

BRIDGFORD FOODS CORP
Form 10-Q
August 23, 2010

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 09, 2010

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.

Edgar Filing: BRIDGFORD FOODS CORP - Form 10-Q

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.

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 19, 2010 the registrant had 9,329,887 shares of common stock outstanding.

BRIDGFORD FOODS CORPORATION
FORM 10-Q QUARTERLY REPORT
INDEX

References to "Bridgford Foods" or the "Company" contained in this Quarterly Report on Form 10-Q refer to Bridgford Foods Corporation.

Part I. Financial Information

Item 1. Financial Statements	Page
a. Condensed Consolidated Balance Sheets at July 9, 2010 (unaudited) and October 30, 2009	3
b. Condensed Consolidated Statements of Operations for the twelve and thirty-six weeks ended July 9, 2010 and July 10, 2009 (unaudited)	4
c. Condensed Consolidated Statements of Cash Flows for the thirty-six weeks ended July 9, 2010 and July 10, 2009 (unaudited)	5
d. Notes to Condensed Consolidated Financial Statements (unaudited)	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	12
Item 3. Quantitative and Qualitative Disclosures about Market Risk	20
Item 4T. Controls and Procedures	21
Part II. Other Information	
Item 1A. Risk Factors	22
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	22
Item 6. Exhibits	22
Signatures	23

Items 1, 3 and 5 of Part II have been omitted because they are not applicable with respect to the current reporting period.

Part I. Financial Information

Item 1. a.

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

ASSETS	July 9, 2010 (Unaudited)	October 30, 2009
Current assets:		
Cash and cash equivalents	\$ 16,117	\$ 13,911
Accounts receivable, less allowance for doubtful accounts of \$303 and \$404, respectively, and promotional allowances of \$1,710 and \$1,962, respectively	10,383	9,718
Inventories, less inventory reserves of \$232 and \$101, respectively (Note 2)	14,306	15,595
Prepaid expenses and other current assets	260	789
Total current assets	41,066	40,013
Property, plant and equipment, less accumulated depreciation of \$56,343 and \$55,362, respectively	7,645	8,300
Other non-current assets	10,788	10,586
	\$59,499	\$58,899
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,738	\$ 4,227
Accrued payroll, advertising and other expenses	8,275	8,987
Total current liabilities	12,013	13,214
Non-current liabilities	13,695	13,262
Total liabilities	25,708	26,476
Commitments and Contingencies (Note 3)		
Shareholders' equity:		
Preferred stock, without par value		
Authorized - 1,000 shares		
Issued and outstanding - none		

Edgar Filing: BRIDGFORD FOODS CORP - Form 10-Q

Common stock, \$1.00 par value

Authorized - 20,000 shares		
Issued and outstanding - 9,330 and 9,355 shares, respectively	9,387	9,412
Capital in excess of par value	10,418	10,646
Retained earnings	22,706	21,085
Accumulated other comprehensive loss	(8,720)	(8,720)
	33,791	32,423
	\$59,499	\$58,899

See accompanying notes to condensed consolidated financial statements.

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 9, 2010	July 10, 2009	July 9, 2010	July 10, 2009
Net sales	\$26,933	\$26,281	\$83,012	\$83,435
Cost of products sold	17,089	15,461	49,229	50,466
Gross margin	9,844	10,820	33,783	32,969
Selling, general and administrative expenses	9,806	9,552	29,730	29,133
Income before taxes	38	1,268	4,053	3,836
Income tax provision	799	208	1,499	208
Net (loss) income	\$(761)) \$1,060	\$2,554	\$3,628
Net (loss) income per share - basic and diluted	\$(0.08)) \$0.11	\$0.27	\$0.38
Weighted average common shares - Basic and diluted	9,330	9,419	9,336	9,429
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 9, 2010 July 10, 2009

Cash flows from operating activities:

Net income	\$2,554	\$3,628
Income or charges not affecting cash and cash equivalents:		
Depreciation	1,508	1,962
(Recoveries) losses on accounts receivable	(100)	6
Gain on sale of property, plant and equipment	(25)	(10)
Effect on cash and cash equivalents from changes in operating assets and liabilities:		
Accounts receivable	(565)	1,619
Inventories	1,289	1,005
Prepaid expenses and other current assets	529	(337)
Other non-current assets	(202)	(4)
Accounts payable	(489)	531
Accrued payroll, advertising and other expenses	(712)	(562)
Non-current liabilities	433	(325)
Net cash provided by operating activities	4,220	7,513
Cash used in investing activities:		
Proceeds from sale of property, plant and equipment	25	56
Additions to property, plant and equipment	(853)	(984)
Net cash used in investing activities	(828)	(928)
Cash used in financing activities:		
Shares repurchased	(253)	(270)
Cash dividends paid	(933)	--
Net cash used in financing activities	(1,186)	(270)
Net increase in cash and cash equivalents	2,206	6,315
Cash and cash equivalents at beginning of period	13,911	6,092
Cash and cash equivalents at end of period	\$16,117	\$12,407

Cash paid for income taxes	\$1,250	--
----------------------------	---------	----

See accompanying notes to condensed consolidated financial statements.

5

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 9, 2010 and July 10, 2009 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 30, 2009 (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. New 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 30, 2009 balance sheet within these interim condensed consolidated financial statements was derived from the audited fiscal 2009 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 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. 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.

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 the short maturity

of these instruments. At July 9, 2010, 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 9, 2010 and July 10, 2009, Wal-Mart® accounted for 14.4% and 11.7%, respectively, of consolidated revenues and 9.4% and 15.2% of consolidated accounts receivable. For the thirty-six weeks ended July 9, 2010, Dollar General® accounted for 10.4% of consolidated revenues and 32.6% of consolidated accounts receivable. No other customer accounted for more than 10% of consolidated accounts receivable or consolidated revenues for the thirty-six weeks ended July 10, 2009.

The Company has changed the presentation of the Condensed Consolidated Statements of Operations to present a gross margin line item. As a result, depreciation previously presented separately is now part of cost of products sold and selling, general and administrative expenses. Prior year amounts have been reclassified to give effect to this presentation.

Note 2 - Inventories:

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

	(unaudited)	
	July 9, 2010	October 30, 2009
Meat, ingredients and supplies	\$4,037	\$4,488
Work in progress	1,191	1,647
Finished goods	9,078	9,460
	\$14,306	\$15,595

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:

The Company leases certain transportation equipment under operating leases. The terms of the transportation leases provide for renewal options and contingent rental payments based upon mileage and adjustments of rental payments based on the Consumer Price Index. 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 2010.

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.

The Company purchases bulk flour 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. No significant contracts remained unfulfilled at July 9, 2010.

7

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 9, 2010 and July 10, 2009.

Twelve Weeks Ended July 9, 2010	Frozen Food Products	Refrigerated and Snack Food Products	Other	Elimination	Totals
Sales to external customers	\$ 11,001	\$ 15,932	\$-	\$-	\$ 26,933
Intersegment sales	-	322	-	322	-
Net sales	11,001	16,254	-	322	26,933
Cost of products sold	6,657	10,754	-	322	17,089
Gross margin	4,344	5,500	-	-	9,844
Selling, general and administrative expenses	4,072	5,719	15	-	9,806
Income (loss) before taxes	272	(219)	(15)	-	38
Income tax provision	622	177	-	-	799
Net (loss)	\$(350)	\$(396)	\$(15)	\$-	\$(761)
Total assets	\$ 10,627	\$ 22,201	\$ 26,671	\$-	\$ 59,499
Additions to property, plant and equipment	\$ 78	\$ 123	\$-	\$-	\$ 201

Twelve Weeks Ended July 10, 2009	Frozen Food Products	Refrigerated and Snack Food Products	Other	Elimination	Totals
Sales to external customers	\$ 11,186	\$ 15,095	\$-	\$-	\$ 26,281
Intersegment sales	-	123	-	123	-
Net sales	11,186	15,218	-	123	26,281
Cost of products sold	6,560	9,024	-	123	15,461
Gross margin	4,626	6,194	-	-	10,820
Selling, general and administrative expenses	3,685	5,835	32	-	9,552
Income (loss) before taxes	941	359	(32)	-	1,268
Income tax provision	68	140	-	-	208

