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 EXCHANGE ACT OF 1934

For the quarterly period ended July 9, 2021

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 000-02396

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

California	**95-1778176**
(State or other jurisdiction of incorporation or organization)	(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)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	BRID	Nasdaq Global Market

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 20, 2021, the registrant had 9,076,832 shares of common stock outstanding.

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

Items 1 and 2 through 4 of Part II have been omitted because they are not applicable with respect to the Company and/or the current reporting period.

Part I. Financial Information

Item 1. a.

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

	July 9, 2021 (unaudited)	October 30, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ -	$ 4,302
Restricted cash	600	1,125
Accounts receivable, less allowance for doubtful accounts of $48 and $16, respectively, and promotional allowances of $3,292 and $2,550, respectively	23,054	23,818
Inventories, net	34,517	29,296
Refundable income taxes	7,084	9,517
Prepaid expenses and other current assets	701	692
Total current assets	65,956	68,750
Property, plant and equipment, net of accumulated depreciation and amortization of $62,456 and $58,686, respectively	75,999	73,332
Other non-current assets	15,202	13,201
Total assets	$ 157,157	$ 155,283
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 12,496	$ 10,502
Accrued payroll, advertising, and other expenses	6,568	5,981
Income taxes payable	94	94
Current notes payable - equipment	4,553	4,430
Other current liabilities	11,253	5,196
Total current liabilities	34,964	26,203
Long-term notes payable - equipment	21,345	24,692
Other non-current liabilities	31,321	33,142
Total liabilities	87,630	84,037
Contingencies and commitments (Note 3)		
Shareholders' equity:		
Preferred stock, without par value; authorized – 1,000,000 shares; issued and outstanding – none	-	-
Common stock, $1.00 par value; authorized – 20,000,000 shares; issued and outstanding – 9,076,832 and 9,076,832 shares, respectively	9,134	9,134
Capital in excess of par value	8,298	8,298
Retained earnings	78,036	79,755
Accumulated other comprehensive loss	(25,941)	(25,941)
Total shareholders' equity	69,527	71,246
Total liabilities and shareholders' equity	$ 157,157	$ 155,283

See accompanying notes to condensed consolidated financial statements.

Item 1. b.

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

	12 weeks ended		36 weeks ended	
	July 9, 2021	**July 10, 2020**	**July 9, 2021**	**July 10, 2020**
Net sales	$ 56,538	$ 41,660	$ 161,708	$ 131,301
Cost of products sold	44,527	29,628	124,559	91,305
Gross margin	12,011	12,032	37,149	39,996
Selling, general and administrative expenses	14,144	11,037	41,025	36,688
Gain on sale of property, plant, and equipment	(296)	(5)	(378)	(22)
Operating (loss) income	(1,837)	1,000	(3,498)	3,330
Other income (expense)				
Interest expense	(253)	(62)	(891)	(189)
Cash surrender value gain	153	916	2,001	497
Total other income (expense)	(100)	854	1,110	308
Loss (Income) before taxes	(1,937)	1,854	(2,388)	3,637
Benefit on income taxes	(527)	(1,279)	(669)	(1,782)
Net (loss) income	$ (1,410)	$ 3,133	$ (1,719)	$ 5,419
Basic (loss) earnings per share	$ (0.16)	$ 0.35	$ (0.19)	$ 0.60
Shares used to compute basic earnings per share	9,076,832	9,076,832	9,076,832	9,076,832

See accompanying notes to condensed consolidated financial statements.

Item 1. c.

BRIDGFORD FOODS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
36 weeks ended July 10, 2020, and July 9, 2021
(unaudited)
(in thousands)

	Shares	Amount	Capital in excess of par value	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance, November 1, 2019	9,076	$ 9,134	$ 8,298	$ 72,432	$ (23,380)	$ 66,484
Net income	-	-	-	5,419	-	5,419
Balance, July 10, 2020	9,076	$ 9,134	$ 8,298	$ 77,851	$ (23,380)	$ 71,903

	Shares	Amount	Capital in excess of par value	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance, October 30, 2020	9,076	$ 9,134	$ 8,298	$ 79,755	$ (25,941)	$ 71,246
Net loss	-	-	-	(1,719)	-	(1,719)
Balance, July 9, 2021	9,076	$ 9,134	$ 8,298	$ 78,036	$ (25,941)	$ 69,527

See accompanying notes to condensed consolidated financial statements.

BRIDGFORD FOODS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
12 weeks ended July 10, 2020, and July 9, 2021
(unaudited)
(in thousands)

	Shares	Amount	Capital in excess of par value	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance, April 17, 2020	9,076	$ 9,134	$ 8,298	$ 74,718	$ (23,380)	$ 68,770
Net income	-	-	-	3,133	-	3,133
Balance, July 10, 2020	9,076	$ 9,134	$ 8,298	$ 77,851	$ (23,380)	$ 71,903

	Shares	Amount	Capital in excess of par value	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance, April 16, 2021	9,076	$ 9,134	$ 8,298	$ 79,446	$ (25,941)	$ 70,937
Net loss	-	-	-	(1,410)	-	(1,410)
Balance, July 9, 2021	9,076	$ 9,134	$ 8,298	$ 78,036	$ (25,941)	$ 69,527

See accompanying notes to condensed consolidated financial statements.

Item 1. d.

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

	36 weeks ended	
	July 9, 2021	**July 10, 2020**
Cash flows from operating activities:		
Net (loss) income	$ (1,719)	$ 5,419
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,425	3,178
Provision for losses on accounts receivable	46	18
Increase in promotional allowances	742	75
Gain on sale of property, plant, and equipment	(378)	(22)
Changes in operating assets and liabilities:		
Accounts receivable, net	(24)	(1,261)
Inventories, net	(5,221)	4,887
Prepaid expenses and other current assets	(9)	(8,300)
Refundable income taxes	2,433	-
Other non-current assets	(2,001)	(498)
Accounts payable	1,994	(205)
Accrued payroll, advertising, and other expenses	587	373
Current portion of non-current liabilities	9	(1,504)
Deferred income taxes	-	5,986
Non-current liabilities	(1,455)	(225)
Net cash (used in) provided by operating activities	(571)	7,921
Cash flows from investing activities:		
Proceeds from sale of property, plant, and equipment	128	37
Proceeds from pending sale of assets in escrow	-	900
Additions to property, plant, and equipment	(6,842)	(15,257)
Net cash used in investing activities	(6,714)	(14,320)
Cash flows from financing activities:		
Payment of lease and right of use obligations	(319)	(40)
Proceeds from bank borrowings	6,000	18,450
Repayments of bank borrowings	(3,223)	(1,914)
Net cash provided by financing activities	2,458	16,496
Net (decrease) increase in cash and cash equivalents and restricted cash	(4,827)	10,097
Cash and cash equivalents and restricted cash at beginning of period	5,427	3,478
Cash and cash equivalents and restricted cash at end of period	$ 600	$ 13,575
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 121	$ 231
Cash paid for interest	$ 890	$ 529

See accompanying notes to condensed consolidated financial statements.

Item 1. e.

BRIDGFORD FOODS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(dollars in thousands)

Note 1 – Summary of Significant Accounting Policies:

The unaudited condensed consolidated financial statements of Bridgford Foods Corporation (the "Company", "we", "our", "us") for the thirty-six weeks ended July 9, 2021 and July 10, 2020 have been prepared in conformity with the accounting principles described in the Company's Annual Report on Form 10-K and Form 10-K/A for the fiscal year ended October 30, 2020 (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 Report.

We have considered the impact of federal, state, and local government actions related to the global novel coronavirus pandemic ("COVID-19" or "pandemic") on our condensed consolidated financial statements. The business disruptions associated with the pandemic had a significant impact on our condensed consolidated financial statements for the thirty-six-week period ended July 9, 2021. Due to restrictions associated with the pandemic, consumers went out less and consumed more food at home purchasing lower-margin items like groceries from essential stores that remained open during the health crisis. The Company's sales increased as a result of strong consumer demand for food items during the thirty-six-week period ended July 9, 2021. We expect these events to have future business impacts, the extent of which is uncertain and largely subject to whether the severity worsens, or the duration of current business shutdowns continue. These impacts could include but may not be limited to risks and uncertainty related to shifts in demand between sales channels, market volatility, constraints in our supply chain, our ability to operate production facilities and worker availability. These unknowns may subject the Company to future risks related to long-lived asset impairments, increased reserves for uncollectible accounts, the price and availability of ingredients and raw materials used in our products, and adjustments to reflect the market value of our inventory.

The October 30, 2020 balance sheet amounts within these interim condensed consolidated financial statements were derived from the audited fiscal year 2020 financial statements included in the Annual Report.

