

BRIDGFORD FOODS CORP
Form 10-Q
August 17, 2012

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

FORM 10-Q

(Mark one)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended July 6, 2012

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number 0-2396

BRIDGFORD FOODS CORPORATION
(Exact name of Registrant as specified in its charter)

California
(State or other jurisdiction of
incorporation or organization)

95-1778176
(I.R.S. Employer
identification number)

1308 N. Patt Street, Anaheim, CA 92801
(Address of principal executive offices-Zip code)

714-526-5533
(Registrant's telephone number, including area code)

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 Exchange 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 such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

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 12b-2 of the Exchange Act.

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Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if smaller reporting company)

Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐

No ☒

As of August 15, 2012 the registrant had 9,175,583 shares of common stock outstanding.

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BRIDGFORD FOODS CORPORATION
FORM 10-Q QUARTERLY REPORT
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References to "Bridgford Foods" or the "Company" contained in this Quarterly Report on Form 10-Q refer to Bridgford Foods Corporation.

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Part I. Financial Information

Item 1. a.

BRIDGFORD FOODS CORPORATION
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (in thousands, except per share amounts)

ASSETS	July 6, 2012 (Unaudited)	October 28, 2011
Current assets:		
Cash and cash equivalents	\$ 10,830	\$ 9,324
Accounts receivable, less allowance for doubtful accounts of \$57 and \$124, respectively, and promotional allowances of \$2,504 and \$2,289, respectively	10,024	9,702
Inventories, less inventory reserves of \$638 and \$318, respectively (Note 2)	15,408	16,888
Prepaid expenses and other current assets	636	340
Refundable income taxes	988	1,036
Deferred income taxes, net of valuation allowance	-	-
Total current assets	37,886	37,290
Property, plant and equipment, less accumulated depreciation of \$56,489 and \$55,622, respectively	9,076	7,903
Other non-current assets	12,230	11,773
Deferred income taxes, net of valuation allowance	-	-
Total assets	\$ 59,192	\$ 56,966
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,629	\$ 4,246
Accrued payroll, advertising and other expenses	5,687	5,590
Current portion of non-current liabilities	3,047	3,439
Total current liabilities	13,363	13,275
Non-current liabilities	19,557	18,853
Total liabilities	32,920	32,128
Commitments and contingencies (Note 3)		
Shareholders' equity:		
Preferred stock, without par value; authorized - 1,000 shares; issued and outstanding - none	-	-
Common stock, \$1.00 par value; authorized - 20,000 shares; issued and outstanding - 9,178 and 9,198 shares, respectively	9,235	9,255
Capital in excess of par value	9,045	9,214
Retained earnings	24,719	23,096

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Accumulated other comprehensive loss	(16,727)	(16,727)
Total shareholders' equity	26,272	24,838
Total liabilities and shareholders' equity	\$ 59,192	\$ 56,966

See accompanying notes to condensed consolidated financial statements.

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Item 1. b.

BRIDGFORD FOODS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except per share amounts)

	12 weeks ended		36 weeks ended	
	July 6, 2012	July 8, 2011	July 6, 2012	July 8, 2011
Net sales	\$ 27,862	\$ 26,611	\$ 84,890	\$ 80,598
Cost of products sold	17,661	18,412	56,385	54,132
Gross margin	10,201	8,199	28,505	26,466
Selling, general and administrative expenses	9,340	8,782	26,882	26,424
Income (loss) before taxes	861	(583)	1,623	42
Income tax (benefit)	-	(106)	-	(503)
Net income (loss)	\$ 861	\$ (477)	\$ 1,623	\$ 545
Net income (loss) per share – Basic and diluted	\$ 0.09	\$ (0.05)	\$ 0.18	\$ 0.06
Weighted average common shares – Basic and diluted	9,180	9,289	9,188	9,310
Cash dividends paid per share	\$ -	\$ -	\$ -	\$ 0.10

See accompanying notes to condensed consolidated financial statements.

Item 1. c.

BRIDGFORD FOODS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	36 weeks ended	
	July 6, 2012	July 8, 2011
Cash flows from operating activities:		
Net income	\$ 1,623	\$ 545
Income or charges not affecting cash and cash equivalents:		
Depreciation	1,105	1,286
(Recoveries) losses on accounts receivable	(107)	75
Gain on sale of property, plant and equipment	(8)	(42)
Effect on cash and cash equivalents from changes in operating assets and liabilities:		
Accounts receivable	(215)	(1,472)
Inventories	1,480	(1,726)
Prepaid expenses and other current assets	(248)	(579)
Other non-current assets	(457)	(669)
Accounts payable	383	(157)
Accrued payroll, advertising and other expenses	(572)	275
Non-current liabilities	(849)	(1,248)
Net cash provided by (used in) operating activities	2,135	(3,712)
Cash used in investing activities:		
Proceeds from sale of property, plant and equipment	8	42
Additions to property, plant and equipment	(430)	(1,552)
Net cash used in investing activities	(422)	(1,510)
Cash used in financing activities:		
Shares repurchased	(189)	(875)
Payments of capital lease obligation	(18)	
Cash dividends paid	-	(932)
Net cash used in financing activities	(207)	(1,807)
Net increase (decrease) in cash and cash equivalents	1,506	(7,029)
Cash and cash equivalents at beginning of period	9,324	15,686
Cash and cash equivalents at end of period	\$ 10,830	\$ 8,657
Supplemental cash flow information:		

Cash paid for income taxes	\$	-	\$	129
Transportation equipment financed by capital lease obligations	\$	1,848	\$	-

See accompanying notes to condensed consolidated financial statements.

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Item 1. d.

BRIDGFORD FOODS CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(in thousands, except percentages, share and per share amounts)

Note 1 - Summary of Significant Accounting Policies:

The unaudited consolidated condensed financial statements of Bridgford Foods Corporation (the "Company", "we", "our", "us") for the twelve and thirty-six weeks ended July 6, 2012 and July 8, 2011 have been prepared in conformity with the accounting principles described in the Company's Annual Report on Form 10-K for the fiscal year ended October 28, 2011 (the "Annual Report") and include all adjustments considered necessary by management for a fair presentation of the interim periods. This report should be read in conjunction with the Annual Report. Due to seasonality and other factors, interim results are not necessarily indicative of the results for the full year. Recent accounting pronouncements and their effect on the Company are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-Q.