Edgar Filing: BRIDGFORD FOODS CORP - Form 10-Q

Net income (loss)	\$873	\$219	\$(32) \$-	\$1,060
Total assets	\$10,100	\$21,374	\$23,475	\$-	\$54,949
Additions to property, plant and equipment	\$143	\$37	\$30	\$-	\$210

8

Thirty-six Weeks Ended July 9, 2010	Frozen Food Products	Refrigerated and Snack Food Products	Other	Elimination	Totals
Sales to external customers	\$36,613	\$46,399	\$-	\$-	\$83,012
Intersegment sales	-	859	-	859	-
Net sales	36,613	47,258	-	859	83,012
Cost of products sold	21,816	28,272	-	859	49,229
Gross margin	14,797	18,986	-	-	33,783
Selling, general and administrative expenses	11,827	17,811	92	-	29,730
Income (loss) before taxes	2,970	1,175	(92)	-	4,053
Income tax provision	1,089	410	-	-	1,499
Net income (loss)	\$1,881	\$765	\$(92)	\$-	\$2,554
Total assets	\$10,627	\$22,201	\$26,671	\$-	\$59,499
Additions to property, plant and equipment	\$320	\$518	\$15	\$-	\$853

Thirty-six Weeks Ended July 10, 2009	Frozen Food Products	Refrigerated and Snack Food Products	Other	Elimination	Totals
Sales to external customers	\$36,899	\$46,536	\$-	\$-	\$83,435
Intersegment sales	-	481	-	481	-
Net sales	36,899	47,017	-	481	83,435
Cost of products sold	21,822	29,125	-	481	50,466
Gross margin	15,077	17,892	-	-	32,969
Selling, general and administrative expenses	11,481	17,539	113	-	29,133
Income (loss) before taxes	3,596	353	(113)	-	3,836
Income tax provision	68	140	-	-	208
Net income (loss)	\$3,528	\$213	\$(113)	\$-	\$3,628
Total assets	\$10,100	\$21,374	\$23,475	\$-	\$54,949
Additions to property, plant and equipment	\$677	\$185	\$122	\$-	\$984

Note 5 - Income Taxes:

The Company expects its effective tax rate for the 2010 fiscal year to be different from the federal statutory rate due to a full valuation allowance on all deferred tax assets. We recorded a provision for income taxes in the amount of \$1,499 for the thirty-six week period ended July 9, 2010, related to federal and state taxes, based on the Company's expected annual effective tax rate.

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 9, 2010 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. Therefore, a full valuation allowance will remain against our net deferred tax assets. The Company has established objective criteria that must be met before a release of the valuation allowance will occur.

We are subject to U.S. federal income tax, and are currently under audit by the Internal Revenue Service for the years ended November 1, 2002 through October 31, 2003. Our federal income tax returns are open to audit under the statute of limitations for the years ended October 31, 2008 through 2009. Our statute of limitations for our years ended November 1, 2002 through October 31, 2003 have been extended to October 31, 2010. We believe the appropriate provisions for all outstanding issues have been made for all years under audit. 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 years ended October 29, 2005 through October 30, 2009. We do not anticipate a significant change to the total amount of unrecognized tax benefits within the next twelve months.

Note 6 - Fair Value Measurements:

The Company uses established guidance for measuring fair value and to enhance disclosures about fair value measurements.

This framework describes three levels of inputs that may be used to measure fair value:

- Level 1 inputs: Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 inputs: Level 2 inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs: Level 3 inputs are unobservable and should be used to measure fair value to the extent that observable inputs are not available.

The hierarchy noted above requires us to minimize the use of unobservable inputs and to use observable market data, if available, when determining fair value.

Financial assets carried at fair value as of July 9, 2010 are classified below:

	Level 1	Level 2	Level 3	Total
Money market funds	\$6,041	\$-	\$-	\$6,041
Total	\$6,041	\$-	\$-	\$6,041

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 30, 2009. 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. Actual results could differ from those 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. We record allowance for doubtful accounts promotional and returns allowances and inventory reserves based on recent and historical trends. Management believes its current estimates are reasonable and based on the best information available at the time.

