Artisanal Brands, Inc.
Form 10-K
September 14, 2010

FORM 10-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED MAY 31, 2010.

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ___TO ___.

ARTISANAL BRANDS, INC. (formerly AMERICAN HOME FOOD PRODUCTS, INC.)
(Exact name of registrant as specified in its charter)

New York (State of Jurisdiction)	0-26112 (Commission File Number)	1-1759882 (IRS Employer I.D. No.)
483 Tenth Avenue (Address of Principal Executive offices)	New York, New York	10018 (Zip Code)

Registrant’s telephone number, including area code 212-871-3150

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock $.001 par value	OTC Electronic Bulletin Board

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days. Yes x No o

Indicate by check mark if the disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12-2 of the Exchange Act.

Large accelerated filer. o	Accelerated filer. o
Non-accelerated filer. o (Do not check if smaller reporting company)	Smaller reporting company. x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). . Yes o No x

Based on the closing sale price of $.12 on May 28, 2010, the aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $920,398. The Company had 23,765,316 shares of its $.001 par value common stock and 6,419,160 shares of its $.001 par value preferred stock issued and outstanding on May 31, 2010.

DOCUMENTS INCORPORATED BY REFERENCE

Location in Form 10-K	Incorporated Document
None	

ARTISANAL BRANDS, INC.
(formerly AMERICAN HOME FOOD PRODUCTS, INC.)

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PART I

Item 1 DESCRIPTION OF BUSINESS

a. Business Development

On August 14, 2007 the Company acquired Artisanal Cheese, LLC. The purchase price was $4.4 million in cash and notes and the assumption of approximately $700,000 in liabilities as part of the purchase consideration. The Company raised approximately $3.9 million dollars through a private placement of Series A redeemable, convertible preferred stock by the Closing Date and then sold another $1.3 million of this series to close the offering of Series A shares. With this transaction, the Company sold its building material assets for approximately $1 million and recapitalized its existing debts primarily through a tax-free exchange of debt for equity and cash payments to satisfy other obligations. The Company's then current president, Daniel W. Dowe, agreed to serve as Chairman and Chief Executive Officer for an additional three years. As of August 2007, the Company moved its executive offices to 500 West 37th Street, New York, New York 10018, telephone number 212-871-3150.

In connection with the acquisition of Artisanal Cheese, LLC, the Company entered into various agreements including the following agreements which continue to remain in effect:

- executed two sellers' note--one in favor of each of the former members of Artisanal Cheese, LLC. The notes are for $130,000 and $370,000, respectively. The note for $130,000 bears interest at 5% per annum and is payable in consecutive monthly payments of principal and interest in the amount of $3,896.22 commencing November 1, 2007. The note for $370,000 bears interest at 5% per annum and is payable in consecutive monthly payments of principal and interest in the amount of $11,089.23 commencing November 1, 2007. All principal and accrued interest on both notes shall be due and payable in full on October 1, 2010. Both notes are secured pursuant to a Security Agreement pursuant to which the note holders have a first priority security interest in all assets of the Company except that the note holders have agreed to subordinate their security interest on those assets so that the Company may obtain asset-based debt financing. As of May 31, 2010, the note balances are approximately $55,547 and $76,642, respectively.

- entered into a Transitional Services Agreement with Artisanal Group, LLC, a company owned by the former member of Artisanal Cheese, LLC, to provide equipment services for equipment leased by Artisanal Group for varying periods of up to three years, non-equipment services for no more than one year and comptroller services through December 2007. The equipment services include telephones, computers, photocopiers, presentation equipment and delivery trucks and the non-equipment services encompass health, liability and auto insurances. The Transitional Services Agreement was terminated in or about August 2008.

- entered into a one-year Consulting Agreement with executive chef, Terrence Brennan, the founder of Artisanal Cheese LLC and owner of two Manhattan restaurants, Picholine and Artisanal Fromagerie & Bistro, to provide consulting services including advice on product mix, marketing plans in the retail sector and presentation to retail supermarket buyers. Mr. Brennan received $13,000 every quarter for 24 hours worth of consulting services during each three month period. The agreement also provides for a finder's fee of $10,000 in connection with any supply or sales agreement between the Company and any strategic partner introduced to the Company by Mr. Brennan, with an additional payment of $20,000 if sales to the strategic partner exceed $500,000 in the aggregate. The Consulting Agreement also provides for office space for a period of one year for Mr. Brennan and two of his staff members at the Company's principal offices located at 500 West 37th Street in New York City. The Consulting Agreement expired in August 2008.

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- entered into a five-year Preferred Vendor Agreement with two restaurant establishments owned by the former member of Artisanal Cheese, LLC, pursuant to which the Company will supply the restaurants or their affiliates with any and all premium cheese products at a high volume discount and at prices not to exceed prices offered to other customers. The restaurants are to purchase exclusively from the Company provided the Company can meet terms and conditions acceptable to the restaurants. The Preferred Vendor Agreement also provides for a credit to the restaurant establishments which credit shall be applied to the first $228,000 worth of product, not to exceed $57,000 in any calendar quarter. This credit is the result of the payoff in full at the closing of Artisanal by one of its former members of a certain loan to the Company. As of May 31, 2009, the credit has been extinguished in full. (See Notes to Financial Statements, Note 8 – Notes Payable).

- entered into a five-year Product Development Agreement pursuant to which the Company shall have a "first-look" right and 30-day exclusivity period to evaluate and negotiate in good faith a distribution arrangement (including minimum orders, exclusivity, prices/royalty rates and terms) for all new cheeses, cheese related products and other products developed by the two restaurant establishments owned by the former member of Artisanal Cheese, LLC. After the 30-day exclusivity period, the Company will have an opportunity to match any terms and conditions of a distribution agreement that the restaurants may subsequently reach with a third party. The Agreement provides for a written trademark license from the Company to the restaurants upon terms to be mutually agreed upon with respect to any distribution by the restaurants under the Artisanal brand of such new products other than distribution by the Company.

- entered into a Trademark License Agreement pursuant to which the Company grants a royalty-free license to the two restaurant establishments to use the trade name "Artisanal Fromagerie & Bistro" and the derivative logo (consisting of an oval design with four stylized sheep seated in front of a barn and the words "Artisanal Fromagerie – Bistro – Wine Bar") in connection with the operation, distribution and sale of cheese, cheese products and other food products from the restaurant establishments or their affiliated restaurants or retail stores.