The October 28, 2011 balance sheet within these interim condensed consolidated financial statements was derived from the audited fiscal 2011 financial statements.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported revenues and expenses during the reporting periods. Actual results may vary from these estimates. Some of the estimates needed to be made by management include the allowance for doubtful accounts, promotional and returns allowances, inventory reserves, the estimated useful lives of property and equipment, and the valuation allowance for the Company's deferred tax assets. Actual results could materially differ from these estimates. Amounts estimated related to liabilities for self-insured workers' compensation, employee healthcare and pension benefits are especially subject to inherent uncertainties and these estimated liabilities may ultimately settle at amounts which vary from our current estimates. Future periods relating to current market conditions and volatility in stock markets may cause changes in the measurement of our pension fund liabilities and performance of our life insurance policies and those changes may be significant.

Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, accounts receivable, accounts payable and accrued payroll, advertising and other expenses. The carrying amount of these instruments approximate fair market value due to their short term maturity. At July 6, 2012, the Company had accounts in excess of the Federal Deposit Insurance Corporation insurance coverage limit. The Company has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. The Company issues credit to a significant number of customers that are diversified over a wide geographic area. The Company monitors the payment histories of its customers and maintains an allowance for doubtful accounts which is reviewed for adequacy on a quarterly basis. The Company does not require collateral from its customers.

For the thirty-six weeks ended July 6, 2012, Wal-Mart® accounted for 14.5% of consolidated revenues and 27.8% of consolidated accounts receivable. For the thirty-six weeks ended July 8, 2011, Wal-Mart® accounted for 14.4% of consolidated revenues and 9.4% of consolidated accounts receivable. For the thirty-six weeks ended July 8, 2011, Dollar General® accounted for 9.1% of consolidated revenues and 23.6% of consolidated accounts receivable. No other customer accounted for more than 20% of consolidated accounts receivable or 10% of consolidated revenues for

the thirty-six weeks ended July 6, 2012 or the thirty-six weeks ended July 8, 2011.

Management has evaluated events subsequent to July 6, 2012 through the date that the accompanying condensed consolidated financial statements were filed with the Securities and Exchange Commission for transactions and other events which may require adjustments of and/or disclosure in such financial statements.

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Note 2 - Inventories:

Inventories are comprised of the following at the respective period ends:

	(unaudited) July 6, 2012	October 28, 2011
Meat, ingredients and supplies	\$ 5,708	\$ 5,434
Work in progress	1,483	1,549
Finished goods	8,217	9,905
	\$ 15,408	\$ 16,888

Inventories are valued at the lower of cost (which approximates actual cost on a first-in, first-out basis) or market. Costs related to warehousing, transportation and distribution to customers are considered when computing market value. Inventories include the cost of ingredients, labor and manufacturing overhead. We regularly review inventory quantities on hand and write down any excess or obsolete inventories to estimated net realizable value. An inventory reserve is created when potentially slow-moving or obsolete inventories are identified in order to reflect the appropriate inventory value. Changes in economic conditions, production requirements, and lower than expected customer demand could result in additional obsolete or slow-moving inventory that cannot be sold or may need to be sold at reduced prices and could result in additional reserve provisions.

Note 3 - Commitments and Contingencies:

We invested in transportation equipment during the third quarter of fiscal 2012 financed by a capital lease obligation in the amount of \$1,848. The capital lease arrangement replaces month-to-month leases of transportation equipment.

Future minimum lease payments on transportation equipment are approximately (in thousands):

	2012	2013	2014	2015	2016	2017	2018
Net Lease Commitments	\$ 72	\$ 222	\$ 231	\$ 241	\$ 250	\$ 261	\$ 553

The total capital lease obligation remaining as of July 6, 2012 is \$1,830. The lease arrangement also contains a variable component of .07 cents per mile based on miles driven over the lease life. The capital lease arrangement replaces the long-standing month-to-month lease of transportation equipment.

The Company also leases warehouse and/or office facilities throughout the United States and Canada through month-to-month rental agreements. No material changes have been made to these agreements during the first thirty-six weeks of fiscal 2012.

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters is not expected to have a material adverse effect on the Company's consolidated financial position or results of operations.

Most flour purchases are made at market price without contracts. However, the Company may purchase bulk flour at current market prices under short-term fixed price contracts during the normal course of business. Under these arrangements, the Company is obligated to purchase specific quantities at fixed prices, within the specified contract period. These contracts provide for automatic price increases if agreed quantities are not purchased within the specified contract period. The contracts are effective for a month or less and are not material. These contracts are

settled within a month's time and no significant contracts remain open at the close of the quarterly or annual reporting period. No significant contracts remained unfulfilled at July 6, 2012. The Company does not participate in the commodity futures market or hedging to limit commodity exposure.

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Note 4 - Segment Information:

The Company has two reportable operating segments, Frozen Food Products (the processing and distribution of frozen products) and Refrigerated and Snack Food Products (the processing and distribution of refrigerated meat and other convenience foods).

We evaluate each segment's performance based on revenues and operating income. Selling, general and administrative expenses include corporate accounting, information systems, human resource management and marketing, which are managed at the corporate level. These activities are allocated to each operating segment based on revenues and/or actual usage.

The following segment information is presented for the twelve and thirty-six weeks ended July 6, 2012 and July 8, 2011.

Twelve Weeks Ended July 6, 2012	Frozen Food Products	Refrigerated and Snack Food Products	Other	Elimination	Totals
Sales to external customers	\$ 11,186	\$ 16,676	\$ -	\$ -	\$ 27,862
Intersegment sales	-	254	-	254	-
Net sales	11,186	16,930	-	254	27,862
Cost of products sold	6,641	11,274	-	254	17,661
Gross margin	4,545	5,656	-	-	10,201
Selling, general and administrative expenses	3,820	5,527	(7)	-	9,340
Income before taxes	725	129	7	-	861

Total assets	\$ 11,961	\$ 22,765	\$ 24,466	\$ -	\$ 59,192
Additions to property, plant and equipment (includes non cash purchase of transportation equipment)	\$ 1,922	\$ 64	\$ 3	\$ -	\$ 1,989

Twelve Weeks Ended July 8, 2011	Frozen Food Products	Refrigerated and Snack Food Products	Other	Elimination	Totals
Sales to external customers	\$ 10,993	\$ 15,618	\$ -	\$ -	\$ 26,611
Intersegment sales	-	254	-	254	-
Net sales	10,993	15,872	-	254	26,611
Cost of products sold	7,041	11,625	-	254	18,412
Gross margin	3,952	4,247	-	-	8,199
Selling, general and administrative expenses	3,790	4,980	12	-	8,782
Income (loss) before taxes	162	(733)	(12)	-	(583)