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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. 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, plant 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. Market conditions and the volatility in stock markets may cause significant changes in the measurement of our pension fund liabilities and the performance of our life insurance policies in future periods.

Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, accounts receivable, accounts payable, accrued payroll, advertising and other expenses and notes payable. The carrying amount of these instruments approximate fair market value due to their short-term maturity or market interest rates. At times, the Company had accounts held with nationally recognized financial institutions in excess of the Federal Deposit Insurance Corporation insurance coverage limit. As of July 9, 2021, the Company had a book overdraft of $340. The book overdraft is recorded as a liability in accounts payable on the condensed consolidated balance sheet. The Company has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with regard to its cash and cash equivalents. The Company grants payment terms 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.

Comprehensive income or loss

Comprehensive income or loss consists of net income (loss) and additional minimum pension liability adjustments. There were no differences between net income and comprehensive income during the twelve and thirty-six weeks ended July 9, 2021, or July 10, 2020.

Customer Concentration > 20% of AR or 10% of Sales *

The table below shows customers that accounted for more than 20% of consolidated accounts receivable ("AR") or 10% of consolidated sales for the thirty-six weeks ended July 9, 2021, and July 10, 2020, respectively.

	Walmart (1)		**Dollar General**	
	Sales	AR	Sales	AR
July 9, 2021	37.3%	5.7%	14.7%	45.7%
July 10, 2020	38.7%	33.9%	11.9%	22.7%

* No other customer accounted for more than 20% of AR or 10% of consolidated sales for the thirty-six weeks ended July 9, 2021, or the thirty-six weeks ended July 10, 2020.

(1) Walmart accounts receivable represented a lower percentage of sales as of July 9, 2021, due to accelerated payments on outstanding accounts receivable.

Revenue recognition

Revenues are recognized in accordance with Accounting Standards Codification ("ASC") Topic 606 – *Contracts with Customers* 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, common carrier, or through a Company-owned direct store delivery system.

The Company recognizes revenue for the sale of the product at the point in time when our performance obligation has been satisfied and control of the product has transferred to our customer, which generally occurs upon shipment, pickup or delivery to a customer based on terms of the sale. Contracts with customers are typically short-term in nature with completion of a single performance obligation. Product is sold to foodservice, retail, institutional and other distribution channels. Shipping and handling that occurs after the customer has obtained control of the product is recorded as a fulfillment cost rather than an additional performance obligation. Costs paid to third party brokers to obtain contracts are recognized as part of selling expenses. Other sundry items in context of the contract are also recognized as selling expense. Any taxes collected on behalf of the government are excluded from net revenue.

We record revenue at the transaction price which is measured as the amount of consideration we anticipate to receive in exchange for providing product to our customers. Revenue is recognized as the net amount estimated to be received after deducting estimated or known amounts including variable consideration for discounts, trade allowances, consumer incentives, coupons, volume-based incentives, cooperative advertising, product returns and other such programs. Promotional allowances, including customer incentive and trade promotion activities, are recorded as a reduction to sales based on amounts estimated being due to customers, based primarily on historical utilization and redemption rates. Estimates are reviewed regularly until incentives or product returns are realized and the result of any such adjustments are known.

Leases

Leases are recognized in accordance with ASC Topic 842 - *Leases* which requires a lessee to recognize assets and liabilities with lease terms of more than 12 months. We lease or rent property for such operations as storing inventory, packaging, or processing product and renting equipment. We analyze our agreements to evaluate whether or not a lease exists by determining what assets exist for which we control for a period of time in exchange for consideration. In the event a lease exists, we classify it as a finance or operating lease and record a right-of-use ("ROU") asset and the corresponding lease liability at the inception of the lease. In the case of month-to-month lease or rental agreements with terms of 12 months or less, we made an accounting policy election to not recognize lease assets and liabilities and instead to record them on a straight-line basis over the lease term. The storage units rented for use by our Snack Food Products segment direct store delivery route system are not costly to relocate, contain no significant leasehold improvements, no degree of integration over leased assets, orders can be fulfilled by another route storage unit interchangeably, no specialized assets exist, market price is paid for storage units and there is no guarantee of debt.

ROU assets are recorded within property, plant and equipment, net of accumulated depreciation and amortization in the accompanying condensed consolidated balance sheets. The Company's lease of long-haul trucks used in its Frozen Food Products segment qualifies as a finance lease. Finance lease liabilities are recorded under other current and other non-current liabilities on the condensed consolidated balance sheets. The classification as a finance or operating lease determines whether the recognition, measurement and presentation of expenses and cash flows are considered operating or financing.

Financial statement reclassification

Certain financial statement reclassifications have been recorded in 2020 to conform to the current year presentation of operating (loss) income and (loss) income before taxes.

Subsequent events

Management has evaluated events subsequent to July 9, 2021, 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.

As previously reported, on March 16, 2020, Bridgford Food Processing Corporation ("BFPC"), a wholly-owned subsidiary of the Company and CRG Acquisition, LLC ("CRG"), entered into a Purchase and Sale Agreement (the "CRG Purchase Agreement), pursuant to which BFPC agreed to sell to CRG, pursuant to the terms and conditions set forth in the CRG Purchase Agreement, a parcel of land including an approximate 156,000 square foot four-story industrial food processing building located at 170 N. Green Street in Chicago, Illinois (the "Property"). The purchase price for the Property is $60,000 subject to a due diligence period and certain closing adjustments and prorations, and is conditioned upon, among other customary closing conditions, CRG receiving zoning and other governmental approvals necessary for the construction and development of a mixed-use project on the Property in accordance with certain development plans to be approved by the City of Chicago. The cost basis of the Property was insignificant.

On July 30, 2021, the Company executed the seventh amendment to the CRG Purchase Agreement, dated as of July 30, 2021, of the CRG Purchase Agreement. Under the original terms and conditions of the CRG Purchase Agreement, the closing of the sale of the Property to CRG would occur on the date that is thirty (30) days after CRG's receipt of the necessary zoning approvals, but in any event no earlier than October 31, 2020, and no later than March 31, 2021. The first amendment dated as of April 10, 2020, extended the inspection period to June 1, 2020. The second amendment dated as of June 1, 2020, extended the inspection period to July 31, 2020, zoning period to February 1, 2021, and closing date to February 5, 2021. The third amendment dated July 31, 2020, further extended the inspection period to October 31, 2020, zoning period to April 30, 2021, and closing date to May 6, 2021. The fourth amendment dated November 2, 2020, further extended the inspection period to February 1, 2021, the zoning period to August 2, 2021, and closing date to August 31, 2021. The fifth amendment dated February 1, 2021, further extended the inspection period to May 1, 2021, the zoning period to November 1, 2021, and closing date to December 1, 2021. The sixth amendment dated April 28, 2021, further extended the inspection period to July 30, 2021, the zoning period to February 1, 2022, and closing date to March 1, 2022. The escrow account for the transaction has received $1,650 in earnest money deposits through April 16, 2021. The seventh amendment dated July 30, 2021, further extended the inspection period to September 30, 2021, the zoning period to March 30, 2022, and closing date to April 29, 2022. The seventh amendment also established that the parties acknowledged and agreed that CRG shall commence demolition of certain portions of the improvements prior to the expiration of the inspection period and be diligently completed in a commercially reasonable manner on or prior to the closing date. The escrow account for the transaction has received $1,650 in earnest money deposits through July 9, 2021. We have received a total of $1,050 which is non-refundable earnest money through July 9, 2021, which is thus not part of restricted cash. An additional $75 of non-refundable earnest money had been received as of August 2, 2021, bringing that total to $1,125. The total amount of earnest money deposited in the escrow account since the inception of the CRG Purchase Agreement increased to $1,650 as of February 2, 2021 and reduced to $1,500 on July 30, 2021.

Based on Management's review, no other material events were identified that require adjustment to the financial statements or additional disclosure.

Basic (loss) earnings per share

Basic (loss) earnings per share are calculated based on the weighted average number of shares outstanding for all periods presented. No stock options, warrants, or other potentially dilutive convertible securities were outstanding as of July 9, 2021, or July 10, 2020.

Note 2 – Inventories, net

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

	(unaudited) July 9, 2021	October 30, 2020
Meat, ingredients, and supplies	$ 9,453	$ 6,439
Work in progress	3,484	1,860
Finished goods	21,580	20,997
	$ 34,517	$ 29,296

Inventories are valued at the lower of cost (which approximates actual cost on a first-in, first-out basis) or net realizable value. Inventories include the cost of raw materials, labor, and manufacturing overhead. We regularly review inventory quantities on hand and write 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 must be sold at reduced prices and could result in additional reserve provisions. A net realizable value reserve of $1,561 was recorded during the thirty-six week period of the 2021 fiscal year after determining that the market value on some meat products was less than the costs associated with completion and sale of the product.