- obtained from each of the former members of Artisanal Cheese, LLC, a five-year non-competition agreement.

b. Current Business Operation

Since August 2007, the Company has owned all of the outstanding membership interests of Artisanal Cheese, LLC, which has historically sold its hand-crafted, farmstead cheeses into the local Manhattan restaurant trade, through its website (www.artisanalcheese.com) and its printed catalogue and through fulfillment of catalogue and website orders from other luxury goods retailers that have contracts with the company. The Company has developed an expansion plan around its Artisanal Premium Cheese brand. By adding personnel in its sales division and with limited advertisement, the Company has already expanded the Artisanal brand further into premium foodservice outlets and retail stores with additional sales growth coming from its website, the catalogue and through corporate gift programs.

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The Company and Its Industry

The specialty cheese business has been stated by recent industry reporting sources to be a $3.4 billion category measured in retail dollars in the United States.[1] The Company believes the category lacks an identifiable cheese brand that stands for luxury, best-in-class status. Our mission is to become the first company to offer a select line of specialty, artisan and farmstead cheese products under one brand -- Artisanal Premium Cheese – and from a single source. We intend to make the brand Artisanal Premium Cheese synonymous with outstanding, best-in-class cheese products. Artisanal Premium will be the “name” consumers remember and reference for their cheese needs. We will use our organization’s retail food marketing, our newly trademarked CheeseClock by ArtisanalTM, our cheese culinary expertise and passion to elevate consumer awareness of the superiority of specialty, artisan and farmstead cheese products.

The Market for Specialty, Artisan and Farmstead Cheese

The term “Specialty Cheese” refers to cheese products produced in a specialized manner (i.e. aging or treatment). Even though they are made in larger quantities in commercial operations, like the well-known Italian Parmaggiano or Pecorino-Romano cheeses which are mass-produced, they have specialized production requirements that give the finished product a unique taste and texture. The phrase “Artisan Cheese” refers to cheeses produced in smaller quantities and generally by hand or with little reliance on mechanical equipment or other commercial processes. “Farmstead Cheeses” are those produced like Artisanal cheeses but are made only from the milk produced by animals that graze on the same property as the cheese production facility.

The current supply chain for artisan and specialty cheese products is highly-fragmented with small producers that have excellent proprietary cheese brands (and recipes) but limited resources to expand production, finance inventory and undertake the full sales cycle while overseeing farming operations. The Company will endeavor to utilize the skills and experience of our management team’s marketing and business expertise to partner with local producers in a manner where we undertake all finance and marketing functions with our producer partners fulfilling all production capabilities.

The Artisanal Premium Cheese Brand

Under its founding management team led by executive chef, Terrance Brennan, the Artisanal Premium Cheese brand was positioned to be distributed into three channels: (i) Print Catalogue and Internet sales from the Company’s website www.artisanalcheese.com, (ii) high-end restaurants and specialty cheese shops and (iii) fulfillment of catalogue and website orders from other luxury goods retailers that have contracts with the company.

Our product line includes: (a) over 200 artisan cheeses sourced from all over the world, including award winning American cheese producers, (b) gifts baskets and cheese accessories like cutting boards and knives, (c) cheese courses and events conducted in our cheese center in New York City, (d) books on artisan cheeses and other food products and more recently (e) a line of 16 selected artisan cheeses packaged in color-coded boxes which correspond to the four quarters of our newly-trademarked "CheeseClock by ArtisanalTM", a cheese and wine pairing tool which has been introduced to high-end retailers, big box stores and specialty food shops and wine retailers across the country.

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1 Source Mintel/SPINS/AC Nielsen

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Why Our Brand Is Needed

The Company believes the American palate has become increasingly desirable of sophisticated specialty cheese products. This groundswell of interest is continuing to grow and resulting in huge demand for more variety and availability of artisan and specialty cheeses.

- Consumers want more and are willing to pay a premium price but the number of stores that offer such products is limited. There is much more demand than availability in the current mass market.
- Retailers continue to expand specialty cheese offerings but the supply chain of such products is complex and highly segmented by small cheese makers and distributors. Retailers need help with selection, supply chain dependability and simplification to reach the best decision about cheese choices.
- Artisan Cheese Makers are often small private companies or dairies that do not necessarily have the ability, knowledge or capital structure to reach the mass market yet they desire to make and sell more. They often only make what they can sell due to the size of their company and capital/structure limitations. This is particularly true in the American market where there are many individual dairy farms that have exquisite cheese recipes but have no structured outlet from which to sell.
- In many regards American artisan cheeses are following the development pattern of California wines some decades ago[2] and are now reaching world-wide acclaim[3].
- The development of artisan breads now available in supermarkets is another example of an emerging consumer demand for more specialty products in traditional supermarkets.

By building the Artisanal Premium Cheese brand, the Company believes it will meet the needs of retailers by providing a one-stop supply source for a wide variety of sophisticated artisan handcrafted cheeses possessing "specialty cheese shop" quality. It will also meet the needs of consumers who will come to rely on Artisanal as a trusted brand for high quality and a wide selection of "specialty cheese shop" quality cheeses in their local supermarket cheese section. Finally, it will provide Artisan cheese makers with a conduit to reach the mass consumer market.

New Growth Opportunities

To expand the company's business, the new management team will be focusing on the following growth prospects:

1. Increase foodservice distribution geographically through strategic alliances with major specialty food distributors that are interested in extending their product offering into specialty cheese products. We have reached agreements with distributors serving the New York/Boston corridor and the DC/Virginia/Maryland territory;

2. Increase retail sales through additional third party fulfillment contracts with other premium goods retailers;

3. Increase retail sales through expansion into additional retail outlets such as specialty food stores ;

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2 Rubiner, Matthew, "The Big Cheese", The American, November/December 2007, 21 Aug. 2008 <http://www.american.com/archive/2007/november-december-magazine-contents/the-big-cheese>

3 "The Cheese Stands Alone: Tastes, Tips and Trends for '04", Club Management, Aug. 1, 2004, 21 Aug. 2008 <http://www.goliath.ecnext.com/coms2/gi_0199-64702/the-cheese-stands-alone-tastes.html>

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4. Increase retail sales through road shows at mass market retailers such as Costco;

5. Increase retail sales in larger retail chains through innovative retail packaging and the recently trademarked CheeseClock by ArtisanalTM, a point-of-purchase aid intended to educate the consumer with respect to flights of cheese, as well as serving and beverage-pairing suggestions;

6. Expand foodservice through the introduction of our banquet program into high-end hotel chains.

7. Expand online sales through new streamlined website, co-marketing agreements providing for links from other sites, and extended e-mail coverage;

8. Hiring of additional sales personnel to expand retail and wholesale territories, corporate sales and gift programs; and

9. Hiring of additional customer service personnel to ensure high quality, reliable service to our customers and follow-up sales to existing online and catalog customer base.

