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: 12/31/2021
(the "Reporting Period")

As of December 31, 2021, the number of shares outstanding of Armanino Foods of Distinction, Inc. (AMNF) Common Stock was: 32,065,645

As of September 30, 2021, the number of shares outstanding of Armanino Foods of Distinction, Inc. (AMNF) Common Stock was: 32,065,645

As of December 31, 2020, the number of shares outstanding of Armanino Foods of Distinction, Inc. (AMNF) Common Stock was: 32,065,645

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: ☒

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: ☒

ARMANINO FOODS OF DISTINCTION, INC.
ANNUAL REPORT
DECEMBER 31, 2021

CONTENTS

OTC PINK BASIC DISCLOSURE GUIDELINES

1. Name and address(es) of the issuer and its predecessors (if any)

Current name of the issuer: Armanino Foods of Distinction, Inc. (The Company)

State/Jurisdiction, and Date of Incorporation; current standing: Colorado, 1986; Active

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception: None.

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

Address of the issuer's principal executive office: 5976 West Las Positas Blvd., Suite 200, Pleasanton, CA 94588

Address of the issuer's principal place of business: *Check box if principal executive office and principal place of business are the same address:* ☒

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years? Yes: ☐ No: ☒

2. Security Information

Trading symbol:	AMNF	
Exact title and class of securities outstanding:	Common	
CUSIP:	42166801	
Par or stated value:	no par	
Total shares authorized:	40,000,000	as of date: 12/31/2021
Total shares outstanding:	32,065,645	as of date: 12/31/2021
Number of shares in the Public Float:	31,275,617	as of date: 12/31/2021
Total number of shareholders of record:	89	as of date: 12/31/2021

All additional class(es) of publicly traded securities (if any):

Trading symbol:	AMNF	
Exact title and class of securities outstanding:	Preferred	
CUSIP:	42166801	
Par or stated value:	no par	
Total shares authorized:	10,000,000	as of date: 12/31/2021
Total shares outstanding:	0	as of date: 12/31/2021

Number of shares in the Public Float:	0	as of date: 12/31/2021
Total number of shareholders of record:	0	as of date: 12/31/2022

Transfer Agent

Name: Computershare Trust Company, N.A.
Phone: (303) 262-0710
Email: Jennifer.Lippoldt@computershare.com
Address: 6200 S. Quebec St., Greenwood Village, CO 80111
Website: www.computershare.com

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

Restrictions on the transfer of securities: 790,028 and 790,028 shares of common stock are restricted as of 12/31/2021 and 2020, respectively.

3. Issuance History

a. Changes to the Number of Outstanding Shares:
Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☒

b. Debt Securities, Including Promissory and Convertible Notes:
Check this box if there are no outstanding promissory, convertible notes or debt arrangements: ☒

4. Financial Statements

a. The Company's financial statements are prepared in accordance with:
☒ US GAAP
☐ IFRS

b. The financial statements for this reporting period were prepared by:
Name: Edgar Estonina
Title: COO/CFO
Relationship to Issuer: Employee

Refer to the Company's financial statements starting on page 10.

5. Issuer's Business, Products and Services

a. Issuer's business operations:

The Company is currently engaged in the production of upscale and innovative frozen food products, including pesto and other sauces, stuffed pasta products, and cooked meat products.

b. The consolidated financial statements include the accounts of Armanino Foods of Distinction, Inc. (the "Company") and its wholly-owned dormant subsidiary AFDI, Inc. which was incorporated in May 1995.

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

6. Issuer's Facilities

The Company leases: approximately 24,375 square feet of office, production and warehouse space located at 30588 San Antonio Street, Hayward, California, 94544; approximately 13,904 square feet of warehouse space located at 23694 Bernhardt St, Hayward, California, 94544; and, approximately 4,067 square feet of additional office space located at 5976 West Las Positas Blvd., Pleasanton, California, 94588. Refer to the notes of the financial statements for information on the terms of the lease. The Company owned all its manufacturing equipment as of December 31, 2021.

7. Company Insiders (Officers, Directors, and Control Persons)

Name of Officer/Director and Control Person	Affiliation with Company	Business Address	Number of Shares Owned	Share type/class	Ownership Percentage of Class Outstanding	Note
Timothy W. Anderson	President and CEO	Hayward, CA	71,703	Common stock	0.2%	260,000 shares of phantom stock*
Douglas R. Nicholas	Chairman of the Board	Hayward, CA	782,293	Common stock	2.4%	60,000 shares of phantom stock*
Edmond J. Pera	Director	Hayward, CA	450,000	Common stock	1.4%	10,000 shares of phantom stock*
John Micek III	Director	Hayward, CA	142,960	Common stock	0.4%	60,000 shares of phantom stock*
Patricia A. Fehling	Director	Hayward, CA	90,000	Common stock	0.3%	60,000 shares of phantom stock*
Deborah Armanino LeBlanc	Director and Secretary	Hayward, CA	611,975	Common stock	1.9%	60,000 shares of phantom stock*
Albert Banisch	Director	Hayward, CA	12,000	Common stock	0.0%	60,000 shares of phantom stock*
James Gillis	Director	Hayward, CA	105,560	Common stock	0.3%	50,000 shares of phantom stock*
Edgar Estonina	COO and CFO	Hayward, CA	5,000	Common stock	0.0%	100,000 shares of phantom stock*

* In March 2019, the Company's Board of Directors approved the adoption of a phantom stock bonus program. The phantom stock awarded under this program is non-dilutive to the Company's common stock and excludes voting and dividend rights. Refer to Footnote 7 of the Notes to the Consolidated Financial Statements for more information.

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

8. Legal/Disciplinary History

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

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

9. Third-Party Service Providers

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

b. Accountant or Auditor
   Name: Tyler Neves
   Firm: Sadler, Gibb & Associates, LLC

Address 1: 344 West 13800 South, Suite 250
Address 2: Draper, UT 84020
Phone: (801) 783-2950
Email: tneves@sadlergibb.com

10. Issuer Certification

I, Timothy W. Anderson, 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 31, 2022
/s/Timothy W. Anderson
CEO

10. Issuer Certification (Continued)

I, Edgar Estonina, certify that:

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

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

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

March 31, 2022
/s/Edgar Estonina
COO/CFO

SADLERGIBB
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Armanino Foods of Distinction, Inc. (the Company) which comprise the balance sheets as of December 31, 2021 and 2020 and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Armanino Foods of Distinction, Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audits 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 audits. 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.

