



A Colorado Corporation

Address: 5976 West Las Positas Blvd, Suite 200
Pleasanton, CA 94588

Phone: (510) 441-9300

Website: www.armaninofoods.com

Email: amnf@armaninofoods.com

SIC Code: 2030

Annual Report
For the Period Ending: December 31, 2025
(the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock is 31,078,007 as of December 31, 2025

The number of shares outstanding of our Common Stock was 31,903,600 as of December 31, 2024

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: No: (Double-click and select "Default Value" to check)

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: No:

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period:

Yes: No:

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Part A **General Company Information**

Item 1 **The exact name of the issuer and its predecessor (if any)**

Armanino Foods of Distinction, Inc. (the Company); no name changes to date.

Item 2 **The address of the issuer's principal executive offices and address(es) of the issuer's principal place of business:**

A. Address: 5976 West Las Positas Blvd., Suite 200, Pleasanton, CA 94588

B. Telephone: (510) 441-9300

C. Website: www.armaninofoods.com

D. Investor Relations:

Attn: Lucas A. Zimmerman, MZ Group - MZ North America

Phone: (262) 357-2918

Email: AMNF@mzgroup.us

Check box if principal executive office and principal place of business are the same address:

Item 3 **The jurisdiction(s) and date of the issuer's incorporation or organization.**

State of incorporation: Colorado

Year of incorporation: 1986

Current standing in state of incorporation: Active

Part B **Share Structure**

Item 4 **The exact title and class of securities outstanding.**

Title of class of securities outstanding: Common Stock

CUSIP: 042166801

Trading Symbol: AMNF

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Item 5 Par or stated value and description of the security.

- A. Par or Stated Value of outstanding securities: No Par Value Common Stock
- B. Common or Preferred Stock:
- i. Common Stock -- describe any dividend, voting and preemption rights:
 - One vote per share and ordinary access to dividends per share
 - ii. Preferred Stock: describe the dividend, voting, conversion and liquidation rights as well as redemption or sinking fund provisions: Not Applicable; no preferred stock outstanding
 - iii. Material rights of common or preferred stockholders: Not Applicable; no preferred stock outstanding
 - iv. Provision in issuer’s charter or by-laws that would delay, defer or prevent a Change in Control of the issuer: None

Item 6 The number of shares or total amount of the securities outstanding for each class of securities authorized.

COMMON STOCK:

	December 31, 2025	December 31, 2024	December 31, 2023
Number of shares authorized:	40,000,000	40,000,000	40,000,000
Number of shares outstanding:	31,078,007	31,903,600	32,065,645
Freely tradable shares (public float):	29,151,590	31,127,852	31,289,897
Number of beneficial shareholders owning at least 100 shares:	Over 50	Over 50	Over 50
Total number of shareholders of record:	81	83	84

PREFERRED STOCK:

	December 31, 2025	December 31, 2024	December 31, 2023
Number of shares authorized:	10,000,000	10,000,000	10,000,000

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Number of shares outstanding:	0	0	0
Freely tradable shares (public float):	0	0	0
Number of beneficial shareholders owning at least 100 shares:	0	0	0
Total number of shareholders of record:	0	0	0

Item 7 The name and address of the transfer agent*.

Name: Computershare Trust Company, N.A.
Address: 150 Royall Street, Canton, MA 02021
Phone: (781) 575-4247
Registered under the Exchange Act?: Yes
Regulatory authority: Office of the Comptroller of the Currency and the U.S. Securities and Exchange Commission
Website: www.computershare.com

Part C Business Information

Item 8 The nature of the 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 its formation, the Company has been 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. The Company's Common Stock is quoted on the OTCQX U.S. market.

In June 2024, the Company's board of directors authorized \$7 million for the repurchase and retirement of shares of the Company's common stock (2024 Stock Buyback Program). In March 2025, the Company's board of directors authorized an additional \$5 million to the Company's Stock Buyback Program (2025 Stock Buyback Program), bringing the total amount authorized for the Stock Buyback Program to \$12 million. Under

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the 2024 and 2025 Stock Buyback Programs, the company repurchased a total of 987,638 shares of common stock in the open market through December 31, 2025 at a cost of \$7,548,811. These shares were transferred into treasury, thereby resulting in 31,078,007 shares outstanding at the end of 2025.

The Company was not party to any material legal proceedings or administrative actions in 2025 or 2024 and is not now a party to any material legal proceedings or administrative actions.

Other required disclosures regarding the Company's Business Development:

- i. Whether the issuer (or any predecessor) has been in bankruptcy, receivership or any similar proceeding: None
- ii. Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets: None
- iii. Any default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the issuer to make payments: None
- iv. Any change of control: None
- v. Any increase of 10% or more of the same class of outstanding equity securities: None
- vi. Any past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization: The Company pays regular quarterly dividends on its common stock, and has also periodically paid special dividends.
- vii. Any delisting of the issuer's securities by any securities exchange: None
- viii. Any current, past, pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer's business, financial condition,

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or operations and any current, past or pending trading suspensions by a securities regulator. State the names of the principal parties, the nature and current status of the matters, and the amounts involved: None

B. Business of Issuer:

The Company is 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 - Canned, Frozen & Preserved Fruit, Vegetables & Food Specialties. The Company is not 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 and 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.

The Company expenses research and development costs for the development of new products as incurred. Included in general and administrative expense for the years ended December 31, 2025, and 2024 are \$556,363 and \$549,340, respectively, of research and development costs.

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, 2025, the Company employed 37 persons on a full-time basis and none on a part-time basis.

Item 9 The nature of products or services offered.

A. Principal products or services, and their markets:

The Company's line of frozen products presently includes a wide variety of sauces, stuffed pastas and pasta sheets, as well as value-added specialty Italian pastas and cooked meat products. These products target foodservice operators such as restaurants and hospitality businesses; retailers including grocery, club and mass stores; and industrial accounts.

The Company produces a variety of premium, globally-inspired pesto and sauces including Basil Pesto, Roasted Red Bell Pepper Pesto, Southwest Chipotle Pesto, Roasted Garlic Pesto and Chimichurri sauce, all of which are packaged under the Armanino label. All of the Company's sauces are sold to end customers in the foodservice channel, while only the Basil Pesto and Creamy Garlic sauces are sold in the retail channel.

The Company also markets frozen stuffed pastas and pasta sheets that are sold under the Armanino brand. The Company's stuffed pasta products are sold to end customers in the foodservice and retail channels. The Company also sells cooked beef and Italian meatballs in the retail channel.

B. Distribution methods of the products or services:

The Company's products are purchased by restaurants and other end customers directly and through a network of distributors. Consumers can purchase select products through retailers. The Company's revenue arrangements with its customers often include early payment discounts and sales incentives as trade allowances. The Company leverages food brokers to sell to restaurants. Food brokers earn commissions ranging from 1% to 4% of sales.

C. Status of any publicly announced new product or service:

The Company has a full time Research & Development function that develops new varieties of sauces primarily to support the requirements and strategies of the Company's current and prospective end customers in the foodservice and industrial channels. During 2025 the Company introduced several such products to meet customer-specific requirements.

D. Competitive business conditions, the issuer's competitive position in the industry, and methods of competition:

The Company competes with a wide range of producers of sauces and pasta products. While the Company's products are sold frozen, they compete with refrigerated and dry products in addition to other frozen products. The Company's products compete primarily on the basis of quality and natural ingredients and face competition from products that seek to compete on the basis of price. Many of the Company's competitors have broader product portfolios and greater financial and other resources than those of the Company, including advertising budgets.

E. Sources and availability of raw materials and the names of principal suppliers:

The Company primarily uses basil, vegetables, canola oil, eggs, dairy products, dried tomatoes, flour, garlic, herbs, and spices in the production of its products. Some of these supplies are sourced from outside the U.S. and have recently become subject to increased trade tariffs. To date these additional costs have not been material, but the Company continues to monitor these impacts. The Company regularly reviews its supply risks, particularly the risks of shortages of key ingredients and rising costs. For certain key ingredients, the Company manages these risks by entering into long term contracts (i.e., up to one year) that provide committed volume of supply at committed prices. The Company also utilizes secondary sources for raw materials when necessary and carefully manages its operational practices to promote efficiencies that offset the impact of higher costs. The Company believes that it has access to sufficient volume of supply of its key ingredients to meet its demand for at least the next twelve months.

F. Dependence on one or a few major customers:

During the years ended December 31, 2025, and 2024, 53% and 52%, respectively, of the Company's total gross sales were handled by a non-exclusive national distributor. This distributor is a master consolidator who buys various products in large quantities, stores them, and then ships consolidated products, primarily to other distributors from one of their distribution centers located throughout the US. This distributor customer also accounted for 59% and 61% of outstanding accounts receivable as of December 31, 2025 and 2024.

