ARMANINO™ FOODS OF DISTINCTION, INC.

QUARTERLY DISCLOSURE REPORT
SEPTEMBER 30, 2015
UNAUDITED

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CONTENTS

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

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

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

3. SECURITY INFORMATION:
   a. Trading Symbol: AMNF

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

	September 30, 2015	September 30, 2014	September 30, 2013
Common shares authorized	40,000,000	40,000,000	40,000,000
Common shares outstanding(1)	32,065,645	32,065,645	32,065,645
Freely tradable shares	30,203,203	30,203,203	30,141,803
# of beneficial shareholders (2)	1,300	1,300	1,300
# of shareholders of record	121	121	124

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

	September 30, 2015	*September 30, 2014*	*September 30, 20*
Common shares outstanding on record with Transfer Agent	*32,065,645*	*32,065,645*	*32,092,360*
Less common stock held in treasury	*-*	*-*	*<26,715>*
Common shares outstanding	*32,065,645*	*32,065,645*	*32,065,645*

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

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

	September 30, 2015	September 30, 2014	September 30, 2013
Shares authorized	10,000,000	10,000,000	10,000,000
Shares outstanding	-	-	-
Freely tradable shares	-	-	-
# of beneficial shareholders	-	-	-
# of shareholders of record	-	-	-

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

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

f. Restrictions on the transfer of security:
1,862,442 shares as of as of 9/30/15, 1,862,442 shares of common stock are restricted as of 9/30/14; and 1,923,842 shares as of 9/30/13.

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

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

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

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

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

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

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

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

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

7. ISSUER'S FACILITIES
   The Company leases approximately 24,375 square feet of office, production and warehouse space located at 30588 San Antonio Street, Hayward, California, 94544. The Company also leases approximately 7,408 square feet of additional office and warehouse space located at 30641 San Antonio Street, Hayward, California, 94544. Except for a Co2 tank which it leases, the Company owned all of its manufacturing equipment as of September 30, 2015.

8. OFFICERS, DIRECTORS, AND CONTROL PERSONS
   a. Name of Officers, Directors, and Control Persons:

Name	Business Address	Positions and Offices Held & Term as a Director	Shares Owned
Edmond J. Pera	30588 San Antoio Street Hayward, CA 94544	President and Chief Executive Officer since February 2009. Also, Secretary, Treasurer until February 2009, and Director since August 2000. Serve as Chief Operating Officer (Principal Financial Officer) from May 2003 to February 2009.	450,000
Douglas R. Nichols	30588 San Antoio Street Hayward, CA 94544	Chairman of the Board since February 2009. Previously served as Director since June 2001.	1,451,212
John Micek III	30588 San Antoio Street Hayward, CA 94544	Director since February 1988.	142,960
David B. Scatena	30588 San Antoio Street Hayward, CA 94544	Director since February 1988 and Vice Chairman of the Board since February 1999.	8,280
Joseph F. Barletta	30588 San Antoio Street Hayward, CA 94544	Director since December 1999.	-
Patricia A. Fehling	30588 San Antoio Street Hayward, CA 94544	Director since December 2004.	100,000
Deborah Armanino LaBlanc	30588 San Antoio Street Hayward, CA 94544	Director and Secretary since February 2009.	974,044

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

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

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

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

10. ISSUER CERTIFICATIONS

I, Edmond J. Pera, certify that:

1. I have reviewed this quarterly disclosure statement of Armanino Foods of Distinction, Inc.;
2. 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
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 16, 2015
/s/ Edmonds J. Pera
Edmond J. Pera, CEO

10. ISSUER CERTIFICATIONS (Continued)

I, Edgar Estonina, certify that:

1. I have reviewed this quarterly disclosure statement of Armanino Foods of Distinction, Inc.;
2. 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
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 16, 2015
/s/ Edgar Estonina
Edgar Estonina, CFO