Note 3 – Contingencies and Commitments:

The Company leases warehouse and/or office facilities throughout the United States under month-to-month rental agreements. In the case of month-to-month lease or rental agreements with terms of 12 months or less, the Company made an accounting policy election to not recognize lease assets and liabilities and instead to record them on a straight-line basis over the lease term. For further information regarding our lease accounting policy, please refer to Note 1 – Summary of Significant Accounting Policies, Leases.

The Company performed a detailed analysis and determined that the only indication of a long-term lease in addition to transportation lease for long haul trucks was Hogshed Ventures, LLC. A right-of-use asset and corresponding liability for warehouse storage space was recorded in the amount of $1,091 for the Company's lease with Hogshed Ventures, LLC for property located on 40th Street in Chicago, Illinois as of October 30, 2020. We lease this space under a non-cancelable operating lease. This lease does not have significant rent escalation holidays, concessions, leasehold improvement incentives or other build-out clauses. Further this lease does not contain contingent rent provisions. This lease terminates on June 30, 2023. This lease includes both lease (e.g., fixed rent) and non-lease components (e.g., real estate taxes, insurance, common-area, and other maintenance costs). The non-lease components are deemed to be executory costs and are included in the minimum lease payments used to determine the present value of the operating lease obligation and related right-of-use asset.

The Hogshed lease does not provide an implicit rate and we estimated our incremental interest rate to be approximately 1.6%. We used our estimated incremental borrowing rate and other information available at the lease commencement date in determining the present value of the lease payments.

The following is a schedule by years of future minimum lease payments for transportation leases and right-of-use assets:

Fiscal Year	Financing Obligations
2021	$ 139
2022	550
2023	403
2024	102
2025	85
Later Years	-
Total Minimum Lease Payments(a)	$ 1,279
Less: Amount representing executory costs	(64)
Less: Amount representing interest(b)	(9)
Present value of future minimum lease payments(c)	$ 1,206

(a) Minimum payments exclude contingent rentals based on actual mileage and adjustments of rental payments based on the Consumer Price Index.

(b) Amount necessary to reduce net minimum lease payments to present value calculated at the Company's incremental borrowing rate at the inception of the leases.

(c) Reflected in Part I. Financial Information Item 1. a. condensed consolidated balance sheets as current and noncurrent obligations under capital leases of $154 and $237, and right-of-use assets of $409 and $406, respectively as of July 9, 2021.

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 with contracts. However, the Company may purchase bulk flour at current market prices under short-term (30 - 120 days) 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 potential price increases if agreed quantities are not purchased within the specified contract period. The contracts are not material. These contracts are typically 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 on July 9, 2021. The Company does not participate in the commodity futures market or hedging to limit commodity exposure.

Note 4 – Segment Information:

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

We evaluate each segment's performance based on revenues and operating income. Selling, general and administrative ("SG&A") 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. Assets managed at the corporate level are not attributable to each operating segment and thus have been included as "other" in the accompanying segment information.

The following segment information is presented for the twelve weeks ended July 9, 2021, and July 10, 2020.

Segment Information

Twelve weeks Ended July 9, 2021	Frozen Food Products	Snack Food Products	Other	Totals
Sales	$ 8,321	$ 48,217	$ -	$ 56,538
Cost of products sold	5,858	38,669	-	44,527
Gross margin	2,463	9,548	-	12,011
SG&A	2,682	11,462	-	14,144
Gain on sale of property, plant, and equipment	(84)	(212)	-	(296)
Operating loss	(135)	(1,702)	-	(1,837)
Total assets	$ 10,613	$ 122,850	$ 23,694	$ 157,157
Additions to PP&E	$ 35	$ 1,052	$ -	$ 1,087

Twelve weeks Ended July 10, 2020	Frozen Food Products	Snack Food Products	Other	Totals
Sales	$ 8,141	$ 33,519	$ -	$ 41,660
Cost of products sold	5,379	24,249	-	29,628
Gross margin	2,762	9,270	-	12,032
SG&A	2,439	8,598	-	11,037
Gain on sale of property, plant, and equipment	-	(5)	-	(5)
Operating income	323	677	-	1,000
Total assets	$ 11,033	$ 100,244	$ 35,371	$ 146,648
Additions to PP&E	$ 53	$ 4,220	$ -	$ 4,273

The following segment information is presented for the thirty-six weeks ended July 9, 2021, and July 10, 2020.

Thirty-six weeks Ended July 9, 2021	Frozen Food Products	Snack Food Products	Other	Totals
Sales	$ 26,438	$ 135,270	$ -	$ 161,708
Cost of products sold	18,695	105,864	-	124,559
Gross margin	7,743	29,406	-	37,149
SG&A	8,097	32,928	-	41,025
Gain on sale of property, plant, and equipment	(111)	(267)	-	(378)
Operating loss	(243)	(3,255)	-	(3,498)
Total assets	$ 10,613	$ 122,850	$ 23,694	$ 157,157
Additions to PP&E	$ 156	$ 6,686	$ -	$ 6,842

Thirty-six weeks Ended July 10, 2020	Frozen Food Products	Snack Food Products	Other	Totals
Sales	$ 28,440	$ 102,861	$ -	$ 131,301
Cost of products sold	19,434	71,871	-	91,305
Gross margin	9,006	30,990	-	39,996
SG&A	8,860	27,828	-	36,688
Gain on sale of property, plant, and equipment	-	(22)	-	(22)
Operating income	146	3,184	-	3,330
Total assets	$ 11,033	$ 100,244	$ 35,371	$ 146,648
Additions to PP&E	$ 157	$ 15,100	$ -	$ 15,257

The following information further disaggregates our sales to customers by major distribution channel and customer type for the twelve weeks ended July 9, 2021, and July10, 2020, respectively.

Twelve weeks Ended July 9, 2021

Distribution Channel	**Retail (a)**	**Foodservice (b)**	**Totals**
Direct store delivery	$ 33,739	$ -	$ 33,739
Direct customer warehouse	14,478	-	14,478
Total Snack Food Products	48,217	-	48,217
Distributors	1,290	7,031	8,321
Total Frozen Food Products	1,290	7,031	8,321
Totals	$ 49,507	$ 7,031	$ 56,538

Twelve weeks Ended July 10, 2020

Distribution Channel	**Retail (a)**	**Foodservice (b)**	**Totals**
Direct store delivery	$ 27,934	$ -	$ 27,934
Direct customer warehouse	5,585	-	5,585
Total Snack Food Products	33,519	-	33,519
Distributors	2,235	5,906	8,141
Total Frozen Food Products	2,235	5,906	8,141
Totals	$ 35,754	$ 5,906	$ 41,660

(a) Includes sales to food retailers, such as grocery retailers, warehouse club stores, and internet-based retailers.
(b) Includes sales to foodservice distributors, restaurant operators, hotel chains and noncommercial foodservice establishments such as schools, convenience stores, healthcare facilities and the military.

The following information further disaggregates our sales to customers by major distribution channel and customer type for the thirty-six weeks ended July 9, 2021, and July 10, 2020, respectively.

Thirty-six weeks Ended July 9, 2021

Distribution Channel	**Retail (a)**	**Foodservice (b)**	**Totals**
Direct store delivery	$ 100,914	$ -	$ 100,914
Direct customer warehouse	34,356	-	34,356
Total Snack Food Products	135,270	-	135,270
Distributors	6,086	20,352	26,438
Total Frozen Food Products	6,086	20,352	26,438
Totals	$ 141,356	$ 20,352	$ 161,708

Thirty-six weeks Ended July 10, 2020

Distribution Channel	**Retail (a)**	**Foodservice (b)**	**Totals**
Direct store delivery	$ 78,929	$ -	$ 78,929
Direct customer warehouse	23,932	-	23,932
Total Snack Food Products	102,861	-	102,861
Distributors	6,902	21,538	28,440
Total Frozen Food Products	6,902	21,538	28,440
Totals	$ 109,763	$ 21,538	$ 131,301

(a)Includes sales to food retailers, such as grocery retailers, warehouse club stores, and internet-based retailers.
(b)Includes sales to foodservice distributors, restaurant operators, hotel chains and noncommercial foodservice establishments such as schools, convenience stores, healthcare facilities and the military.