- 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 31, 2022

CONSOLIDATED BALANCE SHEETS:

	As of December 31, 2021	As of December 31, 2020
ASSETS		
CURRENT ASSETS		
Cash	$ 11,190,044	$ 9,744,515
Certificates of deposit - short term	655,135	301,640
Accounts receivable, net	8,624,243	4,983,838
Inventories, net	5,147,006	3,349,124
Prepaid expenses	665,066	1,196,929
Total Current Assets	26,281,494	19,576,046
PROPERTY AND EQUIPMENT, net	5,640,965	5,970,931
NON-CURRENT ASSETS:		
Deposits	20,000	20,000
Goodwill	375,438	375,438
Trademarks	74,502	74,502
Certificates of deposit - long term	438,284	-
Operating lease right of use asset	2,682,666	312,544
Total Non-Current Assets	3,590,890	782,484
Total Assets	$ 35,513,349	$ 26,329,461
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	$ 6,451,280	$ 2,256,495
Accrued payroll and payroll taxes	1,337,906	633,059
Operating lease liability - current portion	494,818	352,512
Dividends payable	881,805	561,149
Total Current Liabilities	9,165,809	3,803,215
NON-CURRENT LIABILITIES		
Notes payable, net of current portion	-	681,983
Operating lease liability, net of current portion	2,220,679	-
Deferred tax liabilities	902,059	983,360
Total Non-Current Liabilities	3,122,738	1,665,343
Total Liabilities	12,288,547	5,468,558
STOCKHOLDERS' EQUITY		
Preferred Stock; no par value, 10,000,000 shares authorized, no shares issued and outstanding	-	-
Common Stock; no par value, 40,000,000 shares authorized, 32,065,645, and 32,065,645 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	2,774,990	2,774,990
Additional paid-in capital	48,202	48,202
Retained earnings	20,401,610	18,037,711
Total Stockholders' Equity	23,224,802	20,860,903
Total Liabilities and Stockholders' Equity	$ 35,513,349	$ 26,329,461

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

CONSOLIDATED STATEMENTS OF OPERATIONS:

	FOR THE YEAR ENDED DECEMBER 31, 2021	2020
NET SALES	$ 43,824,030	$ 31,815,652
COST OF GOODS SOLD	29,599,570	22,865,087
GROSS PROFIT	14,224,460	8,950,565
OPERATING EXPENSES:		
General, administrative and selling expense	2,696,432	2,457,602
Salaries & wages	3,505,013	3,312,378
Commissions	916,381	885,055
Total Operating Expense	7,117,826	6,655,035
INCOME FROM OPERATIONS	7,106,634	2,295,530
OTHER INCOME (EXPENSE)		
Interest and other income	123,580	94,176
Interest expense	(12,065)	(78,672)
Total Other Income (Expense)	111,515	15,504
INCOME BEFORE INCOME TAXES	7,218,149	2,311,034
CURRENT TAX EXPENSE	1,568,657	173,682
DEFERRED TAX EXPENSE (BENEFIT)	(81,301)	114,894
NET INCOME	$ 5,730,793	$ 2,022,458
EARNINGS PER COMMON AND EQUIVALENT SHARES:		
BASIC EARNINGS PER SHARE	$ 0.1787	$ 0.0631
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	32,065,645	32,065,645
DILUTED EARNINGS PER SHARE	$ 0.1787	$ 0.0631
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING ASSUMING DILUTION	32,065,645	32,065,645

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

CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY:

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount			
BALANCE, December 31, 2019	32,065,645	$ 2,774,990	$ 48,202	$ 18,580,506	$ 21,403,698
Dividends on common shares	-	-	-	(2,565,253)	(2,565,253)
Net income for the period ended December 31, 2020	-	-	-	2,022,458	2,022,458
BALANCE, December 31, 2020	32,065,645	$ 2,774,990	$ 48,202	$ 18,037,711	$ 20,860,903
Dividends on common shares	-	-	-	(3,366,894)	(3,366,894)
Net income for the period ended December 31, 2021	-	-	-	5,730,793	5,730,793
BALANCE, December 31, 2021	32,065,645	2,774,990	48,202	20,401,610	23,224,802

CONSOLIDATED STATEMENTS OF CASH FLOW

	FOR THE YEAR ENDED DECEMBER 31, 2021	FOR THE YEAR ENDED DECEMBER 31, 2020
Cash Flows from Operating Activities:		
Net Income	$ 5,730,793	$ 2,022,458
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	640,946	643,222
Change in deferred tax asset/liability	(81,301)	114,894
Changes in assets and liabilities:		
Accounts receivable	(3,640,405)	1,461,550
Inventory	(1,797,882)	1,774,970
Prepaid expenses	531,863	5,054
Operating lease right of use asset	421,745	312,545
Accounts payable, accrued expenses and taxes payable	4,899,631	284,340
Operating lease liability	(428,882)	(331,175)
Total Adjustments	545,715	4,265,400
Net Cash Provided by Operating Activities	6,276,508	6,287,858
Cash Flows from Investing Activities:		
Purchase of property and equipment	(310,980)	(743,317)
Proceeds from of certificates of deposit	(791,779)	407,671
Net Cash Used in Investing Activities	(1,102,759)	(335,646)
Cash Flows from Financing Activities:		
Payments on notes payable	(681,983)	(1,498,506)
Dividends paid	(3,046,237)	(2,805,745)
Net Cash Used in Financing Activities	(3,728,220)	(4,304,251)
Net Change in Cash and Cash Equivalents	1,445,529	1,647,961
Cash and Cash Equivalents at Beginning of Period	9,744,515	8,096,554
Cash and Cash Equivalents at End of Period	$ 11,190,044	$ 9,744,515
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 6,277	$ 7,748
Income Taxes	$ 1,999,091	$ 237,293

Supplemental disclosure of non cash investing and financing activities:

During December 2021 and 2020, the Company accrued dividends payable of $881,805 and $561,149 which were paid in January 2022 and 2021, respectively.

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. which was incorporated in May 1995.

Current Conditions - On March 11, 2020, the World Health Organization characterized the outbreak of the COVID-19 virus as a pandemic. This pandemic has caused unprecedented worldwide economic downturn. The majority of the Company's sales are driven by customers who provide products to institutions which serve food away from home. This segment has been significantly impacted by the pandemic as shelter in place orders were instituted across the US, and in many parts of the Company's markets in Asia. The related financial impact and the duration beyond the second quarter cannot be reasonably estimated at this time.

Use of 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.

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

Reclassification – Certain amounts presented in previously issued financial statements have been reclassified to be consistent with the current period presentation.

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 $10,439,011 and $8,247,492 in excess of federally insured amounts in its bank accounts on December 31, 2021, and 2020, respectively.

Certificates of Deposit - The Company accounts for investments in debt and equity securities in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 320 Investments – Debt and Equity Securities. Under Topic 320 the Company's certificates of deposit (debt securities) have been classified as held-to-maturity and are recorded at amortized cost. Held-to-maturity securities represent those securities that the Company has both the positive intent and ability to hold until maturity. On December 31, 2021, the Company had five certificates of deposit with a purchase value of $1,093,000 and a fair value totaling $1,090,872, amortized value totaling $1,093,419. The amortized value is comprised of $655,135 with maturity dates ranging between January 18, 2022, and October 6, 2022, and $438,284 with maturity dates ranging between April 6, 2023, and October 10, 2023. On December 31, 2020, the Company had two certificates of deposit with a purchase value of $300,000 and a fair value totaling $301,640, amortized value totaling $301,640 and mature through October 4, 2021.

Accounts Receivable - Accounts receivable consist of trade receivables arising in the normal course of business. On December 31, 2021, and 2020, the Company has established an allowance for doubtful accounts of $10,000, and $10,000, respectively, which reflects the Company's best estimate of probable losses inherent in the accounts receivable balance. The Company determines the allowance based on known troubled accounts, historical experience, and other currently available evidence. Amounts written off for the years presented are insignificant for disclosure.

Inventory - Inventory is carried at the lower of cost or market, as determined on the first-in, first-out method. Inventory costs are determined based on the average 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-five 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. Impairment losses of $nil and $nil were recognized during the years ended December 31, 2021, and December 31, 2020, respectively.