Grass Roots Marketing Plans

The Company does not envision funding a complex media campaign or other costly selling techniques. The product itself has excellent word-of-mouth cache and can be grown successfully like other new luxury brands such as Belvedere Vodka, Viking Cooking Ranges, Calloway Golf Clubs and Kendall-Jackson Wines, to name a few. Select editorial coverage and other free media placement ads will be used to expand awareness of the Artisanal Premium Cheese brand with consumers having an immediate distribution outlet and product access through the Company's website. The Company has made in-roads with other web-based merchandisers, such as wine retailers, to cross promote websites through exchanges of advertising allowances. To further increase sales, search engine refinements have been undertaken with respect to the existing website – www.artisanalcheese.com.

Multiple Distribution Channels

The Artisanal Premium Cheese brand will be sold in multiple complimentary channels of distribution. To more aggressively manage these channels, the Company will divide its sales organization into niche assignments to bring greater focus to its selling efforts. The four market segments are:

1. Traditional Retail Outlets
2. Foodservice Distributors
3. E-Commerce (Website sales)
4. Print Catalogue

Penetration of two major market segments – retail and foodservice – has begun regionally in the New York tri-state area in the form of sales calls to buying personnel at various retail and foodservice accounts. Training of store and foodservice personnel on cheese sampling and presentation techniques has been undertaken as premium cheese is more readily sold through a tasting experience.

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Traditional Retail Outlets

The largest channel of distribution is the retail sector consisting of major national premium retail supermarkets and mass merchandisers that offer premium cheese products. There are over 50,000 supermarkets and mass merchandise outlets in the United States. The Company estimates that approximately 10-20% of these outlets service demographics and have the proper merchandising mix to be categorized as premium or upscale markets. Over time and pursuant to a long-term strategy, several thousand of these stores will be targeted by the Company for penetration of the Artisanal Premium Cheese brand. Since September 2009, the Company has shipped product into ShopRite supermarkets in the New York tri-state area, King Kullen supermarkets on Long Island, D'Agostino markets through New York City, and have participated in multiple roadshows at various Costco locations along the Eastern seaboard.

Foodservice Distribution

This channel of distribution holds considerable promise for the Company as it will provide marketing opportunities for the Artisanal Premium Cheese brand to be sold as a branded product in multiple sub-channel segments -- upscale restaurants, caterers, hotels, private clubs, private and commercial aircraft, cruise ships and other venues, but it will also allow for sales of cheese products that are used by executive chefs to cook various meals. The challenge of this segment is that it involves more frequent and smaller deliveries than to the retail channel. To better service this channel, the Company has focused its initial penetration with specialty food distributors that service this customer class.

E-Commerce and Print Catalogue

The E-Commerce sector is highly competitive as a whole and offers sufficient competition in the specialty cheese category. The Company plans to distinguish our product offerings by the sheer breadth and variety of specialty, artisan and farmstead cheese products available. Offering wide assortments of cheese can have a negative impact as it creates consumer confusion. At our website we have categorized our cheese products to give consumers a narrower range to choose from at one time, for instance, domestic versus international cheeses, or New York State cheese products versus Vermont, and by milk type (sheep, cow, and goat). We also offer brief histories on each cheese offered coupled with wine and food pairing suggestions and presentation techniques to give the website visitor a rich, personal gourmet experience with our products. We provide with each shipment small but elegant cheese signs to properly identify each cheese product with a 4-star restaurant pedigree to enable even the busiest host or hostess to present cheese for social gatherings in a exceptionally pleasing manner. Much like our overall marketing strategy in other channels, the outstanding selection of cheeses that we offer will be a starting point. We are offering a lifestyle experience, elegance and relaxation with the Artisanal Premium Cheese line whether the purchase is for personal consumption, a gift to a friend, relative or colleague or to celebrate a happy occasion.

In 2009, the Company continued to mail catalogues to new recipients and had over 1,000,000 unique visitors to its website. We will endeavor to increase sales through larger mailings, search engine marketing improvements and advertisements with other websites and catalog companies. As part of our print catalogue and E-commerce extension, we will mail higher volumes of catalogs to specific customer lists. We will also look to co-advertise our Artisanal Premium Cheese gift selection with other major web-based and print catalogue companies that are either in the premium food or select gift businesses and other high-end fruit and wine purveyors.

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Cheese Center

Located within the Company's Manhattan property is a revenue-generating classroom facility known internally as the Cheese Center. At this new modern facility of approximately 1,000 square feet is a dedicated working kitchen, classroom and presentation area with two large flat-screen television panels and seating for up to 50 individuals. Historically, the Company has offered wine and cheese education courses to the general public for a per person price of approximately $85.00 which is paid at the time of booking. The Cheese Center is also rented by third parties for a site fee of $3,000-$5,000 per day for organizations wanting a personalized event at the Cheese Center, independent photo shoots, and classroom instruction.

Our new marketing plan calls for an immediate expansion of the use of the Cheese Center, as each person that attends a class is added to our E-mail list and our printed catalog mailing list. The company issues frequent e-mail messages to promote new products and events and other newsworthy items. The Company employs two persons who are dedicated to filling attendance at the Cheese Center. Areas that the Company will explore to generate more business for the Cheese Center are:

- Themed classes and Celebrity Series (pairing with celebrities who have developed their own line of wines, pates, or complementary food products)
- Major law firms and investment banking firms that book group events for summer associates, employees and client entertainment
- Matinee and pre-theatre attendees as an entertainment extension
- Singles events
- Group and corporate holiday parties
- NYC Tourism promoters
- Tie-ins with group caterers

Suppliers

The Company does not produce the cheeses we market. We work with approximately 100 producers, distributors and importers of hand-crafted cheeses to develop our product line. No single supplier provides a significant portion of our cheese inventory. There are approximately 400 artisan cheese makers in the United States alone4 and hundreds more in the world market at any give time. Therefore, we anticipate having a sufficient supply of quality, hand-crafted cheeses to fulfill our demand for the foreseeable future.

The Location

The Company is a New York corporation and is located at 483 Tenth Avenue, New York, New York 10018 (corner of West 37th Street & 10th Avenue). At this location are all executive and sales offices, the cheese-aging caves, a packaging and shipping facility, customer call center and the Cheese Center (see above).

The Company's Competitors

From a pure supply perspective, the Company has substantial competition in each of the four market segments inasmuch as the cheese industry is already a $6 billion category when considering the specialty retailers, foodservice, online and catalogue offerings of cheese5 There is no shortage of cheese available worldwide. What the Company believes differentiates itself from other cheese marketers and distributors is its reputation for high quality and its wide range of extraordinary specialty, artisan and farmstead cheese products that consumers will remember and look to for repeat purchases and retailers can rely upon to better manage an otherwise unwieldy and potentially overwhelming product category. The Company also provides cheese culinary expertise to restaurants, and presentation skills to consumers with respect to entertaining with cheese. From this narrower angle, our competition is not as keen.