During the years ended December 31, 2025, and 2024, sales to the Company's distributor in Asia amounted to 8% and 7%, respectively, of the Company's total gross sales. The Company's distributor in Asia accounted for 14% of outstanding accounts receivable as of December 31, 2025.

The loss of distributors who represent a significant amount of sales could have a material adverse effect on the business of the Company.

G. Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including their duration:

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 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 also seeks to maintain trademark protection for the name "Armanino" in a stylized rendition as the brand mark for most of its products.

H. The need for any government approval of principal products or services and the status of any requested government approvals:

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 labelling such products. Nevertheless, there can be no assurance that the Company would be successful in recovering such compensation.

Item 10 The nature and extent of the issuer's facilities.

The Company leases approximately 24,375 square feet of office, production and warehouse space located at 30588 San Antonio Street in Hayward, California. During 2016, the Company renewed the lease through December 31, 2021 and negotiated two additional five year options to extend the lease thereafter. During 2021, the Company exercised its option to extend the lease for another five years after December 31, 2021, at a base rent of \$26,813, commencing January 1, 2022 with fixed annual rent increases ranging from 2.1% to 2.3%.

The Company also leases approximately 13,900 square feet of warehouse space at 23694 Bernhardt Street in Hayward, California. The lease commenced on November 15, 2021, with a beginning base rent of \$18,770 and expires on February 14, 2027.

The Company also leases approximately 4,100 square feet of office space at 5976 West Las Positas Blvd. in Pleasanton, California. The agreement commenced on January 1, 2022, with a beginning base rent of \$8,541 and expires on April 30, 2027.

As of December 31, 2025, the Company owned all its manufacturing equipment. All the Company's 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.

Regarding the production of frozen sauces 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. It is Company policy to ensure that the highest possible standards for food safety and quality are achieved throughout all its manufacturing, packaging, storage, and distribution processes. The Company maintains extensive procedures to control the safety, quality, legality, and authenticity of its products at all stages from supplier selection and raw material acquisition through processing, packaging, and distribution. Its facility is audited annually to ensure compliance with these procedures, and it maintains a current BRC Certificate of Conformity.

Regarding 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.

Part D **Management Structure and Financial Information**

Item 11 **Company Insiders (Officers, Directors, and Control Persons).**

- A. 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:

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Name	Business Address	Year	Salary	Bonus ^(a)	Board Fee ^(b)	Other Compensation ^(c)	Positions and Offices Held and Term as a Director/Officer
Deanna Jurgens	5976 W. Las Positas Blvd., Ste 200 Pleasanton, CA 94588	2025	\$ 268,269	\$ 621,368	\$ -	\$ -	President, Chief Executive Officer and Director since May 2025
James Ford	5976 W. Las Positas Blvd., Ste 200 Pleasanton, CA 94588	2025 2024	\$ - -	\$ 5,000 -	\$ 41,450 15,900	\$ 9,000 471	Chairman of the Board since August 2025; Director since June 2024
John Micek III	5976 W. Las Positas Blvd., Ste 200 Pleasanton, CA 94588	2025 2024 2023	\$ - - -	\$ 5,000 - -	\$ 36,400 26,400 22,400	\$ 10,800 14,712 7,732	Director since February 1988
Tony Muscato	5976 W. Las Positas Blvd., Ste 200 Pleasanton, CA 94588	2025 2024	\$ - -	\$ 5,000 -	\$ 27,400 10,200	\$ 9,000 471	Director since June 2024
Deborah Armanino LeBlanc	5976 W. Las Positas Blvd., Ste 200 Pleasanton, CA 94588	2025 2024 2023	\$ - - -	\$ 5,000 - -	\$ 22,400 20,400 17,400	\$ 10,800 14,712 7,732	Director and Secretary since February 2009; retired VP of Sales and Marketing
Albert Banisch	5976 W. Las Positas Blvd., Ste 200 Pleasanton, CA 94588	2025 2024 2023	\$ - - -	\$ 5,000 - -	\$ 37,900 25,900 22,900	\$ 10,800 14,712 7,689	Director since March 2019
Douglas R. Nichols	5976 W. Las Positas Blvd., Ste 200 Pleasanton, CA 94588	2025 2024 2023	\$ - - -	\$ 5,000 - -	\$ 35,825 37,600 31,100	\$ 315,500 14,712 7,732	Chairman of the Board, February 2009 to August 2025; Director, June 2001 to to August 2025
Timothy W. Anderson	5976 W. Las Positas Blvd., Ste 200 Pleasanton, CA 94588	2025 2024 2023	\$ 81,250 450,000 450,000	\$ 130,576 550,000 321,000	\$ - - -	\$ 1,302,060 69,648 35,048	President and Chief Executive Officer, March 2020 to February 2025
Edgar Estonina	5976 W. Las Positas Blvd., Ste 200 Pleasanton, CA 94588	2025 2024 2023	\$ 125,990 251,738 243,225	\$ 57,630 285,709 166,001	\$ - - -	\$ 26,326 24,520 13,200	Acting Chief Executive Officer, February 2025 to May 2025; Chief Operating Officer, December 2015 to June 2025; Chief Financial Officer, February 2009 to June 2025; Controller, June 2006 to February 2009

- a. Reflects amounts earned during the reported year, whether determined and paid during or after the reported year.
- b. Board members receive a retainer fee of \$2,100 per quarter (\$8,400 per year) plus \$2,000 per Board meeting. The Chairman receives a retainer fee of \$3,150 per quarter (\$12,500 per year) plus \$3,000 per Board meeting. In addition, Board members participating in a committee receive \$1,000 per committee meeting; the Committee Chairman receives \$1,500. Board committees currently include Compensation, Audit, Nomination and Corporate Governance.
- c. Other Compensation includes "dividend equivalents" on vested shares of Phantom Stock equal to the dividend rate declared on common stock, exercise of phantom shares, auto allowances, meal allowances, payout of accrued PTO upon resignation and relocation reimbursement.

DEANNA JURGENS, PRESIDENT, CHIEF EXECUTIVE OFFICER AND DIRECTOR. Deanna Jurgens brings over two decades of leadership experience across the food, beverage, beauty, and wellness industries. Prior to joining Armanino, Ms. Jurgens served as Chief Sales Officer of Bonduelle Fresh Americas, where she led a successful business turnaround, delivering double-digit branded growth and significantly improving profitability. She previously held senior leadership roles including President, North America and Global Chief Growth Officer at Beyond Meat, where she spearheaded international expansion and commercial partnerships, and Chief Global Sales Officer at Rodan & Fields, where she led digital transformation and global revenue growth.

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Ms. Jurgens began her career at PepsiCo, rising to Senior Vice President at Frito-Lay, where she was the first senior female to lead the company's largest operating business unit. Ms. Jurgens is known for building high-performing teams, driving transformational growth, and leading with purpose. Armanino shares beneficially owned: 50,000.

JAMES FORD, DIRECTOR. James Ford, CFA was elected to the Board of Directors in June 2024 and as Chairman in August 2025. He is President and Managing Partner of First Ballantyne, LLC, a U.S. fixed income boutique broker dealer, a position he has held since 2014. He has more than 20 years of experience in the capital markets and investment industry. A seasoned professional investor, James has been involved in several complex restructurings and transactions throughout his career. He holds a B.S. in Business Administration from the University of North Carolina, Chapel Hill. Armanino shares beneficially owned: 1,178,187.

JOHN J. MICEK III, DIRECTOR. Mr. Micek has been a Director of the Company since February 1988 and also serves as Chair of the Audit Committee. He served Vice President of the Company from September 1989 to December 1993, including as General Counsel and Chief Financial Officer. He has served as a member of the Board of Directors of Jaguar Health since April 2016 and as a member of the Board of Directors of Napo Therapeutics since March 2021. Since 2010, He was also a board member and the Chief Executive Officer and Chief Financial Officer of Enova Systems. From March 2014 to August 2015, he served as interim Chief Financial Officer for Smith Electric Vehicles, Inc. From 2000 to 2010, Mr. Micek was managing director of Silicon Prairie Partners, LP, a Palo Alto, California based family-owned venture fund. 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.

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TONY MUSCATO, DIRECTOR. Mr. Muscato was elected to the Armanino Foods Board in June, 2024. He is a senior leader with a 35-year track record in the United States and Europe successfully growing and scaling public and private equity owned companies in the food & beverage industry. He currently serves as President, CEO & Board Director of Country Pure Foods, Inc. a leading U.S. provider of premium beverage solutions to the retail and away from home channels. Prior to joining Country Pure Foods, he was CEO/President of Harry's Fresh Foods, Inc. and CEO/President of Diamond Crystal Brands, Inc. Mr. Muscato's career began in retail marketing with the H.J. Heinz Company, where over 20 years he advanced to senior leadership positions including Group Vice President of North American Foodservice Sales & Marketing and Managing Director European Foodservice. He has also served as a Board Director for several food companies, including Ferraro Foods, Kettle Cuisine, Michael Angelo's Gourmet Foods, and Buzzard's Roost Spirits. Mr. Muscato holds a B.S. in Management from Canisius College and an M.B.A. from Carnegie Mellon University. Armanino shares beneficially owned: 5,000.