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, 2021, and December 31, 2020, 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 (2.1-3.5%). 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 product. 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, when there is persuasive evidence of an arrangement, product has been shipped or delivered to the customer, the price and terms are finalized, and collections of resulting receivables is 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 include early payment discounts and such sales incentives as trade allowances, promotions, and co-operative advertising.

Sales incentives that do not provide an identifiable benefit or provide a benefit where the Company could not have entered into an exchange transaction with a party other than the customer are netted against revenues. Incentives providing an identifiable benefit, where the Company could have entered into the same transaction with a party other than the customer, are classified under "General, administrative and selling expenses" in the Operating Expenses section of the Consolidated Statements of Earnings. 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. It records contract liabilities related to unused promotions offered to its customers at year-end which the Company estimates will be claimed by customers. As of December 31, 2021, and 2020, the Company recorded contract liabilities of $3,394,080 and $1,654,401, respectively, under Accounts payable – trade on the balance sheet.

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 its 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 by 3 largest brokers).

Net sales comprised of the following for the years ended December 31, 2021, and 2020:

	FOR THE YEAR ENDED DECEMBER 31,	
	2021	**2020**
Gross Sales	$ 52,739,546	$ 39,183,730
Less: Discounts	(740,830)	(638,245)
Slotting	-	-
Promotions	(8,174,686)	(6,729,833)
Net Sales	$ 43,824,030	$ 31,815,652

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.

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 $437,415 and $50,008 for the years ended December 31, 2021, and 2020, 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, 2021, and 2020 are $25,446 and $11,322 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:

- Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities.

- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

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

Stock Options - The Company accounts for the stock option issued in accordance with FASB ASC Topic 718, Compensation – Stock Compensation. Accordingly, the fair value estimated on the date of grant using the Black-Scholes option-pricing model is recognized over the vesting period of the underlying options.

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

Certain Risks and Concentrations – The Company's revenues are primarily generated from a few customers. One individual customer represented more than 10% of the Company's revenues in 2021 and 2020, and greater than 10% of its accounts receivable on December 31, 2021, and 2020. See Note 11.

The Company is subject to concentrations of credit risk primarily from cash and cash equivalents and from accounts receivable. It manages its credit risk exposure through timely assessment of its counterparty creditworthiness, credit limits, and use of collateral management.

Although the Company's main product ingredient, basil, is obtained from a single supplier, the Company believes that supplier has access to basil from multiple source locations and has significant volumes of inventory available to supply the Company's demand. The Company entered into a long term supply agreement with a secondary supplier of basil that provides the Company with additional assurance of a continuity of supply of basil that meets the Company's specifications. Given the recent COVID-19 outbreak, the Company has recently reached out to its suppliers who have indicated that they have ample supplies of these raw materials available at this time. However, due to the general uncertainty created by the outbreak there is a risk that the Company's raw materials supply chain could be disrupted thereby causing the possibility that some of the Company's products may become in short supply. The Company is reviewing secondary sources for all of its raw materials.

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

NOTE 2 - INVENTORY

Inventory consists of the following on December 31, 2021, and 2020:

	2021	2020
Raw materials and supplies	$ 1,982,675	$ 1,240,027
Finished goods	3,293,501	2,259,169
Reserve for obsolescence	(129,170)	(150,072)
Net Inventory	$ 5,147,006	$ 3,349,124

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following on December 31, 2021, and 2020:

	Useful Life	2021	2020
Office equipment & furniture	2 – 10	$ 1,054,501	$ 801,774
Machinery and equipment	5 – 20	6,034,163	5,974,803
Leasehold improvements	3 – 25	3,731,131	3,685,198
Construction in progress		-	47,040
		10,819,795	10,508,815
Less Accumulated Depreciation		(5,178,830)	(4,537,884)
Net Property and Equipment		$ 5,640,965	$ 5,970,931

Depreciation expense amounted to $640,946 and $643,222, for the years ended December 31, 2021, and 2020, 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, 2021, and 2020, Goodwill amounted to $375,438.

Trademarks -- Trademarks represents the current costs seeking trademarks. On December 31, 2021, and 2020, trademarks amounted to $74,502.

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 - During 2016, the Company renewed the lease of 30588 San Antonio Street in Hayward for another five years, through December 31, 2021, and negotiated two additional five year options to extend the lease thereafter. Under the amended and restated lease agreement, the monthly base rent commencing January 1, 2017, was $21,000, with annual rent increases ranging from 2.6% to 2.8%.

On September 30, 2021, the Company executed its option to extend the term of the lease of 30588 San Antonio Street in Hayward 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%. During the period ended December 31, 2021, the Company recorded the renewed lease in accordance with ASC 842 as it is a new contract with changes in the term and rent payments. This resulted in the Company recognizing an initial right-of-use asset and liability of $1,656,349.

During 2016, the Company renewed the lease of 30641 San Antonio Street in Hayward for another five years through December 31, 2021 and negotiated one additional five-year option to extend the lease thereafter. Under the amended and restated lease agreement, the monthly base rent commencing January 1, 2017, was $4,300 plus $1,622 in common operating expenses, with fixed annual rent increases of 3%. During the period ended December 31, 2021, the Company elected to not renew this lease.

On October 26, 2021, the Company executed a lease for warehouse space at 23694 Bernhardt Street in Hayward. The lease commenced on November 15, 2021, with beginning base rent of $18,770 and expires on February 14, 2027. In accordance with ASC 842, the Company recognized an initial right-of-use-asset and liability of $1,135,518 for this lease.

Operating lease liabilities and right of use assets – As of December 31, 2021, operating right-of-use assets and liabilities arising from operating leases were $2,682,666 and $2,715,497, respectively. During the year ended December 31, 2021, cash paid for amounts included for the measurement of lease liabilities was $358,210. The Company recorded lease expense of $362,224 for the year ended December 31, 2021.

The following is a schedule showing the future minimum lease payments under operating leases by years and the present value of minimum payments as of December 31, 2021.

Year Ended December 31,	Future Minimum Lease Payments
2022	$ 556,216
2023	542,922
2024	577,139
2025	591,663
2026	576,533
Thereafter	21,760
Future Minimum Lease Payments	2,866,233
Less amounts representing imputed interest	(150,736)
Present value of minimum lease payments	2,715,497
Less current portion of operating lease liability	(494,818)
Operating Lease liability less current Portion	$ 2,220,679

Other Information - The Company's weighted average discount rate is 2.075% and the weighted average remaining lease term is 60 months.

NOTE 6 – LINES OF CREDIT / NOTE PAYABLE

Line of Credit / Note Payable – On September 30, 2016, the Company entered into a non-revolving $3,100,000 line of credit agreement with a financial institution to support its plant expansion project. The availability period for this line ended on January 1, 2018. The line was converted to a note payable calling for monthly principal payments of $51,667 plus interest totaling approximately $60,000, maturing September 2022. The note accrues interest at a fixed rate of 3.35% and is secured by all of the Company's personal property. During 2021, the Company paid off the note in full. In October 2020, the Company refinanced the line of credit to increase the principal amount up to $3,500,000 and changed the maturity date to October 2022. On December 31, 2021, and December 31, 2020, there was $0, and $681,983 outstanding on the refinanced line of credit, respectively.