4 Rubiner.
5 Geisler, p.

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The Company has also been granted a trademark for its CheeseClock by ArtisanalTM which is a 4 color-coded system that categories cheeses as mild, medium, bold and strong and offers pairing on wine and beer pairings to enable customers to have confidence to select and enjoy cheeses with professional assistance. This professional level of knowledge on the two categories of cheeses and beverage (wine and beer) pairings is an important part of the Artisanal brand.

The Company is not aware of any other competitor that is creating a national brand consisting of a highly-specialized and wide selection of domestic and imported artisan cheeses. Several Internet sites can be found for gourmet food products and many include cheese offerings. Other importers and cheese and specialty food distributors also compete in some of the same channels of distribution served by the Company. Other competitors include small farms or artisan cheese producers that have launched websites to sell cheese direct to consumers. No one company offers the range of affinaged cheeses coupled with highly-trained restaurant-skilled sales personnel.

Seasonality

By nature of it being a farm-made product that is sold fresh (usually after proper aging) certain cheese making is done on a seasonal basis, but the cheeses are mostly available yearly as Artisanal specializes primarily in aged cheeses. The Company intends to use this to its advantage in its marketing plans. Rotation of cheeses, or the offering of certain cheeses seasonally will enhance consumers' interest in our Artisanal Premium Cheese line as consumers often fatigue with the same foods being consumed and naturally gravitate toward new, interesting items. Whether it is a holiday season offering or a new cheese offering that is lighter or heavier in density that pairs better with summer or winter foods or crisper or heavier wines, the Company will make the Artisanal Premium Brand quality-consistent, but flexible to accommodate seasonal changes and to capture evolving consumer tastes.

Customer Dependence

The Company does not have any concentration of customer dependence, although it has entered into a preferred vendor agreement with two Manhattan restaurants, Picholine and Artisanal Fromagerie & Bistro, which are owned by the founder of Artisanal Cheese, LLC. Under this agreement the restaurants are obligated to continue to buy cheeses from the Company for resale into the two restaurants up to August 15, 2012. In the fiscal year ending May 31, 2010, sales to the two restaurants accounted for approximately 5% of annual sales. Management envisions this percentage shrinking over time as it seeks to penetrate new large scale foodservice and retail accounts with the Artisanal Premium Cheese line.

Raw Materials

The Company does not produce its own cheese products and, therefore, avoids any risk of critical raw material supplies.

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Intellectual Property Rights

The Company owns the following trademark and logo, and all derivations thereof, including one which specifically bears the name “Fromagerie & Bistro” where the words “Premium Cheese” appear below.

This one limited version has been licensed in perpetuity to the Company’s founder for use only in the restaurant that now bears the name “Artisanal Fromagerie & Bistro” and in any restaurant/retail establishment that he may open in the future. The Company’s founder has executed a 5-year preferred vendor agreement whereby as part of his use of this intellectual property right, his retail establishments (existing and new) will be required to buy artisanal cheeses from the Company if such cheese products are marketed in these retail outlets.

The Company also owns the registered trademark CheeseClock by Artisanal and the corresponding image:

The Company has also applied for registration of the closely-related color-coded image of the CheeseClock by Artisanal which corresponds to the Company's new packaging of 16 cheeses being introduced to various retailers across the country:

Because of the proprietary nature of the CheeseClock as an independent mark and its affiliation with the Artisanal Premium Cheese brand the Company believes its request for copyright and trademark protection will ultimately be granted.

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No Backlog Orders

The Company periodically has backlog orders due to transportation delays for foreign-made cheeses. The backorders are generally fulfilled within days of the official back order date.

Government Contracts

The Company does not have any material contracts with the Government or any government agency and, therefore, does not have any exposure to these types of agreements.

Financial Information About Foreign and Domestic Operations and Export Sales

The Company does not believe that it is subject to any material risks attendant with foreign operations or export sales due to its immediate dependence on one U.S.A. market. As part of its inventory of foreign-produced cheeses, the Company will be subject to fluctuations in exchange rates. At present, the Company maintains an inventory of approximately $350,000 of which one half represents domestic products so its exposure at any one time to currency risks is not material to its immediate working capital requirements. The Company is evaluating a plan to develop an export program for key premium retailers in select markets, but until such time as it chooses to enter these markets, it will not be exposed to any such risks.

Regulation

We and our distributors are subject to regulation by federal, state and local authorities that affects our business. All of our cheese products and packaging materials are subject to regulations administered by the Food and Drug Administration (FDA) and the U.S. Department of Agriculture (USDA). Under the Federal Food, Drug and Cosmetic Act of 1938, as amended, the FDA prescribes the requirements and establishes the standards for quality, purity and labeling. Among other things, the FDA enforces statutory prohibitions against misbranded and adulterated foods, establishes safety standards for food processing, establishes ingredients and manufacturing procedures for certain foods, establishes standards of identity for certain foods, and establishes labeling standards and nutrition labeling requirements for food products.

New government laws and regulations may be introduced in the future that could result in additional compliance costs, seizures, confiscations, recalls, or monetary fines, any of which could prevent or inhibit the development, distribution, and sale of our products. If we fail to comply with applicable laws and regulations, we may be subject to civil remedies, including fines, injunctions, recalls, or seizures, as well as potential criminal sanctions, which could have a material adverse effect on our business, results of operations, and financial condition. We have not experienced any material regulatory problems in the past and have not been subject to any fines or penalties.

Research and Development Activities

The Company will continue its past practices of identifying the best-tasting specialty, artisan and farmstead cheese products available worldwide and bringing them to market through its multi-channel distribution system. The Company will also continue to work closely with leading cheese makers to develop new types of cheeses that will be proprietary to the Company, if not by ownership of the recipe, then through exclusive distribution and marketing rights for these products. As of the date of this filing the Company has developed three such cheeses—Laurier, Grasslands Blue and Rocky Sage. The Company is also working closely with an industry-renowned chef to develop a line of four refrigerated products all bearing the Artisanal Premium Cheese logo. The Company has no budget for research and development as all costs are nominal inasmuch as they require the intellectual work of people employed by the Company or cheese makers that offer samples of new products.

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Environmental Compliance

The Company does not manufacture products or use raw materials in its products that are deemed to be subject to rules or regulations relating to the discharge of certain materials into the environment.

Employees

As of May 31, 2010, we had 21 full-time employees, and 2 part-time employees. We believe the relationship we have with our employees is good.

Item 2 DESCRIPTION OF PROPERTY

The Company's principal executive offices are located at 483 Tenth Avenue, 2nd Floor, New York, New York 10018, where it leases approximately 10,000 square feet. The current lease payment is approximately $21,000 per month, subject to rent increase of approximately ten percent per annum. The lease terminates in September 2012.

