ARMANINO FOODS OF DISTINCTION, INC.

QUARTERLY DISCLOSURE REPORT
MARCH 31, 2018
UNAUDITED

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CONTENTS

OTC PINK BASIC DISCLOSURE GUIDELINES

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

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

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

3. SECURITY INFORMATION:
a. Trading Symbol: AMNF

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

	March 31, 2018	March 31, 2017	March 31, 2016
Common Shares authorized	40,000,000	40,000,000	40,000,000
Common Shares outstanding	32,065,645	32,065,645	32,065,645
Freely tradable shares	31,265,997	31,265,997	30,203,203
# of beneficial shareholders (1)	1,300	1,300	1,300
# of shareholders of record	109	111	119

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

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

	March 31, 2018	March 31, 2017	March 31, 2016
Shares authorized	10,000,000	10,000,000	10,000,000
Shares outstanding	-	-	-
Freely tradable shares	-	-	-
# of beneficial shareholders	-	-	-
# of shareholders of record	-	-	-

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

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

f. Restrictions on the transfer of security:
799,648 shares of common stock are restricted as of 3/31/18; 799,648 shares as of 3/31/17; and 1,862,442 shares as of 3/31/16.

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

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

4. ISSUANCE HISTORY

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

5. FINANCIAL STATEMENTS

The Company's financial statements are prepared in accordance with US GAAP. Refer to the Company's interim financial statements starting on page 10.

6. ISSUER'S BUSINESS, PRODUCTS, AND SERVICES

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

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

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

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

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

7. ISSUER'S FACILITIES

The Company leases approximately 24,375 square feet of office, production and warehouse space located at 30588 San Antonio Street, Hayward, California, 94544. The Company also leases approximately 7,408 square feet of additional office and warehouse space located at 30641 San Antonio Street, Hayward, California, 94544. The Company owned all of its manufacturing equipment as of March 31, 2018.

8. OFFICERS, DIRECTORS, AND CONTROL PERSONS

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

Name	Business Address	Positions and Offices Held & Term as a Director	Shares Owned
Edmond J. Pera	30588 San Antonio Street Hayward, CA 94544	President and Chief Executive Officer since February 2009. Also, Secretary, Treasurer until February 2009, and Director since August 2000. Served as Chief Operating Officer (Principal Financial Officer) from May 2003 to February 2009.	450,000
Douglas R. Nichols	30588 San Antonio Street Hayward, CA 94544	Chairman of the Board since February 2009. Previously served as Director since June 2001.	832,545*
John Micek III	30588 San Antonio Street Hayward, CA 94544	Director since February 1988.	142,960
David B. Scatena	30588 San Antonio Street Hayward, CA 94544	Director since February 1988 and Vice Chairman of the Board since February 1999.	8,280
Joseph F. Barletta	30588 San Antonio Street Hayward, CA 94544	Director since December 1999.	-
Patricia A. Fehling	30588 San Antonio Street Hayward, CA 94544	Director since December 2004.	100,000
Deborah Armanino LeBlanc	30588 San Antonio Street Hayward, CA 94544	Director and Secretary since February 2009.	666,975*
Edgar Estonina	30588 San Antonio Street Hayward, CA 94544	Chief Operating Officer since December 2015; Chief Financial Officer since February 2009; Controller from June 2006 to February 2009	*N/A Information Voluntary*

**No update since 12/31/17*

b. Legal/Disciplinary History – persons who have, in the last five years, been the subject of:

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

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

9. THIRD PARTY PROVIDERS

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

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

10. ISSUER CERTIFICATION

I, Edmond J. Pera certify that:

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

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

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

May 15, 2018
/s/Edmond J Pera
CEO

10. ISSUER CERTIFICATION (Continued)

I, Edgar Estonina certify that:

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

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

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

May 15, 2018
/s/Edgar Estonina
COO/CFO

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS:

	As of March 31 2018	As of December 31, 2017
CURRENT ASSETS:		
Cash	$ 5,159,863	$ 4,578,645
Certificates of Deposit	1,071,453	1,145,900
Accounts Receivable, net	5,489,165	5,879,706
Inventories	4,423,131	4,135,873
Prepaid Expenses	902,463	1,113,033
Total Current Assets	17,046,075	16,853,157
PROPERTY AND EQUIPMENT, net accumulated depreciation	4,909,452	4,966,144
OTHER ASSETS:		
Deposits	20,000	20,000
Goodwill	375,438	375,438
Trademarks	72,742	72,742
Total Other Assets	468,180	468,180
Total Assets	$ 22,423,707	$ 22,287,481