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. Sales to Wal-Mart® comprised 14.4% of revenues in the first thirty-six weeks of fiscal year 2010 and 9.4% of accounts receivable was due from Wal-Mart® at July 9, 2010. In comparison, Wal-Mart® comprised 11.7% of revenues for the first thirty-six weeks of fiscal year 2009 and 15.2% of accounts receivable at the end of the third quarter of fiscal year 2009. Sales to Dollar General® comprised 10.4% of revenues in the first thirty-six weeks of fiscal year 2010 and 32.6% of accounts receivable was due from Dollar General® at July 9, 2010.

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.

Deferred taxes are provided for items whose financial and tax bases differ. A valuation allowance is provided against deferred tax assets when it is expected that it is more likely than not that the related asset will not be fully realized. During the fourth quarter of fiscal 2008, management recorded a full valuation reserve with respect to its deferred tax assets. The determination as to whether or not a deferred tax asset can be fully realized is subject to a significant degree of judgment, based at least partially upon a projection of future taxable income, which takes into consideration past and future trends in profitability, customer demand, supply costs, and multiple other factors, none of which are predictable. The Company policy outlines measurable objective criteria that must be met before a release of the valuation allowance will occur. Due to the degree of judgment involved, actual taxable income could differ materially from management's estimates, or the timing of taxable income could be such that the net operating losses could expire prior to their utilization. Management could determine in the future that the assets are realizable, materially increasing net income in one or many periods. Following recognition, management could again change its determination in the future, materially decreasing income.

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 an annual 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 operation 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 products consisting of 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 division serves both food service and retail customers. We sell approximately 170 unique frozen food products 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 240 different items through a direct store delivery network serving approximately 23,000 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. Independent distributors serve approximately 2,400 customers of all types in areas impractical to serve by our Company-owned vehicles and personnel.

Results of Operations for the Twelve Weeks ended July 9, 2010 and Twelve Weeks ended July 10, 2009
(in thousands, except percentages)

Net Sales-Consolidated

Net sales increased by \$652 (2.5%) to \$26,933 in the third twelve weeks of the 2010 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	-10.1	%	\$ (2,924)
Unit sales volume in pounds	13.0	%	3,746
Promotional activity	-0.5	%	(169)
Returns activity	0.1	%	(1)
Increase in net sales	2.5	%	\$ 652

Compared to the prior twelve-week period ended April 16, 2010 (not shown), average weekly net sales increased \$9 (0.4%). The average selling price per pound increased 10.5% during the third twelve weeks of the 2010 fiscal year compared to the previous twelve-week period partially offset by a unit sales volume decrease of 9.9%. Promotional and returns activity caused an aggregate increase of 0.5%.

Net Sales-Frozen Food Products Segment

Net sales in the Frozen Food Products Segment, excluding inter-segment sales, decreased by \$185 (1.7%) to \$11,001 in the third twelve weeks of the 2010 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	-11.7	%	\$ (1,437)
Unit sales volume in pounds	10.0	%	1,231
Promotional activity	-0.8	%	(68)
Returns activity	0.8	%	89
Decrease in net sales	-1.7	%	\$ (185)

The decrease in selling price per pound was due to product mix changes and was partially off-set by increased unit volume compared to the same twelve week period in fiscal year 2009.

Net Sales-Refrigerated and Snack Food Segment

Net sales in the Refrigerated and Snack Food Products Segment, excluding inter-segment sales, increased by \$837 (5.5%) to \$15,932 in the third twelve weeks of the 2010 fiscal year compared to the same twelve-week period last year. The changes in net sales were comprised as follows:

14

Impact on Net Sales-Refrigerated and Snack Food

Selling price per pound	-9.1	%	\$	(1,488)
Unit sales volume in pounds	15.3	%		2,516	
Promotional activity	-0.4	%		(101)
Returns activity	-0.3	%		(90)
Increase in net sales	5.5	%	\$	837	

The selling price per pound decreased due to product mix changes; however, this decline was more than off-set by a higher volume of pounds sold compared to the same twelve week period in fiscal year 2009.

Cost of Products Sold and Gross Margin-Consolidated

Cost of products sold increased by \$1,628 (10.5%) to \$17,089 in the third twelve weeks of the 2010 fiscal year compared to the same twelve-week period in fiscal 2009. The increase in cost of products sold did not directly correspond to the increase in sales due to substantial increases in commodity costs compared to the same period last year. This increase was partially off-set by higher facility utilization compared to the comparative twelve weeks. The gross margin decreased from 41.2% to 36.5% due to these factors.

