

BRIDGFORD FOODS CORP  
Form 10-Q  
August 29, 2008

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 11, 2008

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 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).

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Yes [  ]

No [  ]

As of August 8, 2008 the registrant had 9,437,728 shares of common stock outstanding.

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**BRIDGFORD FOODS CORPORATION**  
**FORM 10-O QUARTERLY REPORT**  
**INDEX**

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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Items 1, 3, 4 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**  
**CONSOLIDATED CONDENSED BALANCE SHEETS**  
(in thousands, except per share amounts)

<b><u>ASSETS</u></b>	<b>July 11, 2008 (Unaudited)</b>	<b>November 2, 2007</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 6,234	\$ 11,336
Accounts receivable, less allowance for doubtful accounts of \$374 and \$482, respectively, and promotional allowances of \$2,210 and \$1,980, respectively	7,797	8,563
Inventories (Note 3)	18,423	18,332
Prepaid expenses and other current assets	3,907	3,124
<b>Total current assets</b>	<b>36,361</b>	<b>41,355</b>
<b>Property, plant and equipment, less accumulated depreciation of \$55,359 and \$53,840, respectively</b>	<b>10,553</b>	<b>11,221</b>
<b>Other non-current assets</b>	<b>11,528</b>	<b>15,071</b>
	<b>\$ 58,442</b>	<b>\$ 67,647</b>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 3,816	\$ 2,978
Accrued payroll, advertising and other expenses	7,954	8,924
<b>Total current liabilities</b>	<b>11,770</b>	<b>11,902</b>
<b>Non-current liabilities</b>	<b>10,083</b>	<b>5,776</b>
<b>Commitments (Notes 5 and 6)</b>		
<b>Shareholders' equity:</b>		
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 - 9,438 and 9,889 shares	9,495	9,946
Capital in excess of par value	11,222	13,789

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Retained earnings	19,424	26,837
Accumulated other comprehensive loss	(3,552)	(603)
	36,589	49,969
	\$ 58,442	\$ 67,647

See accompanying notes to consolidated condensed financial statements.

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Item 1. b.

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

	12 weeks ended		36 weeks ended	
	July 11, 2008	July 13, 2007	July 11, 2008	July 13, 2007
Net sales	\$ 26,584	\$ 26,686	\$ 82,802	\$ 86,893
Cost of products sold, excluding depreciation	17,546	16,954	54,872	56,454
Selling, general and administrative expenses	10,218	8,936	29,311	28,380
Depreciation	753	717	2,249	2,280
	28,517	26,607	86,432	87,114
(Loss) income before taxes	(1,933)	79	(3,630)	(221)
Income tax provision (benefit)	4,339	46	3,690	(22)
Net (loss) income	\$ (6,272)	\$ 33	\$ (7,320)	\$ (199)
Basic and diluted (loss) income per share (Note 4)	\$ (.66)	\$ .00	\$ (.76)	\$ (.02)
Basic and diluted shares computed	9,445	9,924	9,669	9,940

See accompanying notes to consolidated condensed financial statements

Item 1. c.

**CONSOLIDATED CONDENSED STATEMENT OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE LOSS**  
(Unaudited)  
(in thousands)

	Common Stock		Capital in excess of par	Retained earnings	Accumulated other comprehensive loss	Total
	Shares	Amount				
November 2, 2007	9,889	\$ 9,946	\$ 13,789	\$ 26,837	\$ (603)	\$ 49,969
Adoption of FIN#48 (Note 8)				(93)		(93)
Shares repurchased	(451)	(451)	(2,567)			(3,018)

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Net loss				(7,320)		(7,320)
Other comprehensive loss:						
Unrealized loss on investments					(56)	(56)
Increase in pension liability					(2,893)	(2,893)
Comprehensive loss						(10,269)
July 11, 2008	9,438	\$ 9,495	\$ 11,222	\$ 19,424	\$ (3,552)	\$ 36,589

See accompanying notes to consolidated condensed financial statements.

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Item 1. d.

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

	36 weeks ended	
	July 11, 2008	July 13, 2007
Cash flows from operating activities:		
Net loss	\$ (7,320)	\$ (199)
Income charges not affecting cash:		
Depreciation	2,249	2,280
Provision (recovery) on losses on accounts receivable	26	(488)
Gain on sale of property, plant and equipment	(35)	(11)
Tax valuation allowance	4,940	
Effect on cash of changes in assets and liabilities:		
Trading securities		12,200
Accounts receivable, net	740	3,204
Inventories	(91)	746
Prepaid expenses and other current assets	(839)	(561)
Other non-current assets	376	(572)
Accounts payable	838	(1,078)
Accrued payroll, advertising and other expenses	(1,062)	(1,855)
Non-current liabilities	(360)	(446)
Net cash (used) provided by operating activities	(538)	13,220
Cash used in investing activities:		
Proceeds from sale of property, plant and equipment	40	11
Additions to property, plant and equipment	(1,586)	(1,056)
Net cash used in investing activities	(1,546)	(1,045)
Cash used in financing activities:		
Shares repurchased	(3,018)	(353)
Net cash used in financing activities	(3,018)	(353)

Net (decrease) increase in cash and cash equivalents	(5,102)	11,822
Cash and cash equivalents at beginning of period	11,336	1,180
Cash and cash equivalents at end of period	\$ 6,234	\$ 13,002
Cash paid for income taxes	\$ 0	\$ 0

See accompanying notes to consolidated condensed financial statements.