Total assets	\$ 10,424	\$ 25,476	\$ 22,231	\$ -	\$ 58,131
Additions to property, plant and equipment	\$ 472	\$ 423	\$ -	\$ -	\$ 895

Thirty-Six Weeks Ended July 6, 2012	Frozen Food Products	Refrigerated and Snack Food Products	Other	Elimination	Totals
Sales to external customers	\$ 37,448	\$ 47,442	\$ -	\$ -	\$ 84,890
Intersegment sales	-	639	-	639	-
Net sales	37,448	48,081	-	639	84,890
Cost of products sold	23,071	33,953	-	639	56,385
Gross margin	14,377	14,128	-	-	28,505
Selling, general and administrative expenses	11,618	15,290	(26)	-	26,882
Income (loss) before taxes	2,759	(1,162)	26	-	1,623
Total assets	\$ 11,961	\$ 22,765	\$ 24,466	\$ -	\$ 59,192
Additions to property, plant and equipment (includes non cash purchase of transportation equipment)	\$ 1,964	\$ 292	\$ 22	\$ -	\$ 2,278

Thirty-Six Weeks Ended July 8, 2011	Frozen Food Products	Refrigerated and Snack Food Products	Other	Elimination	Totals
Sales to external customers	\$ 37,378	\$ 43,220	\$ -	\$ -	\$ 80,598
Intersegment sales	-	767	-	767	-
Net sales	37,378	43,987	-	767	80,598
Cost of products sold	23,130	31,769	-	767	54,132
Gross margin	14,248	12,218	-	-	26,466
Selling, general and administrative expenses	11,517	14,911	(4)	-	26,424
Income (loss) before taxes	2,731	(2,693)	4	-	42
Total assets	\$ 10,424	\$ 25,476	\$ 22,231	\$ -	\$ 58,131
Additions to property, plant and equipment	\$ 612	\$ 782	\$ 158	\$ -	\$ 1,552

Note 5 – Income Taxes:

The Company expects its effective tax rate for the 2012 fiscal year to be different from the federal statutory rate due to the state taxes and a change in valuation allowance as follows:

Effective tax rate	%
Federal Statutory rate	34.0
State taxes (net of Federal effect)	5.2
Change in valuation allowance	(38.6)
Other	(0.6)
Total effective tax rate	0.0

We did not record a provision for income taxes for the thirty-six week period ended July 6, 2012, related to federal and state taxes, based on the Company's expected annual effective tax rate. We recorded tax expense for non income related taxes of \$48 which are reflected in selling, general and administrative expenses.

Management is required to evaluate whether a valuation allowance should be established against its deferred tax assets based on the consideration of all available evidence using a "more likely than not" standard. Realization of deferred tax

assets is dependent upon taxable income in prior carryback years, estimates of future taxable income, tax planning strategies, and reversals of existing taxable temporary differences. Management reevaluated the need for a full valuation allowance at July 6, 2012 based on both positive and negative evidence. The weight of negative factors and level of economic uncertainty in our current business continued to support the conclusion that the realization of its deferred tax assets does not meet the more likely than not standard. As a result of this evaluation, a full valuation allowance remained against the net deferred tax assets as of July 6, 2012. Management will continue to periodically reevaluate the valuation allowance and, to the extent that conditions change, some or all of such valuation allowance could be reversed in future periods. The Company has established objective criteria that must be met before a release of the valuation allowance will occur.

Our federal income tax returns are open to audit under the statute of limitations for the fiscal years ended October 31, 2008 through October 28, 2011. We are subject to income tax in California and various other state taxing jurisdictions. Our state income tax returns are open to audit under the statute of limitations for the fiscal years ended November 2, 2007 through October 28, 2011.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
(dollars in thousands)

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report constitute "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934 (the "Exchange Act"). Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of Bridgford Foods Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions; the impact of competitive products and pricing; success of operating initiatives; development and operating costs; advertising and promotional efforts; adverse publicity; acceptance of new product offerings; consumer trial and frequency; changes in business strategy or development plans; availability, terms and deployment of capital; availability of qualified personnel; commodity, labor, and employee benefit costs; changes in, or failure to comply with, government regulations; weather conditions; construction schedules; and other factors referenced in this Quarterly Report on Form 10-Q. Assumptions relating to budgeting, marketing, and other management decisions are subjective in many respects and thus susceptible to interpretations and periodic revisions based on actual experience and business developments, the impact of which may cause us to alter our marketing, capital expenditure or other budgets, which may in turn affect our business, financial position, results of operations and cash flows. The reader is therefore cautioned not to place undue reliance on forward-looking statements contained herein and to consider other risks detailed more fully in our Annual Report on Form 10-K for the fiscal year ended October 28, 2011. We undertake no obligation to publicly release the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof, or to reflect the occurrence of unanticipated events.

Critical Accounting Policies and Management Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the respective reporting periods. Some of the estimates needed to be made by management include the allowance for doubtful accounts, promotional and returns allowances, inventory reserves and the estimated useful lives of property and equipment, and the valuation allowance for the Company's deferred tax assets. Actual results could materially differ from these estimates. We determine the amounts to record based on historical experience and various other assumptions that we view as reasonable under the circumstances and consider all relevant available information. The results of this analysis form the basis for our conclusion as to the value of assets and liabilities that are not readily available from other independent sources. Amounts estimated related to liabilities for self-insured workers' compensation, employee healthcare and pension benefits are especially subject to inherent uncertainties and these estimated liabilities may ultimately settle at amounts which vary from our current estimates.

Current accounting principles require that an internal rate of return ("IRR") analysis be included in the discount rate selection process. The IRR calculation for the Retirement Plan for Employees of Bridgford Foods Corporation is measured annually and based on the Citigroup Pension Discount Rate. The Citigroup Pension Discount Rate as of June 30, 2012 was 4.13% as compared to 4.70% at October 31, 2011. The discount rate applied can significantly affect the value of the projected benefit obligation as well as the net periodic benefit cost.

Our credit risk is diversified across a broad range of customers and geographic regions. Losses due to credit risk have recently been immaterial. The provision for doubtful accounts receivable is based on historical trends and current collection risk. We have significant amounts receivable with a few large, well known customers which, although historically secure, could be subject to material risk should these customers' operations suddenly deteriorate. We monitor these customers closely to minimize the risk of loss. For the thirty-six weeks ended July 6, 2012, Wal-Mart® accounted for 14.5% of consolidated revenues and 27.8% of consolidated accounts receivable. For the thirty-six weeks ended July 8, 2011, Wal-Mart® accounted for 14.4% of consolidated revenues and 9.4% of consolidated accounts receivable. For the thirty-six weeks ended July 8, 2011, Dollar General® accounted for 9.1% of consolidated revenues and 23.6% of consolidated accounts receivable. No other customer accounted for more than 20% of consolidated accounts receivable or 10% of consolidated revenues for the thirty-six weeks ended July 6, 2012 or the thirty-six weeks ended July 8, 2011.