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, most recently as Senior VP of Sales and Marketing for the Company. Armanino shares beneficially owned: 535,270.

ALBERT BANISCH, DIRECTOR. Mr. Banisch was elected to the Board of Directors in March 2019. Mr. Banisch brings three decades of experience in the food industry, the most recent 18 years leading consulting engagements with companies ranging from the world's largest multinationals to innovative start-ups. He served as Chief Strategy and Client Engagement Officer at Mattson, an internationally recognized innovation and consulting firm in the food and beverage industry, until his retirement in 2025. Prior to joining Mattson, he served for ten years as Managing Partner and lead relationship director at Sterling-Rice Group,

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the Boulder, Colorado-based brand strategy, innovation, and communications firm. He began his career in the food business at H.J. Heinz Company, serving for 12 years in marketing and general management roles. Between roles in the food industry, he served as Senior Vice President at Visa USA and as Senior VP for Strategy & Marketing at Centura Health, Colorado's largest hospital and health services provider. Mr. Banisch holds an MBA from Carnegie Mellon University. Armanino shares beneficially owned: 15,000.

ANDREW LEONARD, CHIEF FINANCIAL OFFICER. Mr. Leonard was appointed as Chief Financial Officer beginning in January 2026. Before joining Armanino, Mr. Leonard served as Vice President of Finance for Pallidus, a semiconductor materials manufacturer. Prior to Pallidus, he worked in corporate development and held several senior finance leadership roles at Hewlett Packard and Hewlett Packard Enterprise, including Vice President of Finance & Business Unit CFO for a large global business. Previously, Mr. Leonard was a Director of Investment Banking at Credit Suisse, where he advised on capital markets and M&A transactions. He holds a Bachelor of Arts degree in History from Stanford University. Armanino shares beneficially owned: None.

DOUGLAS R. NICHOLS, FORMER CHAIRMAN OF THE BOARD. Mr. Nichols served as a Director beginning in June 2001 and as Chairman of the Board beginning in February 2009. He resigned from the Board in August 2025.

TIMOTHY W. ANDERSON, FORMER PRESIDENT, CHIEF EXECUTIVE OFFICER AND DIRECTOR. Tim Anderson served as Chief Executive Office and President of the Company from March 2020 until February, 2025.

EDGAR ESTONINA, FORMER ACTING CHIEF EXECUTIVE OFFICER, CHIEF OPERATING OFFICER AND CHIEF FINANCIAL OFFICER. Mr. Estonina was hired as the Company's Contoller in June 2006 and became Chief Financial Officer in February 2009. In December 2015 Mr. Estonina took on the additional role of the Company's Chief Operating Officer. From

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February 2025 to May 2025, he held the role of acting President and CEO of the Company. He resigned from the Company in June 2025.

- B. Other Control Persons: On December 31, 2025, Fidelity Funds, in aggregate (FMR LLC), owned 2,178,617 shares of the Company's common stock outstanding (or 7.0%). The Company is not aware of any other shareholders who beneficially own more than 5% of its common stock.

- C. Legal/Disciplinary History: None.

- D. Disclosure of Family Relationships: None

- E. Related Party Transactions: None

- F. Disclosure of Conflicts of Interest: None

Item 12

Financial information for the issuer's most recent fiscal period.

Refer to the Company's financial statements which are incorporated by reference on the following pages in this disclosure report:

- A. Balance Sheet Page 30
- B. Statement of Income Page 31
- C. Statement of Changes in Stockholder's Equity Page 32
- D. Statement of Cash Flows Page 33
- E. Financial notes Page 34
- F. Audit Letter Page 27

Item 13 Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence.

Refer to the Company’s financial statements which are incorporated by reference on the following pages in this disclosure report:

- A. Balance Sheet Page 30
- B. Statement of Income..... Page 31
- C. Statement of Changes in Stockholder’s Equity Page 32
- D. Statement of Cash Flows..... Page 33
- E. Financial notes Page 34
- F. Audit Letters Pages 27, 28

Item 14 The name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to operations, business development and disclosure:

- A. Investment Banker: None
- B. Promoter: None
- C. Securities Counsel:
Name: Don Reinke
Firm: Reed Smith
Address 1: 1841 Page Mill Road, Suite 110
Address 2: Palo Alto, CA 94304
Phone: (650) 352 0500
Email: dreinke@reedsmith.com
- D. Independent Auditor:
Name: Eugene Ma
Firm: Macias Gini & O’Connell LLP
Services Provided: Audit of financial reports prepared and managed by Armanino Foods
Licensing/Qualifications: CPA firm, subject to PCAOB standards and review

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Address 1: 2121 N. California Boulevard, Suite 750
Address 2: Walnut Creek, CA 94596
Phone: (925) 395-2810
Email: ema@mgocpa.com

E. Public Relations Consultant: None

F. Investor Relations Consultant:

Name: Lucas A. Zimmerman
Firm: MZ Group - MZ North America
Services Provided: Investor relations management
Licensing / Qualifications: Global investor relations and corporate communications firm with demonstrated expertise in strategic financial communications, investment community outreach, public relations, market intelligence and technology solutions
Address 1: 120 Newport Center Drive #7015
Address 2: Newport, CA 92660
Phone: (262) 357-2918
Email: AMNF@mzgroup.us

G. Other advisors:

Name: Tyler Neves
Firm: Sadler, Gibb & Associates, LLC
Services Provided: Accounting advisory and financial reporting consultation
Licensing/Qualifications: CPA firm, and former auditor of Armanino Foods
Address 1: 344 West 13800 South, Suite 250
Address 2: Draper, UT 84020
Phone: (801) 783-2950
Email: tneves@sadlergibb.com

Item 15 Management's discussion and analysis

A. Plan of Operation

During 2025, the Company introduced a new strategic plan focused on accelerating revenue growth by leveraging its broad portfolio of premium, globally-inspired sauces and its established position in the U.S.

foodservice market to pursue additional opportunities with national restaurant chains and in international markets. To execute on this strategy, the Company has expanded its sales team with individuals dedicated to these new opportunities and has invested in manufacturing equipment to increase the efficiency and scalability of its operations. The Company intends to make additional investments in personnel and infrastructure during 2026 in support of these efforts.

The Company's liquidity position remains strong and it is confident that it has sufficient working capital to fund its operations, including these additional investments, beyond December 31, 2026.

B. Management's Discussion and Analysis of Financial Condition and Results of Operations.

1. Financial Condition

At December 31, 2025, the Company had working capital of \$33.9 million, compared to \$26.2 million at December 31, 2024, an increase of \$7.7 million or 29%. Total current assets increased by \$4.6 million or 11% during 2025, driven primarily by an increase in accounts receivable due to increasing sales. The Company's current liabilities decreased by \$3.1 million or 19% during 2025, driven primarily by reductions in income taxes payable, contract liabilities and phantom stock liability.

2. Changes in Financial Condition

The Company's cash position on December 31, 2025 was \$29.5 million, compared with \$28.2 million on December 31, 2024. The \$1.4 million increase was driven by \$15.1 million in cash provided by operating activities, offset by \$2.0 million of capital spending, \$6.5 million used to repurchase shares under the Company's stock repurchase program and \$5.2 million of dividends paid to shareholders.

3. Results of Operations:

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Net Sales. Net sales were \$76.1 million in 2025, up 9.7% from \$69.4 million in 2024. The increase primarily reflects high-value customer acquisition, expanded sauce penetration and disciplined trade management within the Company's core foodservice business.

Cost of Goods Sold and Gross Profit. Cost of goods sold (COGS) increased 4.2% to \$40.5 million from \$38.8 million, below the rate of sales growth, resulting in gross profit of \$35.6 million, up 16.7% year over year. Gross margin expanded to 46.8% from 44.0%, primarily due to an improved product mix, trade optimization and manufacturing efficiency.

Operating Expenses. Total operating expenses declined 4.1% to \$11.8 million from \$12.3 million, reflecting disciplined cost management alongside scalable growth. Within operating expenses:

- General, administrative and selling expense increased to \$5.9 million from \$5.1 million as the Company invested in organizational capabilities to support growth.
- Salaries & wages decreased to \$4.6 million from \$6.2 million due primarily to certain executive departures during the year.
- Commissions increased to \$1.2 million from \$1.0 million, consistent with higher sales activity.