The accompanying notes are an integral part of these financial statements

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CONSOLIDATED BALANCE SHEETS:

	As of March 31 2018	As of December 31, 2017
CURRENT LIABILITIES:		
Notes Payable - Current Portion	$ 727,783	$ 726,638
Accounts Payable - Trade	1,635,738	1,888,951
Accrued Payroll and Payroll Taxes	410,455	509,353
Dividends Payable	721,477	641,313
Total Current Liabilities	3,495,453	3,766,255
Notes Payable and Long-Term Debt	2,729,403	2,911,783
Deferred Tax Liability	807,188	807,188
Total Long Term Liabilities	3,536,591	3,718,971
Total Liabilities	7,032,044	7,485,226
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 March 31, 2018 and December 31, 2017, respectively	2,774,990	2,774,990
Additional Paid-in Capital	48,202	48,202
Accumulated Other Comprehensive Income	-	-
Retained Earnings	12,568,471	11,979,063
Total Stockholders' Equity	15,391,663	14,802,255
Total Liabilities and Stockholders' Equity	$ 22,423,707	$ 22,287,481

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CONSOLIDATED STATEMENT OF EARNINGS AND COMREHENSIVE INCOME:

	FOR THE THREE MONTHS ENDED MARCH 31,	
	2018	**2017**
NET SALES	$ 9,434,960	$ 9,088,013
COST OF GOODS SOLD	6,163,803	5,913,625
GROSS PROFIT	3,271,157	3,174,388
OPERATING EXPENSES:		
General, administrative and selling expense	574,376	471,549
Salaries & wages	725,779	718,154
Commissions	307,384	292,057
Total Operating Expense	1,607,539	1,481,760
INCOME FROM OPERATIONS	1,663,618	1,692,628
OTHER INCOME (EXPENSE)		
Interest and other income	37,791	43,956
Interest (expense)	(20,787)	(709)
Total Other Income (Expense)	17,004	43,247
INCOME BEFORE INCOME TAXES	1,680,622	1,735,874
CURRENT TAX EXPENSE	369,737	624,265
DEFERRED TAX (BENEFIT)	-	-
NET INCOME	$ 1,310,885	$ 1,111,610
Derivative instrument acounted for as a hedge, net of tax of $0, and $53, respectively	-	89
COMPREHENSIVE INCOME	$ 1,310,885	$ 1,111,699
EARNINGS PER COMMON AND EQUIVALENT SHARES:		
BASIC EARNINGS PER SHARE	$ 0.0409	$ 0.0347
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	32,065,645	32,065,645
DILUTED EARNINGS PER SHARE	$ 0.0409	$ 0.0347
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING ASSUMING DILUTION	32,065,645	32,065,645

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY:

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Retained
	Shares	Amount	Capital	Income	Earnings
BALANCE, December 31, 2016	32,065,645	$2,774,990	$ 48,202	$ (113)	$ 9,457,541
Dividends on common shares	-	-	-	-	(2,565,252)
Derivative instrument acounted for as a hedge net of tax of $67	-	-	-	113	-
Net income for the year ended December 31, 2017	-	-	-	-	5,086,774
BALANCE, December 31, 2017	32,065,645	$2,774,990	$ 48,202	$ -	$ 11,979,063
Dividends on common shares	-	-	-	-	(721,477)
Net income for the three months ended March 31, 2018	-	-	-	-	1,310,885
BALANCE, March 31, 2018	32,065,645	$2,774,990	$ 48,202	$ -	$ 12,568,471

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENTS OF CASH FLOW:

	FOR THE THREE MONTHS ENDED MARCH 31,	
	2018	**2017**
Cash Flows from Operating Activities:		
Net Income	$ 1,310,885	$ 1,111,610
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	137,971	81,892
Change in deferred tax asset / liability	-	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	390,541	(595,747)
(Increase) decrease in inventory	(287,258)	386,664
(Increase) decrease in prepaid expenses	(159,167)	183,983
Increase (decrease) in accounts payable, accrued expenses, and taxes payable	17,627	536,012
Total Adjustments	99,714	592,804
Net Cash Provided by Operating Activities	1,410,599	1,704,414
Cash Flows from Investing Activities:		
Purchase of property and equipment	(81,279)	(785,398)
Purchase of Trademarks	-	(10,681)
Proceeds (Purchase) of certificates of deposit	74,447	(260,842)
Net Cash Used by Investing Activities	(6,832)	(1,056,921)
Cash Flows from Financing Activities:		
Payments on notes payable	(181,236)	(53,967)
Dividends paid	(641,313)	(641,312)
Net Cash Used by Financing Activities	(822,549)	(695,279)
Net Increase (Decrease) in Cash and Cash Equivalents	581,218	(47,786)
Cash and Cash Equivalents at Beginning of Period	4,578,645	3,702,067
Cash and Cash Equivalents at End of Period	$ 5,159,863	$ 3,654,281
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 20,787	$ 709
Income Taxes	$ -	$ -

The accompanying notes are an integral part of these financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Basis of Presentation - The consolidated financial statements include the accounts of Armanino Foods of Distinction, Inc. (the “Company”), which engages in the production and marketing of upscale and innovative food products, including primarily frozen pesto 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.

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

Cash and Cash Equivalents - The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company had $4,946,868 and $4,293,571 in excess of federally insured amounts in its bank accounts at March 31, 2018 and December 31, 2017.

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”) ASC Topic 320 Investments – Debt and Equity Securities. Under Topic 320 the Company’s certificates of deposit and treasury bills (debt securities) have been classified as held-to-maturity and are recorded at amortized cost. Held-to-maturity securities represent those securities that the Company has both the positive intent and ability to hold until maturity. At March 31, 2018, the Company had eleven certificates of deposit with a purchase value of $1,059,478 and a fair value totaling $1,071,453, amortized value totaling $1,071,453 and mature through November 18, 2019. At December 31, 2017, the Company had twelve certificates of deposit with a purchase value of $1,137,575 and a fair value totaling $1,145,900, amortized value totaling $1,145,900 and mature through April 29, 2019.

Accounts Receivable - Accounts receivable consist of trade receivables arising in the normal course of business. At March 31, 2018 and December 31, 2017, the Company has established an allowance for doubtful accounts of $10,000 and $10,000, respectively, which reflects the Company’s best estimate of probable losses inherent in the accounts receivable balance. The Company determines the allowance based on known troubled accounts, historical experience, and other currently available evidence. Amounts written off for the years presented are insignificant for disclosure.

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

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

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

Revenue Recognition and Sales Incentives - The Company's accounts for revenue recognition in accordance with the Securities and Exchange Commission Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101), FASB ASC 606. The Company recognizes revenue when the performance obligation has been completed and rights and risk of ownership have passed to the customer, when there is persuasive evidence of an arrangement, product has been shipped or delivered to the customer, the price and terms are finalized, and collections of resulting receivable is reasonably assured. Products are primarily shipped FOB shipping point at which time title passes to the customer. In some instances the Company uses common carriers for the delivery of products. In these arrangements, sales are recognized upon delivery to the customer. The Company's revenue arrangements with its customers often include early payment discounts and such sales incentives as trade allowances, promotions and co-operative advertising. These sales incentives are recorded at the later of when revenue is recognized or when the incentives are offered. Sales incentives that do not provide an identifiable benefit or provide a benefit where the Company could not have entered into an exchange transaction with a party other than the customer are netted against revenues. Incentives providing an identifiable benefit, where the Company could have entered into the same transaction with a party other than the customer, are classified under "General, administrative and selling expenses" in the Operating Expenses section of the Consolidated Statements of Earnings.

Net sales comprised of the following for the three months ending March 31, 2018 and 2017:

	FOR THE THREE MONTHS ENDED MARCH 31,	
	2018	**2017**
Gross Sales	$ 11,239,169	$ 10,834,491
Less: Discounts	(189,122)	(166,364)
Slotting	-	-
Promotions	(1,615,087)	(1,580,114)
Net Sales	$ 9,434,960	$ 9,088,013

Advertising Cost - Cost incurred in connection with advertising of the Company's products are expensed as incurred. Such costs amounted to $295 and $1,223 for the three months ending March 31, 2018 and 2017, respectively.

Research and Development Cost - The Company expenses research and development costs for the development of new products as incurred. Included in general and administrative expense for the three months at March 31, 2018 and 2017 are $1,267 and $487, respectively, of research and development costs.