Revenues are recognized upon passage of title to the customer, typically upon product pick-up, shipment or delivery to customers. Products are delivered to customers primarily through our own long-haul fleet or through our own direct store delivery system. The Company also uses independent distributors to deliver products in remote geographic areas of the country. Revenues are recognized upon shipment to the distributor, net of return allowances. Historically, returns from distributors have been minimal. The distributor pays for these products in full, typically within 15 days, and such payment is not contingent upon payment from the large chain stores. As a convenience to certain large chain stores, we bill such customers on behalf of the distributors and such distributors bear the risk of loss from collection. No additional revenue is recognized in conjunction with the billing services as these services are considered perfunctory to the overall transaction.

We record the cash surrender or contract value for life insurance policies as an adjustment of premiums paid in determining the expense or income to be recognized under the contract for the period.

Management is required to evaluate whether a valuation allowance should be established against its deferred tax assets based on the consideration of all available evidence using a "more likely than not" standard. Realization of deferred tax assets is dependent upon taxable income in prior carryback years, estimates of future taxable income, tax planning strategies, and reversals of existing taxable temporary differences. Management concluded at the end of 2008 that it was more likely than not that deferred tax assets would not be realized and recorded a full valuation allowance on all deferred tax assets during the fourth quarter of fiscal 2008. Management re-evaluated the need for a full valuation allowance as of July 6, 2012. Management evaluated both positive and negative evidence. The weight of negative factors and level of economic uncertainty in our current business continued to support the conclusion that the realization of our deferred tax assets does not meet the more likely than not standard. Therefore, a full valuation allowance remains against the net deferred tax assets at July 6, 2012.

We provide tax reserves for federal, state, local and international exposures relating to audit results, tax planning initiatives and compliance responsibilities. The development of these reserves requires judgments about tax issues, potential outcomes and timing, and is a subjective estimate. Although the outcome of these tax audits is uncertain, in management's opinion adequate provisions for income taxes have been made for potential liabilities, if any, resulting from these reviews. Actual outcomes may differ materially from these estimates.

We assess the recoverability of our long-lived assets on a quarterly basis or whenever adverse events or changes in circumstances or business climate indicate that expected undiscounted future cash flows related to such long-lived assets may not be sufficient to support the net book value of such assets. If undiscounted cash flows are not sufficient to support the recorded assets, we recognize an impairment to reduce the carrying value of the applicable long-lived assets to their estimated fair value.

In March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act (collectively, the "PPACA"), was signed into law. The PPACA contains provisions which may impact the Company's accounting of other postemployment benefit ("OPEB") obligations in future periods. Regulatory guidance for implementation of some of the provisions of the PPACA has not yet been established. Requirements of the law include the removal of the lifetime limits on retiree medical coverage, expanding dependent coverage to age 26 and elimination of pre-existing conditions that may impact OPEB costs. We will continue to assess the accounting implications of the PPACA and its impact on our financial position and results of operations as more legislative and interpretive guidance becomes available. The potential future effects and cost of complying with the provisions of the PPACA are not determinable at this time.

Overview of Reporting Segments

We operate in two business segments – the processing and distribution of frozen products (the Frozen Food Products segment), and the processing and distribution of refrigerated and snack food products (the Refrigerated and Snack Food Products segment). For information regarding the separate financial performance of the business segments refer to Note 4 of the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q. We manufacture and distribute an extensive line of food products, including biscuits, bread dough items, roll dough items, dry sausage products, beef jerky and a variety of sandwiches and sliced luncheon meats. We purchase products for resale including a variety of cheeses, salads, party dips, Mexican foods, nuts and other delicatessen type food products.

Frozen Food Products Segment

In our Frozen Food Products segment, we manufacture and distribute an extensive line of food products, including biscuits, bread dough items, roll dough items and sandwiches. All items within this segment are considered similar products and have been aggregated at this level. Our Frozen Food Products segment serves both food service and retail customers. Products produced in this segment are supplied through leased long-haul vehicles to food service and retail distributors that take title to the product upon shipment receipt. Approximately 150 unique frozen food products are sold through wholesalers, cooperatives and distributors to approximately 21,000 retail outlets and 22,000 restaurants and institutions.

Refrigerated and Snack Food Products Segment

In our Refrigerated and Snack Food Products segment, we distribute both products manufactured by us and products manufactured or processed by third parties. All items within this segment are considered similar products and have been aggregated at this level. The dry sausage division includes products such as jerky, meat snacks, sausage and pepperoni products. The deli division includes products such as ham, sandwiches, cheese, Mexican food, pastries and other delicatessen type food products. Our Refrigerated and Snack Food Products segment sells approximately 270 different items through a direct store delivery network serving approximately 18,000 supermarkets, mass merchandise and convenience retail stores located in 49 states and Canada. These customers are comprised of large retail chains and smaller “independent” operators. We have reduced product distribution through independent third-party distributors (redistributors) in the third quarter of fiscal 2012 in favor of utilizing customer managed warehouse distribution centers to lower distribution cost. Approximately 900 customers were served in the third twelve weeks of Fiscal year 2012 using redistributors and the Company expects to fully discontinue these arrangements in the last quarter of fiscal 2012.

Products produced or distributed by the Refrigerated and Snack Food segment are supplied to customers through either direct delivery to customer warehouses, direct-store-delivery or redistributors. Product delivered to a customer warehouse is then distributed to the store and stocked by the customer where it is then resold to the end consumer. Product delivered using the company-owned fleet direct to the store is considered a direct-store-delivery. In this case, we provide the service of setting up and maintaining the display and stocking our products. In 2008, we began selling products to independent third-party distributors (also known as redistributors) who deliver a broad range of products to large chain stores, including Wal-Mart, in remote geographic areas of the country.