The leased space consists of all executive and sales offices, five cheese-aging caves, a packaging and shipping facility, a customer call center and a 1,000 square foot cheese center consisting of a fully-equipped kitchen, classroom and presentation area with two large flat-screen television panels used for conducting cheese education courses and third-party special events. From this facility the business distributes its line of Artisanal Premium Cheese products to fine food wholesalers, specialty food outlets, restaurants and to consumers through its catalogue and internet site.

Management believes that the facilities used by it in the operation of its business are adequately covered by insurance and are suitable and adequate for its current business operations.

Item 3 LEGAL PROCEEDINGS

Harvest Song Ventures v. Artisanal Cheese, LLC, New York City Civil Court (New York County), Index No. 050019/09. Plaintiff sought approximately $21,000 for product allegedly shipped to the Company. The Company answered the complaint maintaining that it had not received Plaintiff's alleged shipments and that Plaintiff could not substantiate such shipments will bills of lading. The matter was settled for $18,000 plus an additional product order. A final payment of $4,500 was paid on September 3, 2010.

Christopher Calise and Perry Lerner v. Artisanal Cheese, LLC, New York Supreme Court (New York County), Index No. 5073/2010. Plaintiffs each loaned $50,000 to the Company on or about July 10, 2009. In June 2010, they commenced an action for unpaid interest and requesting acceleration of the loan. An answer to the complaint was filed asserting that all interest is current and requesting that the court dismiss the case.

CIT Technology Financing Services, Inc. v. Artisanal Cheese, LLC, New York Supreme Court (New York), Index No. 06159/10 – Plaintiff is seeking approximately $107,000 pursuant to two copier leases. The Company is currently negotiating a settlement with plaintiff to resume monthly payments for the copiers, however, the Company intends to assert third-party claims against the service provider which was to have provided for the trade-in and replacement of one copier rather than an additional lease for a third copier.

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Item 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

As of May 31, 2010, a Meeting of Shareholders was scheduled to be held on July 22, 2010, at which the Company expects to change the Company’s name to Artisanal Brands, Inc., ratify the appointment of its independent outside auditors for the fiscal year ended May 31, 2011 and elect a board of directors. (See Note to Financials - Item 17 Subsequent Events.)

PART II

Item 5 MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock

The Company’s common stock, $.001 par value, is traded on the Over-the-Counter ("OTC") Bulletin Board operated by the National Association of Securities Dealers under the ticker symbol "AHFP". The Company’s common stock became actively traded in July, 1995.

The following table shows the range of high and low bid information for our common shares for each quarter (except as indicated) within the last two fiscal years:

	Closing Bid	
	High	Low
Fiscal Year 2009		
Quarter Ended August 31, 2008	$0.20	$0.20
Quarter Ended November 30, 2008	$0.09	$0.09
Quarter Ended February 29, 200	$0.05	$0.05
Quarter Ended May 31, 2009	$0.29	$0.29
Fiscal Year 2010		
Quarter Ended August 31, 2009	$0.11	$0.11
Quarter Ended November 30, 2009	$0.11	$0.11
Quarter Ended February 29, 2010	$0.12	$0.12
Quarter Ended May 31, 2010	$0.12	$0.12

The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

The approximate number of common stockholders of record at May 31, 2010, was 200. The number of stockholders of record does not include beneficial owners of our common stock, whose shares are held in the names of various dealers, clearing agencies, banks, brokers and other fiduciaries, which is estimated to be 500 shareholders.

The Company may, but has not, entered into any agreements with market makers to make a market in the Company's common stock. In addition, any market making activity would be subject to the limits imposed by the Securities Act, and the Securities Exchange Act of 1934, as amended. For example, federal regulations under the Exchange Act regulate the trading of so-called "penny stocks" (the "Penny Stock Rules"), which are generally defined as any security not listed on a national securities exchange or NASDAQ, priced at less than $5.00 per share, and offered by an issuer with limited net tangible assets and revenues. In addition, equity securities listed on NASDAQ that are priced at less than $5.00 per share are deemed penny stocks for the limited purpose of Section 15(b)(6) of the Exchange Act. Therefore, during the time which the common stock is quoted on the NASDAQ OTC Bulletin Board at a price below $5.00 per share, trading of the common stock will be subject to the full range of the Penny Stock Rules. Under these rules, broker dealers must take certain steps before selling a "penny stock," which steps include: (i) obtain financial and investment information from the investor; (ii) obtain a written suitability questionnaire and purchase agreement signed by the investor; and (iii) provide the investor a written identification of the shares being offered and in what quantity. If the Penny Stock Rules are not followed by the broker-dealer, the investor has no obligation to purchase the shares. Given the application of the comprehensive Penny Stock Rules it may be more difficult for broker-dealers to sell the common stock.

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Accordingly, no assurance can be given that an active market will always be available for the common stock, or as to the liquidity of the trading market for the common stock. If a trading market is not maintained, holders of the common stock may experience difficulty in reselling them or may be unable to resell them at all. In addition, there is no assurance that the price of the common stock in the market will be equal to or greater than the offering price when a particular offer of securities is made by or on behalf of a selling security holder, whether or not the Company employs market makers to make a market in the Company's stock.

Series A Redeemable Convertible Preferred stock

During the fiscal year ended May 31, 2010, the Company sold 150,000 shares of redeemable convertible preferred stock for a total gross proceeds of $150,000. Another 121,000 shares of preferred stock was issued to certain existing preferred shareholders in consideration of their participation in a term loan to the Company. During the fiscal year ended May 31, 2009, the Company sold 250,000 shares of redeemable convertible preferred stock at a price of $1.00 per share for total gross proceeds of $250,000. The preferred stock has a face value of $1.00 per share and is convertible at $.30 per share into $.001 par value common stock of Company.

When first issued, dividends were to be paid (a) at an annual rate of 12% of the face value in each of the first two years ending August 14, 2008 and 2009, and will be paid in preferred shares and (b) after the first two years, at a rate of 12% of the face value if paid in cash or at a rate of 15% of the face value if paid in preferred shares, at the election of the Company. On or about June 2009, the certificate of designation was amended to extend the 12% in kind dividend for another year, i.e. to August 2010. In February 2010, the preferred shareholders agreed to terminate the preferred dividend altogether as of December 1, 2009. The preferred share dividends shall convert into common stock at $.30 per share. The monthly accrual for preferred share dividends paid in preferred shares through August 14, 2009 and August 14, 2010 was approximately 52,150 and an average of 53,000 shares, respectively.