Compared to the prior twelve-week period ended April 16, 2010 (not shown), the average weekly cost of products sold during the third twelve weeks of fiscal year 2010 increased \$169 (13.5%). This increase reflects an increase in commodity costs compared to the prior twelve-week period.

Cost of Products Sold-Frozen Food Products Segment

Cost of products sold in the Frozen Food Products Segment increased by \$97 (1.5%) to \$6,657 in the third twelve weeks of the 2010 fiscal year compared to the same twelve-week period in fiscal year 2009. The increase in cost of products sold did not directly correlate to the change in sales due to increases in production overheads including utilities, healthcare and workers' compensation benefits, which reduced the gross margin earned in this segment from 41.4% to 39.5%, compared to the same period last year. The cost of purchased flour declined approximately \$120 in the third twelve weeks of fiscal 2010 compared to the prior year period partially off-setting the overhead cost increase.

Cost of Products Sold-Refrigerated and Snack Food Segment

Cost of products sold in the Refrigerated and Snack Food Products Segment increased by \$1,730 (19.2%) to \$10,754 in the third twelve weeks of the 2010 fiscal year compared to the same twelve-week period in fiscal year 2009. This increase did not correlate to the change in sales levels and instead increased due to significantly higher meat commodity costs and increased pounds sold compared to the same twelve week period in the prior fiscal year. The cost of significant meat commodities increased approximately \$482 in the third twelve weeks of fiscal 2010 compared to the same period in the prior year. The gross margin earned in this Segment decreased from 41.0% to 34.5% due to these factors and sales mix changes.

Selling, General and Administrative Expenses-Consolidated

Selling, general and administrative ("SG&A") expenses increased by \$254 (2.7%) to \$9,806 in the third twelve weeks of fiscal year 2010 compared to the same twelve-week period in the prior fiscal year. The increase in this category for the twelve-week period ended July 9, 2010 corresponds to the sales increase. The table below summarizes the significant expense increases and decreases included in this category:

Edgar Filing: BRIDGFORD FOODS CORP - Form 10-Q

	12 Weeks Ended		Expense/Gain Increase (Decrease)
	July 9, 2010	July 10, 2009	
Wages and bonus	\$ 3,492	\$ 4,086	\$ (594)
Benefits-healthcare	852	484	368
Cash surrender value loss (gain)	214	(76)	290
Workers' compensation	206	35	171
Fuel	604	580	24
Other SG&A	4,438	4,443	(5)
Total	\$ 9,806	\$ 9,552	\$ 254

Headcount decreased during the third twelve weeks of the 2010 fiscal year compared to the same period in the prior year, which resulted in decreased wages and combined with lower profits, decreased profit sharing accruals. The Company's self-insured healthcare benefit expense was negatively impacted in the period due to unfavorable claim trends. The cash surrender value of life insurance policies decreased primarily as a result of unfavorable trends in the market values of equities that support policy values. The Company's workers' compensation benefit expense was normal compared to unusually favorable claim trends in the comparative twelve weeks period in fiscal 2009. The increase in fuel expense was driven by per gallon fuel price increases compared to the prior year period as a result of negative trends in petroleum markets. When comparing the third twelve weeks of fiscal year 2010 to the prior twelve-week period ended April 16, 2010 (not shown), average weekly SG&A increased by \$24 (3.1%) due to the same factors listed above.

Selling, General and Administrative Expenses-Frozen Food Products Segment

SG&A expenses in the Frozen Food Products Segment increased by \$387 (10.5%) to \$4,072 in the third twelve weeks of fiscal year 2010 compared to the same twelve week period in the prior fiscal year. Increases in this category directly relate to increases in the cost for fuel, vehicle repairs, electric utilities and healthcare benefit expense.

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

SG&A in the Refrigerated and Snack Food Products Segment decreased by \$116 (2.0%) to \$5,719 in the third twelve weeks of fiscal year 2010 compared to the same twelve-week period in the prior fiscal year. The decrease in SG&A relates to the realignment of the direct store delivery system to optimize central distribution locations which was partially offset by increases in fuel cost, pension and healthcare benefit expense.