INTERIM FINANCIAL STATEMENTS

BALANCE SHEET

	As of September 30, 2015	As of December 31, 2014
CURRENT ASSETS:		
Cash	$ 3,978,207	$ 2,971,964
Certificates of Deposit	1,117,715	1,109,088
Accounts Receivable, net	4,443,290	3,630,280
Inventories	2,313,706	2,792,436
Prepaid Expenses	226,923	447,288
Current Deferred Tax Asset	98,715	98,715
Total Current Assets	12,178,556	11,049,771
PROPERTY AND EQUIPMENT, net accumulated depreciation	1,461,677	1,140,720
OTHER ASSETS:		
Deposits	20,000	20,000
Goodwill	375,438	375,438
Trademarks	39,045	19,081
Total Other Assets	434,483	414,519
Total Assets	$ 14,074,716	$ 12,605,010

The accompanying notes are an integral part of these financial statements

	As of September 30, 2015	As of December 31, 2014
CURRENT LIABILITIES:		
Notes Payable - Current Portion	355,944	418,676
Accounts Payable - Trade	1,974,288	1,735,394
Accrued Payroll and Payroll Taxes	676,373	503,377
Other Accrued Liabilities	2,495	5,027
Dividends Payable	609,246	577,182
Accrued Income Taxes	24,644	-
Total Current Liabilities	3,642,990	3,239,656
Notes Payable and Long-Term Debt	143,916	393,366
DEFERRED TAX LIABILITY	46,437	44,931
Other Long-Term Liabilities	420	1,957
Total Long Term Liabilities	190,773	440,254
Total Liabilities	3,833,763	3,679,910
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 32,065,645 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	2,774,990	2,774,990
Additional Paid-in Capital	48,202	48,202
Accumulated Other Comprehensive Income	(1,836)	(4,400)
Retained Earnings	7,419,597	6,106,308
Total Stockholders' Equity	10,240,953	8,925,100
Total Liabilities and Stockholders' Equity	$ 14,074,716	$ 12,605,010

The accompanying notes are an integral part of these financial statements

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STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
NET SALES	$ 8,488,032	$ 8,697,316	$ 25,641,861	$ 23,668,523
COST OF GOODS SOLD	5,539,238	5,468,620	16,467,913	14,830,727
GROSS PROFIT	2,948,794	3,228,696	9,173,948	8,837,796
OPERATING EXPENSES:				
General, administrative and selling expense	451,697	399,847	1,424,841	1,251,760
Salaries & wages	671,457	703,603	2,015,986	1,981,076
Commissions	275,777	270,873	793,814	774,947
Total Operating Expense	1,398,931	1,374,323	4,234,641	4,007,783
INCOME FROM OPERATIONS	1,549,863	1,854,373	4,939,307	4,830,013
OTHER INCOME (EXPENSE)				
Interest and other income	42,373	27,875	101,696	64,961
Interest (expense)	(5,594)	(10,038)	(19,916)	(33,266)
Total Other Income (Expense)	36,779	17,837	81,780	31,695
INCOME BEFORE INCOME TAXES	1,586,641	1,872,209	5,021,088	4,861,708
CURRENT TAX EXPENSE	614,290	725,661	1,944,188	1,882,566
DEFERRED TAX (BENEFIT)	-	-	-	-
NET INCOME	$ 972,351	$ 1,146,548	$ 3,076,899	$ 2,979,142
Derivative instrument acounted for as a hedge, net of tax of $439, $682, $1,506 and $2,154, respectively	949	2,506	1,818	4,827
COMPREHENSIVE INCOME	$ 973,300	$ 1,149,054	$ 3,078,717	$ 2,983,969
EARNINGS PER COMMON AND EQUIVALENT SHARES:				
BASIC EARNINGS PER SHARE	$ 0.030	$ 0.036	$ 0.096	$ 0.093
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	32,065,645	32,065,645	32,065,645	32,065,645
DILUTED EARNINGS PER SHARE	$ 0.030	$ 0.036	$ 0.096	$ 0.093
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING ASSUMING DILUTION	32,065,645	32,065,645	32,065,645	32,065,645