At any time prior to August 14, 2012, and upon 30 days advance notice, the Company shall have the right to redeem one-half of the preferred stock that is issued and outstanding by paying the holder the full face value of the preferred stock plus accrued dividends in cash (the “First Redemption”). The remaining one-half of the preferred stock that is issued and outstanding after the First Redemption can either be: (a) redeemed by the Company in cash at full par/face value plus accrued dividends with the holder also receiving a two-year option to acquire 5% of the issued and outstanding common stock of the Company at an exercise price of $.30 per share, or, (b) converted into 30% of the issued and outstanding common stock of the Company (the “Second Redemption”). The holder shall have sole authority to elect subsection (a) or (b) above upon receiving a redemption notice. Any common stock or common stock option issued pursuant to the First Redemption or the Second Redemption shall be on a fully-diluted basis.

So long as over $1,500,000 of the preferred stock is issued and outstanding the Company shall require the prior written consent of holders representing two-thirds of the preferred stock issued and outstanding to (a) sell, merge with, acquire or consolidate with another business entity, (b) incur additional leverage beyond the leverage contemplated by the Company and holders as part of the Company's acquisition of Artisanal Cheese, LLC, or (c) issue any new shares of common stock or securities convertible or exercisable into common stock in excess of 2% of the shares of common stock issued and outstanding on a fully diluted basis as of August 14, 2007. At no time shall any securities be sold or granted at a price less than the thirty cents ($.30) per share conversion price.

In the event of a liquidation, the preferred stockholders shall receive a cash payment of $1.20 per preferred share plus accrued dividends in calendar 2009 and thereafter.

Management Stock Options

At the time the Company acquired Artisanal Cheese LLC, the Company offered Mr. Daniel W. Dowe and Mr. William Feeney five-year management stock options so as to encourage them to serve as Chairman/Chief Executive Officer and Chief Operating Officer of the Company, respectively. Specifically, the Company offered them management stock options having an exercise price of $.30 per share that are exercisable into approximately 12% and 8%, respectively, of the Company's common stock on a fully-diluted basis. The options were not to be exercisable unless the Company (a) achieved $21.6 million in revenue or $2 million EBITDA in a full calendar year by no later than 2009 and (b) redeemed 2,607,500 shares of the preferred stock. The failure of either of these conditions would cause the management stock option to terminate in its entirety. When Mr. Feeney resigned as Chief Operating Officer in January 2008, and Mr. Dowe assumed Mr. Feeney's duties, the Company adjusted the aforementioned percentages to 14.4% and 1.9%, respectively, recognizing Mr. Feeney's contribution toward the acquisition of Artisanal Cheese LLC and his continued contribution as a consultant to the Company. The board adopted a confirming resolution of these stock options, as adjusted, at its meeting on January 31, 2008. The board subsequently extended the date to achieve projected revenue to December 31, 2010. In February 2010, Mr. Dowe's and Mr. Feeney's stock options were canceled.

At its board meeting on April 9, 2008, the board authorized three-year stock options to each of the seven non-managing board members. The options have an exercise price of $.30 per share that is exercisable into 1.66% of the Company's Common Stock on a fully-diluted basis. These options are immediately fully-vested and exercisable and will expire on January 31, 2011.

Dilution

The conversion price of the Series A shares and exercise price of the management stock options and the number of shares issuable upon conversion/exercise of the respective shares and options are subject to adjustments for common stock dividends, stock splits, combinations, reclassification or similar event. Therefore, any Series A preferred shares converted or stock options exercised after such event shall be entitled to receive the aggregate number and kind of common stock and/or capital stock which, if such Series A shares had been converted or stock options exercised immediately prior to such event, Series A or stock options would have owned upon such conversion/exercise (and, in the case of a reclassification, would have retained after giving effect to such reclassification) and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification.

If all of the preferred shares outstanding as of May 31, 2010 were converted (including preferred stock dividends through that date), i.e. 6,419,160 the number of common shares would increase by 21,397,200 shares, to a total of 45,162,516 shares representing a 47% dilution to existing 23,765,316 common shares. If all of the stock options issued to non-management directors outstanding as of May 31, 2009 were exercised, i.e. 770,000, the number of common shares would increase by 770,000 shares to a total of 24,535,316 shares representing a 3% dilution to the existing 23,765,316 common shares. If the company undertakes the First Redemption and, upon notice of the Second Redemption, the preferred shareholders were to convert the remaining one-half of the preferred stock into common shares (See "Series A Redeemable Convertible Preferred Stock, Subsection (b) of Second Redemption, described above), the number of common shares would increase by 10,698,600 shares to a total of 35,233,916 shares representing a 33% dilution to the existing 23,765,316 common shares and 770,000 stock option holders on a fully-diluted basis.

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Item 6 SELECTED FINANCIAL DATA

As a smaller reporting company, this Item has been omitted pursuant to 17 CFR 229.301(c).

Item 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Results of Operations

Year ended May 31, 2010 (Fiscal 2010) as compared to May 31, 2009 (Fiscal 2009)

In the year ending May 31, 2010 (Fiscal 2010), the Company had net sales of $4,192,845. The cost of goods sold was $3,382,110 representing a gross margin of approximately 20%. Selling, general and administrative costs totaled $2,426,468 and are predominantly comprised of employee related expenses.

For the year ending May 31, 2010, the Company recorded a net loss from operations of $2,291,614 versus $1,617,552 for the same period in 2009. The net loss to common shareholders during the year ending May 31, 2010 was $2,559,550 versus a net loss of $2,297,798 in 2009. No dividends were paid to preferred shareholders during Fiscal 2010 in the form of new shares of preferred stock. The Company incurred $77,000 of amortization charges and depreciation of $177,516.

On May 31, 2010, the Company had $1,099,111 in current assets, which consisted primarily of net accounts receivable of $289,003, inventory of $369,902 and prepaid expenses of $55,208. The Company's leasehold and equipment and other assets were $616,437 and intangibles increased to $3,636,178 net of amortization, which represents the goodwill and other intangibles.

Liquidity and Financial Resources at May 31, 2010

As of May 31, 2010, the Company had $1,617,766 in current liabilities, which includes accounts payable of $511,808, accrued taxes of $480,769, notes payable of $282,171, and accrued expenses and other current liabilities totaling $343,018. The Company's current liabilities also include outstanding prepaid gift certificates and other deferred revenue totaling $66,485. Since February 2010, the Company has paid down approximately $310,000 of accounts payable and our notes payable were reduced by approximately $251,000.

All long-term liabilities are payable to the previous owners of Artisanal Cheese LLC and are being repaid in accordance with the terms of the two governing instruments.