As a result, operating income rose 30.7% to \$23.8 million from \$18.2 million and operating margin increased to 31.3% from 26.3%, underscoring the strength and scalability of the business.

Other Income (Expense). Other income was \$1.0 million in 2025 versus \$1.1 million in 2024, primarily reflecting lower interest rates on cash consistent with the general interest rate environment.

Income Taxes. The effective tax rate was 24.2% in 2025 compared with 24.6% in 2024. The year-over-year change primarily reflects higher foreign income tax credits.

Net Income. Net income increased 28.7% to \$18.8 million from \$14.6 million and net margin expanded to 24.7% from 21.1%, driven primarily by the increase in operating margin.

C. Off-Balance Sheet Arrangements:

The Company has a \$3.5 million revolving line of credit with a financial institution which was extended to February 2026 prior to the expiration on November 5, 2025 and was subsequently extended to April 2026. The Company has maintained this line of credit as a contingency which can be available to fund future strategic initiatives including potential acquisitions. As of December 31, 2025, no amounts have been drawn against this line of credit. Management is confident that it currently has enough cash on hand to fund its operations beyond the next 12 months.

Part E **Issuance History**

Item 16 **List of securities offerings and shares issued for services in the past two years.**

None

Part F **Exhibits**

Item 17 **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 month cancellation notice.

B. Suppliers:

During 2025 the Company entered into long-term supply agreements with several of its suppliers of key ingredients. These agreements provide for committed volumes at committed prices with the opportunity to realize discounts if the company's purchasing exceeds certain volume thresholds.

C. Operating Lease Agreements:

During 2016, the Company renewed the lease of 30588 San Antonio Street in Hayward, California through December 31, 2021, and negotiated two additional five-year options to extend the lease thereafter. On September

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30, 2021, the Company executed its option to extend the term of the lease from January 1, 2022, to December 31, 2026, with an additional option to extend the lease from January 1, 2027, to December 31, 2031. The monthly base rent commencing on January 1, 2022, is \$26,813 with annual rent increases of approximately 2%.

On October 26, 2021, the Company executed a lease for warehouse space at 23694 Bernhardt Street in Hayward, California. The lease commenced on November 15, 2021, with beginning base rent of \$18,770 and expires on February 14, 2027.

On January 1, 2022, the Company executed a lease for office space at 5796 West Las Positas Blvd in Pleasanton, California. The lease commenced on January 1, 2022, with beginning base rent of \$8,541 per month beginning on May 1, 2022.

D. 401(K) Profit Sharing Plan:

The Company has a 401(K) profit sharing plan and trust (the “Plan”) with a Plan year of January 1 through December 31. Under the Plan, any employees who are employed by the Company during 90 consecutive days of employment and reached age 21 are eligible to participate in the Plan. The Company matches 100% of contributions up to 6% of participants’ gross compensation. Also under the Plan, Participants are also eligible to receive additional match and/or discretionary contribution depending on the Company’s financial performance.

Item 18 Articles of Incorporation and Bylaws.

- A. Articles of Incorporation: Incorporated by reference to the Company’s 2024 Annual Report published to www.OTCMarkets.com/AMNF/disclosure on April 15, 2025.
- B. Bylaws: Incorporated by reference to the revised bylaws adopted by the Board of Directors on August 8, 2025 and published to www.OTCMarkets.com/AMNF/disclosure on August 22, 2025.

Item 19 Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

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In June 2024, the Company's board of directors authorized \$7,000,000 for the repurchase and retirement of shares of the Company's common stock (2024 Stock Buyback Program). In March 2025, the Company's board of directors subsequently authorized an additional \$5,000,000 (2025 Stock Buyback Program), bringing the total amount authorized for the stock repurchase program to \$12,000,000. Under the 2024 and 2025 Stock Buyback Programs, the company repurchased a total of 987,638 shares of common stock through December 31, 2025 at a cost of \$7,548,811. These shares were transferred into treasury, thereby resulting in 31,078,007 shares outstanding as of December 31, 2025.

Item 20 Issuer's Certifications.

I, Deanna Jurgens, 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 30, 2026

/s/ Deanna Jurgens

President & Chief Executive Officer

I, Andrew Leonard, 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

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(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 30, 2026
/s/ Andrew Leonard
Chief Financial Officer

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT



Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors of Armanino Foods of Distinction, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Armanino Foods of Distinction, Inc. (the "Company") as of December 31, 2025 and 2024, the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended December 31, 2025 and 2024, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended December 31, 2025 and 2024, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with relevant ethical requirements relating to our audit, which are less restrictive than the rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have served as the Company's auditor since 2024.

Macias Gini & O'Connell LLP

Walnut Creek, California
March 30, 2026

Macias Gini & O'Connell LLP
2121 N. California Boulevard, Suite 750
Walnut Creek, CA 94596

www.mgocpa.com

INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Armanino Foods of Distinction, Inc. (a Colorado Corporation), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Armanino Foods of Distinction, Inc. as of December 31, 2023, 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.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Armanino Foods of Distinction, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Armanino Foods of Distinction, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.



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- Obtain an understanding of internal control relevant to the audit 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 Armanino Foods of Distinction, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Armanino Foods of Distinction, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Sadler Gibb & Assoc.

Draper, UT
March 11, 2024



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CONSOLIDATED BALANCE SHEETS

	AS OF DECEMBER 31,		
	2025	2024	2023
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 29,527,078	\$ 28,164,307	\$ 22,177,386
Accounts receivable, net	11,831,005	8,578,692	8,067,266
Inventories, net	4,667,513	4,366,676	4,681,212
Prepaid expenses	652,091	920,859	719,929
Total Current Assets	46,677,687	42,030,534	35,645,793
NON-CURRENT ASSETS:			
Property and equipment, net	8,634,541	7,922,595	5,671,645
Deposits	112,393	20,000	20,000
Deferred tax assets	-	1,063,936	343,817
Operating lease right of use asset	702,109	1,364,468	1,998,540
Goodwill	375,438	375,438	375,438
Trademarks	75,576	75,576	75,576
Total Non-Current Assets	9,900,058	10,822,013	8,485,016
Total Assets	\$ 56,577,744	\$ 52,852,547	\$ 44,130,809
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	\$ 4,696,571	\$ 2,010,649	\$ 2,107,622
Contract liabilities	2,272,154	4,404,813	5,213,697
Accrued payroll and payroll taxes	1,404,053	1,828,422	1,566,980
Phantom stock liability	2,169,251	3,664,971	1,339,680
Operating lease liability - current portion	705,480	649,738	649,738
Dividends payable	1,553,901	1,158,101	1,058,167
Income taxes payable	-	2,142,106	228,672
Total Current Liabilities	12,801,410	15,858,800	12,164,556
NON-CURRENT LIABILITIES			
Operating lease liability, net of current portion	61,515	810,583	1,460,321
Deferred tax liabilities	572,682	-	-
Total Non-Current Liabilities	634,197	810,583	1,460,321
Total Liabilities	13,435,607	16,669,383	13,624,877
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, 31,078,007, 31,903,600 and 32,065,645 shares issued and outstanding at December 31, 2025, 2024 and 2023, respectively	2,774,990	2,774,990	2,774,990
Treasury stock, at cost; 987,638, 162,045 and 0 shares held at December 31, 2025, 2024 and 2023, respectively	(7,548,811)	(1,072,033)	-
Additional paid-in capital	306,879	48,202	48,202
Retained earnings	47,609,080	34,432,005	27,682,740
Total Stockholders' Equity	43,142,137	36,183,164	30,505,932
Total Liabilities and Stockholders' Equity	\$ 56,577,744	\$ 52,852,547	\$ 44,130,809

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

ARMANINO FOODS OF DISTINCTION, INC.
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CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE YEARS ENDED		
	DECEMBER 31,		
	2025	2024	2023
NET SALES	\$ 76,092,639	\$ 69,352,570	\$ 63,561,091
COST OF GOODS SOLD	40,474,148	38,828,540	41,653,972
GROSS PROFIT	<u>35,618,491</u>	<u>30,524,030</u>	<u>21,907,119</u>
OPERATING EXPENSES:			
General, administrative and selling expense	5,938,386	5,099,648	4,510,382
Salaries & wages	4,640,489	6,152,046	5,266,164
Commissions	1,220,962	1,048,266	1,000,286
Total Operating Expense	<u>11,799,837</u>	<u>12,299,960</u>	<u>10,776,832</u>
INCOME FROM OPERATIONS	<u>23,818,653</u>	<u>18,224,070</u>	<u>11,130,287</u>
OTHER INCOME (EXPENSE)			
Interest and other income	987,544	1,142,555	543,873
Total Other Income (Expense)	<u>987,544</u>	<u>1,142,555</u>	<u>543,873</u>
INCOME BEFORE INCOME TAXES	<u>24,806,198</u>	<u>19,366,625</u>	<u>11,674,160</u>
TAX EXPENSE - CURRENT	4,371,199	5,480,865	3,495,529
TAX EXPENSE (BENEFIT) - DEFERRED	<u>1,636,617</u>	<u>(720,119)</u>	<u>(579,454)</u>
NET INCOME	<u>\$ 18,798,382</u>	<u>\$ 14,605,879</u>	<u>\$ 8,758,085</u>
NET INCOME PER COMMON AND EQUIVALENT SHARES:			
EARNINGS PER SHARE - BASIC	<u>\$ 0.6007</u>	<u>\$ 0.4559</u>	<u>\$ 0.2731</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC	<u>31,296,317</u>	<u>32,038,819</u>	<u>32,065,645</u>
EARNINGS PER SHARE - DILUTED	<u>\$ 0.5999</u>	<u>\$ 0.4559</u>	<u>\$ 0.2731</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED	<u>31,334,867</u>	<u>32,038,819</u>	<u>32,065,645</u>