Income Taxes-Consolidated

The income tax expense for the twelve weeks ended July 9, 2010 and July 10, 2009 was as follows:

	July 9, 2010	July 10, 2009
Income tax provision	\$799	\$208
Effective tax rate	2,102.6	% 16.4 %

We expect our effective tax rate for the 2010 fiscal year to be different from the federal statutory rate due to a full valuation allowance on all deferred tax assets. We recorded a provision for income taxes in the amount of \$799 for the twelve week period ended July 9, 2010, related to federal and state taxes, based on our current projected taxable income for the year.

Net Income -Consolidated

The net loss of \$761 in the twelve weeks ended July 9, 2010 includes a non-taxable loss on life insurance policies in the amount of \$214. Gains and losses on life insurance policies are dependent upon the performance of the underlying equities and future results may vary considerably.

The net income of \$1,060 in the twelve weeks ended July 10, 2009 includes a gain on life insurance policies in the amount of \$76. Taxable investment income decreased on a comparative basis due to lower short-term interest rates.

Results of Operations for the Thirty-Six Weeks ended July 9, 2010 and Thirty-Six Weeks ended July 10, 2009
(in thousands, except percentages)

Net Sales-Consolidated

Net sales decreased by \$423 (0.5%) to \$83,012 in the first thirty-six weeks of the 2010 fiscal year compared to the same thirty-six-week period last year. The changes in net sales were comprised as follows:

16

Impact on Net Sales-Consolidated

Selling price per pound	-8.2	%	\$	(7,523)
Unit sales volume in pounds	7.7	%		7,090	
Promotional activity	-0.6	%		(476)
Returns activity	0.6	%		486	
Decrease in net sales	-0.5	%	\$	(423)

Net Sales-Frozen Food Products Segment

Net sales in the Frozen Food Products Segment, excluding inter-segment sales, decreased by \$286 (0.8%) to \$36,613 in the first thirty-six weeks of the 2010 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	-5.6	%	\$	(2,282)
Unit sales volume in pounds	5.2	%		2,130	
Promotional activity	-0.9	%		(318)
Returns activity	0.5	%		184	
Decrease in net sales	-0.8	%	\$	(286)

The decrease in selling prices per pound was due to product mix changes and was partially off-set by increased unit volume compared to the same thirty-six week period in fiscal year 2009.

Net Sales-Refrigerated and Snack Food Segment

Net sales in the Refrigerated and Snack Food Products Segment, excluding inter-segment sales, decreased by \$137 (0.3%) to \$46,399 in the first thirty-six weeks of the 2010 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

Selling price per pound	-10.2	%	\$	(5,241)
Unit sales volume in pounds	9.7	%		4,961	
Promotional activity	-0.4	%		(158)
Returns activity	0.6	%		301	
Decrease in net sales	-0.3	%	\$	(137)

The selling price per pound decreased due to product mix changes. This decline was partially off-set by a higher volume of pounds sold compared to the same thirty-six week period in fiscal year 2009.

Cost of Products Sold and Gross Margin-Consolidated

Cost of products sold decreased by \$1,237 (2.5%) to \$49,229 in the first thirty-six weeks of the 2010 fiscal year compared to the same thirty-six-week period in fiscal 2009. The decrease in cost of products sold relates to lower unit sales volume, increased utilization of production facilities and lower flour costs. The gross margin increased from 39.5% to 40.7% due to these factors.

Cost of Products Sold-Frozen Food Products Segment

Cost of products sold in the Frozen Food Products Segment decreased by \$6 (0.0%) to \$21,816 in the first thirty-six weeks of the 2010 fiscal year compared to the same thirty-six-week period in fiscal year 2009. Lower flour costs and lower sales levels contributed to this decrease in the current year period. The cost of purchased flour declined approximately \$360 in the first thirty-six weeks of fiscal 2010 compared to same period in the prior year. The gross margin decreased from 40.9% to 40.4% due to these factors.

Cost of Products Sold-Refrigerated and Snack Food Segment

Cost of products sold in the Refrigerated and Snack Food Products Segment decreased by \$853 (2.9%) to \$28,272 in the first thirty-six weeks of the 2010 fiscal year compared to the same thirty-six-week period in fiscal year 2009. This decrease corresponds to lower sales levels, increased in-sourcing of products previously purchased from outside suppliers and lower commodity costs compared to the same thirty-six week period in the prior fiscal year. The cost of significant meat commodities decreased approximately \$494 in the first thirty-six weeks of fiscal 2010 compared to the same period in the prior year. The gross margin increased from 38.4% to 40.9% due to these factors.