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

	December 31, 2021	December 31, 2020
3.35% Line of credit due in October 2022	-	681,983
	-	681,983
Less Current Portion of Notes Payable	-	-
Long Term Portion of Notes Payable	$ -	$ 681,983

NOTE 7 - AGREEMENTS AND COMMITMENTS

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

401(K) Profit Sharing Plan - The Company has a 401(K) profit sharing plan and trust that covers all employees. Up until October 31, 2020, the Company had a plan that matched 50% up to a maximum of 7% deferral. Under that plan any employees who were employed by the Company during a six consecutive month period and reached age 21 were eligible to participate in that plan. That plan became effective January 1, 1993 and had a plan year of January 1 through December 31. Starting on November 1, 2020, the Company implemented a new 401(K) plan which modified the matching schedule whereby the Company now matches 100% of contributions up to 3% of gross compensation, and then 50% up to the next 2%. Under the new plan Employees are also eligible to receive a discretionary contribution of up to 2% of their base compensation depending on the Company’s financial performance. Also, the waiting period for enrollment has decreased to 90 consecutive days of employment. During the year ending December 31, 2021, and 2020, the Company matching contributions to the plan expensed were $81,172, and $54,079, respectively.

2019 Phantom Stock Plan - 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 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 phantom stock award 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. On exercise, the Company will pay out the intrinsic value of the award and recognize the change in fair value as an adjustment to compensation expense.

During the year ended December 31, 2019, the Company issued 450,000 shares of phantom stock to various directors and management with an exercise price of $3.33 and with vesting terms over 48 months of continued service. During the year ended December 31, 2019, 100,000 shares of phantom stock from this batch were exercised by the holder.

During the year ended December 31, 2020, the Company issued 260,000 shares of phantom stock to the CEO, 110,000 shares to various directors, and 120,000 shares to various employees. The issuances had exercise prices ranging from $2.09 - $3.22 and with vesting terms over 48 months of continued service.

On May 20, 2021, the Company issued 30,000 shares of phantom stock to an employee with an exercise price of $3.48 with vesting terms over 48 months of continued service.

On July 12, 2021, the Company issued 30,000 shares of phantom stock to an employee with an exercise price of $3.49 with vesting terms over 48 months of continued service.

As of December 31, 2021, the Company has recorded a phantom stock award liability of $265,170. The Company has estimated the fair value of this liability as of December 31, 2021, using the Black Scholes option pricing model with the following assumptions: expected term of 1.18 - 3.53 years, volatility of 26.25% - 29.86%, risk free interest rate of 0.39% - 0.97%, dividend yield of 3.18% and expected forfeiture of 5%. On December 31, 2021, the Company had unrecognized compensation expense of $384,469 expected to be recognized through July 12, 2025.

A summary of the status of the phantom stock outstanding at December 31, 2021, is presented in the tables below:

	Shares	Weighted Average Exercise Price	Intrinsic Value
Outstanding 12/31/20	840,000	$ 2.85	$ -
Granted	60,000	3.48	-
Exercised	-	-	-
Forfeited	-	-	-
Expired	-	-	-
Outstanding 12/31/21	900,000	$ 2.89	$ 366,850
Exercisable 12/31/21	439,563	$ 3.00	$ 133,638
Vested and expected to vest	855,000	$ 2.89	$ 348,508

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$2.09	50,000	8.77	$ 2.09	15,369	$ 2.09
$2.38	120,000	8.47	$ 2.38	45,984	$ 2.38
$2.47	100,000	8.96	$ 2.47	25,888	$ 2.47
$2.49	160,000	8.21	$ 2.49	71,366	$ 2.49
$3.22	60,000	8.18	$ 3.22	27,295	$ 3.22
$3.33	350,000	7.18	$ 3.33	246,243	$ 3.33
$3.48	30,000	9.48	$ 3.48	3,893	$ 3.48
$3.49	30,000	9.53	$ 3.49	3,525	$ 3.49

NOTE 8 - INCOME TAXES

The Company accounts for income taxes in accordance with FASB ASC Topic 740, Accounting for Income Taxes; which requires the Company to provide a net deferred tax asset or liability equal to the expected future tax benefit or expense of temporary reporting differences between book and tax accounting and any available operating loss or tax credit carryforwards. On December 31, 2021, and 2020, the total of all deferred tax assets was $290,622 and $239,676, respectively, and the total of the deferred tax liabilities was $1,192,394 and $1,223,036, respectively. The amount of and ultimate realization of the benefits from the deferred tax assets for income tax purposes is dependent, in part, upon the tax laws in effect, the Company's future earnings, and other future events, the effects of which cannot be determined.

The temporary differences, tax credits and carryforwards gave rise to the following deferred tax asset (liabilities) on December 31, 2021, and 2020:

	2021	2020
Inventory 263A adjustment	$ 119,287	$ 132,099
Reserve for accrued vacation	52,108	46,212
Bad debt	2,727	2,727
Obsolete inventory	35,228	40,928
Phantom stock compensation	72,318	6,809
Excess of book over tax depreciation	(1,192,394)	(1,223,039)
Other	8,954	10,900
Net deferred tax asset (liability)	$ (901,772)	$ (983,360)

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

The components of income tax expense (benefit) from continuing operations for the years ended December 31, 2021, and 2020 consist of the following:

	2021	2020
Current income tax expense (benefit):		
Federal	$ 1,402,266	$ 105,565
State	166,391	68,118
Current tax expense	$ 1,568,657	$ 173,683
Deferred tax expense (benefit) arising from:		
Excess of tax over financial accounting depreciation	$ (30,356)	$ 153,730
Reserve for accrued vacation	(5,896)	(7,811)
Bad debt	-	(122)
Obsolete inventory	5,700	(34,416)
Inventory 263A adjustment	12,812	14,702
Phantom stock compensation	(65,509)	163
Other	1,946	(11,351)
Deferred tax expense (benefit)	$ (81,301)	$ 114,894

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

The Company files U.S. Federal tax returns and multiple state tax returns. The Company is generally no longer subject to tax examinations for years prior to 2017 for Federal and state tax returns. The Company amended its California tax returns for 2013 through 2016 related to the apportionment of taxes between states that retroactively applied to these years. In response, California audited those tax returns, and completed their audit during 2021. This resulted in a tax refund of $981,579 which was offset against prepaid tax expenses previously recorded as an estimate of this refund. As of December 31, 2021, prepaid tax expenses include $118,759 for potential tax liabilities which the Company estimates that may occur related to the audit of its 2017 through 2018 California tax returns.

A reconciliation of income tax expense at the federal statutory rate to income tax expense at the Company's effective rate is as follows on December 31, 2021, and 2020:

	2021	2020
Computed tax at expected statutory rate	$ 1,515,811	$ 485,317
State and local income taxes, net of federal benefit	369,640	144,958
Non-deductible expenses	16,605	8,872
Foreign Income Credit	(132,218)	(9,725)
Research & development tax credit	(145,300)	(145,300)
Solar tax credit	(116,316)	(164,021)

Other Items	(20,868)	(31,526)
Income tax expense	$ 1,487,356	$ 288,576

NOTE 9 - 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, 2021, and 2020:

	2021	2020
Net income	$ 5,730,793	$ 2,022,458
Weighted average number of common shares outstanding used in basic earnings per share.	32,065,645	32,065,645
Effect of dilutive securities: Stock Options	-	-
Weighted number of common shares and potential dilutive common shares outstanding used in dilutive earnings per share	32,065,645	32,065,645

For the year ended December 31, 2021, and 2020, the Company had no options that were not included in the computation of diluted earnings per share.