The accompanying notes are an integral part of these financial statements

STATEMENT OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Retained
	Shares	Amount	Capital	Income	Earnings
BALANCE, December 31, 2013	32,065,645	$2,774,990	$ 48,202	$ (9,123)	$4,439,596
Dividends on common shares	-	-	-	-	(2,180,464)
Derivative instrument acounted for as a hedge net of tax of $2,774	-	-	-	4,723	-
Net income for the year ended December 31, 2014	-	-	-	-	3,847,176
BALANCE, December 31, 2014	32,065,645	$2,774,990	$ 48,202	$ (4,400)	$6,106,308
Dividends on common shares	-	-	-	-	(1,763,610)
Derivative instrument acounted for as a hedge net of tax of $1,506	-	-	-	2,564	-
Net income for the nine months ended September 30, 2015	-	-	-	-	3,076,899
BALANCE, September 30, 2015	32,065,645	$2,774,990	$ 48,202	$ (1,836)	$7,419,597

The accompanying notes are an integral part of these financial statements

CASH FLOW

	For the Nine Months September 30, 2015	2014
Cash Flows from Operating Activities:		
Net Income	$ 3,076,899	$ 2,979,142
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	215,155	178,181
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(813,010)	(724,633)
(Increase) decrease in inventory	478,729	(217,615)
(Increase) decrease in prepaid expenses	220,366	36,681
Increase (decrease) in accounts payable, accrued expenses, and taxes payable	436,533	594,591
Total Adjustments	537,773	(132,795)
Net Cash Provided by Operating Activities	3,614,672	2,846,347
Cash Flows from Investing Activities:		
Purchase of property and equipment	(536,112)	(48,388)
Purchase of Trademarks	(19,964)	-
Proceeds (Purchase) of certificates of deposit	(8,627)	(2,200)
Net Cash Used by Investing Activities	(564,703)	(50,588)
Cash Flows from Financing Activities:		
Payments on notes payable	(312,182)	(299,347)
Dividends paid	(1,731,544)	(1,539,689)
Net Cash Used by Financing Activities	(2,043,726)	(1,839,036)
Net Increase (Decrease) in Cash and Cash Equivalents	1,006,243	956,723
Cash and Cash Equivalents at Beginning of Period	2,971,964	2,345,737
Cash and Cash Equivalents at End of Period	$ 3,978,207	$ 3,302,460
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 19,916	$ 33,266
Income Taxes	$ 1,642,907	$ 1,638,000

The accompanying notes are an integral part of these financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Cash and Cash Equivalents - The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company had $3,422,660 and $2,514,989 in excess of federally insured amounts in its bank accounts at September 30, 2015 and December 31, 2014.

Certificates of Deposit and Treasury Bills - The Company accounts for investments in debt and equity securities in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) ASC Topic 320 Investments – Debt and Equity Securities. Under Topic 320 the Company’s certificates of deposit and treasury bills (debt securities) have been classified as held-to-maturity and are recorded at amortized cost. Held-to-maturity securities represent those securities that the Company has both the positive intent and ability to hold until maturity. At September 30, 2015 and December 31, 2014, the Company held certificates of deposit with a purchase value and fair value totaling $1,117,206 and $1,105,627, an amortized value totaling $1,117,715 and $1,109,088 and which mature through March 2016.

Accounts Receivable - Accounts receivable consist of trade receivables arising in the normal course of business. At September 30, 2015 and December 31, 2014, the Company has established an allowance for doubtful accounts of $10,000 and $10,000, respectively, which reflects the Company’s best estimate of probable losses inherent in the accounts receivable balance. The Company determines the allowance based on known troubled accounts, historical experience, and other currently available evidence. Amounts written off for the years presented are insignificant for disclosure.

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

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

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

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

Net sales comprised of the following for the three months ending September 30, 2015 and 2014:

	For the Three Months Ended September 30		**For the Nine Months Ended September 30**	
	2015	**2014**	**2015**	**2014**
Gross Sales	$ 10,098,254	$ 9,996,950	$ 30,065,327	$ 27,261,797
Less: Discounts	(152,702)	(151,443)	(437,355)	(407,192)
Slotting	-	(2,495)	(3,547)	(7,496)
Promotions	(1,457,520)	(1,145,696)	(3,982,564)	(3,178,586)
Net Sales	$ 8,488,032	$ 8,697,316	$ 25,641,861	$ 23,668,523

Advertising Cost - Cost incurred in connection with advertising of the Company's products are expensed as incurred. Such costs amounted to $1,500 and $0 for the three months ending September 30, 2015 and 2014, respectively; and $2,980 and $1,480 for the nine months ending September 30, 2015 and 2014, respectfully.