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

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

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

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

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

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

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

Reclassification – The financial statements for the period ended prior to March 31, 2018 have been reclassified to conform to the headings and classifications used in the March 31, 2018 financial statements.

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

NOTE 2 - RELATED PARTY TRANSACTIONS

During the three months ending March 31, 2018 and 2017, the Company paid accounting fees of $3,933 and $615, respectively, to a company controlled by a director/shareholder. Services provided by this accounting firm are in the area of tax preparation and related services, management and business consulting. No audit services were provided by this company.

NOTE 3 - INVENTORY

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

	March 31, 2018	December 31, 2017
Raw Materials and Supplies	857,480	934,342
Finished Goods	3,590,651	3,226,531
Reserve for Obsolescence	(25,000)	(25,000)
	$ 4,423,131	$ 4,135,873

The Company's inventory is held as collateral to secure the Company's notes payable to its financial institution lender.

NOTE 4 - PROPERTY AND EQUIPMENT

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

	Useful Life	March 31, 2018	December 31, 2017
Office equipment & furniture	**2 – 10**	526,912	513,164
Machinery and equipment	**5 – 20**	3,691,982	3,645,294
Vehicles	**7**	45,989	45,989
Leasehold improvements	**3 – 25**	3,494,650	3,473,807
		7,759,533	7,678,254
Less Accumulated Depreciation		(2,850,081)	(2,712,110)
Net Property and Equipment		$ 4,909,452	$ 4,966,144

Depreciation expense amounted to $137,971 and $81,892 for the three months ending March 31, 2018 and 2017, respectively. The Company's inventory is held as collateral on the Company's notes payable.

NOTE 5 - INTANGIBLE ASSETS

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

Trademarks - Trademarks represent the current costs seeking Trademarks. At March 31, 2018 and December 31, 2017, Trademarks amounted $72,742 and $72,742.

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

NOTE 6 - LEASES

Operating Leases - During 2016, the Company renewed the lease of 30588 San Antonio Street in Hayward for another five years through December 31, 2021, and negotiated two additional five year options to extend the lease thereafter. Under the amended and restated lease agreement, the monthly base rent commencing January 1, 2017 is $21,000, with fixed annual rent increases ranging from 2.6% to 2.8%. If the Company elects to exercise its first five year option, the base rent will be set at the then 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 then prevailing fair market rental value, but not less than $26,283, with annual rent increases fixed at 2%.

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

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

Year Ended December 31,	Lease Payment
2018	248,751
2019	340,260
2020	348,816
2021	357,612
Thereafter	-
Future Minimum Lease Payments	$ 1,295,439

Lease expense charged to operations were $82,917 and $80,766 for the three months ending March 31, 2018 and 2017, respectively.

NOTE 7 – LINE 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 accrues interest at a fixed rate of 3.35% and is secured by all of the Company's personal property. At March 31, 2018 and December 31, 2017, there was $2,901,606 and $3,056,606 outstanding on the line, respectively. The line was subsequently converted to a note payable calling for monthly principal payments of $51,667 plus interest totaling approximately $60,000, maturing September 2022.

Equipment Financing Agreement – During 2017, the Company entered into an equipment financing agreement with a financial institution to support the purchase of new equipment for its plant expansion project. The note accrues interest at a fixed rate of 4.28% and is secured by the equipment purchased. At March 31, 2018 and December 31, 2017, there was $555,581 and $581,815 outstanding on the note, respectively, payable in monthly installments of $10,789 and maturing December 2022.

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

	March 31, 2017	**December 31, 2016**
3.35% Note payable for plant reconstruction Payable in monthly principal installments of $51,667 totaling approximately $60,000 maturing September 22, 2022.	2,901,606	3,056,606
4.28% Equipment financing agreement, Payable in monthly installments of $10,789, maturing December 2022.	555,581	581,815
	3,457,187	3,638,421
Less Current Portion of Notes Payable	(727,783)	(726,638)
Long Term Portion of Notes Payable	$ 2,727,403	$ 2,911,783

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

Year ending March 31,	
2019	$ 727,783
2020	732,488
2021	737,398
2022	742,523
2023	516,995
Thereafter	-
	$ 3,457,187

NOTE 8 - AGREEMENTS AND COMMITMENTS

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

401(K) Profit Sharing Plan - The Company has a 401(K) profit sharing plan and trust that covers all employees. The Company matches 50% up to a maximum of 7% deferral. Any employees who are employed by the Company during a six consecutive month period and have reached age 21 are eligible to participate in the plan. The plan became effective January 1, 1993 and has a plan year of January 1 through December 31. During the three months ending March 31, 2018 and 2017 the Company matching contributions to the plan expensed were $22,712 and $19,831, respectively.