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

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total
	Shares	Amount				
BALANCE , December 31, 2022	32,065,645	\$ 2,774,990	\$ 48,202	\$ -	\$ 23,157,321	\$ 25,980,513
Dividends on common shares	-	-	-	-	(4,232,666)	(4,232,666)
Net income for the year	-	-	-	-	8,758,085	8,758,085
BALANCE , December 31, 2023	32,065,645	\$ 2,774,990	\$ 48,202	\$ -	\$ 27,682,740	\$ 30,505,932
Dividends on common shares	-	-	-	-	(7,856,614)	(7,856,614)
Treasury Stock	(162,045)	-	-	(1,072,033)	-	(1,072,033)
Net income for the year	-	-	-	-	14,605,879	14,605,879
BALANCE , December 31, 2024	31,903,600	\$ 2,774,990	\$ 48,202	\$ (1,072,033)	\$ 34,432,005	\$ 36,183,164
Dividends on common shares	-	-	-	-	(5,621,307)	(5,621,307)
Treasury Stock	(825,593)	-	-	(6,476,778)	-	(6,476,778)
Stock-based compensation expense	-	-	258,677	-	-	258,677
Net income for the year	-	-	-	-	18,798,382	18,798,382
BALANCE , December 31, 2025	31,078,007	\$ 2,774,990	\$ 306,879	\$ (7,548,811)	\$ 47,609,080	\$ 43,142,137

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

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CONSOLIDATED STATEMENTS OF CASH FLOW

	FOR THE YEAR ENDED DECEMBER 31,		
	2025	2024	2023
Cash Flows from Operating Activities:			
Net Income	\$ 18,798,382	\$ 14,605,879	\$ 8,758,085
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation	1,313,934	622,136	641,739
Stock-based compensation	258,677	-	-
Deferred taxes	1,636,617	(720,119)	(579,454)
Changes in assets and liabilities:			
Accounts receivable	(3,252,313)	(511,426)	(873,498)
Inventory	(300,837)	314,536	7,725,242
Prepaid expenses	176,375	(154,211)	(144,781)
Operating lease right of use asset	662,359	634,072	606,283
Accounts payable	2,685,920	(96,973)	(542,860)
Contract liabilities	(2,132,658)	(808,884)	878,314
Phantom stock liabilities	(1,495,720)	2,325,291	945,894
Accrued payroll and payroll taxes	(424,369)	261,442	311,364
Income taxes payable	(2,142,106)	1,913,434	(444,234)
Operating lease liability	(693,326)	(649,738)	(598,509)
Net Cash Provided by Operating Activities	<u>15,090,934</u>	<u>17,735,439</u>	<u>16,683,585</u>
Cash Flows from Investing Activities:			
Purchase of property and equipment	(2,025,880)	(2,919,805)	(873,911)
Proceeds from certificates of deposit	-	-	438,283
Net Cash Provided by (Used in) Investing Activities	<u>(2,025,880)</u>	<u>(2,919,805)</u>	<u>(435,628)</u>
Cash Flows from Financing Activities:			
Purchase of treasury stock	(6,476,778)	(1,072,033)	-
Dividends paid	(5,225,504)	(7,756,680)	(4,136,468)
Net Cash Used in Financing Activities	<u>(11,702,282)</u>	<u>(8,828,713)</u>	<u>(4,136,468)</u>
Net Change in Cash and Cash Equivalents	1,362,771	5,986,921	12,111,489
Cash and Cash Equivalents at Beginning of Period	28,164,307	22,177,386	10,065,897
Cash and Cash Equivalents at End of Period	<u>\$ 29,527,078</u>	<u>\$ 28,164,307</u>	<u>\$ 22,177,386</u>
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the period for:			
Interest	\$ -	\$ -	\$ -
Income Taxes	\$ 6,356,229	\$ 2,505,000	\$ 4,616,201

Supplemental disclosure of non cash investing and financing activities:

On December 31, 2025, 2024 and 2023, the Company accrued dividends payable of \$1,553,903, \$1,158,101 and \$1,058,167 which were paid in January 2026, 2025 and 2024, respectively.

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

NOTES TO THE 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 and other sauces, frozen pasta products, cooked and frozen meat and poultry products, and its wholly-owned dormant subsidiary, AFDI, Inc.

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

Accounting Estimates - The preparation of financial statements in accordance with US GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reportable amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 \$29,003,114, \$27,547,255 and \$21,923,434 in excess of federally insured amounts in its bank accounts on December 31, 2025, 2024 and 2023, respectively. As of December 31, 2025, approximately \$29.3 million of these funds were held with a single financial institution.

Investments - 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 Securities and ASC 321 Investments – Equity Securities.

The Company’s equity securities consist of money market mutual fund accounts. Under ASC Topic 321, these money market accounts have been classified as cash and cash equivalents due to the fact that, although they are equity securities, they do not have maturity dates, they are highly liquid, are highly regulated by Rule 2a-7 under the Investment Act of 1940, and the disclosure requirements that would otherwise drive disclosure of fair value under ASC 321 would be approximated by their carrying value. Money market mutual funds classified as cash and cash equivalents totaled \$5,990,043, \$0 and \$5,449,268 as of December 31, 2025, 2024 and 2023, respectively.

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

ARMANINO FOODS OF DISTINCTION, INC.
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Accounts Receivable - Accounts receivable consist of trade and other receivables arising in the normal course of business. On December 31, 2025, 2024 and 2023, the Company has established an allowance for doubtful accounts of \$68,047, \$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. Inventory costs are determined based on the standard cost basis. The Company determines the allowance based on reviewing excess quantities and older product.

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 years (See Note 3).

Impairment of Long-Lived Assets - In accordance with ASC 360, "*Property Plant and Equipment*", the Company tests long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant decreases in the market price of the asset; significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and current expectation that the asset will more likely than not be sold or disposed of significantly before the end of its estimated useful life. Recoverability is assessed based on the carrying amount of the asset and its fair value which is generally determined based on the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the asset, as well as specific appraisal in certain instances. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value. No impairment losses were recognized during the years ended December 31, 2025, 2024 or 2023, respectively.

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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 on December 31 of each year for impairment. No amortization expense was recognized for the years ended December 31, 2025, 2024 or 2023, respectively.

Leases – The Company accounts for leases in accordance with FASB ASC Topic 842 Leases wherein the Company (except for short-term leases) recognizes at the commencement date, an operating lease liability equal to the discounted present value of the lease payments excluding non-lease components, and an operating lease right-of-use asset based on the Company incremental borrowing rate. Lease payments are applied against the operating lease liability and lease expense. The operating lease right of use asset is amortized to expense on a straight-line basis over the term of the lease.

Revenue Recognition and Sales Incentives - The Company's accounts for revenue recognition in accordance with FASB ASC 606. Accordingly, the Company applies a principles-based five step model to recognize revenue upon the transfer of control of promised goods to customers and in an amount that reflects the consideration for which it expects to be entitled to in exchange for those goods. The principles-based five step model includes: 1) identifying the contract(s) with a customer; 2) identifying the performance obligations in the contract; 3) determining the transaction price; 4) allocating the transaction price to the performance obligations in the contract; and 5) recognizing revenue when (or as) the Company satisfies a performance obligation.

Performance Obligations. The Company’s revenues primarily result from contracts with customers and distributors and generally have a single performance obligation – the shipment or delivery of products. The Company recognizes revenue when the performance obligation has been satisfied. The Company has concluded that this occurs when the rights and risk of ownership have passed to the customer; there is persuasive evidence of an arrangement; product has been shipped or delivered to the customer; the price and terms are finalized; and collection of resulting receivables is probable. 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.

Transaction Price. The Company's revenue arrangements with its customers often

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include early payment discounts and sales incentives such as trade allowances. The Company records revenues net of variable consideration, including estimated trade promotions.