Research and Development Cost - The Company expenses research and development costs for the development of new products as incurred. Included in general and administrative expense for the three months at September 30, 2015 and 2014 are $4,887 and $29,431, respectively, of research and development costs; and $7,096 and $48,977 for the nine months ending September 30, 2015 and 2014.

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

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

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

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

Unless otherwise disclosed, the fair value of the Company's financial instruments including cash, accounts receivable, prepaid expenses, accounts payable, accrued expenses and notes payable approximates their recorded values due to their short-term maturities.

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

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

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

NOTE 2 - RELATED PARTY TRANSACTIONS

During the three months ending September 30, 2015 and 2014, the Company paid accounting fees of $1,055 and $615 respectively to a company controlled by a director/shareholder. For the nine months ending September 30, 2015 and 2014 these fees amounted to $9,060 and $8,600. Services provided by this accounting firm are in the area of tax preparation and related services, management and business consulting. No audit services were provided by this company.

NOTE 3 - INVENTORY

Inventory consists of the following at September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
Raw Materials and Supplies	934,451	1,015,334
Finished Goods	1,404,256	1,802,102
Reserve for Obsolescence	(25,000)	(25,000)
	$ 2,313,706	$ 2,792,436

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2015 and

December 31, 2014:

	Useful Life	September 30, 2015	December 31, 2014
Office equipment & furniture	2 – 10	532,108	454,482
Machinery and equipment	5 – 20	5,312,762	5,091,745
Vehicles	7	45,989	45,989
Leasehold improvements	3 – 25	2,321,792	2,084,323
		8,212,651	7,676,539
Less Accumulated Depreciation		(6,750,974)	(6,535,819)
Net Property and Equipment		$ 1,461,677	$ 1,140,720

Depreciation expense amounted to $78,998, $58,707, $215,155 and $178,181 for the three and nine months ending September 30, 2015 and 2014, respectively.

NOTE 5 - 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 June 30, 2015 and December 31, 2014, Goodwill amounted $375,438.

Trademarks -- Trademarks represent the current costs incurred in seeking registration in the United States and in certain foreign countries for certain of the Company’s trademarks. At June 30, 2015 and December 31, 2014, Trademarks amounted to $21,892, and $19,081, respectively.

During the six months ended June 30, 2015, the Company tested the Company’s 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 from the underlying assets purchased to test goodwill and trademarks for impairment and determined that the Company’s goodwill and Trademarks were not impaired.

NOTE 6 – LEASES

Operating Leases - In February 2012, the Company amended and restated its lease agreement for 30588 San Antonio Street in Hayward. Under the amended and restated lease agreement the expiration of the lease term on this building will be extended to December 31, 2016, with an option to extend the lease for another five years thereafter. The monthly base rent from August 10, 2013 through December 31, 2016, is $18,996.68. If the Company elects to extend the lease agreement for another five years after December 31, 2016, the base rent will be set at the prevailing fair market rental value, but not less than $18,996.68. The Company also leases equipment under an operating lease expiring upon 90 days written notice.

The future minimum lease payments for non-cancelable operating leases having remaining terms in excess of one year as of September 30, 2015 are as follows:

Year Ended December 31,	
2015	72,086
2016	289,640
2017	-
2018	-
2019	-
Thereafter	-
	$ 361,726

Lease expense charged to operations were $72,086 and $71,771 for the three months ending September 30, 2015 and 2014 $216,258 and $215,314 for the nine months ending September 30, 2015 and 2014, respectively.

NOTE 7 – LINE OF CREDIT

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

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

At September 30, 2015 and December 31, 2014, there was $499,860 and $812,042 outstanding on the note.