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In February 2009, the Company closed on a revolving line of credit in an amount representing up to 85% of the company's accounts receivable and 50% of its inventories with a maximum loan amount of $750,000. The cost of this facility is at Prime Rate plus 2%. The Prime Rate at closing was 3.25%. The line of credit is secured by the assets of the Company and has various covenants for collateral management fees, change of control provisions and a guarantee. As of June 1, 2009, two events of default had occurred under the loan. Specifically, the advance against acceptable inventory exceeded the bank's formula by approximately $20,000 and the Company had not yet paid its past due taxes in full or otherwise subordinated the taxes to the bank in a manner acceptable to the bank. On or about June 1, 2009, the parties executed a Forbearance Agreement pursuant to which the bank agreed to forbear from exercising its rights and remedies under the original loan document in exchange for the Company's agreement that, until it provides satisfactory evidence that it has paid the past due taxes have been paid or otherwise subordinated to the bank and until it has raised $1.7 million in cash equity, the interest rate shall be increased to Prime Rate plus 8%. The forbearance agreement expired July 31, 2009. On or about August 13, 2009, the parties executed a second forbearance agreement pursuant to which the bank agreed to forbear until November 9, 2009, in exchange for a $10,000 forbearance fee, a limitation on the loan against inventory to a maximum of $175,000, and interest to continue at the rate of Prime Rate plus 8%. On or about November 12, 2009, the parties executed a third forbearance agreement pursuant to which the bank agreed to forbear until February 15, 2010, in exchange for a $20,000 forbearance fee, a weekly pay down of the loan against inventory, and the termination of the balance of loan against receivables on or before February 15, 2010. On that date no further invoices were submitted to Summit for financing and Summit proceeded to apply all monies received on behalf of the Company to the loan balance. In the meantime, the Company received from one of its preferred shareholders and term loan participants an offer to loan the Company $2.5 million conditional upon, among other things, an assignment of the Summit financing documents to the lender. On or about March 3, 2010, Summit agreed to assign and the lender agreed to assume all rights and obligations under the Summit financing documents in exchange for full payment to Summit of the then outstanding amount of $220,080.

In October 2009, the board approved the Company's intentions to obtain an $850,000 term loan and to raise an additional $2 million in equity. The board subsequently increased the limit on the term loan to $1,650,000. As of mid-February 2010, the company had secured from existing shareholders a $150,000 bridge loan at an annual interest rate of nine percent (9%) which matured on September 8, 2009 (the "Bridge Loan") and $1,214,000 of the term loan at an annual interest rate of nine percent (9%) to mature on or about September 10, 2010 (the "Term Loan"). The Company has defaulted on repayment of the Bridge Loan by the maturity date, however, the lender has agreed to forbear collection until such time as the Company completes the equity raise. As of May 31, 2010, the total amount due under the Bridge Loan including interest is $145,841. The Term Loan amount was subsequently reduced to $924,000 (excluding interest) through the repayment of $290,000 to one of the term lenders in exchange in part for a new loan of $2.5 million (see below). At that time, the due date of the loan was extended to December 31, 2011. The proceeds were used to finance the Company's new packaging and retail displays and its expansion into big-box and chain retailers.

On or about February 22, 2010, the Company entered a loan agreement with one of its preferred shareholders and term loan participants (the "Lender") for a loan of $2.5 million (the "Long Term Loan"). The loan was conditional upon the Lender obtaining a first security position on all of the Company's assets subject only to the priority security interest in certain intellectual property of the Company pursuant to Sellers' notes entered at the time the Company acquired the business from its previous owners. This required the assignment by Summit Financial Resources LLP to the Lender of Summit's factoring facility dated February 18, 2009 (discussed above). The loan was also conditional upon the Company's repurchase from Lender and its affiliate 500,000 shares of the redeemable convertible preferred stock held by them collectively, repayment to the Lender of amounts Lender had previously advanced to Borrower under the term loan agreements (discussed above), and issuance to Lender of 9,275,000 shares of the Company's $.001 par value common stock representing twenty percent of the Company's outstanding common stock on a fully-diluted basis. The Lender further required that the Company extend the term of Chairman and Chief Executive Officer Daniel

W. Dowe's employment agreement for three years from the date of the loan. The Company's board and the investor that made the $2.5 million loan to the company deemed it a requirement that the applicable number of preferred shareholders were to vote to approve the terms of the loan. It was further determined that each of the preferred shareholders should be offered an opportunity to participate in the loan, including taking the entire investment opportunity away from the investor on the same terms and conditions. While the Certificate of Designation governing the Series A Preferred Shares ("the Certificate") did not specifically state the percentage of shareholders required to vote to modify the Certificate itself, the Certificate requires a vote of 66% of the shares then outstanding to effect certain enumerated transactions. Accordingly, the company's board of directors determined to use the 66% approval threshold to effect a modification to the Certificate and for the $2.5 million transaction. Out of the 26 preferred shareholders, 17 shareholders owning 72.7% of the Series A Preferred Shareholders agreed to modify the Certificate to enable the $2.5 million transaction to close. In addition, all but two of the shareholders that had previously loaned money to the company in the form of a Term Loan, agreed to extend the maturity date of the Term Loan from September 10, 2010 to December 31, 2011 to enable the Company to re-classify the loan into a long-term loan.

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As the Company expands its sales into specialty, big-box and chain retail markets, the Company believes its cash flow will be sufficient to meet its fixed monthly expenses. The Company generates cash from the sales of its product. Wholesale and retail customers purchasing on an open account basis have 30-day payment terms. All others sales pertaining to cheese and related items from our print catalog or website or sales relating to classes at the cheese center are paid through credit card which generally settle within three days of purchase.

Fluctuations in the Company's working capital accounts are generally attributable to seasonal flows in the company's ordinary business. For instance, during the holiday seasons of November-through-January, there is a substantial increase in inventory and accounts receivable with a corresponding decrease in cash. As the season progresses, inventory is generally reduced as the company begins to sell its products to its customers. Fluctuations from February to May are somewhat diminished although the Company does experience an increase in inventory and accounts receivable and decrease in cash as the Easter/Passover holidays approach. Thereafter, as orders are fulfilled in and around the holiday season, inventory decreases and cash increases. From May through August, inventory, accounts receivable and cash remains relatively stable except for short-term swings attributable to weekend holidays like Mother's Day, Memorial Day, Father's Day, July 4 and Labor Day when the Company experiences a higher than average rate of sales on those holiday weekends.

In the past fiscal year, the Company's capital expenditures were nominal. The company incurred approximately $31,000 of expenses relating to the design and trademark of "CheeseClock by ArtisanalTM". The Company believes that its forecasted growth in the next year will be readily serviced from its existing facilities without any additional capital expenditures except that the Company may increase its freezer capacity. The Company has received quotes for this work in the range of $15,000. Any capital that might be required for professional services or new product offerings is expected to be immaterial.