NOTE 9 - INCOME TAXES

The Company accounts for income taxes in accordance with FASB ASC Topic 740 which requires the Company to provide a net deferred tax asset or liability equal to the expected future tax benefit or expense of temporary reporting differences between book and tax accounting and any available operating loss or tax credit carry forwards. At March 31, 2018, and December 31, 2017, the total of all deferred tax assets was $77,232 and $77,232, respectively, and the total of the deferred tax liabilities was $884,420 and $884,420, respectively. The amount of and ultimate realization of the benefits from the deferred tax assets for income tax purposes is dependent, in part, upon the tax laws in effect, the Company’s future earnings, and other future events, the effects of which cannot be determined.

The temporary differences, tax credits and carry forwards gave rise to the following deferred tax asset (liabilities) at March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
Inventory 263A adjustment	$ 29,223	$ 29,223
Reserve for accrued vacation	48,009	48,009
Excess of tax over book depreciation	(884,420)	(884,420)
Deferred Tax Liability, Net	$ (807,188)	$ (807,188)

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

The Company files U.S. federal, and California state income tax returns, and we are generally no longer subject to tax examinations for years prior to 2013 for U.S. federal and U.S. states tax returns.

NOTE 10 - EARNINGS PER SHARE

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

For the three months ended March 31, 2018 and 2017, the Company had no options that were not included in the computation of diluted earnings per share.

	For the Three Months Ended	
	2018	**2017**
Net Income	$ 1,310,885	$ 1,111,610
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 average number of common shares and pontential dilutive shares outstanding used in diluted earnings per share	32,065,645	32,065,645

NOTE 11 - STOCKHOLDERS' EQUITY

Preferred Stock - The Company is authorized to issue 10,000,000 shares of no par value preferred stock with such rights and preferences and in such series as determined by the Board of Directors at the time of issuance. No shares are issued or outstanding as of March 31, 2018 and December 31, 2017.

Dividends - During the three months ended March 31, 2018 and 2017, the Company paid $641,313 and $641,312, respectively, in dividends to common shareholders, none of which was considered a liquidating dividend.

Repurchase of Common Shares - The Board of Directors has authorized the Company to repurchase up to $2,500,000 of the Company’s Common Stock at market prices. The amount and timing of the shares to be repurchased are at the discretion of management. Through March 31, 2018, 3,102,135 shares, at $0.70 to $0.94 per share at an aggregate cost of $2,394,294, were repurchased and canceled under this program. At March 31, 2018, the Company was authorized to repurchase an additional $105,706 of the Company’s common stock.

NOTE 12 - SIGNIFICANT CUSTOMERS / CONCENTRATION

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

The Company had two customers who accounted for 62% and 14% of outstanding receivables at March 31, 2018, 73% and 12% at December 31, 2017.

During the three months ending March 31, 2018 and 2017, 57% and 59% of the Company's total gross sales, respectively, were handled by a non-exclusive national distributor.

During the three months ending March 31, 2018 and 2017, sales in the Company's Asian markets amounted to 10% and 9% of the Company's total gross sales, respectively.

The Company's food brokers are paid commissions ranging from 2% to 5% of sales depending on products sold and selling price. The following table lists the total gross sales from continuing operations through each of the Company's top three brokers for the three months ending March 31:

	For the Three Months Ended March 31,	
	2018	**2017**
Broker A	$ 1,543,260	$ 1,336,400
Broker B	1,155,546	1,189,665
Broker C	810,517	749,397

NOTE 13 – SUBSEQUENT EVENT

The Company's management has reviewed all material events through May 15, 2018.

On March 8, 2018, the Company's Board of Directors declared a regular cash dividend of $0.0225 per share that was paid on April 27, 2018 to shareholders of record on April 2, 2018.