Future Maturities of the note payable at September 30, 2015 are as follows:

Year Ended December 31,	
2015	106,494
2016	303,417
2017	89,949
2018	-
2019	-
Thereafter	-
	$ 499,860

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

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

Interest Rate Risk
The Company is exposed to changes in interest rates on its $2,000,000 Note payable / Line of Credit. In order to manage this risk, on April 29, 2011, and May 2, 2012 the Company entered into a five year interest rate swap agreement to manage interest costs and the risk associated with changing interest rates. The Company designated this interest rate swap as a cash flow hedge of floating rate borrowings and expects the hedge to be highly effective in offsetting fluctuations in the designated interest payments resulting from changes in the benchmark interest rate. The gains and losses on the designated swap agreement will offset changes in the interest rate of the $2,000,000 Note payable / line of credit, which enabled the Company to effectively lock in a fixed 4.5% interest rate on the $1,000,000 which it had drawn through March 31, 2011, and to effectively lock in a fixed 3.9% interest rate on the remaining $1,000,000 of the $2,000,000 Note payable / line of credit. The Company formally documented the effectiveness of this qualifying hedge instrument (both at the inception of the swap and on an ongoing basis) in offsetting changes in cash flows of the hedged transaction. The fair value of the interest rate swap is calculated as described in Note 9, “Fair Value of Financial Instruments”, taking into consideration current interest rates and the current creditworthiness of the counterparties or the Company, as applicable.

As a result of this swap, the Company will pay interest at a fixed rate and receive payment at a variable rate beginning on April 29, 2011 and May 2, 2012. The swap effectively fixes the interest rate to 4.5% on $1,000,000 and 3.9% on the remaining

$1,000,000 under the Note Payable, with the outstanding balance subject to the swap declining over time. The interest rate swap expires on April 29, 2016 and May 2, 2017. The effective portion of the change in value of the swap is reflected as a component of comprehensive income and recognized as Interest expense, net as payments are paid or accrued. The remaining gain or loss in excess of the cumulative change in the present value of the future cash flows of the hedged item, if any (i.e., the ineffective portion) or hedge components excluded from the assessment of effectiveness are recognized as Interest expense, net during the current period.

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

As of September 30, 2015, the fair value of the Company's derivative instruments were recorded as follows:

	September 30, 2015	
	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments		
Interest rate swap – current	Accrued expenses and other current liabilities	$ 2,495
Interest rate swap – non-current	Other non-current liabilities	420
Total		$ 2,915

The effect of derivative instruments on the Consolidated Statements of Income for the nine months ended September 30, 2015 was as follows:

Derivatives Designated as Cash Flow Hedging Relationships	Amount of Gain/(Loss) Recognized in Accumulated OCL on Derivative (Effective Portion)	Location of Gain/(Loss) Reclassified from Accumulated OCL into Income (Effective Portion)	Amount of Gain/(Loss) Reclassified from Accumulated OCL into Income (Effective Portion)	Location of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
For the nine months ended September 30, 2015					
Interest rate swap	$ 2,915	Interest expense	$ 2,915	Interest expense	$ -
For the nine months ended September 30, 2014					
Interest rate swap	$ 7,662	Interest expense	$ 7,662	Interest expense	$ -

NOTE 9 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

- Defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value;

- Establishes a three-level hierarchy for fair value measurement based upon the transparency of inputs to the valuation as of the measurement date;

- Expands disclosures about financial instruments measured at fair value.

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

Level 1: Financial assets and financial liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company can access.

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

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

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

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

As of September 30, 2015	Level 1	Level 2	Level 3
Interest Rate Swap	-	(2,915)	-
Total	-	(2,915)	-

As of December 31, 2014	Level 1	Level 2	Level 3
Interest Rate Swap	-	(6,984)	-
Total	-	(6,984)	-

NOTE 10 - AGREEMENTS AND COMMITMENTS

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

401(K) Profit Sharing Plan - The Company has a 401(K) profit sharing plan and trust that covers all employees. The Company matches 50% up to a maximum of 7% deferral. Any employees who are employed by the Company during a six consecutive month period and have reached age 21 are eligible to participate in the plan. The plan became effective January 1, 1993 and has a plan year of January 1 through December 31. During the three months ending September 30, 2015 and 2014 the Company matching contributions to the plan expensed were $18,271 and $16,030 respectively. For the nine months ending September 30, 2015 and 2014 the Company matching contributions were $55,390 and $48,912, respectively.