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 are issued or outstanding as of December 31, 2021, and 2020.

Dividends - During the years ended 2021, and 2020 the Company paid total dividends of $3,046,237 and $2,805,744 to common shareholders, respectively, none of which were considered a liquidating dividend.

Repurchase of Common Shares- In 2010 and 2011, the Board of Directors authorized the Company to repurchase up to $2,500,000 of the Company's Common Stock at market prices. The amount and timing of the shares to be repurchased are at the discretion of management. Through December 31, 2021, 3,102,135 shares, at $0.70 to $0.94 per share at an aggregate cost of $2,394,294, were repurchased and canceled under this program. On December 31, 2021, the Company was authorized to repurchase an additional $105,706 of the Company's common stock.

NOTE 11 - SIGNIFICANT CUSTOMERS / CONCENTRATION

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

The Company had one distributor customer who accounted for 64% of outstanding receivables on December 31, 2021, and two distributor customers who accounted for 57% and 10% of outstanding receivables on December 31, 2020.

During the years ended December 31, 2021, and 2020, 54% and 53%, 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.

During the years ended December 31, 2021, and 2020, sales to the Company's distributor in Asia amounted to 7% and 8%, respectively, of the Company's total gross sales.

The Company's food brokers are paid commissions ranging from 1% to 4% of sales depending on products sold and selling price. The following table lists the total gross sales from continuing operations through each of the Company's top three brokers:

	2021	2020
Broker A	$5,826,672	$4,653,452
Broker B	3,577,155	2,701,122
Broker C	3,717,104	2,806,925

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.

The Company executed a new lease for office space in Pleasanton, CA. The agreement commenced on January 1, 2022, with beginning base rent of $8,541 and expires on April 30, 2027. The agreement contains a rent fee period from January 1, 2022, to April 30, 2022.

On January 19, 2022, the Company paid out $881,805 for regular cash dividends which the Company's Board of Directors declared on December 16, 2021, payable to shareholders of record on January 4, 2022.

On March 24, 2022, the Company's Board of Directors declared a regular cash dividend of

$0.03 per share that is payable on or about April 29, 2022, to shareholders of record on April 5, 2022.

SUPPLEMENTAL INFORMATION

I. SAFE HARBOR

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

II. DIVIDENDS DECLARED ON COMMON STOCK

Through December 31, 2021, the Company has declared 87 consecutive quarterly dividends:

i. Q4 2021 = 2.750 cents
ii. Q3 2021 = 2.750 cents
iii. Q2 2021 = 2.750 cents
iv. Q1 2021 = 2.250 cents
v. Q4 2020 = 1.750 cents
vi. Q3 2020 = 1.750 cents
vii. Q2 2020 = 1.750 cents
viii. Q1 2020 = 2.750 cents
ix. Q4 2019 = 2.250 cents
x. Q3 2019 = 2.250 cents
xi. Q2 2019 = 2.250 cents
xii. Q1 2019 = 2.250 cents
xiii. Q4 2018 = 2.250 cents
xiv. Q3 2018 = 2.250 cents
xv. Q2 2018 = 2.250 cents
xvi. Q1 2018 = 2.250 cents
xvii. Q4 2017 = 2.000 cents
xviii. Q3 2017 = 2.000 cents
xix. Q2 2017 = 2.000 cents
xx. Q1 2017 = 2.000 cents
xxi. Q4 2016 = 2.000 cents
xxii. Q3 2016 = 2.000 cents
xxiii. Q2 2016 = 2.000 cents
xxiv. Q1 2016 = 1.900 cents
xxv. Q4 2015 = 1.900 cents
xxvi. Q3 2015 = 1.900 cents
xxvii. Q2 2015 = 1.800 cents
xxviii. Q1 2015 = 1.800 cents
xxix. Q4 2014 = 1.800 cents
xxx. Q3 2014 = 1.800 cents
xxxi. Q2 2014 = 1.600 cents
xxxii. Q1 2014 = 1.600 cents
xxxiii. Q4 2013 = 1.600 cents
xxxiv. Q3 2013 = 1.400 cents
xxxv. Q2 2013 = 1.400 cents
xxxvi. Q1 2013 = 1.200 cents
xxxvii. Q4 2012 = 1.200 cents
xxxviii. Q3 2012 = 2.400 cents
xxxix. Q2 2012 = 1.200 cents
xl. Q1 2012 = 1.200 cents
xli. Q4 2011 = 1.200 cents
xlii. Q3 2011 = 1.200 cents
xliii. Q2 2011 = 1.000 cents
xliv. Q1 2011 = 1.000 cents
xlv. Q4 2010 = 1.000 cents
xlvi. Q3 2010 = 1.650 cents
xlvii. Q2 2010 = 0.825 cents
xlviii. Q1 2010 = 0.825 cents
xlix. Q4 2009 = 1.650 cents
l. Q3 2009 = 0.750 cents
li. Q2 2009 = 0.750 cents
lii. Q1 2009 = 0.750 cents
liii. Q4 2008 = 0.750 cents
liv. Q3 2008 = 0.750 cents
lv. Q2 2008 = 0.750 cents
lvi. Q1 2008 = 0.750 cents
lvii. Q4 2007 = 1.373 cents
lviii. Q3 2007 = 0.625 cents
lix. Q2 2007 = 0.625 cents
lx. Q1 2007 = 0.625 cents
lxi. Q4 2006 = 1.875 cents
lxii. Q3 2006 = 0.625 cents
lxiii. Q2 2006 = 0.625 cents
lxiv. Q1 2006 = 0.625 cents
lxv. Q4 2005 = 3.050 cents*
lxvi. Q3 2005 = 0.500 cents*
lxvii. Q2 2005 = 0.500 cents*
lxviii. Q1 2005 = 0.500 cents*
lxix. Q4 2004 = 1.500 cents*
lxx. Q3 2004 = 0.500 cents*
lxxi. Q2 2004 = 0.500 cents*
lxxii. Q1 2004 = 0.500 cents*
lxxiii. Q4 2003 = 1.000 cents*
lxxiv. Q3 2003 = 0.500 cents*
lxxv. Q2 2003 = 0.500 cents*
lxxvi. Q1 2003 = 0.500 cents*
lxxvii. Q4 2002 = 0.500 cents*
lxxviii. Q3 2002 = 0.500 cents*
lxxix. Q2 2002 = 0.500 cents*
lxxx. Q1 2002 = 0.500 cents*
lxxxi. Q4 2001 = 1.800 cents*
lxxxii. Q3 2001 = 0.500 cents*
lxxxiii. Q2 2001 = 0.500 cents*
lxxxiv. Q1 2001 = 0.500 cents*
lxxxv. Q4 2000 = 0.300 cents*
lxxxvi. Q3 2000 = 0.250 cents*
lxxxvii. Q2 2000 = 1.250 cents*

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

III. NATURE OF ISSUER'S BUSINESS

A. Business Development

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

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

In September 2010, the Company's board of directors authorized $1,000,000 for the repurchase and retirement of shares of the Company's common stock. The Company's board of directors subsequently authorized an additional $1,000,000 and $500,000 in May 2011 and December 2011, respectively, bringing the total amount authorized for the stock repurchase program to $2,500,000. As of December 31, 2021, the Company has acquired a total of 3,102,135 shares of its common stock at an aggregate purchase price of $2,394,294. The total number of shares repurchased represents approximately 9% of the Company's common shares outstanding before the stock repurchases. As of December 31, 2021, the Company is still authorized to repurchase an additional $105,706 of its common stock.