Note 5 – Income Taxes:

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, permits NOL carryovers and carrybacks to offset 100% of taxable income for taxable years beginning before January 1, 2021. In addition, the CARES Act allows NOLs incurred in taxable years beginning after December 31, 2017 and before January 1, 2021 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes The Company has filed a federal income tax return for tax year 2018 and 2019 (fiscal year 2019 and 2020) and carried back a taxable loss of $34,405 to tax years 2013 (fiscal 2014), 2014 (fiscal year 2015), 2015 (fiscal year 2016), 2016 (fiscal year 2017) and 2018 (fiscal year 2019).

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was signed into law. Among other significant changes, the Tax Act reduced the corporate federal income tax rate from 35% to 21%. The carryback of NOLs from tax years 2018 and 2019 under the CARES Act to pre-Tax Act years generated an income tax benefit due to the differential in income tax rates which was recorded in fiscal year 2020.

The Company's effective tax rate was 28.0% and -49.0% for the third quarter of fiscal 2021 and 2020, respectively. The effective tax rate for the third quarter of fiscal year 2021 was impacted by such items as non-deductible meals and entertainment, non-taxable gains and losses on life insurance policies and state income taxes.

As of July 9, 2021, the Company has a federal net operating loss carry forward of approximately $2,818 and state net operating loss carry forwards of approximately $4,233.

Our federal income tax returns are open to audit under the statute of limitations for the fiscal years 2018 through 2020. 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 2017 through 2020.

Note 6 – Equipment Notes Payable and Financial Arrangements:

The Company maintains a line of credit with Wells Fargo Bank, N.A. that extends through March 1, 2022. Under the terms of this line of credit, we may borrow up to $15,000 at an interest rate equal to the bank's prime rate or LIBOR plus 2.0%. The line of credit has an unused commitment fee of 0.25% of the available loan amount. We borrowed $6,000 under this line of credit in $2,000 increments on December 2, 2020, April 27, 2021 and July 1, 2021, respectively, which remains outstanding as of July 9, 2021. We borrowed an additional $3,000 under this line of credit on July 19, 2021. The line of credit is presented under the current portion of non-current liabilities in the Condensed Consolidated Balance Sheets. The line of credit contains various covenants, the more significant of which require us to maintain a minimum tangible net worth, a minimum quick ratio, and a fixed charge coverage ratio. The Company was in violation of the minimum quick ratio covenant which was subsequently waived (per letter dated August 12, 2021). The Company was in compliance with all other covenants under the Wells Fargo Loan Agreements as of July 9, 2021.

On December 26, 2018, we entered into a master collateral loan and security agreement with Wells Fargo Bank, N.A. (the "Original Wells Fargo Loan Agreement") for up to $15,000 in equipment financing which was amended and expanded as detailed below. We subsequently entered into additional master collateral loan and security agreements with Wells Fargo Bank, N.A. on each of December 19, 2019, March 5, 2020, and April 17, 2020 (collectively the Original Wells Fargo Loan Agreement and the subsequent agreements referred to as the "Wells Fargo Loan Agreements"). Pursuant to the Wells Fargo Loan Agreements, we borrowed the following amounts:

Type and Number (1)	Date Funds Received	Rate	Original Principal Amount	Monthly Principal Payment Amount and Payment Start Date	
Equipment Loan No. 01	12/26/18	4.13%	$ 7,500	$ 103	01/31/19
Equipment Loan No. 02	04/23/19	3.98%	7,500	102	05/31/19
Equipment Loan No. 03	12/23/19	3.70%	3,750	54	02/03/20
Equipment Loan No. 04	03/06/20	3.29%	7,500	100	03/13/20
Equipment Loan No. 05	04/17/20	3.68%	7,200	97	05/15/20
Total			$ 33,450	$ 456	

(1) Term: 7 years for 84 installment payments.

The Company was in violation of the minimum quick ratio covenant which was subsequently waived (per letter dated August 12, 2021).

The Company was in compliance with all other covenants under the Wells Fargo Loan Agreements as of July 9, 2021

	(unaudited) July 9, 2021	October 30, 2020
Secured equipment notes payable to Wells Fargo Bank, N.A. collateralized by equipment for the new Chicago processing facility.	$ 25,898	$ 29,122
Less current portion of notes payable	(4,553)	(4,430)
Total long-term notes payable - equipment	$ 21,345	$ 24,692

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 Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, (the "Exchange Act"). These forward-looking statements are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this Report or incorporated by reference into this Report are forward-looking statements. These statements include, among other things, any predictions of earnings, revenues, expenses or other financial items; plans or expectations with respect to our business strategy; statements concerning industry trends; statements regarding anticipated demand for our products, or the products of our competitors; statements relating to manufacturing forecasts; statements relating to forecasts of our liquidity position or available cash resources; statements regarding the anticipated impact of the global novel coronavirus ("COVID-19") pandemic and statements relating to the assumptions underlying any of the foregoing. Throughout this Report, we have attempted to identify forward-looking statements by using words such as "may," "believe," "will," "could," "project," "anticipate," "expect," "estimate," "should," "continue," "potential," "plan," "forecasts," "goal," "seek," "intend," other forms of these words or similar words or expressions or the negative thereof (although not all forward-looking statements contain these words).

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 the COVID-19 pandemic on our production facilities, supply chain, consumer demand, and cost of products sold, 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 Report as well as in our other filings with the Securities and Exchange Commission (the "SEC"). In addition, actual results may differ as a result of additional risks and uncertainties of which we are currently unaware or which we do not currently view as material to our business. We have based our forward-looking statements on our current expectations and projections about trends affecting our business and industry and other future events. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. 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 and Form 10-K/A for the fiscal year ended October 30, 2020 (the "Annual Report") as well as our other filings with the SEC with the understanding that our future results may be materially different from what we currently expect. The forward-looking statements we make speak only as of the date on which they are made. We expressly disclaim any intent or obligation to update any forward-looking statements after the date hereof to conform such statements to actual results or to changes in our opinions or expectations. If we do update or correct any forward-looking statements, readers should not conclude that we will make additional updates or corrections.

COVID-19

We are monitoring and responding to the evolving nature of state and local government actions related to the COVID-19 pandemic and its impact on each of our production plant locations as well as our customer base. We coordinate with our local managers for the primary purpose of maintaining the health and safety of our team members, ensuring our ability to operate our processing facilities, and maintaining the liquidity of our business. We continue to experience multiple challenges related to the pandemic. These challenges may continue to increase our operating costs and negatively impact our volumes.

Operationally, we have faced temporary idling of production facilities to ensure team member safety. As a result, we have experienced lower levels of productivity and higher costs of production. This will likely continue at least for the short term until the effects of the pandemic diminish. Both of our business segments have experienced a shift in demand from foodservice to retail. In our Frozen Food Products segment, the volume increases in retail have not been sufficient to offset the losses in foodservice and as a result, we expect decreased volume for the remainder of fiscal 2021 in this segment. During the second and third quarters of fiscal year 2021, the Frozen Food Products segment has seen a lessening of pandemic related restrictions on food service venues. Our Snack Food Products segment has experienced significant volume increases and commodity cost increases caused in part by supply and demand constraints related to reopening the economy from pandemic restrictions. The cost of significant meat commodities increased approximately $6,477 and the cost of purchased flour increased approximately $210 in the first thirty-six weeks of fiscal year 2021 compared to the corresponding prior fiscal year period. Due to extremely high meat commodity costs, we currently do not expect that we will be profitable for the remainder of fiscal 2021 on a consolidated basis.

● Team Members – The health and safety of our team members is our top priority. To protect our team members, we have implemented safety measures recommended by the Centers for Disease Control and Prevention ("CDC") and the Occupational Safety and Health Administration ("OSHA") in our facilities and have implemented social distancing, temperature checks of team members, increasing efforts to deep clean and sanitize facilities, required the use of protective face coverings in certain environments and making protective face coverings and other protective equipment available to team members. We encourage team members who feel sick to stay at home and provide relaxed attendance policies in some instances. We continue to explore and implement additional ways to promote social distancing in our production facilities by creating additional breakroom space and allowing extra time between shifts to reduce interaction of team members, as well as erecting dividers between workstations or increasing the space between workers on the production floor. We encourage team members to get vaccinated.

● Customers and Production – The most significant impact from business shutdowns relates to channel shifts and lower production in our Frozen Food Products segment. We are committed to doing our best to ensure the continuity of our business and the availability of our products to customers. We have seen a shift in demand from our foodservice to our retail sales channels as schools and in-dining restaurants have closed across the country. Our production capabilities, including our large scale and geographic proximities, allow us to adapt some of our facilities to the changing demand by shifting certain amounts of production from foodservice to retail. Not all of our facilities can be modified and as a result we expect a net negative impact on our foodservice volumes for the remainder of fiscal year 2021. In addition, our production facilities are experiencing varying levels of production impacts, including reduced volumes, worker absenteeism and temporary COVID-19-related closures at some of our production facilities. Additionally, we are anticipating the temporary idling of certain production lines that service the foodservice channel as we balance the shifting demand between foodservice and retail sales channels.