SUPPLEMENTAL INFORMATION

1. MANAGEMENT DISCUSSION AND ANALYSIS

A. Results of Operations

Liquidity and Capital Resources:

At March 31, 2018, the Company had working capital of $13,550,622, compared to $13,086,902 at December 31, 2017, an increase of $463,720, or 4%. This increase was largely due to the increase in cash and inventory levels consistent with the Company's growth in sales for this period, and the timing related to the payment of trade payables, offset by the timing related to the collection of receivables. The Company's strong cash position has enabled it to pay down its debt incurred to fund its plant expansion in 2017, and to declare another quarterly dividend - the Company's 72nd consecutive regular quarterly dividend.

In the third quarter of 2016, the Company's Board of Directors approved a plant expansion of the Company's manufacturing plant facility that was budgeted to cost approximately $3.5 million. In order to help finance the plant expansion project, on September 30, 2016 the Company secured a non-revolving $3,100,000 line of credit with a financial institution. The availability period for this line ended on January 1, 2018. The line accrues interest at a fixed rate of 3.35% and is secured by all of the Company's personal property. At March 31, 2018, there was $2,901,606 outstanding on the line. On January 3, 2017, the Company also secured an equipment loan with a financial institution. At March 31, 2018, $555,581 was outstanding on the loan. The loan was secured by the new equipment and accrues interest at a fixed rate of 4.28%.

Results of Operations:

The Company achieved its highest ever first quarter sales and net income results during the first quarter of 2018. Net sales for the quarter ending March 31, 2018 increased by 3.8% to $9,434,960 from $9,088,013 in the same quarter last year. The Company achieved record breaking net sales and net income for the first quarter despite the severe weather conditions in its east coast territories which caused sales delays in that part of the country in February and March. The Company experienced sales growth in both its US and Asian markets.

Cost of goods sold as a percentage of net sales for the quarter ending March 31, 2018 was 65%, identical to the percentage achieved during the first quarter last year. The Company is closely monitoring rising costs in its key raw materials and packaging, as well as its transportation and storage, and will manage those costs and its margins accordingly this year.

Operating expenses as a percentage of net sales for the quarter ending March 31, 2018 were 17% compared to 16% during the same quarter last year. Depreciation and interest expense related to the Company's investment in the recent plant improvement project were expectedly higher during this period. Further, the Company decided to invest part of its tax savings in a strategic planning initiative to help the Company develop future growth in sales and profitability. This investment, which the Company expects to continue to make through the year, has the accounting effect of higher operating expenses.

Lower tax rates resulting from a decrease in the Company's core federal tax rate were a significant factor in the growth of the Company's net income this quarter. Net income of $1,310,885 for the three months ended March 31, 2018 increased $199,275 or 18% over net income of $1,111,610 for the three months ended March 31, 2017. This is the Company's 59th quarter in a row of profitability.

The Company believes that its sales pipeline and its cash position are currently strong. The Company continues to aggressively invest in domestic promotional expenditures in order to grow in the US market. The Company is cautiously optimistic about sales in its domestic markets. While first quarter sales in its Asian Markets improved significantly over last year, the Company remains guarded on its outlook in that part of the world.

Cash Flow:

For the three months ending March 31, 2018, cash flow from operating activities decreased by $293,815 to $1,410,599 from $1,704,414 in the same period last year. This decrease is attributable to the timing in the collection of receivables, payments to suppliers, and changes in inventory levels.

Net cash used in investing activities for the three months ending March 31, 2018 decreased by $1,050,089, or by 99% to $<6,832> this year, from $<1,056,921> in the prior year. This decrease is largely due to the onetime non-recurring effect of spending on property and equipment during the quarter ended March 31, 2017. In that quarter last year, the company commenced work on its plant expansion project and ramped up its capital expenditures. The project was completed on time and within budget before the end of 2017. The decrease in net cash used in investing activities is also a result of timing differences associated with the maturity and purchases of certificates of deposits.

Net cash used by financing activities for the three months ending March 31, 2018 increased by $127,270 to $<822,549> from $<695,279> in the same period of 2017.

The increase is mainly reflects the impact from the Company's payments on notes payable from the plant expansion project.

While the Company's cash flow is currently strong, it intends to closely manage its cash flow activities for the remainder of 2018.

B. Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

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

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

4. EXHIBITS
There are no updates to the "Material Contracts", "Articles of Incorporation" or "Bylaws" described in items XVIII and XIX, respectively, of the Company's 2017 Annual Report.