These sales incentives are recorded at the later of when revenue is recognized or when the incentives are offered.

Contract Assets and Liabilities. The Company has no contract assets to record. Contract liabilities result from unclaimed promotions offered to customers which the Company estimates will be claimed. The resulting promotion expense is recorded as a reduction to revenues. These promotion expenses and related contract liabilities are estimated based principally on historical utilization, redemption rates, and/or current period experience factors. The Company reviews and adjusts these estimates at least quarterly based on actual experience and other information.

Financing Components. Receivables from customers generally do not bear interest. Payment terms and collection patterns are short-term, and the Company does not have any significant financing components. The Company's allowance for doubtful accounts represents their estimate of probable non-payments and credit losses in its existing receivables, as determined based on a review of past due balances and other specific account data. Account balances are written off against the allowance when the Company deems the amount is uncollectible.

For a disaggregation of the Company's revenue into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors, see Note 11 (customer concentration).

Net sales consisted of the following:

	FOR THE TWELVE MONTHS ENDED, DECEMBER 31		
	2025	2024	2023
Gross Sales	\$ 84,134,224	\$ 78,501,296	\$ 73,733,198
Less: Discounts	(1,283,370)	(1,267,908)	(1,170,581)
Promotions	(6,758,215)	(7,880,818)	(9,001,526)
Net Sales	<u>\$ 76,092,639</u>	<u>\$ 69,352,570</u>	<u>\$ 63,561,091</u>

Shipping and Handling Fees and Costs – The Company records all amounts billed to customers related to shipping and handling fees as revenue. The Company classifies expenses for shipping and handling costs as cost of goods sold.

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Cost of Sales – The Company includes product costs (i.e., material, direct labor, and overhead costs), shipping and handling expense, production-related depreciation expense and product packaging expense in cost of sales.

Advertising Cost - Cost incurred in connection with advertising of the Company’s products are expensed as incurred. Such costs amounted to \$650,672, \$1,221,862 and \$1,208,725 for the years ended December 31, 2025, 2024 and 2023, respectively.

Research and Development Cost - The Company expenses research and development costs for the development of new products as incurred. Included in general and administrative expense on December 31, 2025, 2024 and 2023 are \$556,363, \$549,340 and \$536,797, 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.

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:

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- 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.

Cash and cash equivalents are valued using Level 1 fair value inputs. Unless otherwise disclosed, the fair value of the Company's financial instruments including cash, accounts receivable, prepaid expenses, accounts payable and accrued liabilities approximate their recorded values due to their short-term maturities.

Stock-based compensation - The Company accounts for stock options and restricted stock units 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 on a straight-line basis 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.

Certain Risks and Concentrations – The Company is subject to credit risk primarily from concentration of sales and accounts receivable with certain customers. It manages its credit risk exposure through timely assessment of its counterparty creditworthiness, credit limits, and use of collateral management. See Note 11 for detail on customer concentration in the current period.

Recently Enacted Accounting Standards – Recent accounting pronouncements issued by the FASB did not or are not believed by management to have a material impact on the Company's present or future financial statements. In December 2023, the FASB

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issued Accounting Standards Update 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"), which requires enhanced disclosures to certain income tax disclosures, most notably the effective tax rate reconciliation and income taxes paid. The Company adopted ASU 2023-09 for the year ended December 31, 2025 on a retrospective basis. See Note 7.

NOTE 2 - INVENTORY

Inventory consisted of the following:

	December 31,		
	2025	2024	2023
Raw Materials and Supplies	\$ 2,313,574	\$ 2,240,139	\$ 2,527,905
Finished Goods	2,886,419	2,398,018	2,736,794
Reserve for Obsolescence	(532,481)	(271,481)	(583,487)
	\$ 4,667,513	\$ 4,366,676	\$ 4,681,212

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following:

	Useful Life	December 31,		
		2025	2024	2023
Office equipment & furniture	2 – 10	\$ 2,411,875	\$ 1,010,072	\$ 1,238,674
Machinery and equipment	5 – 20	6,804,092	6,120,247	6,121,093
Leasehold improvements	3 – 15	7,019,925	3,731,131	3,731,131
Construction in progress		702,111	4,073,733	1,162,854
		16,938,002	14,935,183	12,253,752
Less Accumulated Depreciation		(8,303,461)	(7,012,588)	(6,582,107)
Net Property and Equipment		\$ 8,634,541	\$ 7,922,595	\$ 5,671,645

Depreciation expense amounted to \$1,313,934, \$622,136 and \$641,739, for the years ended December 31, 2025, 2024 and 2023, of which approximately \$961,953, \$451,794 and \$425,000 was recorded in costs of goods sold, respectively.

NOTE 4 –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. On December 31, 2025, 2024 and 2023, Goodwill amounted to \$375,438.

Trademarks - Trademarks represent the current costs seeking trademarks. On December 31, 2025, 2024 and 2023, trademarks amounted to \$75,576.

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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 5 - LEASES

Operating Leases – The Company currently has three operating leases for its manufacturing facility, a warehouse location and its administrative offices.

The Company leases manufacturing space at 30588 San Antonio Street in Hayward, CA. During 2016, the San Antonio St lease was renewed through 2021 and with two five-year extension options. During 2021, the first option was exercised for a term from January 1, 2022, to December 31, 2026, leaving one extension option through December 31, 2031. The monthly base rent commencing on January 1, 2022, was \$26,813 subject to annual rent increases of approximately 2%. In accordance with ASC 842, as the 2021 option extension represented a new contract with changes in the term and rent payments, the Company recorded an initial right-of-use asset and liability of \$1,656,349 during 2021.

The Company leases warehouse space at 23694 Bernhardt Street in Hayward, CA. The lease was executed on November 15, 2021 and expires on February 14, 2027, with a 5-year extension option and beginning base monthly rent of \$18,770. During 2021, the Company recognized an initial right-of-use-asset and liability of \$1,135,518 for this lease.

The Company leases office space at 5976 West Las Positas Blvd in Pleasanton, CA. The 5-year lease was executed on January 1, 2022 for the period from May 1, 2022 to April 30, 2027, with a 2-year extension option and beginning base monthly rent of \$8,541 subject to annual rent increases of approximately 4%. During 2022, the Company recognized an initial right-of-use asset and liability of \$527,852 for this lease.

Supplemental balance sheet information related to leases consisted of the following:

	December 31,		
	2025	2024	2023
Operating lease right of use assets	\$ 702,109	\$ 1,364,468	\$ 1,998,540
Operating lease liabilities	\$ 766,995	\$ 1,460,321	\$ 2,110,059
Weighted average remaining lease term (yrs)	1.1	2.2	3.2
Weighted average discount rate	2.075%	2.075%	2.075%

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Supplemental cash flow information related to leases consisted of the following:

	FOR THE YEAR ENDED,		
	December 31,		
	2025	2024	2023
Cash paid for lease liabilities	\$ 697,964	\$ 687,380	\$ 648,901

The components of operating lease expenses were recorded as follows:

	FOR THE YEAR ENDED,		
	December 31,		
	2025	2024	2023
Operating expenses	\$ 105,171	\$ 105,171	\$ 116,028
Costs of goods sold	562,861	562,861	649,947
Total lease expense	\$ 668,032	\$ 668,032	\$ 765,975

Maturities of operating lease liabilities were as follows:

Year Ended December 31,	Future Minimum Lease Payments
2025	\$ 725,680
2026	61,724
2027	-
Future Minimum Lease Payments	\$ 787,404
Less amounts represent imputed interest	(20,409)
Present value of minimum lease payments	766,995
Less current portion of operating lease liability	(705,480)
Operating Lease liability, net of current Portion	\$ 61,515

NOTE 6 - AGREEMENTS, COMMITMENTS AND CONTINGENCIES

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-month cancellation notice.

Supply - During 2025 the Company entered into long-term supply agreements with certain suppliers of key ingredients at committed prices with the opportunity to realize discounts if the company's purchasing exceeds certain volume thresholds.

Debt Financing (line of credit) – The Company maintains a \$3,500,000 line of credit through a financial institution which was scheduled to expire on November 5, 2025. In November 2025, the expiration was extended to February 5, 2026. When the line of credit expires any outstanding balance on the loan must be paid in full. During the loan period,

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the Company may borrow, repay, and borrow again from time to time under this line of credit up to the credit limit. Interest accrues on any unpaid balance at a floating rate equal to the Daily Simple SOFR plus 2%. This line is collateralized with the Company's inventory and equipment. No amounts have been drawn against this line of credit as of December 31, 2025.

