his business address at least three days prior to the meeting; or

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(b) By personal delivery or telegram at least twenty-four hours prior to the meeting to the business address of each director, or in the event such notice is given on a Saturday, Sunday or holiday, to the residence address of each director. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any director may waive notice of any meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

4.5 Participation by Electronic Means. Except as may be otherwise provided by the Articles of Incorporation or Bylaws, members of the Board of Directors or any committee designated by such Board may participate in a meeting of the Board or committee by means of conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other at the same time. Such participation shall constitute presence in person at the meeting.

4.6 Quorum and Manner of Acting. A quorum at all meetings of the Board of Directors shall consist of a majority of the number of directors then holding office, but a smaller number may adjourn from time to time without further notice, until a quorum is secured. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by the laws of the State of Colorado or by the Articles of Incorporation or these Bylaws.

4.7 Organization. The Board of Directors shall elect a chairman to preside at each meeting of the Board of Directors. The Board of Directors shall elect a Secretary to record the discussions and resolutions of each meeting.

4.8 Presumption of Assent. A director of the corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or

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unless he shall file his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

4.9 Informal Action By Directors. Any action required or permitted to be taken by the Board of Directors, or a committee thereof, at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all the directors or all the committee members entitled to vote with respect to the subject matter thereof.

4.10 Vacancies. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office, and shall hold such office until his successor is duly elected and shall qualify. Any directorship to be filled by reason of an increase in the number of directors shall be filled by the affirmative vote of a majority of the directors then in office or by an election at an annual meeting, or at a special meeting of shareholders called for that purpose. A director chosen to fill a position resulting from an increase in the number of directors shall hold office only until the next election of directors by the shareholders.

4.11 Compensation. By resolution of the Board of Directors and irrespective of any personal interest of any of the members, each director may be paid his expenses, if any, of attendance at each meeting of the Board of Directors, and may be paid a stated salary as director or a fixed sum for attendance at each meeting of the Board of Directors or both. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

4.12 Removal of Directors. Any director or directors of the corporation may be removed at any time, with or without cause, in the manner provided in the Colorado Corporation Code.

4.13 Resignations. A director of the corporation may resign at any time by giving written notice to the Board of Directors, President or Secretary of the corporation. The

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resignation shall take effect upon the date of receipt of such notice, or at any later period of time specified therein. The acceptance of such resignation shall not be necessary to make it effective, unless the resignation requires it to be effective as such.

4.14 General Powers. The business and affairs of the corporation shall be managed by the Board of Directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the Articles of Incorporation or by these Bylaws directed or required to be exercised or done by the shareholders. The directors shall pass upon any and all bills or claims of officers for salaries or other compensation and, if deemed advisable, shall contract with officers, employees, directors, attorneys, accountants, and other persons to render services to the corporation.

ARTICLE V
OFFICERS

5.1 Term and Compensation. The elective officers of the corporation shall consist of at least a President, a Secretary and a Treasurer, each of whom shall be eighteen years or older and who shall be elected by the Board of Directors at its annual meeting. Unless removed in accordance with procedures established by law and these Bylaws, the said officers shall serve until the next succeeding annual meeting of the Board of Directors and until their respective successors are elected and shall qualify. Any number of offices, but not more than two, may be held by the same person at the same time, except that one person may not simultaneously hold the offices of President and Secretary. The Board may elect or appoint such other officers and agents as it may deem advisable, who shall hold office during the pleasure of the Board.

5.2 Powers. The officers of the corporation shall exercise and perform the respective powers, duties and functions as are stated below, and as may be assigned to them by the Board of Directors.

(a) The President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. He shall preside, when present, at all meetings of the shareholders and of the Board of Directors unless a different chairman of such meetings is elected by the Board of Directors.

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(b) In the absence or disability of the President, the Vice-President or Vice-Presidents, if any, in order of their rank as fixed by the Board of Directors, and if not ranked, the Vice-Presidents in the order designated by the Board of Directors, shall perform all the duties of the President, and when so acting shall have all the powers of, and be subject to all the restrictions on the President. Each Vice-President shall have such other powers and perform such other duties as may from time to time be assigned to him by the President or the Board of Directors.

(c) The Secretary shall keep accurate minutes of all meetings of the shareholders and the Board of Directors unless a different Secretary of such meetings is elected by the Board of Directors. He shall keep, or cause to be kept a record of the shareholders of the corporation and shall be responsible for the giving of notice of meetings of the shareholders or the Board of Directors. The Secretary shall be custodian of the records and of the seal of the corporation and shall attest the affixing of the seal of the corporation when so authorized. The Secretary or Assistant Secretary may sign all stock certificates, as described in Section 2.2 hereof. The Secretary shall perform all duties commonly incident to his office and such other duties as may from time to time be assigned to him by the President or the Board of Directors.