● Supply Chain – Our supply chain has stayed largely intact. Although we have experienced some minor disruptions, these events have not significantly impacted our production to date. We have experienced volatility in commodity inputs, in part due to impacts caused by COVID-19 related business disruptions, and we expect this volatility to continue, which may impact our future input costs. Commodity costs increased approximately $6,687 in the first thirty-six weeks of fiscal year 2021 compared to the same period last year.

● Insurance and CARES Act – Although we maintain insurance policies for various risks, we believe most COVID-19 impacts will not be covered by these policies. On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferral of the employer portion of social security payments, and expanded income tax net operating loss carryback provisions. While we continue to examine the potential impacts of these actions, we anticipate new regulations related to federal income tax will have a significant impact on our financial statements and cash flow. Late in the second quarter of fiscal 2020 we began implementing the deferral of the employer portion of social security payments and intend to continue this deferral for the duration of its availability which will have a favorable impact on short-term liquidity. The deferral amount as of July 9, 2021, is approximately $1,511 with 50% due on December 31, 2021, and the remaining amount due on December 31, 2022.

● Liquidity – Operations used $571 in operating cash flows during the thirty-six weeks ended July 9, 2021. As of that date, we had approximately $30,992 of net working capital and $9,000 available under our revolving line of credit. Commodity price volatility or increases could adversely impact our business, financial condition including liquidity and results of operations. Despite higher commodity costs, we may not be able to increase our product prices in a timely manner or sufficiently to offset increased commodity costs due to consumer price sensitivity, pricing in relation to competitors and the reluctance of retailers to accept the price increase. Higher product prices could potentially lower demand for our product and decrease volume substantially. As of July 9, 2021, we have $4,553 of current debt on equipment loans. Management believes there are various options available to generate additional liquidity to repay debt or fund operations such as the sale of business assets or mortgaging real estate, should those be necessary. Our ability to increase liquidity will depend upon, among other things, our business plans, performance of operating divisions and economic conditions of capital markets or circumstances related to the COVID-19 global pandemic. If we are unable to increase liquidity through the sale of assets or mortgaging real estate, or generate positive cash flow necessary to fund operations, we may not be able to compete successfully, which could negatively impact our business, operations, and financial condition. Combined with the cash expected to be generated from the Company's operations, income tax refunds of $7,084 and deferral of social security taxes, we anticipate that we will maintain sufficient liquidity to operate our business for a reasonable period of time and also complete the major plant expansion in Chicago, Illinois. We will continue to monitor the impact of COVID-19 on our liquidity and, if necessary, take action to preserve liquidity and ensure that our business can operate during these uncertain times.

Critical Accounting Policies and Management Estimates

The preparation of condensed 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, 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 our pension benefit obligation be measured using an internal rate of return ("IRR") analysis to 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 July 31, 2021, was 2.71% as compared to 2.45% as of October 31, 2020. 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 receivables 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.

Customer Concentration > 20% of AR or 10% of Sales *

The table below shows customers that accounted for more than 20% of consolidated accounts receivable ("AR") or 10% of consolidated sales for the twenty-four weeks ended July 9, 2021, and July 10, 2020, respectively.

	Walmart (1)		**Dollar General**	
	Sales	AR	Sales	AR
July 9, 2021	37.3%	5.7%	14.7%	45.7%
July 10, 2020	38.7%	33.9%	11.9%	22.7%

* = No other customer accounted for more than 20% of consolidated accounts receivable or 10% of consolidated sales for the thirty-six weeks ended July 9, 2021, or the thirty-six weeks ended July 10, 2020.

(1) = Walmart accounts receivable represented a lower percentage of sales as of July 9, 2021, due to accelerated payments on outstanding accounts receivable.

Revenues are recognized in accordance with ASC 606 – *Contracts with Customers* 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 a Company owned direct store delivery system.

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.

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.

We participate in "multiemployer" pension plans administered by labor unions on behalf of their employees. We pay monthly contributions to union trust funds, a portion of which is used to fund pension benefit obligations to plan participants. The contribution amount may change depending upon the ability of participating companies to fund these pension liabilities as well as the actual and expected returns on pension plan assets. Should we withdraw from the union and cease participation in a union plan, federal law could impose a penalty for additional contributions to the plan. The penalty would be recorded as an expense in the consolidated statement of operations. The ultimate amount of the withdrawal liability is dependent upon several factors including the funded status of the plan and contributions made by other participating companies.

We are subject to the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (collectively, the "PPACA"). Requirements of the law include the removal of the lifetime limits on active and retiree medical coverage, expanding dependent coverage to age 26 and the elimination of pre-existing conditions that may impact other postretirement benefits costs. The PPACA law also includes a potential excise tax on the value of benefits that exceed a pre-defined limit. Fortunately, this potential tax has been indefinitely deferred and we do not see significant financial exposure from the so called "Cadillac Tax". Finally, the PPACA includes provisions that require employers to offer health benefits to all full-time employees (defined as 30 hours per week). The health coverage must meet minimum standards for the actuarial value of the benefits offered and employee affordability. We believe that the Biden administration seems more likely to enhance the scope and coverage associated with PPACA than to repeal or significantly change this law. The recent legislative packages related to pandemic relief included some minor provisions that will impact health benefits in the future. These changes most prominently focus on the impact of surprise balance bills from out-of-network providers. When these changes become law in 2022, the Bridgford Foods benefit plan will be modified accordingly. At this point in time, we believe that our current plans meet the existing requirements. 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 food products (the Frozen Food Products segment), and the processing and distribution of snack food products (the 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 Report. We manufacture and distribute an extensive line of food products, including biscuits, bread dough items, roll dough items, dry sausage products and beef jerky.

Frozen Food Products Segment

Our Frozen Food Products segment primarily manufactures and distributes biscuits, bread dough items, roll dough items and shelf stable sandwiches. All items within this segment are considered similar products and have been aggregated at this level. Our frozen food business covers the United States. Products produced by the Frozen Food Products segment are generally supplied to food service and retail distributors who take title to the product upon shipment receipt through company leased long-haul vehicles. In addition to regional sales managers, we maintain a network of independent food service and retail brokers covering most of the United States. Brokers are compensated on a commission basis. We believe that our broker relationships, in close cooperation with our regional sales managers, are a valuable asset providing significant new product and customer opportunities. Regional sales managers perform several significant functions for us, including identifying and developing new business opportunities and providing customer service and support to our distributors and end purchasers through the effective use of our broker network.

Snack Food Products Segment

Our Snack Food Products segment primarily distributes products manufactured by us. 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. Our Snack Food Products segment sells approximately 130 different items through a direct store delivery network serving approximately 17,000 supermarkets, mass merchandise and convenience retail stores located in 49 states. These customers are comprised of large retail chains and smaller "independent" operators.

Products produced or distributed by the Snack Food Products segment are supplied to customers through either direct-store-delivery or direct delivery to customer warehouses. 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. Products delivered to customer warehouses are distributed to the retail store and stocked by the customer where it is then resold to the end consumer.

Results of Operations for the Twelve-Weeks Ended July 9, 2021, and July 10, 2020

Net Sales-Consolidated

Net sales increased by $14,878 (35.7%) to $56,538 in the third twelve-week period of the 2021 fiscal year compared to the same twelve-week period in fiscal year 2020. The changes in net sales were comprised as follows:

Impact on Net Sales-Consolidated	%	$
Selling price per pound	8.1	3,615
Unit sales volume in pounds	25.9	11,608
Returns activity	0.4	51
Promotional activity	1.3	(396)
Increase in net sales	35.7	14,878

Net Sales-Frozen Food Products Segment

Net sales in the Frozen Food Products segment increased by $180 (2.2%) to $8,321 in the third twelve-week period of the 2021 fiscal year compared to the same twelve-week period in fiscal year 2020. The changes in net sales were comprised as follows:

Impact on Net Sales-Frozen Food Products	%	$
Selling price per pound	0.9	79
Unit sales volume in pounds	2.1	184
Returns activity	0.9	69
Promotional activity	-1.7	(152)
Increase in net sales	2.2	180

The increase in net sales for the twelve-week period ended July 9, 2021, primarily relates to higher unit sales volume and to a lesser extent higher selling price per pound due to the gradual reopening of the economy from COVID-19 pandemic related restrictions. Other institutional Frozen Food Products sales, including sheet dough and rolls, increased 61% by volume and retail sales volume increased 8%. Demand is gradually returning in the foodservice sales channel as schools and in-dining restaurants are starting to reopen across the country after response to the COVID-19 pandemic. Returns activity decreased compared to the same twelve-week period in the 2020 fiscal year. Promotional activity was higher as a percentage of sales.