Selling, General and Administrative Expenses-Consolidated

Selling, general and administrative (“SG&A”) expenses increased by \$597 (2.0%) to \$29,730 in the first thirty-six weeks of fiscal year 2010 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 9, 2010 did not correspond to the sales decrease. The table below summarizes the significant expense increases and decreases included in this category:

	36 Weeks Ended		Expense/Gain Increase (Decrease)
	July 9, 2010	July 10, 2009	
Benefits-healthcare	\$ 2,165	\$ 1,651	\$ 514
Wages and bonus	11,642	12,034	(392)
Fuel	1,922	1,536	386
Workers' compensation	635	341	294
Cash surrender value (gain)	(201)	(3)	(198)
In-store displays	307	153	154
Other SG&A	13,260	13,421	(161)
Total	\$ 29,730	\$ 29,133	\$ 597

The Company's self-insured healthcare benefit expense was negatively impacted in the period due to adverse plan experience resulting in higher claim payments. Headcount decreased compared to the same period in the prior year, and overall wages decreased due to lower profits and decreased profit sharing accruals. The increase in fuel expense was driven by per gallon fuel price increases compared to the prior year as a result of negative trends in petroleum markets. The Company's workers' compensation benefit expense was negatively impacted in the period due to unfavorable claim trends. The cash surrender value of life insurance policies increased primarily as a result of favorable trends in the market values of equities that support policy values. The increase in in-store displays primarily relates to the timing of Christmas holiday season product placements.

Selling, General and Administrative Expenses-Frozen Food Products Segment

SG&A expenses in the Frozen Food Products Segment increased by \$346 (3.0%) to \$11,827 in the first thirty-six weeks of fiscal year 2010 compared to the same thirty-six week period in the prior fiscal year. The increase in this category primarily relates to higher costs for fuel, vehicle repairs and healthcare benefit expenses.

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

SG&A in the Refrigerated and Snack Food Products Segment increased by \$272 (1.6%) to \$17,811 in the first thirty-six weeks of fiscal year 2010 compared to the same thirty-six week period in the prior fiscal year. Increases in fuel cost, in-store displays, pension, healthcare benefits and workers' compensation benefits contributed to the increase in SG&A expenses when compared to the same thirty-six week period in the prior fiscal year.

Income Taxes-Consolidated

The income tax expense for the first thirty-six weeks ended July 9, 2010 and July 10, 2009 was as follows:

	July 9, 2010		July 10, 2009	
Income tax provision	\$ 1,499		\$ 208	
Effective tax rate	36.0	%	5.4	%

We expect our effective tax rate for the 2010 fiscal year to be different from the federal statutory rate due to a full valuation allowance on all deferred tax assets. We recorded a provision for income taxes in the amount of \$1,499 for the thirty-six week period ended July 9, 2010, related to federal and state taxes, based on our current projected taxable income for the year.

Net Income -Consolidated

The net income of \$2,554 in the thirty-six weeks ended July 9, 2010 includes a non-taxable gain on life insurance policies in the amount of \$201. Gains and losses on life insurance policies are dependent upon the performance of the underlying equities and future results may vary considerably.

The net income of \$3,628 in the thirty-six weeks ended July 10, 2009 includes a non-taxable gain on life insurance policies in the amount of \$3. Taxable investment income decreased on a comparative basis due to lower short-term interest rates.

Liquidity and Capital Resources (in thousands, except per share amounts)

Our need for operations growth, capital expenses and share repurchases are expected to be met with cash flows provided by future operating activities.

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

	July 9, 2010	July 10, 2009
Net income	\$ 2,554	\$ 3,628
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,508	1,962
(Recoveries) losses on accounts receivable	(100)	6
Gain on sale of property, plant and equipment	(25)	(10)
Changes in operating working capital	283	1,927
Net cash provided by operating activities	\$ 4,220	\$ 7,513

Significant changes in working capital for the thirty-six weeks ended:

July 9, 2010 – Sources of cash included decrease in inventory of \$1,289. Operating cash flows for the period ended July 9, 2010 were reduced by an increase in accounts receivable of \$565, a decrease in accounts payable of \$489 and a decrease in accrued payroll, advertising and other expenses of \$712. During the thirty-six week period we funded \$631 towards our defined benefit pension plan.