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Item 1. e.

**BRIDGFORD FOODS CORPORATION****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)**

(in thousands, except share and per share amounts)

**Note 1 - The Company and Summary of Significant Accounting Policies:**

The unaudited consolidated condensed financial statements of Bridgford Foods Corporation (the "Company") for the twelve and thirty-six weeks ended July 11, 2008 and July 13, 2007 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 November 2, 2007 (the "Annual Report") and include all adjustments considered necessary by management for a fair statement of the interim periods. Such adjustments consist only of normal recurring items. 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 to be expected for the full year. New accounting pronouncements and their effect on the Company are included in Management's Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-Q.

**Note 2 - Trading Securities:**

At July 11, 2008, the Company held no auction rate securities. The Company elected to sell all auction rate securities during the second quarter of fiscal 2007 and invest in 90-day treasury bills which are classified as cash and cash equivalents on the accompanying consolidated condensed balance sheet.

At January 26, 2007, the Company held \$15,200 of auction rate securities, identified as a separately stated current asset in accordance with SFAS 115, "Accounting for Certain Debt and Equity Securities." Auction rate securities are variable-rate bonds tied to short-term interest rates with maturities on the face of the securities in excess of 90 days. The Company's investments in these auction rate securities were classified as trading securities under SFAS 115. The securities were recorded at cost, which approximated fair market value because of their variable interest rates, which typically reset every 7 to 35 days. Despite the long-term nature of their stated contractual maturities, the Company had the intent and ability to quickly liquidate these securities; therefore, the Company had no cumulative gross unrealized holding gains or losses, or gross unrealized gains or losses from these investments. All income generated from these investments was recorded as interest income.

**Note 3 - Inventories:**

Inventories are comprised as follows at the respective periods:

	<b>July 11, 2008</b>	<b>November 2, 2007</b>
Meat, ingredients and supplies	\$ 4,907	\$ 3,726
Work in progress	2,865	1,360
Finished goods	10,651	13,246
	\$ 18,423	\$ 18,332

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 raw materials, labor and manufacturing overhead. The Company regularly reviews inventory quantities on hand and writes down any excess or obsolete inventories to 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 can be sold at reduced prices and could result in additional reserve provisions.

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**Note 4 - Basic and diluted earnings per share:**

The Company had 250,000 employee stock options outstanding during the thirty-six week periods ended July 11, 2008 and July 13, 2007. The effect of the employee stock options outstanding for the thirty-six weeks ended July 11, 2008 and July 13, 2007 was not included in the calculation of diluted shares and diluted earnings per share as to do so would be anti-dilutive. No options were granted during the first thirty-six weeks ended July 11, 2008 and July 13, 2007.

**Note 5 - Retirement and Other Benefit Plans:**

The Company has noncontributory-trusted defined benefit retirement plans for sales, administrative, supervisory and certain other employees. The benefits under these plans are primarily based on years of service and compensation levels. The Company's funding policy is to contribute annually the maximum amount deductible for federal income tax purposes, without regard to the plans' unfunded current liability. The measurement date for the plans is the Company's fiscal year end.

Net pension cost consisted of the following:

	<b>36 weeks ended</b>	
	<b>July 11, 2008</b>	<b>July 13, 2007</b>
Service cost	\$ 103	\$ 119
Interest cost	1,356	1,297
Expected return on plan assets	(1,601)	(1,355)
Amortization of unrecognized prior service cost	1	1
Curtailement cost	-	47
Net pension cost	\$ (141)	\$ 109

The expected Company contribution to the plans within the next twelve months is \$1,252. The Company has funded the plans in the amount of \$1,792 through the third quarter of fiscal 2008.

**Note 6 - Commitments:**

The Company leases certain transportation and computer equipment under operating leases. The terms of the transportation leases provide for annual renewal options and contingent rental payments based upon mileage and adjustments of rental payments based on the Consumer Price Index. No material changes have been made to these contracts during the first thirty-six weeks of fiscal 2008.

**Note 7 - 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).

The Company evaluates 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

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segment based on revenues and/or actual usage.

The following segment information is presented for the twelve and thirty-six week periods ended July 11, 2008 and July 13, 2007:

<b>Twelve Weeks Ended</b>	<b>Refrigerated</b>			<b>Other Elimination</b>	<b>Totals</b>
	<b>Frozen Food Products</b>	<b>and Snack Food Products</b>			
<b>July 11, 2008</b>					
Sales from external customers	\$ 11,469	\$ 15,115	\$ -	\$ -	\$ 26,584
Intersegment sales	-	317	-	317	-
Net sales	11,469	15,432	-	317	26,584
Cost of products sold, excluding depreciation	8,477	9,386	-	317	17,546
Selling, general and administrative expenses	3,599	6,619	-	-	10,218
Depreciation	181	498	74	-	753