Results of Operations for the Twelve Weeks ended July 6, 2012 and July 8, 2011

Net Sales-Consolidated

Net sales increased by \$1,251 (4.7%) to \$27,862 in the third twelve weeks of the 2012 fiscal year compared to the same twelve-week period last year. The changes in net sales were comprised as follows:

Impact on Net Sales-Consolidated	%	\$
Selling price per pound	9.1	2,677
Unit sales volume in pounds	-6.5	(1,915)
Returns activity	1.8	437
Promotional activity	0.3	52
Increase in net sales	4.7	1,251

Net Sales-Frozen Food Products Segment

Net sales in the Frozen Food Products segment, excluding inter-segment sales, increased by \$193 (1.8%) to \$11,186 in the third twelve weeks of the 2012 fiscal year compared to the same twelve-week period last year. The changes in net sales were comprised as follows:

Impact on Net Sales-Frozen Food Products	%	\$
Selling price per pound	3.0	358
Unit sales volume in pounds	0.3	35
Returns activity	0.0	1
Promotional activity	-1.5	(201)
Increase in net sales	1.8	193

The increase in selling price per pound in fiscal 2012 primarily relates to price increases implemented in the second quarter of the fiscal year. Favorable product mix changes also contributed to the increase in sales. Unit sales volume and returns activity remained relatively flat compared to the same period in fiscal 2011. Higher promotional activity compared to the same twelve week period in fiscal year 2011 partially offset the sales increase.

Net Sales-Refrigerated and Snack Food Products Segment

Net sales in the Refrigerated and Snack Food Products segment, excluding inter-segment sales, increased by \$1,058 (6.8%) to \$16,676 in the third twelve weeks of the 2012 fiscal year compared to the same twelve-week period last year.

The changes in net sales were comprised as follows:

Impact on Net Sales-Refrigerated and Snack Food Products	%	\$
Selling price per pound	13.3	2,319
Unit sales volume in pounds	-11.2	(1,950)
Returns activity	3.0	436
Promotional activity	1.7	253
Increase in net sales	6.8	1,058

Selling prices per pound increased in fiscal 2012 as a result of favorable product mix changes. The increase in selling price per pound in fiscal 2012 primarily relates to significant sales of a one-time specialty item during the third quarter of the fiscal year.

Cost of Products Sold and Gross Margin-Consolidated

Cost of products sold decreased by \$751 (4.1%) to \$17,661 in the third twelve weeks of the 2012 fiscal year compared to the same twelve-week period in fiscal 2011. Lower unit sales volumes and significantly lower commodity costs described in the segment analysis below were the primary cause of the decrease in cost of products sold. Gross margin increased from 30.8% to 36.6%.

Cost of Products Sold-Frozen Food Products Segment

Cost of products sold in the Frozen Food Products segment decreased by \$400 (5.7%) to \$6,641 in the third twelve weeks of the 2012 fiscal year compared to the same twelve-week period in fiscal year 2011. Lower flour commodity costs were the primary contributing factor to this decrease. The cost of purchased flour decreased approximately \$208 in the third twelve weeks of fiscal 2012 compared to the prior year period. Consistent with the decrease in flour costs, the gross margin percentage increased from 36.0% to 40.6% in the third twelve weeks of fiscal year 2012 compared to the same twelve week period in the prior fiscal year.

Cost of Products Sold-Refrigerated and Snack Food Products Segment

Cost of products sold in the Refrigerated and Snack Food Products segment decreased by \$351 (3.0%) to \$11,274 in the third twelve weeks of the 2012 fiscal year compared to the same twelve-week period in fiscal year 2011. The cost of significant meat commodities decreased approximately \$460 in the third twelve weeks of fiscal 2012 compared to the same period in the prior year. The gross margin earned in this segment increased from 27.2% to 33.9% in the third twelve weeks of fiscal year 2012 due primarily to lower commodity costs and to a lesser extent as a result of sales mix changes.

Selling, General and Administrative Expenses-Consolidated

Selling, general and administrative ("SG&A") expenses increased by \$558 (6.4%) to \$9,340 in the third twelve weeks of fiscal year 2012 compared to the same twelve-week period in the prior fiscal year. The increase in this category for the twelve-week period ended July 6, 2012 did not directly correspond to the sales increase. The table below summarizes the significant expense increases included in this category:

	12 Weeks Ended		Expense/Gain
	July 6, 2012	July 8, 2011	Increase
Wages and bonus	\$ 3,471	\$ 3,159	\$ 312
Product advertising	1,620	1,399	221
Other SG&A	4,249	4,224	25
Total	\$ 9,340	\$ 8,782	\$ 558

Higher profits and profit sharing accruals resulted in increased wages and bonus in the third twelve weeks of the 2012 fiscal year compared to the same period in the prior year. Costs for product advertising increased compared to the same twelve week period in fiscal 2011 related to a significant specialty product shipment in the period. None of the changes individually or as a group of expenses in "Other SG&A" were significant enough in value to merit separate disclosure. The major components comprising the increase of "Other SG&A" were asset impairment reserves, a decrease in life insurance policy cash surrender values, higher pension costs, higher equipment rentals and an increase in non-income related state taxes.

Selling, General and Administrative Expenses-Frozen Food Products Segment

SG&A expenses in the Frozen Food Products segment increased by \$30 (0.8%) to \$3,820 in the third twelve weeks of fiscal year 2012 compared to the same twelve week period in the prior fiscal year. SG&A spending remained consistent with the last fiscal year and did not directly correspond to the increase in sales mainly due to a favorable settlement of OSHA penalties related to citations received in prior periods.

Selling, General and Administrative Expenses-Refrigerated and Snack Food Products Segment

SG&A in the Refrigerated and Snack Food Products segment increased by \$547 (11.0%) to \$5,527 in the third twelve weeks of fiscal year 2012 compared to the same twelve-week period in the prior fiscal year. The increase in SG&A costs is primarily related to costs for product advertising related to a one-time significant specialty product shipment in the period.

Income Taxes-Consolidated

Income tax (benefit) for the twelve weeks ended July 6, 2012 and July 8, 2011 was as follows:

	July 6, 2012	July 8, 2011
Income tax (benefit)	\$ -	\$ (106)
Effective tax rate	-	18.2%

We did not record a provision for income taxes for the twelve week period ended July 6, 2012, related to federal and state taxes, based on the Company's expected annual effective tax rate.

Net Income(Loss)-Consolidated

The net income of \$861 in the twelve weeks ended July 6, 2012 includes a non-taxable loss on life insurance policies in the amount of \$32. The net loss of \$477 in the twelve weeks ended July 8, 2011 includes a non-taxable gain on life insurance policies in the amount of \$98. Gains and losses on life insurance policies are dependent upon the performance of the underlying equities and future results may vary considerably.