During the year ending December 31, 2021, and 2020, the Company purchased a total of $310,980 and $743,317, in property and equipment, and leasehold improvements for the manufacturing plant.

The Company was not party to any material legal proceedings or administrative actions in 2021 and 2020 and is not now a party to any material legal proceedings or administrative actions.

B. Business of Issuer

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

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

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

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, 2021, and 2020 are $25,446 and $11,322, respectively, of research and development costs. These costs are not borne directly by customers.

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

As of December 31, 2021, the Company employed 35 persons on a full time basis and 0 on a part time basis.

IV. NATURE OF PRODUCTS OR SERVICES OFFERED

A. Principal Products

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

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

The Company markets several lines of frozen pastas, namely stuffed pastas, and pasta sheets, cooked and uncooked. The Company's line of frozen stuffed pastas, both cooked and uncooked, includes meat, butternut squash, cheese ravioli and jumbo cheese, jumbo mushroom ravioli; jumbo cheese/spinach green dough ravioli; tri-color cheese and cheese tortellini; manicotti; potato gnocchi; and, stuffed shells. The meat and cheese ravioli and tri-color and cheese tortellini are available to the Company's retail and foodservice customers. The afore-mentioned stuffed pasta products, as well as potato gnocchi are available to the Company's foodservice customers only. All of these products are sold under the Armanino brand label.

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

B. Distribution and Marketing.

The Company's products are marketed through a network of food brokers and sold to retail, foodservice, and industrial accounts. The Company's food brokers are paid commissions ranging from 1% to 4% of sales depending on products sold and selling price. The following table lists the total gross sales from continuing operations through each of the Company's top three brokers:

	December 31,	
	2021	2020
Broker A	$5,826,672	$4,653,452
Broker B	3,577,155	2,701,122
Broker C	3,717,104	2,806,295

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

C. New Products

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

D. Competitive Business Conditions

The Company faces substantial competition in its business. Because many of the Company's products are sold frozen, they have a relatively shorter shelf life and are more expensive than many competing dried products and products packed in cans or jars. Although these types of competing products are marketed by some companies which have significantly greater financial and other resources than those of the Company, including advertising budgets, the Company markets its products on the basis of quality and natural ingredients rather than price.

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

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

E. Sources and Availability of Raw Materials

The Company primarily uses basil, vegetables, canola oil, eggs, dairy products, cooked and uncooked meat, dried tomatoes, breadcrumbs, flour, garlic, herbs, and spices in the production of its products. Although the Company’s main product ingredient, basil, is obtained from a single supplier, the Company believes that supplier has access to basil from multiple source locations and has significant volumes of inventory available to supply the Company’s demand. The Company entered into a long term supply agreement with a secondary supplier of basil that provides the Company with additional assurance of a continuity of supply of basil that meets the Company’s specifications. Due to the general uncertainty created by the COVID-19 outbreak there is a risk that the Company’s raw materials supply chain could be disrupted thereby causing the possibility that some of the Company’s products may become in short supply. The Company is reviewing secondary sources for all of its raw materials.

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

F. Major Customers

The Company had one distributor customer who accounted for 64% of outstanding receivables on December 31, 2021, and two distributor customers who accounted for 57% and 10% of outstanding receivables on December 31, 2020.

During the years ended December 31, 2021, and 2020, 54% and 53%, 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.

During the years ended December 31, 2021, and 2020, sales to the Company's distributor in Asia amounted to 7% and 8%, respectively, of the Company's total gross sales.

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

G. Patents, Copyrights and Trademarks

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

The Company uses the name "Armanino" in a stylized rendition as a trademark for most of its products. The Company holds a United States Trademark registration and a Japanese Trademark registration for this stylized mark.

H. Government Regulations

The Company's current manufacturing operations are regulated by the United States Federal and Drug Administration ("USFDA") as well as state and local authorities. The Company is subject to various regulations with respect to cleanliness, maintenance of food production equipment, food handling and storage, and is subject to onsite inspections by federal, state, and local regulatory agencies. Under various statues and regulations, the regulatory agencies prescribe requirements and establish standards for quality, purity, and labeling. The finding of a failure to comply with one or more regulatory requirements can result in a variety of sanctions, including the stopping of production, monetary fines and/or the compulsory recall of products. However, with respect to products not manufactured by the Company, the Company believes that in the event any such violations were found to exist, the Company could seek compensation from the manufacturer of the cited product or products since the manufacturer is responsible for processing, manufacturing, packaging, and labeling such products.

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

V. NATURE AND EXTENT OF ISSUER'S FACILITIES

The Company leases approximately 24,375 square feet of office, production and warehouse space located at 30588 San Antonio Street, Hayward, California, 94544. During 2016, the Company renewed the lease for another five years through December 31, 2021 and negotiated two additional five year options to extend the lease thereafter. Under the amended and restated lease agreement, the monthly base rent commencing January 1, 2017, was $21,000, with fixed annual rent increases ranging from 2.6% to 2.8%. Effective January 1, 2021, the Company's base rent increased to $23,339. If the Company elects to exercise its first five year option, the base rent will be set at the prevailing fair market rental value, but not less than $23,806, with annual rent increases fixed at 2%. If the Company elects to exercise its second five year option, the base rent will be set at the prevailing fair market rental value, but not less than $26,283, with annual rent increases fixed at 2%. During 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 leased approximately 7,408 square feet of additional office and warehouse space located at 30641 San Antonio Street, Hayward, California, 94544. During 2016, the Company renewed the lease for another five years through December 31, 2021 and negotiated one additional five year options to extend the lease thereafter. Under the amended and restated lease agreement, the monthly base rent commencing January 1, 2017, is $4,300, plus $1,622 in common operating expenses, with fixed annual rent increases of 3%. The Company is also responsible to pay for utilities, insurance, as well as its pro rata portion of any increase in real estate taxes on the property. Effective January 1, 2021, the Company's base rent increased to $4,840, plus $1,622 in common operating expenses. At December 31, 2021, the Company terminated this lease.

On October 26, 2021, the Company executed a lease for warehouse space at 23694 Bernhardt Street in Hayward. The lease commenced on November 15, 2021, with beginning base rent of $18,770 and expires on February 14, 2027. In accordance with ASC 842, the Company recognized an initial right-of-use-asset and liability of $1,135,518 for this lease.

The Company executed a new lease for office space at 3576 West Las Positas, Blvd, in Pleasanton, CA. The agreement commenced on January 1, 2022, with beginning base rent of $8,541 and expires on April 30, 2027. The agreement contains a rent fee period from January 1, 2022, to April 30, 2022.

As of December 31, 2021, the Company owned all its manufacturing equipment. All the

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

Regarding the production of frozen pesto 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.