For so long as more than $1,500,000 of the Preferred stock is issued and outstanding, the Company shall require the prior written consent of holders representing two-thirds of the Preferred stock issued and outstanding to (a) sell, merge with, acquire or consolidate with another business entity, (b) incur additional leverage beyond the leverage contemplated by the Company and Holders as part of the Company's acquisition of Artisanal Cheese, LLC, or (c) issue any new shares of common stock or securities convertible or exercisable into Common Stock in excess of 2% of the shares of Common Stock issued and outstanding on a fully diluted basis as of August 14, 2007. At no time shall such securities be sold or granted at a price less than the thirty cents ($.30) per share Conversion Price. If the Company cannot obtain the requisite two-thirds approval, these restrictions may affect our liquidity and our ability to execute our business plan.

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The cost to carry the preferred stock was a dividend of 12% payable in stock for the first two years. Thereafter the dividend was to be 12% if payable in cash or 15% if payable in stock, at the Company's election. On or about June 2009, the certificate of designation was amended to extend the 12% in kind dividend for another year, i.e. to August 2010. In February 2010, the preferred shareholders agreed to terminate the preferred dividend altogether as of December 1, 2009.

Inflation and Changing Prices

The Company does not foresee any risks associated with inflation or substantial price increases in the near future. In addition, the cheeses that are selected by the Company in its affinage process are often available from various sources. As such, while the Company has exposure to inflation, it does not believe that inflation will have any materially significant impact on its operations in the near future.

The Company does not foresee any increase in costs that cannot be passed on to its customer in the ordinary course of business. The company adjusts its wholesale and online prices throughout the year to reflect increase costs attributable to increases in energy prices. Under very limited circumstances, the Company has entered into agreements with certain customers for which the Company provides third-party drop-ship fulfillment with contracted pricing for various cheese collections. The Company, in turn, usually has a corresponding agreement with the cheese suppliers whose products are incorporated into these collections for fixed prices to ensure that the company achieves its anticipated gross margin.

Year ended May 31, 2009 (Fiscal 2009) as compared to May 31, 2008 (Fiscal 2008)

In the year ending May 31, 2009 (Fiscal 2009), the Company had net sales of $5,704,247. The cost of goods sold was $4,168,844 representing a gross margin of approximately 27%. Selling, general and administrative costs totaled $2,999,360 and are predominantly comprised of employee related expenses.

For the year ending May 31, 2009, the Company recorded a net loss from operations of $1,617,552 versus $600,474 versus for the same period in 2008. The net loss to common shareholders during the year ending May 31, 2009 was $2,297,798 versus a net loss of $1,050,324. Of the net loss $680,246 was attributable to non-cash dividends paid to preferred shareholders during Fiscal 2009 in the form of new shares of preferred stock. The Company incurred $84,000 of amortization charges and depreciation of $106,950. The Company also had approximately $15,000 of non-recurring expenses related to the closing of a revolving line of credit.

On May 31, 2009, the Company had $886,735 in current assets, which consisted primarily of net accounts receivable of $456,688, inventory of $324,091 and prepaid expenses of $105,956. The Company's leasehold and equipment and other assets were $767,383 and intangibles decreased to $3,746,461 net of amortization, which represents the goodwill and other intangibles.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure on contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions and conditions.

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Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. The Company believes that its critical accounting policies are limited to those described below. For a detailed discussion on the application of these and other accounting policies see Note 2 to our financial statements.

Long-Lived Assets (including Tangible and Intangible Assets)

We acquired businesses in recent years, which resulted in intangible assets being recorded. The determination of the value of such intangible assets requires management to make estimates and assumptions that affect our consolidated financial statements. We assess potential impairment to the intangible and tangible assets on a quarterly basis or when evidence of events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. Our judgments regarding the existence of impairment indicators, if any, and future cash flows related to these assets are based on operational performance of our business, market conditions and other factors.

Accounting for Income Taxes

As part of the process of preparing our financial statements we are required to estimate our income taxes. Management judgment is required in determining our provision of our deferred tax asset. We recorded a valuation for the full deferred tax asset from our net operating losses carried forward due to the Company not demonstrating any consistent profitable operations. In the event that the actual results may differ from these estimates or we adjust these estimates in future periods we may need to adjust such valuation recorded.

Stock-Based Compensation

The computation of the expense associated with stock-based compensation requires the use of a valuation model. The FASB guidance on stock-based compensation, the application of which requires significant judgment and the use of estimates, particularly surrounding Black-Scholes assumptions such as stock price volatility, expected option lives, and expected option forfeiture rates, to value equity-based compensation. The Company currently uses a Black-Scholes option pricing model to calculate the fair value of its stock options. The Company primarily uses historical data to determine the assumptions to be used in the Black-Scholes model and has no reason to believe that future data is likely to differ materially from historical data. However, changes in the assumptions to reflect future stock price volatility and future stock award exercise experience could result in a change in the assumptions used to value awards in the future and may result in a material change to the fair value calculation of stock-based awards. The FASB accouting guidance requires the recognition of the fair value of stock compensation in net income. Although every effort is made to ensure the accuracy of our estimates and assumptions, significant unanticipated changes in those estimates, interpretations and assumptions may result in recording stock option expense that may materially impact our financial statements for each respective reporting period.

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Item 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ARTISANAL BRANDS, INC.
(formerly AMERICAN HOME FOOD PRODUCTS, INC.
Consolidated Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Directors
Artisanal Brands, Inc.
(formerly known as American Home Food Products, Inc.)
New York, New York

We have audited the accompanying consolidated balance sheets of Artisanal Brands, Inc. (formerly known as American Home Food Products, Inc.) as of May 31, 2010 and 2009, and the related consolidated statements of operations, shareholders' equity, cash flows for each of the years then ended May 31, 2010 and 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Artisanal Brands, Inc. (formerly known as American Home Food Products, Inc.) as of May 31, 2010 and 2009, and the results of its operations and its cash flows for each of the years then ended May 31, 2010 and 2009, in conformity with accounting principles generally accepted in the United States.

/s/ Sherb & Co., LLP
Certified Public Accountants

New York, New York
September 14, 2010

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ARTISANAL BRANDS, INC.
(formerly AMERICAN HOME FOOD PRODUCTS, INC.)
CONSOLIDATED BALANCE SHEETS

ASSETS

	May 31,	
CURRENT ASSETS:	2010	2009
Cash	$384,998	$-
Accounts receivable, net	289,003	456,688
Inventories	369,902	324,091
Prepaid expenses and other current assets	55,208	105,956
Total Current Assets	1,099,111	886,735
FIXED ASSETS, net	616,437	722,118
OTHER ASSETS	35,046	45,265
INTANGIBLES - at cost, net	3,636,178	3,746,461