NOTE 11 - INCOME TAXES

The Company accounts for income taxes in accordance with FASB ASC Topic 740 which requires the Company to provide a net deferred tax asset or liability equal to the expected future tax benefit or expense of temporary reporting differences between book and tax accounting and any available operating loss or tax credit carry forwards. At September 30, 2015, and December 31, 2014, the total of all deferred tax assets was $98,715, and $98,715 respectively, and the total of the deferred tax liabilities was $46,437, and $44,931, respectively. The amount of and ultimate realization of the benefits from the deferred tax assets for income tax purposes is dependent, in part, upon the tax laws in effect, the Company's future earnings, and other future events, the effects of which cannot be determined.

The temporary differences, tax credits and carry forwards gave rise to the following deferred tax asset at September 30, 2015, and December 31, 2014 as follows:

	September 30, 2015	December 31, 2014
Inventory 263A adjustment	$ 38,041	$ 38,041
Reserve for accrued vacation	60,674	60,674
	98,715	98,715
Excess of tax over book depreciation	(47,515)	(47,515)
Other	1,078	2,584
	(46,437)	(44,931)
	$ 52,278	$ 53,784

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 Company files U.S. federal, and California state income tax returns, and we are generally no longer subject to tax examinations for years prior to 2012 for U.S. federal and U.S. states tax returns.

NOTE 12 - EARNINGS PER SHARE

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Income	$ 972,351	$ 1,146,548	$ 3,076,899	$2,979,142
Weighted average number of common shares outstanding used in basic earnings per share	32,065,645	32,065,645	32,065,645	32,065,645
Effect of dilutive securities: Stock Options	-	-	-	-
Weighted average number of common shares and pontential dilutive shares outstanding used in diluted earnings per share	32,065,645	32,065,645	32,065,645	32,065,645

For the nine months ended September 30, 2015 and 2014, the Company had no options that were not included in the computation of diluted earnings per share.

NOTE 13 - STOCKHOLDERS' EQUITY

Preferred Stock - The Company is authorized to issue 10,000,000 shares of no par value preferred stock with such rights and preferences and in such series as determined by the Board of Directors at the time of issuance. No shares are issued or outstanding as of September 30, 2015 and December 31, 2014.

Dividends - During the nine months ended September 30, 2015 and 2014, the Company paid $1,731,544 and $1,539,686, respectively, in dividends to common shareholders, none of which was considered a liquidating dividend.

Repurchase of Common Shares - The Board of Directors has authorized the Company to repurchase up to $2,500,000 of the Company’s Common Stock at market prices. The amount and timing of the shares to be repurchased are at the discretion of management. Through September 30, 2015, 3,102,135 shares, at $0.70 to $0.94 per share at an aggregate cost of $2,394,294, were repurchased and canceled under this program. At September 30, 2015, the Company is authorized to repurchase an additional $105,706 of the Company’s common stock.

NOTE 14 - SIGNIFICANT CUSTOMERS / CONCENTRATION

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

The Company had two customers who accounted for 69% and 9%, respectively, of outstanding receivables at September 30, 2015, 55% and 29%, respectively, at December 31, 2014.

During the three months ending September 30, 2015 and 2014, 59% and 54% of the Company's total gross sales, respectively, were handled by a non-exclusive national distributor. For the nine month ended September 30, 2015 and 2014 these same distributors represented 57% and 55%.

During the three months ending September 30, 2015 and 2014 Asian sales amounted to 7% and 13% of the Company's total gross sales, respectively. For the nine months ended September 30, 2015 and 2014 sales into Asia represented 9% and 13%, respectively.

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

	For the Three Months Ended		For the Nine Months Ended	
	Sept 30, 2015	Sept 30, 2014	Sept 30, 2015	Sept 30, 2014
Broker A	$ 1,408,580	$ 1,314,140	$ 4,234,406	$ 3,761,163
Broker B	1,011,193	911,100	3,022,238	2,749,476
Broker C	812,706	700,045	2,190,405	2,002,944

NOTE 15 – SUBSEQUENT EVENTS

The Company's management has reviewed all material events through November 16, 2015.

On September 10, 2015, the Company's Board of Directors declared a regular cash dividend of $0.019 per share that was paid on October 23, 2015 to shareholders of record on October 2, 2015.