VI. NAME OF CHIEF EXECUTIVE OFFICER, MEMBERS OF THE BOARD OF DIRECTORS, AS WELL AS CONTROL PERSONS AS OF 12/31/2020

A. Officers and Directors

Name	Business Address	Positions and Offices Held and Term as a Director
Timothy W. Anderson	30588 San Antonio Street Hayward, CA 94544	President and Chief Executive Officer since March 2020.
Douglas R. Nichols	30588 San Antonio Street Hayward, CA 94544	Chairman of the Board since February 2009. Previously served as Director since June 2001.
Edmond J. Pera	30588 San Antonio Street Hayward, CA 94544	Director since March 2020. Former President and CEO.
John Micek, III	30588 San Antonio Street Hayward, CA 94544	Director since February 1988
Patricia A. Fehling	30588 San Antonio Street Hayward, CA 94544	Director since December 2004
Deborah Armanino LeBlanc	30588 San Antonio Street Hayward, CA 94544	Director and Secretary since February 2009
Albert Banisch	30588 San Antonio Street Hayward, CA 94544	Director since March 2019
James Gillis	30588 San Antonio Street	Director since November 2020

	Hayward, CA 94544	
Edgar Estonina	30588 San Antonio Street Hayward, CA 94544	Chief Operating Officer since December 2015; Chief Financial Officer since February 2009; Controller from June 2006 to February 2009

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

TIMOTHY W. ANDERSON, PRESIDENT, CHIEF EXECUTIVE, AND DIRECTOR. Tim Anderson has served as Chief Executive Office and President of Armanino Foods of Distinction, Incorporated since March 2020. Prior to his current role, Anderson was Senior Vice President of Retail, Foodservice and Corporate Strategy at Challenge Dairy since 2006 with responsibility for sales, marketing, and operations for those businesses and overall Corporate Strategy. He previously served as Director of Marketing for CF Sauer, Director Marketing/General Manager for Del Monte Foods, and Senior Product Manager Pepperidge Farm. Anderson began his career in restaurants while with PepsiCo (now Yum Brands) working as a Fast-Track Manager within KFC. He brings over 25 years of Consumer Products Goods marketing, sales, operations, and strategy experience to Armanino Foods of Distinction, Incorporated. Armanino shares beneficially owned: 71,703 shares of Armanino common stock.

DOUGLAS R. NICHOLS, CHAIRMAN OF THE BOARD. Prior to becoming Chairman of the Board in February 2009, Mr. Nichols had been a Director since June 2001. Since March 1991, Mr. Nichols has served as President of First London Securities Corporation, a FINRA member firm providing investment banking services. From 1989 to 1991, Mr. Nichols was a Vice President with the Dallas, Texas office of Smith Barney, and from 1986 to 1989, was a broker with the Dallas branch of Shearson Lehman Brothers. In addition, Mr. Nichols is President of DGN Securities which owns 100% of First London Securities Corporation. Mr. Nichols received his Bachelor of Arts degree from Allegheny College in 1974 and received his license as a Certified Public Accountant in Pennsylvania in 1980, however, his license is not current at this time. Armanino shares beneficially owned: 782,293 shares of Armanino common stock.

EDMOND J. PERA, DIRECTOR. Mr. Pera has served as a Company Director since August 2000. Since that time, Mr. Pera has also held numerous executive roles within the Company having served as: President, and Chief Executive from February 2009 until his retirement in March 2020; Chief Operating Officer from

May 2003 to February 2009; and, as Chief Financial Officer from March 2000 to May 2003. Prior to joining the Company, Mr. Pera, was the sole owner of Pera Management Consulting, specializing in start-ups, restructuring and reorganization, finances, etc. The consulting service consisted of Mr. Pera being a part time CEO or CFO of various businesses. From 1999 to February 2000, Mr. Pera was a consultant to the Company in finance and shareholder relations. From 1982 to 1991, Mr. Pera was President and CEO of Advanced Communications, which manufactured and marketed electronic mail equipment. From 1967 to 1982, Mr. Pera was employed by Levi Strauss & Company, a leading manufacturer of clothing apparel, where he served in increasingly responsible positions, the latter of which was Division General Manager of Levi's Canada/Latin American division. Mr. Pera received a Bachelor of Science Degree in Commerce from Santa Clara University in Santa Clara, California in 1962. Armanino shares beneficially owned: 450,000 shares of Armanino common stock.

JOHN J. MICEK III, DIRECTOR. Mr. Micek has been a Director of the Company since February 1988. He also served as a director of the Company's wholly owned subsidiary from May 1987 until it was merged into the Company in December 1990 and was a Vice President of the Company from September 1989 to December 1993. From February 1988 to December 31, 1988, he served as General Counsel and Chief Financial Officer for the Company and served in these capacities for the Company's wholly owned subsidiary from May 1987 to December 31, 1988. From July 1997, Mr. Micek served as Chief Operating Officer for Protozoa, Inc. in San Francisco, California. From April 1994 to February 1997, Mr. Micek was General Counsel for Enova Systems, Inc. in San Francisco, California. From January 1989 to March 1994, Mr. Micek practiced law and served as a consultant to the Company on corporate finance matters. From September 1998 to May 2004, Mr. Micek was President of Universal Assurors, Inc., a member company of Universal Group, Inc., a midwest group of insurance companies. Since April 2001, he has also been managing director of Silicon Prairie Partners, L.P., a venture fund. He also serves as a director of Universal Group, Inc., UTEK Corporation of Tampa, Florida, and Enova Systems, Inc. He received a Bachelor of Arts degree in History from the University of Santa Clara in 1974 and a Juris Doctorate from the University of San Francisco School of Law in 1979. Armanino shares beneficially owned: 142,960 shares of Armanino common stock.

PATRICIA A. FEHLING, DIRECTOR. Mrs. Fehling has been a Director since December 2004. Since 1983, Mrs. Fehling has been the owner of Fehling and Associates Food Industry Consultants. During Mrs. Fehling's 37 years in the food industry, she has taught product development seminars for the University of California at Davis and other universities in addition to conducting product development for food firms throughout the United States and abroad. Mrs. Fehling is a member and active in the National Institute of Food Technologists. She is a member of the Lodi Salvation Army Advisory Board and Culinary Board and is a Red Cross Disaster Captain. Mrs. Fehling has studied abroad and has received a Bachelor of Science, Food Science and Technology from the University of California at Davis in 1967. Armanino shares beneficially owned: 90,000 shares of Armanino common stock.

DEBORAH ARMANINO-LEBLANC, DIRECTOR. Mrs. Armanino-LeBlanc was elected to the Board of Directors in February 2009. She was employed by Armanino Foods from February 1988 until April 2016, serving in various capacities. Mrs. Armanino-LeBlanc's most recent role was Director of Sales for the Company. Armanino shares beneficially owned: 611,975 shares of Armanino common stock.

ALBERT BANISCH, DIRECTOR. Mr. Banisch was elected to the Board of Directors in March 2019. He currently serves as Executive Vice President, New Product Strategy & Insights, at Mattson which is an internationally recognized innovation and consulting firm in the food and beverage industry. Mr. Banisch holds an MBA from Carnegie Mellon University. Armanino shares beneficially owned: 12,000 shares of Armanino common stock.

JIM GILLIS. Mr. Gillis was elected to the Board of Directors in November 2020. He is currently President and CEO of Gillis & Associates, a corporate and equity fund advisory firm in the consumer packaged goods industry. Mr. Gillis also sits on several corporate boards, and was previously Managing Partner of Burke • Gillis • Juliano Group (BGJ), a leading management consulting firm focused on delivering solutions to the retail value chain. He retired as President and CEO of Source Interlink Companies, a premier marketing, merchandising and fulfillment company of entertainment products. Gillis was also President, CEO and Owner of Brand Manufacturing Corporation, a leading designer and manufacturer of retail display systems, and Managing Partner of Aders, Wilcox, Gillis Group, a global developer of trade relationships serving major brand marketers and retailers worldwide. Armanino shares beneficially owned: 105,560 shares of Armanino common stock.