July 10, 2009- Sources of cash included reductions in accounts receivable of \$1,619 and inventory of \$1,005. The increase in operating cash flows for the period ended July 10, 2009 included an increase in accounts payable of \$531 and a decrease in accrued payroll, advertising and other expense of \$562. During the period we funded \$361 towards our defined benefit pension plan.

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

July 9, 2010	July 10, 2009
--------------	---------------

Edgar Filing: BRIDGFORD FOODS CORP - Form 10-Q

Proceeds from sale of property, plant and equipment	\$	25		\$	56
Additions to property, plant and equipment		(853)		(984)
Net cash used in investing activities	\$	(828)	\$	(928)

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. Overall capital spending has declined in recent years as we carefully scrutinize capital investments for short term pay-back. 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 9, 2010
Increase in projects in process	\$ 290
Delivery vehicles	112
Processing equipment	235
Temperature control	76
Quality control	75
Packaging lines	65
Additions to property, plant and equipment	\$ 853

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

	July 9, 2010	July 10, 2009
Shares repurchased	\$ (253)	\$ (270)
Cash dividends paid	(933)	
Net cash used in financing activities	\$ (1,186)	\$ (270)

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 9, 2010, up to approximately 363,168 shares were still authorized for repurchase under the program. A one-time cash dividend in the amount of ten cents per share was paid during the first twelve weeks of the 2010 fiscal year.

We remained free of interest bearing debt during the first thirty-six weeks of fiscal year 2010. We have remained free of interest-bearing debt for twenty-three consecutive years. We maintain a line of credit with Bank of America that expires April 30, 2011. 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 certain levels of shareholders' equity and working capital. We were in compliance with all loan covenants as of July 9, 2010. There were no borrowings under this line of credit during the year. Management believes that our strong financial position and our capital resources are sufficient to provide for our operating needs and capital expenditures for the balance of fiscal 2010.

Recent Accounting Pronouncements

In December 2008, the FASB issued additional guidance on an employers' disclosures about plan assets of a defined benefit pension or other postretirement plan. This interpretation is effective for financial statements issued for fiscal years ending after December 15, 2009. We plan to adopt this interpretation in fiscal 2010. The adoption of this interpretation will increase the disclosures in the financial statements related to the assets of our defined benefit

pension plans. We do not expect the adoption of this guidance to 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 4T. Controls and Procedures

Our management, with the participation and under the supervision of our Chairman and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based on this evaluation the Chairman and Chief 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.

There have been no changes in our internal controls over financial reporting that occurred during our third quarter ended July 9, 2010 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Our management, including our Chairman and Chief 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 our 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 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 Statement of Auditing Standards No. 114 (Communication with Audit Committees). In addition, the Audit Committee and the independent registered public accounting firm have discussed the independent registered public accounting firm's independence from our 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".

Section 404 of the Sarbanes-Oxley Act of 2002

In order to comply with the Sarbanes-Oxley Act of 2002 (the "Act"), we have undertaken and continue a comprehensive effort, which includes the documentation and review of our internal controls. In order to comply with the Act, we centralized most accounting and many administrative functions at our corporate headquarters in an effort to control the cost of maintaining our control systems.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law by the President on July 21, 2010, permanently exempts small public companies with less than \$75 million in market capitalization from the requirement to obtain an external audit on the effectiveness of internal financial reporting controls provided in Section 404(b) of the Sarbanes-Oxley Act. As a result, an attestation report on internal controls over financial reporting by an independent registered public accounting firm will no longer be required. Section 404(a) is still effective for smaller public companies and requires the disclosure of management attestations on internal controls over financial reporting. Commencing with the fiscal year ended October 31, 2008, we are required to issue a management report on internal control over financial reporting, with each Annual Report on Form 10-K thereafter.

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 30, 2009, 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 did not sell or repurchase any equity securities during the period covered by this report.

Item 6.

Exhibits

Exhibit No.

Description

31.1 Certification of Chairman (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 (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.

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 23, 2010

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