(d) An Assistant Secretary may, at the request of the Secretary, or in the absence or disability of the Secretary, perform all of the duties of the Secretary. He shall perform such other duties as may be assigned to him by the President or by the Secretary.

(e) The Treasurer, subject to the order of the Board of Directors, shall have the care and custody of the money, funds, valuable papers and documents of the corporation. He shall keep accurate books of accounts of the corporation's transactions, which shall be the property of the corporation, and shall render financial reports and statements of condition of the corporation when so requested by the Board of Directors or President. The Treasurer shall perform all duties commonly incident to his office and such other duties as may from time to time be assigned to him by the President or the Board of Directors. In the absence or disability of the President and Vice-President or Vice-Presidents, the Treasurer shall perform the duties of the President.

(f) An Assistant Treasurer may, at the request of the Treasurer, or in the absence or disability of the Treasurer, perform all of the duties of the Treasurer. He shall

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perform such other duties as may be assigned to him by the President or by the Treasurer.

5.3 Compensation. All officers of the corporation may receive salaries or other compensation if so ordered and fixed by the Board of Directors. The Board of Directors shall have authority to fix salaries in advance for stated periods or render the same retroactive as the Board may deem advisable.

5.4 Delegation of Duties. In the event of absence or inability of any officer to act, the Board of Directors may delegate the powers or duties of such officer to any other officer, director or person whom it may select.

5.5 Bonds. If the Board of Directors by resolution shall so require, any officer or agent of the corporation shall give bond to the corporation in such amount and with such surety as the Board of Directors may deem sufficient, conditioned upon the faithful performance of their respective duties and offices.

5.6 Removal. Any officer or agent may be removed by the Board of Directors or by the executive committee, if any, whenever in its judgment the best interest of the corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not, of itself, create contract rights.

ARTICLE VI
FINANCE

6.1 Reserve Funds. The Board of Directors, in its uncontrolled discretion, may set aside from time to time, out of the net profits or earned surplus of the corporation, such sum or sums as it deems expedient as a reserve fund to meet contingencies, for equalizing dividends, for maintaining any property of the corporation, and for any other purpose.

6.2 Banking. The moneys of the corporation shall be deposited in the name of the corporation in such bank or banks or trust company or trust companies, as the Board of Directors shall designate, and may be drawn out only on checks signed in the name of the corporation by such person or persons as the Board of Directors, by appropriate resolution, may direct. Notes and commercial paper, when authorized by the Board, shall be signed in the name of the corporation by such officer or officers or agent or agents as shall thereunto be authorized from time to time.

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ARTICLE VII
DIVIDENDS

Subject to the provisions of the Articles of Incorporation and the laws of the State of Colorado, the Board of Directors may declare dividends whenever, and in such amounts, as in the Board's opinion the condition of the affairs of the corporation shall render such advisable.

ARTICLE VIII
CONTRACTS, LOANS AND CHECKS

8.1 Execution of Contracts. Except as otherwise provided by statute or by these Bylaws, the Board of Directors may authorize any officer or agent of the corporation to enter into any contract, or execute and deliver any instrument in the name of, and on behalf of the corporation. Such authority may be general or confined to specific instances and, unless so authorized, no officer, agent or employee shall have any power to bind the corporation for any purpose, except as may be necessary to enable the corporation to carry on its normal and ordinary course of business.

8.2 Loans. No loans shall be contracted on behalf of the corporation and no negotiable paper shall be issued in its name unless authorized by the Board of Directors. When so authorized, any officer or agent of the corporation may effect loans and advances at any time for the corporation from any bank, trust company or institution, firm, corporation or individual. An agent so authorized may make and deliver promissory notes or other evidence of indebtedness of the corporation and may mortgage, pledge, hypothecate or transfer any real or personal property held by the corporation as security for the payment of such loans. Such authority, in the Board of Directors' discretion, may be general or confined to specific instances.

8.3 Checks. Checks, notes, drafts and demands for money or other evidence of indebtedness issued in the name of the corporation shall be signed by such person or persons as designated by the Board of Directors and in the manner the Board of Directors prescribes.

8.4 Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the Board of Directors may select.

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ARTICLE IX
FISCAL YEAR

The fiscal year of the corporation shall be the year adopted by resolution of the Board of Directors.

ARTICLE X
CORPORATE SEAL

The Board of Directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the corporation and the state of incorporation and the words "CORPORATE SEAL".