Results of Operations for the Thirty-Six Weeks ended July 6, 2012 and July 8, 2011

Net Sales-Consolidated

Net sales increased by \$4,292 (5.3%) to \$84,890 in the first thirty-six weeks of the 2012 fiscal year compared to the same thirty-six week period last year. The changes in net sales were comprised as follows:

Impact on Net Sales-Consolidated	%	\$
Selling price per pound	5.3	4,709
Unit sales volume in pounds	-0.8	(713)
Promotional activity	0.8	573
Returns activity	0.0	(277)
Increase in net sales	5.3	4,292

Net Sales-Frozen Food Products Segment

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Net sales in the Frozen Food Products segment, excluding inter-segment sales, increased by \$70 (0.2%) to \$37,448 in the first thirty-six weeks of the 2012 fiscal year compared to the same thirty-six week period last year. The changes in net sales were comprised as follows:

Impact on Net Sales-Frozen Food Products	%	\$
Selling price per pound	3.3	1,364
Unit sales volume in pounds	-2.0	(806)
Promotional activity	-0.1	(51)
Returns activity	-1.0	(437)
Increase in net sales	0.2	70

The increase in selling price per pound over the prior year period was due to selling price increases implemented in the second quarter of fiscal 2012. Unfavorable changes in product mix partially off-set favorable selling price trends. Decreased unit sales volume, increased promotions and returns activity compared to the same thirty-six week period in fiscal year 2011 partially offset the sales increase.

Net Sales-Refrigerated and Snack Food Products Segment

Net sales in the Refrigerated and Snack Food Products segment, excluding inter-segment sales, increased by \$4,222 (9.8%) to \$47,442 in the first thirty-six weeks of the 2012 fiscal year compared to the same thirty-six week period last year. The changes in net sales were comprised as follows:

Impact on Net Sales-Refrigerated and Snack Food Products	%	\$
Selling price per pound	7.0	3,345
Unit sales volume in pounds	0.2	93
Promotional activity	1.9	624
Returns activity	0.7	160
Increase in net sales	9.8	4,222

Selling prices per pound increased in fiscal 2012 primarily as a result of favorable product mix changes. The unit volume change was insignificant. Favorable trends in promotional and returns activity increased net sales compared to the prior fiscal year.

Cost of Products Sold and Gross Margin-Consolidated

Cost of products sold increased by \$2,253 (4.2%) to \$56,385 in the first thirty-six weeks of the 2012 fiscal year compared to the same thirty-six week period in fiscal 2011. The gross margin increased from 32.8% to 33.6% as a result of the factors described in the segment analysis below.

Cost of Products Sold-Frozen Food Products Segment

Cost of products sold in the Frozen Food Products segment decreased by \$59 (0.3%) to \$23,071 in the first thirty-six weeks of the 2012 fiscal year compared to the same thirty-six week period in fiscal year 2011. The cost of products sold decreased due to a decline in the cost of purchased flour of approximately \$299 in the first thirty-six weeks of fiscal 2012 compared to the prior year period. The decrease in flour costs and higher selling prices resulted in a slight increase in the gross margin percentage from 38.1% to 38.4% in the first thirty-six weeks of fiscal year 2012 compared to the same thirty-six week period in the prior fiscal year.

Cost of Products Sold-Refrigerated and Snack Food Products Segment

Cost of products sold in the Refrigerated and Snack Food Products segment increased by \$2,184 (6.9%) to \$33,953 in the first thirty-six weeks of the 2012 fiscal year compared to the same thirty-six week period in fiscal year 2011. The cost of significant meat commodities increased approximately \$720 in the first thirty-six weeks of fiscal 2012 compared to the same period in the prior year. The gross margin earned in this segment increased from 28.3% to 29.8% in the first thirty-six weeks of fiscal year 2012 due primarily to favorable sales mix changes.

Selling, General and Administrative Expenses-Consolidated

Selling, general and administrative (“SG&A”) expenses increased by \$458 (1.7%) to \$26,882 in the first thirty-six weeks of fiscal year 2012 compared to the same thirty-six week period in the prior fiscal year. The increase in this category for the thirty-six week period ended July 6, 2012 did not directly correspond to the sales increase. The table below summarizes the significant expense increases and decreases included in this category:

	36 weeks Ended		Expense/Gain
	July 6, 2012	July 8, 2011	Increase (Decrease)
Product advertising	\$ 4,515	\$ 4,045	\$ 470
Pension	641	336	305
Workers’ compensation	311	560	(249)
Benefits-healthcare	1,402	1,619	(217)
Losses (recoveries) on accounts receivable	(107)	75	(182)
Other SG&A	20,120	19,789	331
Total	\$ 26,882	\$ 26,424	\$ 458

Costs for product advertising increased compared to the same thirty-six week period in fiscal 2011 related to significant specialty product sales in the period. The net periodic benefit cost of the defined benefit pension plan increased due to recent reductions in the discount rate. The Company's workers' compensation benefit expense was more favorable compared to claim trends in the comparative thirty-six week period in fiscal 2011. The Company's healthcare benefit expense was more favorable compared to claim trends in the comparative thirty-six week period in fiscal 2011. During the thirty-six week period ended July 6, 2012, reductions in the allowance for doubtful accounts were recognized due to an improved accounts receivable aging. None of the changes individually or as a group of expenses in “Other SG&A” were significant enough in value to merit separate disclosure. The major components comprising the increase of “Other SG&A” were asset impairment reserves, an increase in non-income related state taxes, display racks, vacation and sick expenses and a lower gain on cash surrender values of life insurance policies.

Selling, General and Administrative Expenses-Frozen Food Products Segment

SG&A expenses in the Frozen Food Products segment increased by \$101 (0.9%) to \$11,618 in the first thirty-six weeks of fiscal year 2012 compared to the same thirty-six week period in the prior fiscal year. SG&A expenses in the Frozen Foods Product Segment were consistent with the same period in fiscal 2011.

Selling, General and Administrative Expenses-Refrigerated and Snack Food Products Segment

SG&A in the Refrigerated and Snack Food Products segment increased by \$379 (2.5%) to \$15,290 in the first thirty-six weeks of fiscal year 2012 compared to the same thirty-six week period in the prior fiscal year. The increase in SG&A costs is primarily related to an increase in product advertising compared to the same thirty-six week period in fiscal 2011 related to a significant specialty product shipment in the period. Increases in the net periodic benefit cost of the defined benefit pension plan due to recent reductions in the discount rate also had a significant effect. Cost increases for SG&A in the Refrigerated and Snack Food Products segment were partially offset by lower healthcare and workers’ compensation costs due to more favorable claim trends compared to the previous thirty-six week period in fiscal 2011. During the thirty-six week period ended July 6, 2012, a reduction in the allowance for doubtful accounts was recognized due to an improved accounts receivable aging thereby reducing SG&A.