Net Sales-Snack Food Products Segment

Net sales in the Snack Food Products segment increased by $14,698 (43.8%) to $48,217 in the third twelve-week period of the 2021 fiscal year compared to the same twelve-week period in fiscal year 2020. The changes in net sales were comprised as follows:

Impact on Net Sales-Snack Food Products	%	$
Selling price per pound	9.9	3,536
Unit sales volume in pounds	31.9	11,424
Returns activity	0.4	(18)
Promotional activity	1.6	(244)
Increase in net sales	43.8	14,698

Net sales of Snack Food Products increased due to higher unit sales volume through our direct store delivery distribution channel during the third quarter of fiscal year 2021. The weighted average selling price per pound increased compared to the same twelve-week period in the prior fiscal year due to selling price increases and reductions in packaging size. Returns activity was lower compared to the same twelve-week period in the 2020 fiscal year. Promotional offers decreased as a percentage of sales although there were higher sales to high-volume, high-promotion customers.

Cost of Products Sold and Gross Margin-Consolidated

Cost of products sold increased by $14,899 (50.3%) to $44,527 in the third twelve-week period of the 2021 fiscal year compared to the same twelve-week period in fiscal year 2020. The gross margin decreased from 28.9% to 21.2% during the 2021 period.

Change in Cost of Products Sold by Segment	$	%	Commodity $ Increase
Frozen Food Products Segment	479	1.6	88
Snack Food Products Segment	14,420	48.7	3,797
Total	14,899	50.3	3,885

Cost of Products Sold-Frozen Food Products Segment

Cost of products sold in the Frozen Food Products segment increased by $479 (8.9%) to $5,858 in the third twelve-week period of the 2021 fiscal year compared to the same twelve-week period in fiscal year 2020. Unit sales volume and gross overhead including hourly wages and benefits has increased which resulted in an increase to cost of products sold. The cost of purchased flour increased approximately $88 in the third twelve-week period of fiscal year 2021 compared to the same twelve-week period in fiscal year 2020. In our Frozen Food Products segment, the volume increases in retail and foodservice were not enough to mitigate an increase in overhead per case of product.

Cost of Products Sold-Snack Food Products Segment

Cost of products sold in the Snack Food Products segment increased by $14,420 (59.5%) to $38,669 in the third twelve-week period of the 2021 fiscal year compared to the same twelve-week period in fiscal year 2020 due to a substantial increase in sales volume. Meat commodity costs continued to rise during the third quarter of the 2021 fiscal year, significantly adding to the increase in cost of products sold. The cost of significant meat commodities increased approximately $3,797 in the third twelve-week period of fiscal year 2021 compared to the same period in fiscal year 2020. As a result, a net realizable value charge of $995 was recorded during the third twelve-week period of fiscal year 2021 after determining that the market value on some meat products was less than the costs associated with completion and sale of the product. Higher depreciation on processing equipment also impacted the cost of products sold.

Selling, General and Administrative Expenses-Consolidated

Selling, general and administrative expenses increased by $3,107 (28.2%) to $14,144 in the third twelve-week period of fiscal year 2021 compared to the same twelve-week period in the prior fiscal year. The table below summarizes the significant expense increases (decreases) included in this category:

	12 Weeks Ended		Expense
	July 9, 2021	July 10, 2020	Increase (Decrease)
Product advertising	$ 2,210	$ 1,479	$ 731
Healthcare costs	635	87	548
Fuel	400	206	194
Travel	443	254	189
Other SG&A	10,456	9,011	1,445
Total - SG&A	$ 14,144	$ 11,037	$ 3,107

Costs for product advertising increased mainly as a result of higher payments under brand licensing agreements in the Snack Food Products segment during the third twelve-week period of fiscal year 2021. Healthcare costs have increased due to recent unfavorable claim activity. The increase in fuel expense was driven by per gallon fuel price increases compared to the prior year as a result of higher trends in petroleum markets. Travel expenses increased due to the gradual lifting of travel restrictions and stay-at-home orders in response to the COVID-19 pandemic. None of the changes individually or as a group of expenses in "Other SG&A" were significant enough to merit separate disclosure. The major components comprising the increase of "Other SG&A" expenses were higher outside storage expense, repairs and maintenance, customer fines, display rack expense and postage costs.

Selling, General and Administrative Expenses-Frozen Food Products Segment

SG&A expenses in the Frozen Food Products segment increased by $243 (10.0%) to $2,682 in the third twelve-week period of fiscal year 2021 compared to the same twelve-week period in the prior fiscal year. The overall increase in SG&A expenses outpaced the increase in sales volume due to higher product advertising including marketing programs and insertion orders, healthcare costs, fuel and equipment rental.

Selling, General and Administrative Expenses-Snack Food Products Segment

SG&A expenses in the Snack Food Products segment increased by $2,864 (33.3%) to $11,462 in the third twelve-week period of fiscal year 2021 compared to the same twelve-week period in the prior fiscal year. Most of the increase was due to higher sales volume and to a lesser extent higher healthcare costs, increased fees paid under licensing agreements and higher travel and postage expenses.

Income Taxes-Consolidated

Income tax for the twelve weeks ended July 9, 2021, and July 10, 2020, was as follows:

	July 9, 2021	July 10, 2020
Benefit on income taxes	$ (527)	$ (1,279)
Effective tax rate	27.2%	-69.0%

We recorded a tax benefit of $527 for the twelve-week period ended July 9, 2021, related to federal and state taxes, based on the Company's expected annual effective tax rate. The effective income tax rate differed from the applicable mixed statutory rate of approximately 26.4% due to non-deductible meals and entertainment, non-taxable gains and losses on life insurance policies and state income taxes.

Results of Operations for the Thirty-Six Weeks Ended July 9, 2021, and July 10, 2020

Net Sales-Consolidated

Net sales increased by $30,407 (23.2%) to $161,708 in the thirty-six-week period ended July 9, 2021, compared to the same thirty-six-week period in fiscal year 2020. The changes in net sales were comprised as follows:

Impact on Net Sales-Consolidated	%	$
Selling price per pound	2.7	3,772
Unit sales volume in pounds	19.3	27,253
Returns activity	0.5	449
Promotional activity	0.7	(1,067)
Increase in net sales	23.2	30,407

Net Sales-Frozen Food Products Segment

Net sales in the Frozen Food Products segment decreased by $2,002 (7.0%) to $26,438 in the thirty-six-week period ended July 9, 2021, compared to the same thirty-six-week period in fiscal year 2020. The changes in net sales were comprised as follows:

Impact on Net Sales-Frozen Food Products	%	$
Selling price per pound	1.4	452
Unit sales volume in pounds	-8.3	(2,639)
Returns activity	0.2	25
Promotional activity	-0.3	160
Decrease in net sales	-7.0	(2,002)

The decrease in net sales for the thirty-six-week period ended July 9, 2021, primarily relates to lower unit sales volume partially offset by a higher selling price per pound. The decrease in net sales was primarily driven by a significant decrease in volume to institutional customers partially offset by an increase in selling prices due to changes in product mix. Other institutional Frozen Food Products sales, including sheet dough and rolls, decreased 12% by volume while retail sales volume increased by 1%. Demand shifted from foodservice to retail sales channels as schools and in-dining restaurants closed across the country in response to the COVID-19 pandemic. Returns activity decreased compared to the same thirty-six-week period in the 2020 fiscal year. Promotional activity was higher as a percentage of sales.

Net Sales-Snack Food Products Segment

Net sales in the Snack Food Products segment increased by $32,409 (31.5%) to $135,270 in the thirty-six-week period ended July 9, 2021, compared to the same thirty-six-week period in fiscal year 2020. The changes in net sales were comprised as follows:

Impact on Net Sales-Snack Food Products	%	$
Selling price per pound	3.0	3,321
Unit sales volume in pounds	27.3	29,892
Returns activity	0.7	424
Promotional activity	0.5	(1,228)
Increase in net sales	31.5	32,409

Net sales of Snack Food Products increased due to higher sales through our direct store delivery distribution channel during the thirty-six weeks of fiscal year 2021. The weighted average selling price per pound increased compared to the same thirty-six-week period in the prior fiscal year due to selling price increases and reductions in packaging size. Returns activity was lower compared to the same thirty-six-week period in the 2020 fiscal year. Promotional offers decreased as a percentage of sales due to higher sales to high-volume, high-promotion customers.