ARTICLE XI
AMENDMENTS

These Bylaws may be altered, amended or repealed and new Bylaws may be adopted by a majority of the Directors present at any meeting of the Board of Directors of the corporation at which a quorum is present.

ARTICLE XII
EXECUTIVE COMMITTEE

12.1 Appointment. The Board of Directors by resolution adopted by a majority of the full Board, may designate two or more of its members to constitute an executive committee. The designation of such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed by law.

12.2 Authority. The executive committee, when the Board of Directors is not in session shall have and may exercise all of the authority of the Board of Directors except to the extent, if any, that such authority shall be limited by the resolution appointing the executive committee and except also that the executive committee shall not have the authority of the Board of Directors in reference to amending the Articles of Incorporation, adopting a plan of merger or consolidation, recommending to the shareholders the sale, lease or other disposition of all or substantially all of the property and assets of the corporation otherwise than in the usual and regular course of its business, recommending to the shareholders a voluntary dissolution of the corporation or a revocation thereof, or amending the Bylaws of the corporation.

12.3 Tenure and Qualifications. Each member of the executive committee shall hold office until the next regular

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annual meeting of the Board of Directors following his designation.

12.4 Meetings. Regular meetings of the executive committee may be held without notice at such time and places as the executive committee may fix from time to time by resolution. Special meetings of the executive committee may be called by any member thereof upon not less than one day's notice stating the place, date and hour of the meeting, which notice may be written or oral, and if mailed, shall be deemed to be delivered when deposited in the United States mail addressed to the member of the executive committee at his business address. Any member of the executive committee may waive notice of any meeting and no notice of any meeting need be given to any member thereof who attends in person. The notice of a meeting of the executive committee need not state the business proposed to be transacted at the meeting.

12.5 Quorum. A majority of the members of the executive committee shall constitute a quorum for the transaction of business at any meeting thereof, and action of the executive committee must be authorized by the affirmative vote of a majority of the members present at a meeting at which a quorum is present.

12.6 Informal Action by Executive Committee. Any action required or permitted to be taken by the executive committee at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the members of the committee entitled to vote with respect to the subject matter thereof.

12.7 Vacancies. Any vacancy in the executive committee may be filled by a resolution adopted by a majority of the full Board of Directors.

12.8 Resignations and Removal. Any member of the executive committee may be removed at any time with or without cause by resolution adopted by a majority of the full Board of Directors. Any member of the executive committee may resign from the executive committee at any time by giving written notice to the President or Secretary of the corporation, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

12.9 Procedure. The executive committee shall elect a presiding officer from its members and may fix its own rules of procedure which shall not be inconsistent with these Bylaws. It shall keep regular minutes of its proceedings and report the same to the Board of Directors for its in-

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formation at the meeting thereof held next after the proceedings shall have been taken.

ARTICLE XIII
EMERGENCY BYLAWS

The Emergency Bylaws provided for in this Article shall be operative during any emergency in the conduct of the business of the corporation resulting from an attack on the United States or any nuclear or atomic disaster, notwithstanding any different provision in the preceding articles of the Bylaws or in the Articles of Incorporation of the corporation or in the Colorado Corporation Code. To the extent not inconsistent with the provisions of this Article, the Bylaws provided in the preceding articles shall remain in effect during such emergency and upon its termination the Emergency Bylaws shall cease to be operative.

During any such emergency:

(a) A meeting of the Board of Directors may be called by any officer or director of the corporation. Notice of the time and place of the meeting shall be given by the person calling the meeting to such of the directors as it may be feasible to reach by any available means of communication. Such notice shall be given at such time in advance of the meeting as circumstances permit in the judgment of the person calling the meeting.

(b) At any such meeting of the Board of Directors, a quorum shall consist of the number of directors in attendance at such meeting.

(c) The Board of Directors, either before or during any such emergency, may, effective in the emergency, change the principal office or designate several alternative principal offices or regional offices, or authorize the officers so to do.

(d) The Board of Directors, either before or during any such emergency, may provide, and from time to time modify, lines of succession in the event that during such an emergency any or all officers or agents of the corporation shall for any reason be rendered incapable of discharging their duties.

(e) No officer, director or employee acting in accordance with these Emergency Bylaws shall be liable except for willful misconduct.

XII. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASES

The Board of Directors has authorized the Company to repurchase up to \$2,500,000 of the Company's Common Stock at market prices. Any repurchases will be carried out in the open market through block trades or otherwise, or in privately negotiated transactions off the market, subject to market conditions. Repurchases will be made at the discretion of management from time to time in compliance with Rule 10b-18 under the Securities Exchange Act of 1934. The repurchase program does not require the Company to acquire a specific number of shares and may be suspended from time-to-time or discontinued at any time.