Income Taxes-Consolidated

Income tax (benefit) for the thirty-six weeks ended July 6, 2012 and July 8, 2011 was as follows:

	July 6, 2012	July 8, 2011
Income tax (benefit)	\$ -	\$ (503)

We did not record a provision for income taxes for the thirty-six week period ended July 6, 2012, related to federal and state taxes, based on the Company's expected annual effective tax rate. We recorded tax expense for non-income related taxes of \$48 which are reflected in selling, general and administrative expenses.

Net Income -Consolidated

The net income of \$1,623 in the thirty-six weeks ended July 6, 2012 includes a non-taxable gain on life insurance policies in the amount of \$598. The net income of \$545 in the thirty-six weeks ended July 8, 2011 includes a non-taxable gain on life insurance policies in the amount of \$669. Gains and losses on life insurance policies are dependent upon the performance of the underlying equities and future results may vary considerably.

Liquidity and Capital Resources

The principal source of our operating cash flow is cash receipts from the sale of our products, net of costs to manufacture, store, market and deliver our products. We have remained free of bank debt for the past twenty-five years and we fund our operations from cash balances and cash flow generated from operations. We expect positive operating cash flows in the first quarter of our fiscal year from the liquidation of inventory and accounts receivable balances related to holiday season sales. We typically build inventories in the third quarter for anticipated holiday season sales that occur in the fourth and first quarters. Anticipated commodity price trends may also affect cash balances. Certain commodities may be purchased in advance of our immediate needs to lower the ultimate cost of processing.

Cash flows from operating activities for the thirty-six weeks ended:

	July 6, 2012	July 8, 2011
Net income	\$ 1,623	\$ 545
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,105	1,286
(Recoveries) losses on accounts receivable	(107)	75
Gain on sale of property, plant and equipment	(8)	(42)
Changes in operating working capital	(478)	(5,576)
Net cash (used in) provided by operating activities	\$ 2,135	\$ (3,712)

For the thirty-six weeks ended July 6, 2012, net cash provided by our operating activities for the third quarter ended July 6, 2012 was \$2,135, an increase of \$5,847 compared to the same period in fiscal 2011. The increase is primarily related to more profitable operations due to increased sales and lower commodity costs. The current year seasonal decrease in inventory is related to the liquidation of inventories built up at the end of the prior fiscal year in anticipation of the holiday selling season. Inventory for the quarter ended July 8, 2011 was higher than normal due to the development of a unique product line and inventory build up related to several large shipments in the last quarter of fiscal year 2011. During the thirty-six week period ended July 6, 2012 we funded \$1,663 towards our defined benefit pension plan. Plan funding strategies may be adjusted depending upon economic conditions, investment options, tax deductibility, or recent legislation changes in funding requirements.

Our cash conversion cycle (defined as days of inventory and trade receivables less days of trade payables outstanding) is relatively quick, and was equal to 46 days for the thirty-six week period ended July 6, 2012 and 62 days for the thirty-six week period ended July 8, 2011. Compared with the prior year, the favorable impact on the 2012 cash conversion cycle resulted from lower days of inventory, primarily due to higher sales in 2012.

For the thirty-six weeks ended July 8, 2011, sources of cash include a significant refund on prior year's tax overpayment. Operating cash flows for the period ended July 8, 2011 were reduced by an increase in accounts receivable of \$1,472, an increase in inventory of \$1,726, an increase in prepaid expenses and other current assets of

\$579, a decrease in other non-current assets of \$669 and a decrease in non-current liabilities of \$1,248. During the thirty-six week period ended July 8, 2011 we funded \$464 towards our defined benefit pension plan.

Cash used in investing activities for the thirty-six weeks ended:

	July 6, 2012	July 8, 2011
Proceeds from sale of property, plant and equipment	\$ 8	\$ 42
Additions to property, plant and equipment	(430)	(1,552)
Net cash used in investing activities	\$ (422)	\$ (1,510)

Expenditures for property, plant and equipment include the acquisition of new equipment, upgrading of facilities to maintain operating efficiency and investments in cost effective technologies to lower costs. In general, we capitalize the cost of additions and improvements and expense the cost for repairs and maintenance. The Company may also capitalize costs related to improvements that extend the life, increase the capacity, or improve the efficiency of existing machinery and equipment. Specifically, capitalization of upgrades of facilities to maintain operating efficiency includes acquisitions of machinery and equipment used on packaging lines and refrigeration equipment used to process food products.

The table below highlights the additions to property, plant and equipment for the thirty-six weeks ended:

	July 6, 2012	July 8, 2011
Changes in projects in process	\$ (138)	\$ (31)
Processing equipment	74	491
Delivery vehicles	30	56
Sales vehicle	31	-
Building improvements	5	54
Packaging lines	386	79
Software and hardware	-	14
Temperature control and product storage	42	889
Additions to property, plant and equipment	\$ 430	\$ 1,552

The capital expenditures below represent the amount of property, plant and equipment acquired under a capital lease arrangement. These acquisitions are not reflected in the condensed consolidated statement of cash flows since they were acquired without using cash.

	July 6, 2012	July 8, 2011
Transportation equipment financed by capital lease obligations	\$ 1,848	\$ -

Cash used in financing activities for the thirty-six weeks ended:

	July 6, 2012	July 8, 2011
Shares repurchased	\$ (189)	\$ (875)
Payments of capital lease obligation	(18)	-
Cash dividends paid	-	(932)
Net cash provided by (used in) financing activities	\$ (207)	\$ (1,807)

Our stock repurchase program was approved by the Board of Directors in November 1999 and was expanded in June 2005. Under the stock repurchase program, we are authorized, at the discretion of management and the Board of Directors, to purchase up to an aggregate of 2,000,000 shares of our common stock on the open market. As of July 6, 2012, 221,014 shares were still authorized for repurchase under the program. A one-time cash dividend was paid in

the amount of ten cents per share, during the first twelve weeks of the 2011 fiscal year.

We invested in transportation equipment during the third quarter of fiscal 2012 financed by a capital lease obligation in the amount of \$1,848. The term of the lease is six years. The total capital lease obligation remaining as of July 6, 2012 is \$1,830. The capital lease arrangement replaces the long-standing month-to-month lease of transportation equipment.