401(K) Profit Sharing Plan - The Company has a 401(K) profit sharing plan and trust (the "Plan") that was effective November 1, 2020 with a Plan year of January 1 through December 31. Under the Plan, any employees who were employed by the Company during 90 consecutive days of employment and reached age 21 were eligible to participate in the Plan. The Company matches 100% of contributions up to 6% of participants' gross compensation. Also under the Plan, Participants are eligible to receive additional match and/or discretionary contribution depending on the Company's financial performance. During the years ended December 31, 2025, 2024 and 2023, the Company's matching contributions amounted to \$354,229, \$226,335 and \$230,359, respectively.

Phantom Stock Bonus Program - 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 cash 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.

Under the plan the Company will pay to the holder of the phantom stock the difference between the current share price and exercise price (intrinsic value) on the date of exercise. Due to the fact that these bonus awards will be settled by payment of cash rather than issuance of equity, the phantom stock has been accounted for as a stock appreciation right and is recorded as a liability.

At the end of each reporting period, the Company will remeasure the current fair value of the award and adjust the liability and cumulative compensation expense to the appropriate portion of the total fair value in relation to the portion of the vesting period that has been completed. After the awards are fully vested, the Company will remeasure the outstanding awards' fair value at the end of each reporting period, recognizing the entire change in fair value immediately in the income statement.

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Phantom Stock Liability

As of December 31, 2025, 2024 and 2023, phantom stock liability was \$2,169,251, \$3,664,971 and \$1,339,680, respectively.

The Company has estimated the fair value of this liability as of December 31, 2025, 2024 and 2023 using the Black-Scholes option pricing model with the following assumptions:

	December 31,		
	2025	2024	2023
Expected term (in years)	1.59 - 4.22	1.18 - 6.43	2.18 - 4.53
Volatility	22.33% - 25.45%	20.73% - 24.45 %	18.84% - 24.91%
Risk Free Rate	3.44% - 3.61%	4.12 % - 4.38 %	3.84% - 4.23%
Dividend Yield	0.0%	0.0%	2.75%
Expected forfeiture rate	2.1%	4.4%	5.0%

Total compensation expense recorded during the years ended December 31, 2025, 2024 and 2023 amounted to approximately \$604,104, \$1,801,944 and \$1,015,000, respectively. The Company has a remaining balance of approximately \$361,464 in unrecognized compensation expense as of December 31, 2025, which is expected to be recognized through June 5, 2034.

A summary of phantom stock activity during the period is presented below:

	Shares	Weighted Average	Intrinsic Value
		Exercise Price	
Outstanding 12/31/2022	850,000	\$ 2.94	\$ 552,500
Granted	-	-	-
Exercised	(50,664)	-	(24,317)
Expired / Forfeited	(19,336)	-	(92,813)
Outstanding 12/31/2023	780,000	\$ 2.94	\$ 1,453,500
Granted	130,000	5.33	217,500
Exercised	(90,000)	3.00	(359,900)
Expired / Forfeited	-	-	-
Outstanding 12/31/2024	820,000	\$ 3.31	\$ 3,027,100
Granted	-	-	-
Exercised	(499,965)	2.81	(3,965,756)
Expired / Forfeited	(38,876)	4.05	(260,101)
Outstanding 12/31/2025	281,159	\$ 4.10	\$ 1,868,043
Exercisable 12/31/2025	220,298	\$ 3.71	1,549,133
Vested and expected to vest	280,261	\$ 4.09	1,864,207

A summary of the status of the phantom stock outstanding under the Plan at December

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31, 2025 is presented below:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life	Number Exercisable	Weighted Average Exercise Price
\$3.22	30,000	4.18	30,000	\$ 3.22
\$3.33	150,000	3.18	150,000	\$ 3.33
\$4.75	1,159	8.03	1,159	\$ 4.75
\$5.50	100,000	8.43	39,139	\$ 5.50
	<u>281,159</u>	<u>5.14</u>	<u>220,298</u>	<u>\$ 4.10</u>

During July and November 2023, the Company paid approximately \$62,000 to two employees who resigned for the exercise of 40,664 vested shares of phantom stock as of the resignation date. The employees' remaining 19,336 unvested shares expired during 2023.

In October 2023, a Company Director passed away, which resulted in the accelerated vesting of 10,000 shares of phantom stock granted in March 2020 with an exercise price of \$3.22 per share. The Company paid \$12,000 to the estate of this Company Director for exercising all 10,000 shares of Phantom Stock.

In April 2024, another Company Director passed away, which resulted in the accelerated vesting of 60,000 shares of phantom stock, which included 50,000 shares granted in March 2019, with an exercise price of \$3.33, and 10,000 shares granted in March 2020 with an exercise price of \$3.22 per share. The Company paid \$147,500 to the estate of this Company Director for exercising all 60,000 shares of Phantom Stock.

In July 2024, a Company employee with 30,000 shares of vested phantom stock resigned from the Company. This employee was paid \$100,500 for their phantom stock which carried an exercise price of \$2.38 per share.

On June 6, 2024, the Company's Board appointed two new Board members to fill the two board vacancies. These new Board members were each granted 50,000 shares of phantom stock at an exercise price of \$5.50 per share with a vesting term over 48 months of continued service.

During 2024, an employee was granted 30,000 shares of phantom stock. The issuance had an exercise price of \$4.75 per share of phantom stock with a vesting term over 48 months of continued service.

Effective January 1, 2025, the Company's Board of Directors voted to freeze the Phantom Stock Plan so that no new phantom stock can be granted.

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In January 2025, and March 2025 three employees who had a total of 299,144 shares of vested phantom stock elected to exercise their vested shares. The total payout of these shares totaled \$1,554,554, based on a weighted average market price of \$7.74/share, and a weighted average exercise price of \$2.54/share. The Company also paid \$545,300 to another employee and a director who resigned for the exercise of 90,000 vested shares of phantom stock as of their resignation dates. In addition, one employee's remaining 19,697 unvested shares expired during 2025 and another employee forfeited 19,179 vested shares.

Phantom Stock Dividends

In September 2022, the Company's Board of Directors approved the amended and restated phantom stock bonus program (the "2022 Phantom Stock Plan" or the "2022 Plan"). The 2022 Plan grants an additional right to holders of phantom stock, whereby entitling each holder of phantom stock to an amount of cash dividends equal to the holder's vested shares of phantom stock upon the declaration of dividends to common shareholders. During the years ended December 31, 2025, 2024 and 2023, holders of phantom stock received a total of \$59,167, \$100,905 and \$94,562 in cash dividends, respectively.

Legal Contingencies

From time to time, the Company is involved in legal proceedings and other matters arising in connection with the conduct of its business activities. Many of these proceedings may be at preliminary stages and/or seek an indeterminate amount of damages. In the opinion of management, after consultation with legal counsel, such routine claims and lawsuits are not significant and the Company does not currently expect them to have a material adverse effect on its business, financial condition, results of operations or liquidity.

NOTE 7 - INCOME TAXES

On July 4, 2025, the U.S. enacted a budget reconciliation package which included a broad range of tax provisions affecting businesses. The legislation has multiple effective dates, with certain provisions effective in 2025 and others implemented through 2027. The Company has included the impacts of the bill in the financial statements for the year ended December 31, 2025 and will continue to evaluate the full impact of these legislative changes as additional guidance and results become available.

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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. On December 31, 2025, 2024 and 2023 the gross deferred tax assets were \$969,189, \$2,551,623 and \$1,507,524, respectively, and the gross deferred tax liabilities were \$1,541,871, \$1,487,687 and \$1,163,707, respectively. The amount 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, future Company earnings, and other future events, the effects of which cannot be determined.