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COMPANY PURCHASES OF EQUITY SECURITIES				
Period	Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program
December 1 to December 31, 2010	44,600(a)	\$0.75	44,600	\$966,470
January 1 to January 31, 2011	96,145(a)	\$0.80	96,145	\$889,187
February 1 to February 28, 2011	22,900(a)	\$0.83	22,900	\$870,240
March 1 to March 31, 2011	1,176,600(b)	\$0.72	1,176,600	\$20,440
April 1 to April 30, 2011	7,000(a)	\$0.88	7,000	\$14,296
May 1 to May 31, 2011	69,060(a)	\$0.92	69,060	\$950,947(c)
June 1 to June 30, 2011	102,700(a)	\$0.90	102,700	\$858,041
July 1 to July 31, 2011	16,600(a)	\$0.89	16,600	\$843,300
August 1 to August 31, 2011	142,307(a)	\$0.84	142,307	\$724,238
September 1 to September 30, 2011	419,699(d)	\$0.72	419,699	\$421,109
October 1 to October 31, 2011	20,148(a)	\$0.82	20,148	\$404,585
November 1 to November 30, 2011	147,840(a)	\$0.79	147,840	\$287,576
December 1 to December 31, 2011	204,800(a)	\$0.79	204,800	\$626,760(e)
January 1 to January 31, 2012	144,109(a)	\$0.79	144,109	\$513,100
February 1 to February 28, 2012	23,500(a)	\$0.81	23,500	\$494,062
March 1 to March 31, 2012	115,399(a)	\$0.80	115,399	\$401,367
April 1 to April 30, 2012	16,290(a)	\$0.81	16,290	\$388,130
May 1 to May 31, 2012	50,486(a)	\$0.81	50,486	\$347,335
June 1 to June 30, 2012	123,800(a)	\$0.81	123,800	\$247,582
July 1 to July 31, 2012	10,037(a)	\$0.87	10,037	\$238,855
August 1 to August 31, 2012	39,850(a)	\$0.88	39,850	\$203,885
December 1 to December 31, 2012	108,265(a)	\$0.91	108,265	\$105,706

- (a) Shares acquired in the open market.
- (b) Includes 176,600 shares acquired in the open market at an average price per share of \$0.85; and, 1,000,000 shares acquired at \$0.70 per share in a private transaction with an unrelated party.
- (c) In May 2011, the Board of Directors approved an additional \$1,000,000 for the common stock repurchase program.
- (d) Includes 55,830 shares acquired in the open market at an average price per share of \$0.81; and, 363,869 acquired at \$0.71 per share in a private transaction with an unrelated party.
- (e) In December 2011, the Board of Directors approved an additional \$500,000 for the common stock repurchase program.

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Entry into a Material Definitive Agreement

The Company entered into a long term supply agreement for basil that meets the Company's specifications.

Termination of a Material Agreement

None

Completion of Acquisition or Disposition of Assets

During 2018, the Company purchased \$750,000 in new manufacturing equipment. This new equipment will increase the Company's overall capacity and efficiency.

During 2017, the Company completed a \$3.5 million plant expansion project in order to help it keep up with the expected growth in demand for its products, as well as the food safety requirements of its customers.

In 2017, the Company wrote off approximately \$2.7 million in fully depreciated prior leasehold improvements and equipment in connection with the plant expansion project.

Triggering Events That Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement

None

Costs Associated with Exit or Disposal Activities

None other than as noted above under "Completion of Acquisition or Disposition of Assets"

Material Impairments

None

Material Modification to Rights of Security Holders

None

Changes in Certifying Accountant

On December 7, 2018, the Company announced that its long-time auditor, Gregory & Associates, LLC, has resigned solely because it will no longer perform audits for publicly traded companies, and not due to any disagreements or qualifications regarding the Company's accounting principles, practices or disclosures. The board approved replacing Gregory & Associates with Sadler, Gibb & Associates, L.L.C., an auditing firm based in Salt Lake City, Utah.

Non Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review

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None

Changes in Control

None

Departure of Director or Principal Officers; Election of Directors; Appointment of Principal Officers

On March 19, 2019, the Company announced that two of its long time board members have retired from the board of directors. David Scatena retired after serving on the board of Armanino Foods for over 31 years; Joseph Barletta retired after serving on the board for over 19 years. Neither of these retirements were due to any disagreements or qualifications regarding Company matters. At the time the Company also announced that effective immediately, Albert Banisch will fill one of these board vacancies. The board will continue its search to fill the second board opening.

Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year

None

Amendments to Code of Ethics, or Waiver of a Provision of the Code of Ethics

None