We maintain a line of credit with Wells Fargo Bank, N.A. that expires on March 1, 2013. Under the terms of this line of credit, we may borrow up to \$2,000 at an interest rate equal to the bank's reference rate, unless we elect an optional interest rate. The borrowing agreement contains various covenants, the more significant of which require us to maintain a minimum tangible net worth and a Quick Ratio not less than 1.0 to 1.0 and a minimum net income after tax. The Company is currently in compliance with all provisions of the agreement. There were no borrowings under this line of credit during the year.

The impact of inflation on the Company's financial position and results of operations has not been significant. Management is of the opinion that the Company's strong financial position and its capital resources are sufficient to provide for its operating needs and capital expenditures for fiscal 2012.

Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued guidance on "Fair Value Measurements: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS" changing how existing fair value guidance is applied and expanding disclosure requirements. The updated guidance is to be applied prospectively and is effective for the Company's interim and annual periods beginning January 1, 2012. The adoption of this guidance did not have a significant impact on our consolidated financial statements.

In June 2011, the FASB issued guidance on the presentation of comprehensive income either in a single continuous statement of comprehensive income or in two separate successive statements of net income and other comprehensive income. This guidance is effective for financial statements issued fiscal years, and interim periods within those years, beginning after December 15, 2011. However, we elected to adopt this pronouncement in Form 10-K of fiscal 2011. The adoption of this guidance did not have a significant impact on our consolidated financial statements.

Off-Balance Sheet Arrangements

We are not engaged in any "off-balance sheet arrangements" within the meaning of Item 303(a)(4)(ii) of Regulation S-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable to smaller reporting company.

Item 4. Controls and Procedures

Our management, with the participation and under the supervision of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Report. Based on this evaluation the principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective as of the end of the period covered by this Report in their design and operation to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management and recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and forms and were accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control.

The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

We maintain and evaluate a system of internal accounting controls, and a program of internal auditing designed to provide reasonable assurance that our assets are protected and that transactions are performed in accordance with proper authorization, and are properly recorded. This system of internal accounting controls is continually reviewed and modified in response to evolving business conditions and operations and to recommendations made by the independent registered public accounting firm and our internal auditor. We have established a code of conduct. Our management believes that the accounting and internal control systems provide reasonable assurance that assets are safeguarded and financial information is reliable.

The Audit Committee of the Board of Directors meets regularly with our financial management and counsel, and with the independent registered public accounting firm engaged by us. Internal accounting controls and the quality of financial reporting are discussed during these meetings. The Audit Committee has discussed with the independent registered public accounting firm matters required to be discussed by the auditing standards adopted or established by the Public Company Accounting Oversight Board. In addition, the Audit Committee and the independent registered public accounting firm have discussed the independent registered public accounting firm's independence from the Company and its management, including the matters in the written disclosures required by Public Company

Accounting Oversight Board Rule 3526 “Communicating with Audit Committees Concerning Independence”.

There have been no changes in our internal controls over financial reporting that occurred during the quarter ended July 6, 2012 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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Part II. Other Information

Item 1A. Risk Factors

The risk factors listed in Part I “Item 1A. Risk Factors” in the Annual Report on Form 10-K for the fiscal year ended October 28, 2011 should be considered with the information provided elsewhere in this Quarterly Report on Form 10-Q, which could materially adversely affect our business, financial condition or results of operations. There have been no material changes to the risk factors as previously disclosed in such Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We have not sold any equity securities during the period covered by this Report.

The following table provides information regarding repurchases by us of our common stock, for each of the three four-week periods included in the interim twelve-week period ended July 6, 2012.

ISSUER PURCHASES OF EQUITY SECURITIES

Period (1)	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2)
April 14, 2012 – May 11, 2012	5,650	\$ 9.44	5,640	222,996
May 12, 2012 – June 8, 2012	652	9.35	652	222,344
June 9, 2012 – July 6, 2012	1,330	8.08	1,330	221,014
Total	7,622	\$ 9.20	7,622	

(1) The periods shown are the fiscal periods during the twelve-week quarter ended July 6, 2012.

(2) Repurchases reflected in the foregoing table were made on the open market. Our stock repurchase program was approved by the Board of Directors in November 1999 (1,500,000 shares authorized, disclosed in a Form 10-K filed on January 26, 2000) and was expanded in June 2005 (500,000 additional shares authorized, disclosed in a press release and Form 8-K filed on June 17, 2005). Under the stock repurchase program, we are authorized, at the discretion of our management and the Board of Directors, to purchase up to an aggregate of 2,000,000 shares of our common stock on the open market. Our Stock Purchase Plan (“Purchase Plan”) is administered by Citigroup Global Markets Inc. (“CGM”) for purchase of shares of our common stock in compliance with the requirements of Rule 10b5-1 under the Exchange Act. Commencing on December 12, 2011 and continuing through and including October 13, 2012, CGM shall act as our exclusive agent to purchase shares of our common stock under the Purchase Plan. This Purchase Plan supplements any purchases of stock by us “outside” of the Purchase Plan, which may occur from time to time, in open market transactions pursuant to Rule 10b-18 of the Exchange Act or in privately-negotiated transactions. As of July 6, 2012, the total maximum number of shares that may be purchased under the Purchase Plan is 221,014 at a purchase price not to exceed \$12.00 per share at a total maximum aggregate price (exclusive of commission) of \$2,652,168.

Item 6.

Exhibits

Exhibit No.	Description
31.1	Certification of Chairman of the Board (Principal Executive Officer), as required by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer (Principal Financial and Accounting Officer), as required by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chairman of the Board (Principal Executive Officer), as required by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer (Principal Financial and Accounting Officer), as required by Section 906 of the Sarbanes-Oxley Act of 2002.
101.1	XBRL Instance Document.*
101.2	XBRL Taxonomy Extension Schema Document.*
101.3	XBRL Taxonomy Extension Calculation Linkbase Document.*
101.4	XBRL Taxonomy Extension Definition Linkbase Document.*
101.5	XBRL Taxonomy Extension Label Linkbase Document.*
101.6	XBRL Taxonomy Extension Presentation Linkbase Document.*

* The XBRL information is being furnished and not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any registration statement under the Securities Act of 1933, as amended.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BRIDGFORD FOODS CORPORATION
(Registrant)

Dated: August 17, 2012

By: /s/ Raymond F. Lancy
Raymond F. Lancy
Chief Financial Officer
(Duly Authorized Officer, Principal
Financial and Accounting Officer)

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