Temporary differences, tax credits and carryforwards gave rise to the following deferred tax asset (liabilities) on December 31, 2025, 2024 and 2023:

	2025	2024	2023
Inventory 263A adjustment	\$ 71,629	\$ 203,281	\$ 206,127
Reserve for accrued vacation	40,058	64,963	52,699
Bad debt	18,337	2,695	2,695
Obsolete inventory	143,490	73,157	145,761
Phantom stock / RSU compensation	678,191	987,613	361,089
Depreciation	(1,541,871)	(1,487,687)	(1,163,707)
Research and development	-	1,194,084	709,101
Other	17,485	25,830	30,052
Net deferred tax asset (liability)	<u>\$ (572,682)</u>	<u>\$ 1,063,936</u>	<u>\$ 343,817</u>

The components of income tax expense (benefit) from continuing operations for the years ended December 31, 2025, 2024 and 2023 consist of the following:

	2025	2024	2023
Computed tax at expected statutory rate	\$ 5,209,302	\$ 4,066,923	\$ 2,451,453
State and local income taxes, net of federal benefit	1,127,846	1,154,485	733,363
Non-deductible expenses	32,921	41,180	-
Foreign income credit	(242,401)	(96,380)	(65,375)
Research & development tax credit	(229,000)	(229,000)	(112,400)
Other items	109,149	(176,462)	(37,616)
	<u>\$ 6,007,816</u>	<u>\$ 4,760,746</u>	<u>\$ 2,969,425</u>

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

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effects of the differences are as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Current income tax expense (benefit):			
Federal	\$ 3,092,550	\$ 4,019,491	\$ 2,567,221
State	1,278,649	1,461,374	928,308
Current tax expense	<u>\$ 4,371,199</u>	<u>\$ 5,480,865</u>	<u>\$ 3,495,529</u>
Deferred tax expense (benefit) arising from:			
Property & equipment depreciation	\$ 54,184	\$ 323,980	\$ 23,960
Reserve for accrued vacation	24,905	(12,263)	6,131
Bad debt	(15,642)	-	(24)
Obsolete inventory	(70,333)	72,605	(42,719)
Inventory 263A adjustment	131,652	2,846	116,387
Phantom stock / RSU compensation	309,422	(626,524)	(255,905)
Research and development	1,194,084	(484,984)	(424,945)
Other	8,345	4,221	(2,340)
Deferred tax expense (benefit)	<u>\$ 1,636,617</u>	<u>\$ (720,119)</u>	<u>\$ (579,455)</u>

A reconciliation of income tax expense at the federal statutory rate to income tax expense at the Company's effective rate for the years ended December 31, 2025, 2024 and 2023 is as follows:

	<u>2025</u>		<u>2024</u>		<u>2023</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Computed tax at expected statutory rate	\$ 5,209,302	21.00%	\$ 4,066,923	21.00%	\$ 2,451,453	21.00%
State and local income taxes, net of federal benefit	1,127,846	4.55%	1,154,485	5.96%	733,363	6.28%
Non-deductible expenses	32,921	0.13%	41,180	0.21%	-	0.00%
Foreign income credit	(242,401)	-0.98%	(96,380)	-0.50%	(65,375)	-0.56%
Research & development tax credit	(229,000)	-0.92%	(229,000)	-1.18%	(112,400)	-0.96%
Other items	109,149	0.44%	(176,462)	-0.91%	(37,616)	-0.78%
	<u>\$ 6,007,816</u>	<u>24.22%</u>	<u>\$ 4,760,746</u>	<u>24.58%</u>	<u>\$ 2,969,425</u>	<u>24.98%</u>

As of December 31, 2025, 2024 and 2023, income taxes payable amounted to \$0, \$2,142,106 and \$228,672, respectively.

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

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NOTE 8 - 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, 2025, 2024 and 2023:

	FOR THE YEAR ENDED DECEMBER,		
	2025	2024	2023
Net Income	\$ 18,798,382	\$ 14,605,879	\$ 8,758,085
Weighted average common shares outstanding - basic	31,296,317	32,038,819	32,065,645
Effect of dilutive securities:	38,550	-	-
Weighted average common shares outstanding - diluted	31,334,867	32,038,819	32,065,645

Because phantom stock awards do not result in the potential issuance of common stock, they are not potential common shares and are not included as dilutive securities.

NOTE 9 – STOCK-BASED COMPENSATION

In April 2025, the Company introduced the 2025 Equity Incentive Plan (the “Plan”). The purposes of the Plan are to enable the Company to attract and retain the types of employees, consultants, and directors who will contribute to the Company’s long-range success; provide incentives that align the interests of employees, consultants, and directors with those of the shareholders of the Company, and promote the success of the Company’s business. The persons eligible to receive awards are the Employees, Consultants and Directors of the Company and its Affiliates and such other individuals approved by the Board who are reasonably expected to become Employees, Consultants and Directors after the receipt of awards. Awards that may be granted under the Plan include: (a) Incentive Stock Options, (b) Non-qualified Stock Options, (c) Stock Appreciation Rights, (d) Restricted Awards, (e) Performance Share Awards, (f) Cash Awards and (g) Other Equity-Based Awards. No more than 2,000,000 shares of common stock shall be available for the grant of awards under the plan (the “Total Share Reserve”).

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

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Stock Options

The following table summarizes stock options granted during the year ended December 31, 2025, under the Plan:

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding 12/31/2024	-	\$ -	-
Granted	600,000	8.79	3.63
Exercised	-	-	-
Expired / Forfeited	-	-	-
Outstanding 12/31/2025	600,000	\$ 8.79	3.63
Exercisable 12/31/2025	-	\$ -	-

A summary of the status of the stock options outstanding under the Plan at December 31, 2025 is as follows:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life	Number Exercisable	Weighted Average Exercise Price
\$ 7.91	300,000	3.61	-	\$ 7.91
\$ 8.00	100,000	3.72	-	\$ 8.00
\$ 10.00	100,000	3.61	-	\$ 10.00
\$ 11.00	100,000	3.61	-	\$ 11.00
	600,000	3.63	-	\$ 8.79

During the year ended December 31, 2025 the Company granted 600,000 stock options. The Black-Scholes model was used to determine the fair value of the options granted using the following inputs: volatility of 21.19% - 21.34%, term of 4 years and risk free rate of 3.70% - 3.87%. The valuation determined the total fair value of to be \$737,826 that will be recognized over the vesting periods for the underlying option which ranges from 2 – 4 years. A total of \$223,676 was recorded as compensation expense for the year ended December 31, 2025. There was \$514,149 in unrecognized compensation expense for unvested stock options as of December 31, 2025.

Restricted Stock Units

During the year ended December 31, 2025, the Company granted 25,000 restricted stock units (“RSUs”). The value of the RSUs granted during the period was based on the stock price of \$9.80 on the grant date of September 22, 2025. The RSUs vest 25% per year over a four year term. There was \$210,480 in unrecognized compensation expense for restricted stock units as of December 31, 2025. The following table

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summarizes restricted stock units granted during the year ended December 31, 2025, under the Plan:

	Restricted Stock Units	Weighted Average Exercise Price	Average Remaining Contractual
Outstanding 12/31/2024	-	\$ -	-
Granted	25,000	9.80	3.70
Exercised	-	-	-
Expired / Forfeited	-	-	-
Outstanding 12/31/2025	<u>25,000</u>	<u>\$ 9.80</u>	<u>3.70</u>
Exercisable 12/31/2025	<u>-</u>	<u>\$ -</u>	<u>-</u>

NOTE 10 - 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 were issued or outstanding as of December 31, 2025, 2024 or 2023.

Dividends - During the years ended 2025, 2024 and 2023, the Company paid total dividends of \$5,225,504, \$7,756,680 and \$4,136,468 to common shareholders, respectively, none of which were considered a liquidating dividend.

Repurchase of Common Stock

On June 20, 2024, the Board authorized an increase in the Company's stock buyback program to purchase up to \$7 million of additional shares of common stock in the open market, through block trades, and/or private transactions as permitted by applicable legal requirements. In March 2025, the Company's Board of Directors approved a \$5 million increase to the stock buyback program, bringing the total amount authorized for repurchases to \$12 million (the "Share Repurchase Authorizations"). The stock buyback program does not obligate the Company to acquire any particular amount of common stock, and it may be modified, extended or terminated by the Board of Directors at any time.

Treasury Stock - During the years ended 2025 and 2024, the Company repurchased 825,593 and 162,045 shares of common stock at a total cost of \$6,476,778 and \$1,072,033 (a weighted average price of \$7.84 and \$6.62/share), respectively. As of December 31, 2025, 2024 and 2023, the balance of treasury stock held by the Company was 987,638, 162,045 and 0 shares, respectively.

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

NOTE 11 - SIGNIFICANT CUSTOMERS / CONCENTRATION

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

During the years ended December 31, 2025, 2024 and 2023, 53%, 52% and 54%, respectively, of the Company's total gross sales were handled by a non-exclusive national distributor. This distributor is a master consolidator who buys various products in large quantities, stores them, and then ships consolidated products, primarily to other distributors from one of their twelve distribution centers located throughout the US. This distributor accounted for 59%, 61% and 65% of outstanding receivables on December 31, 2025, 2024 and 2023, respectively.

During the years ended December 31, 2025, 2024 and 2023, sales to the Company's distributor in Asia amounted to 8%, 7% and 6%, respectively, of the Company's total gross sales. The Company's distributor in Asia accounted for 14% and 11% of outstanding receivables as of December 31, 2025 and 2024, respectively.

NOTE 12 – 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 30, 2026, the Company paid out \$1,553,901 in regular quarterly cash dividends which the Company's Board of Directors declared on December 8, 2025, payable to shareholders of record on January 16, 2026.

In February 2026, the Company further extended the expiration of the line of credit to April 5, 2026.

On February 23, 2026, the Company's Board of Directors declared a regular quarterly cash dividend of 5¢/share. This dividend is payable to shareholders of record on April 17, 2026, and will be disbursed on or about April 30, 2026.

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.