SUPPLEMENTAL INFORMATION

1. MANAGEMENT DISCUSSION AND ANALYSIS

A. Financial Results

Liquidity and Capital Resources:
At September 30, 2015 the Company had working capital of $8,535,566 compared to $7,810,115 on December 31, 2014. This increase largely reflects the Company's continued profitability which in turn has resulted in higher balances in cash, and receivables. Inventory levels decreased due to the temporary impact from installing the Company's new manufacturing equipment at the end of the third quarter during which time production was down. The Company's strong cash position has enabled it pay down its debt used to repurchase common shares, and declare an increased quarterly dividend. This dividend is the Company's 61st consecutive regular quarterly dividend, or 15 years of regular quarterly dividend payments.

Results of Operations:
Net sales for the quarter ending September 30, 2015 decreased by 2% to $8,488,032 from $8,697,315 in the same quarter last year. This decrease reflects significantly weaker sales in the Company's Asian markets as well as heavier than normal spending on promotional investments. The stronger US dollar and soft economy in the Company's principal Asian market resulted in weaker demand for the Company's products in that market. To date in the fourth quarter, sales in the Company's Asian markets are above the prior year. Even though the rate of the Company's promotional expenditures was much higher than usual in the third quarter, the Company anticipates that these investments will increase the Company's US market share and profitability in the short and long term.

Cost of goods sold as a percentage of net sales for the quarter ending September 30, 2015 was 65%, a 2% increase from 63% at September 30, 2014 resulting mostly due to changes in sales product mix compared to the same quarter last year.

Operating expenses as a percentage of net sales for the quarter ending September 30, 2015 and 2014 was 16%. On a year to date basis, operating expenses as a percentage of net sales are at 17% for both the nine months ending September 30, 2015 and 2014.

Net income of $972,351 for the three months ended September 30, 2015 decreased $174,196 or 15% over the net income of $1,146,548 for the three months ended September 30, 2014 largely due to the significant drop in sales in the Company's Asian Markets, as well as heavier than normal spending on promotional programs during this period. For perspective, even though the Company saw a drop in its third quarter net income this year, this quarter is being compared to last year's third quarter which was the most profitable quarter in the Company's history.

On a year to date basis the Company's net income for the nine months ending September 30, 2015 was 3% higher than the same period last year.

The Company remains optimistic about the strength of its financial performance in its US markets – management believes that the Company's US sales pipeline is strong, and that several significant prospects are being worked on. Although fourth quarter sales to date in the Company's Asian markets are above the prior year, the Company cannot say with any certainty what is the longer term outlook in those markets. Total sales towards the end of the third quarter, and total sales and bookings to date for the fourth quarter have trended higher than the same periods last year. The Company's cash position remains healthy and is significantly higher than it was this same period last year. The Company continues to pay down its long term debt which is scheduled to be fully paid off on time before the end of second quarter in 2017.

Cash Flow:
For the nine months ending September 30, 2015 cash flow from operating activities increased by \$768,325 to \$3,614,672 from \$2,846,347 in the same period last year. This increase is consistent with the increase in net income and depreciation offset by the change in the current assets and liabilities.

Net cash used in investing activities for the nine months ending September 30, 2015 increased by \$<514,115> to \$<564,703> from \$<50,588> in the same period last year largely due to the purchase of new plant equipment, as well as spending on trademark related activities. The new equipment was installed and began running by the end of the third quarter. It replaces older equipment and is expected to add significant manufacturing capacity.

Net cash used by financing activities for the nine months ending September 30, 2015 increased by \$<204,690> to \$<2,043,726> from \$<1,839,036> in the same period of 2014. The increase is largely due to Company's payment of higher dividends this year compared to the same period last year.

While the Company's cash flow is currently strong it intends to closely manage its cash flow activities for the remainder of 2015.

B. <u>Off-Balance Sheet Arrangements</u>

The Company has no off-balance sheet arrangements.

2. LEGAL PROCEEDINGS

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

3. DEFAULTS UPON SENIOR SECURITIES

   The Company is not in default upon any of its debts.

4. EXHIBITS

   There are no updates to the “Material Contracts”, “Articles of Incorporation” or “Bylaws” described in items XVIII and XIX, respectively, of the Company’s 2014 Annual Report.