Cost of Products Sold and Gross Margin-Consolidated

Cost of products sold increased by $33,254 (36.4%) to $124,559 in the thirty-six-week period ended July 9, 2021, year compared to the same thirty-six-week period in fiscal year 2020. The gross margin decreased from 30.5% to 23.0% during the 2021 period.

Change in Cost of Products Sold by Segment	$	%	Commodity $ Increase
Frozen Food Products Segment	(739)	-0.8	210
Snack Food Products Segment	33,993	37.2	6,477
Total	33,254	36.4	6,687

Cost of Products Sold-Frozen Food Products Segment

Cost of products sold in the Frozen Food Products segment decreased by $739 (3.8%) to $18,695 in the thirty-six-week period of the 2021 fiscal year compared to the same thirty-six-week period in fiscal year 2020. Decreased volume and changes in product mix were the primary contributing factors to this decrease. The cost of purchased flour increased approximately $210 in the thirty-six-week period of fiscal year 2021 compared to the same thirty-six-week period in fiscal year 2020. In our Frozen Food Products segment, the volume increases in retail have not been sufficient to offset the losses in foodservice and as a result, decreased volume has resulted in an increase in overhead per case of product.

Cost of Products Sold-Snack Food Products Segment

Cost of products sold in the Snack Food Products segment increased by $33,993 (47.3%) to $105,864 in the thirty-six-week period of the 2021 fiscal year compared to the same thirty-six-week period in fiscal year 2020 due to a substantial increase in sales volume. Meat commodity costs started to rise during the first and second quarters of the 2021 fiscal year with the highest commodity cost increases purchased during the third quarter of fiscal 2021, significantly adding to the increase in cost of products sold. The cost of significant meat commodities increased approximately $6,477 in the thirty-six-week period of fiscal year 2021 compared to the same period in fiscal year 2020. As a result, a net realizable value reserve of $1,561 was recorded during the thirty-six week period of the 2021 fiscal year after determining that the market value on some meat products was less than the costs associated with completion and sale of the product. Higher depreciation on processing equipment impacted the cost of products sold.

Selling, General and Administrative Expenses-Consolidated

Selling, general and administrative expenses increased by $4,337 (11.8%) to $41,025 in the thirty-six-week period ended July 9, 2021, compared to the same thirty-six-week period in the prior fiscal year. The table below summarizes the significant expense increases (decreases) included in this category:

	36 Weeks Ended		Expense
	July 9, 2021	July 10, 2020	Increase (Decrease)
Wages and bonus	$ 17,255	$ 16,336	$ 919
Product advertising	5,384	4,473	911
Healthcare costs	2,024	1,354	670
Postage expense	501	239	262
Pension expense	574	349	225
Outside storage	501	276	225
Fuel	1,123	917	206
Travel	1,334	1,163	171
Other SG&A	12,329	11,581	748
Total - SG&A	$ 41,025	$ 36,688	$ 4,337

Higher sales commissions resulted in higher wages and bonus expenses in the thirty-six weeks of the 2021 fiscal year compared to the same period in the prior year. Costs for product advertising increased mainly as a result of higher payments under brand licensing agreements in the Snack Food Products segment during the thirty-six weeks ended July 9, 2021. Healthcare costs have increased due to claim activity increasing as pandemic restrictions are lifted. Postage expense increased due to higher product shipments to customers. The increase in pension expense was due to lower pension discount rates being used to compute the future liability estimate. Outside storage costs to warehouse products prior to shipment increased due to reaching storage capacity at our new facility as a result of higher sales volume. The increase in fuel expense was driven by per gallon fuel price increases compared to the prior year as a result of higher cost trends in petroleum markets. Travel expenses increased due to the gradual lifting of travel restrictions and stay-at-home orders in response to the COVID-19 pandemic. None of the changes individually or as a group of expenses in “Other SG&A” were significant enough to merit separate disclosure. The major components comprising the increase of “Other SG&A” expenses were higher customer fines, sales taxes and employee training expenses.

Selling, General and Administrative Expenses-Frozen Food Products Segment

SG&A expenses in the Frozen Food Products segment decreased by $763 (8.6%) to $8,097 in the thirty-six-week period of fiscal year 2021 compared to the same thirty-six-week period in the prior fiscal year. The overall decrease in SG&A expenses was due to lower sales volume.

Selling, General and Administrative Expenses-Snack Food Products Segment

SG&A expenses in the Snack Food Products segment increased by $5,100 (18.3%) to $32,928 in the thirty-six-week period of fiscal year 2021 compared to the same thirty-six-week period in the prior fiscal year. Most of the increase was due to higher sales volume.

Income Taxes-Consolidated

Income tax for the thirty-six-weeks ended July 9, 2021, and July 10, 2020, respectively, was as follows:

	July 9, 2021	July 10, 2020
Benefit on income taxes	$ (669)	$ (1,782)
Effective tax rate	28.0%	-49.0%

We recorded a tax benefit of $669 for the thirty-six-week period ended July 9, 2021, related to federal and state taxes, based on the Company’s expected annual effective tax rate. The effective income tax rate differed from the applicable mixed statutory rate of approximately 26.4% due to non-deductible meals and entertainment, non-taxable gains and losses on life insurance policies and state income taxes.

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 such products. We normally fund our operations from cash balances and cash flow generated from operations. We borrowed $18,450 during the first and second quarters of fiscal year 2020 to purchase specific equipment for our new Chicago processing facility. Additionally, we borrowed $6,000 under our line of credit with Wells Fargo during the first three quarters of fiscal year 2021 to fund operations. We borrowed an additional $3,000 under our line of credit on July 19, 2021. As of July 9, 2021, the Company had a book overdraft of $340. The book overdraft is recorded as a liability in accounts payable on the condensed consolidated balance sheet. Management believes there are various options available to generate additional liquidity to repay debt or fund operations such as the sale of business assets or mortgaging real estate, should those be necessary. Our ability to increase liquidity will depend upon, among other things, our business plans, performance of operating divisions and economic conditions of capital markets or circumstances related to the COVID-19 global pandemic. If we are unable to increase liquidity through the sale of assets or mortgaging real estate, or generate positive cash flow necessary to fund operations, we may not be able to compete successfully, which could negatively impact our business, operations, and financial condition. Combined with the cash expected to be generated from the Company's operations, income tax refunds of $7,291 and deferral of social security taxes, we anticipate that we will maintain sufficient liquidity to operate our business for a reasonable period of time and also complete the major plant expansion in Chicago, Illinois. We will continue to monitor the impact of COVID-19 on our liquidity and, if necessary, take action to preserve liquidity and ensure that our business can operate during these uncertain times.

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

	July 9, 2021	July 10, 2020
Net (loss) income	$ (1,719)	$ 5,419
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation	4,425	3,178
Provision for losses on accounts receivable	46	18
Increase in promotional allowances	742	(75)
Gain on sale of property, plant and equipment	(378)	(22)
Changes in operating working capital	(3,687)	(597)
Net cash (used in) provided by operating activities	$ (571)	$ 7,921

For the thirty-six weeks ended July 9, 2021, net cash used in operating activities was $571, $8,492 less cash provided than during the same period in fiscal year 2020. The net decrease in cash provided by operating activities primarily relates to an increase in inventories of $5,221, a net loss of $1,719 and an increase in other non-current assets of $2,001 partially offset by receipt of refundable income taxes from the IRS of $3,407. During the thirty-six-week period ended July 9, 2021, we did not contribute towards our defined benefit pension plan. Plan funding strategies may be adjusted depending upon economic conditions, investment options, tax deductibility, or recent legislative changes in funding requirements.

Our cash conversion cycle (defined as days of inventory and trade receivables less days of trade payables outstanding) was equal to 98 days for the thirty-six-week period ended July 9, 2021. The cash conversion cycle was 65 days for the thirty-six-week period ended July 10, 2020. The decrease in the cash conversion cycle was due to accelerated payments on outstanding accounts receivable from Wal-Mart for approximately $8,800.

For the thirty-six weeks ended July 10, 2020, net cash provided by operating activities was $7,921 and primarily relates to a decrease in inventory of $4,887 and net income of $5,419 partially offset by an increase in prepaid expenses and other current assets of $8,300 and an increase in accounts receivable of $1,111. During the thirty-six-week period ended July 10, 2020, we did not contribute towards our defined benefit pension plan.

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

	July 9, 2021	July 10, 2020
Proceeds from sale of property, plant, and equipment	$ 128	$ 37
Proceeds from sale of assets in escrow	-	900
Additions to property, plant, and equipment	(6,842)	(15,257)
Net cash used in investing activities	$ (6,714)	$ (14,320)

Expenditures for property, plant and equipment include the acquisition of 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. We 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 include acquisitions of machinery and equipment used on packaging lines and refrigeration equipment used to process food products.