EDGAR ESTONINA, CHIEF OPERATING OFFICER AND CHIEF FINANCIAL OFFICER. Mr. Estonina has been with Armanino Foods since June 2006 when he was hired as the Company's Controller before becoming Chief Financial Officer in February 2009. On December 2015 Mr. Estonina took on the additional role of the Company's Chief Operating Officer. After graduating from Golden Gate University in 1989 with a Bachelor of Science degree in Accounting, Mr. Estonina worked in the audit practice of Deloitte until 1992. Thereafter, Mr. Estonina went on to work in various finance and accounting roles ranging from a Senior Accountant to Director of Finance and Accounting for such companies as Levi Strauss & Co. from 1992-1999, Hewlett-Packard from 1999-2000, Kasenna, Inc. (a streaming software company) from 2000-2002, National Oncology Alliance, Inc. (a national buying group for cancer drugs) from 2002-2005, and Accretive Solutions (a financial consulting firm) from 2005 to 2006. Mr. Estonina has been a Certified Public Accountant since 1994. Armanino shares beneficially owned: 5,000 shares of Armanino common stock.

Name and Principal Position	Calendar Year (to date)	Salary	Bonus	Other Annual Compensation	Restricted Stock Awards	Securities/Underlying Options SARs (Number)	LTIP Payouts	All Other Compensation
Timothy W. Anderson, CEO since March 2020	12/31/2020	$ 350,000	$ 350,000	$ -	$ -		$ -	$ 8,400
	12/31/2020	$ 277,884	$ 110,000	$ -	$ -	260,000 Shares	$ -	$ 8,400
Edgar Estonina, COO since December 2015; CFO since February 2009; previously Controller	12/31/2021 12/31/2020	*N/A Information Voluntary*						

B. Legal/Disciplinary History -- None

C. Disclosure of Family Relationships -- There is currently no family relationship between any Director or Executive Officer of the Company.

D. Disclosure of Related Party Transactions – During the years ended December 31, 2021, and 2020, the Company paid fees totaling $0 and $0, respectively, to directors/shareholders for business consulting in connection with strategic planning, industrial engineering, and business development.

E. Disclosure of Conflicts of Interest – None; however, refer to item "d" above regarding related party transactions.

VII. BENEFICIAL OWNERS

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

VIII. MANAGEMENT'S DISCUSSION AND ANALYSIS

A. Liquidity and Capital Resources

On December 31, 2021, the Company had working capital of $17,115,685, compared to $15,772,831 on December 31, 2020, an increase of $1,342,854, or 9%. The increase largely reflects the impact from the Company's growth in sales and profits between the two years which resulted in higher cash, cash equivalents, and accounts receivables. As an offset, the increase in the Company's current liabilities largely reflect the timing impact of the payment of those liabilities, as well as the increase in the Company's dividend rate in 2021 vs. 2020.

In 2022, the Company plans to continue to make investments to reposition the Company for recovery from the current economic environment for sustained future growth with an eye towards new products, new markets, and potential acquisitions. Given the Company's financial resources, the strength of its brand, and proven track record of management excellence, it remains confident in its ability to achieve its long-term vision for the Company despite the current economic environment. The Company is confident that it has enough cash to fund its operations beyond 2022. As it proved early on in 2020, the Company is prepared to manage its business accordingly as the situation might dictate.

B. Results of Operations

Compared to 2020, the Company's annual net sales and net income increased by $12M (or by 38%), and by $3.7M (or by 183%), respectively.

During Q3 and Q4 of 2021, the Company achieved record breaking quarterly sales, which also culminated in its highest annual sales ever, beating the previous pre-pandemic records in 2019. Not only did the Company's Q4 2021 net income surpass the prior year Q4, but it also surpassed the pre-pandemic Q4 2019. Labor and supply shortages; inflation; and logistical challenges had a significant impact on the Company's cost of goods. As a result, additional measures have been put in place to further mitigate risks and reduce costs moving forward. If the Company's cost of sales were proportionate to 2019 levels, then its 2021 profits would have been the highest in the Company's history. The Company continues to outpace economic trends in its sector in large part due to the development and implementation of its transformative strategy for growth and profitability for the long-term.

The effects of the Omicron variant and inflationary pressure has the Company guarded for the near term as the global rise in COVID cases over the past few months have disrupted its sales distribution channels. However, the Company is confident that it will continue to successfully navigate through the current economic challenges and beyond.

The Company remains committed to investing in its brand, while optimizing marketing and cost spend to position itself for sustained growth with a focus on new products, new markets and potential acquisitions.

C. Cash Flow
The Company's cash position on December 31, 2021 and 2020 was $11,190,044, and $9,744,515, respectively. The $1,445,529 increase in cash from 2020 to 2021 was a result of several factors: (1) $6,276,508 generated from operating activities stemming from the Company's 183% increase in its net income, offset by (2) the maturity of $791,779 in certificates of deposits which were converted into cash, and $310,980 in total capital expenditures, (3) $3,046,237 in dividends paid, and (4) $681,983 to fully pay off the Company's notes payable.

D. Off-Balance Sheet Arrangements – None

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

A. None

X. MATERIAL CONTRACTS

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

B. Suppliers -- In 2016 the Company and its sole Basil supplier entered into a long term supply agreement that provides the Company with additional assurance of a continuity of supply of basil that meets the Company's specifications.

401(K) Profit Sharing Plan - The Company has a 401(K) profit sharing plan and trust that covers all eligible employees. Up until October 31, 2020, the Company had a plan that matched 50% up to a maximum of 7% deferral. Under that plan any employees who were employed by the Company during a six consecutive month period and reached age 21 were eligible to participate in that plan. That plan became effective January 1, 1993 and had a plan year of January 1 through December 31. Starting on November 1, 2020, the Company implemented a new 401(K) plan which modified the matching schedule whereby the Company now matches 100% of contributions up to 3% of gross compensation, and then 50% up to the next 2%. Under the new plan Employees are also eligible to receive a discretionary contribution of up to 2% of their base compensation depending on the Company's financial performance. Also, the waiting period for enrollment has decreased to 90 consecutive days of employment. During 2021 and 2020, Company matching contributions to the plan expensed were $81,172 and $54,079, respectively. Starting on January 1, 2021, the Company implemented several changes to the plan including a modification to the matching schedule whereby the Company matches 100% of contributions up to 3% of gross compensation, and then 50% up to the next 2%. Also, the waiting period for enrollment has decreased to 90 consecutive days of employment.

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

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

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

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

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

Termination of a Material Agreement
None

Completion of Acquisition or Disposition of Assets
During 2021, and 2020, the Company expended $310,980, and $600,482, respectively, in new manufacturing related equipment to increase the Company's overall manufacturing capacity and efficiency.

Triggering Events That Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement
None

Costs Associated with Exit or Disposal Activities
None other than as noted above under "Completion of Acquisition or Disposition of Assets"

Material Impairments
None

Material Modification to Rights of Security Holders
None

Changes in Certifying Accountant
None

Non Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review
None

Changes in Control
None

Departure of Director or Principal Officers; Election of Directors; Appointment of Principal Officers
None

Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year
None

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

None