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

	July 9, 2021	July 10, 2020
Changes in projects in process	$ 4,244	$ 14,612
Building improvements	8	124
Direct store delivery and sales vehicles	1,223	99
Packaging lines	-	301
Computer software and hardware		7
Processing equipment	1,296	84
Furniture and fixtures	71	-
Communication systems	-	-
Quality control	-	23
Temperature control	-	7
Additions to property, plant, and equipment	$ 6,842	$ 15,257

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

	July 9, 2021	July 10, 2020
Payment of lease and right of use obligations	$ (319)	$ (40)
Proceeds from bank borrowings	6,000	18,450
Repayments of bank borrowings	(3,223)	(1,914)
Net cash (used in) provided by financing activities	$ 2,458	$ 16,496

Our stock repurchase program was approved by our 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 our 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, 2021, 120,113 shares remained authorized for repurchase under the program.

The Company maintains a line of credit with Wells Fargo Bank, N.A. that extends through March 1, 2022. Under the terms of this line of credit, we may borrow up to $15,000 at an interest rate equal to the bank's prime rate or LIBOR plus 2.0%. The line of credit has an unused commitment fee of 0.25% of the available loan amount. We borrowed $6,000 under this line of credit in $2,000 increments on December 2, 2020, April 27, 2021 and July 1, 2021, respectively, which remains outstanding as of July 9, 2021. We borrowed an additional $3,000 under this line of credit on July 19, 2021. The line of credit is presented under the current portion of non-current liabilities in the Condensed Consolidated Balance Sheets. The line of credit contains various covenants, the more significant of which require us to maintain a minimum tangible net worth, a minimum quick ratio, and a fixed charge coverage ratio.

On December 26, 2018, we entered into a master collateral loan and security agreement with Wells Fargo Bank, N.A. (the "Original Wells Fargo Loan Agreement") for up to $15,000 in equipment financing which was amended and expanded as detailed below. We subsequently entered into additional master collateral loan and security agreements with Wells Fargo Bank, N.A. on each of December 19, 2019, March 5, 2020, and April 17, 2020 (collectively the Original Wells Fargo Loan Agreement and the subsequent agreements referred to as the "Wells Fargo Loan Agreements") for a total of $33,450. Pursuant to the Wells Fargo Loan Agreements, we borrowed the following amounts.

Type and Number (1)	Date Funds Received	Rate	Original Principal Amount	Monthly Principal Payment Amount and Payment Start Date	
Equipment Loan No. 01	12/26/18	4.13%	$ 7,500	$ 103	01/31/19
Equipment Loan No. 02	04/23/19	3.98%	7,500	102	05/31/19
Equipment Loan No. 03	12/23/19	3.70%	3,750	54	02/03/20
Equipment Loan No. 04	03/06/20	3.29%	7,500	100	03/13/20
Equipment Loan No. 05	04/17/20	3.68%	7,200	97	05/15/20
Total			$ 33,450	$ 456	

(1) Term: 7 years for 84 installment payments.

The Company was in violation of the minimum quick ratio covenant which was subsequently waived (per letter dated August 12, 2021). The Company was in compliance with all other covenants under the Wells Fargo Loan Agreements as of July 9, 2021.

The Company has $4,553 in short-term and $21,345 in long-term, on secured equipment notes payable to Wells Fargo Bank, N.A., collateralized by equipment for the new Chicago processing facility.

All operating segments have been impacted by inflation including higher operating costs, including labor, higher costs for freight and specific materials. We expect this trend to continue through the remainder of fiscal year 2021. Management is of the opinion that the Company's financial position and its capital resources are sufficient to provide for its operating needs and capital expenditures for the remainder of fiscal year 2021.

Recently issued accounting pronouncements and regulations

In February 2016, the FASB issued ASU 2016-02, “Leases”, which requires a lessee to recognize assets and liabilities with lease terms of more than 12 months. Both capital and operating leases are to be recognized on the balance sheet. The guidance is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019 which is our first quarter of fiscal 2020. We have analyzed all lease transactions during fiscal year 2019 and 2020 to date. The Company elected not to reassess expired contracts or adjust comparative periods. The Company determined that no change to current accounting treatment is warranted for most transactions due to the underlying nature of our leases. In the case of month-to-month lease or rental agreements with terms of 12 months or less, the Company made an accounting policy election to not recognize lease assets and liabilities. The Company performed a detailed analysis and determined that the only indication of a long-term lease was its lease with Hogshed Ventures, LLC. The accounting treatment of this lease for warehouse storage included establishing a right-of-use asset and corresponding liability was recorded for the Company’s lease with Hogshed Ventures, LLC for property located at 40th Street in Chicago during the fourth quarter of fiscal 2020. The application of this pronouncement resulted in additional disclosures detailing our lease arrangements. The Company adopted this guidance during the first quarter of fiscal 2020 and it did not have a material 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 a 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 a 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. On May 14, 2013, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) published Internal Control-Integrated Framework (2013) (the “2013 Framework”) and related illustrative documents as an update to Internal Control-Integrated Framework (1992) (the “1992 Framework”). The Company has adopted the 2013 Framework this fiscal year and has determined that the 17 principles are present and functioning during our assessment of the effectiveness of internal controls. 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 “Communication with Audit Committees Concerning Independence”.

There have been no changes in our internal controls over financial reporting that occurred during the fiscal quarter ended July 9, 2021, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Part II. Other Information

Item 1A. Risk Factors

The risk factors listed in Part I "Item 1A. Risk Factors" in the Annual Report should be considered with the information provided elsewhere in this Report, which could materially adversely affect our business, financial condition, or results of operations. Except as set forth below, there have been no material changes to the risk factors as previously disclosed in the Annual Report.

We have considered the impact of federal, state, and local government actions related to the COVID-19 pandemic on our condensed consolidated financial statements. These business disruptions had a significant impact on our condensed consolidated financial statements for the thirty-six weeks ended July 9, 2021. We expect these events to have future business impacts, the extent of which is uncertain and largely subject to whether the severity worsens, or the duration of current business shutdowns continue.

These impacts could include but may not be limited to risks and uncertainty related to shifts in demand between sales channels, market volatility, constraints in our supply chain, our ability to operate production facilities and worker availability. These unknowns may subject the company to future risks related to long-lived asset impairments, increased reserves for uncollectible accounts, the price and availability of ingredients and raw materials used in our products and adjustments to reflect the market value of our inventory.

Item 5. Other Information

As previously reported, on March 16, 2020, Bridgford Food Processing Corporation ("BFPC"), a wholly-owned subsidiary of the Company, entered into a Purchase and Sale Agreement with CRG Acquisition, LLC ("CRG"), pursuant to which BFPC agreed to sell to CRG, pursuant to the terms and conditions set forth in the CRG Purchase Agreement, a parcel of land including an approximate 156,000 square foot four-story industrial food processing building located at 170 N. Green Street in Chicago, Illinois (the "Property"). The purchase price for the Property is $60,000 subject to a due diligence period and certain closing adjustments and prorations, and is conditioned upon, among other customary closing conditions, CRG receiving zoning and other governmental approvals necessary for the construction and development of a mixed-use project on the Property in accordance with certain development plans to be approved by the City of Chicago. The cost basis of the Property was insignificant.

On July 30, 2021, the Company executed the seventh amendment to the CRG Purchase Agreement, dated as of July 30, 2021, of the CRG Purchase Agreement. Under the original terms and conditions of the CRG Purchase Agreement, the closing of the sale of the Property to CRG would occur on the date that is thirty (30) days after CRG's receipt of the necessary zoning approvals, but in any event no earlier than October 31, 2020, and no later than March 31, 2021. The first amendment dated as of April 10, 2020, extended the inspection period to June 1, 2020. The second amendment dated as of June 1, 2020, extended the inspection period to July 31, 2020, zoning period to February 1, 2021, and closing date to February 5, 2021. The third amendment dated July 31, 2020, further extended the inspection period to October 31, 2020, zoning period to April 30, 2021, and closing date to May 6, 2021. The fourth amendment dated November 2, 2020, further extended the inspection period to February 1, 2021, the zoning period to August 2, 2021, and closing date to August 31, 2021. The fifth amendment dated February 1, 2021, further extended the inspection period to May 1, 2021, the zoning period to November 1, 2021, and closing date to December 1, 2021. The sixth amendment dated April 28, 2021, further extended the inspection period to July 30, 2021, the zoning period to February 1, 2022, and closing date to March 1, 2022. The escrow account for the transaction has received $1,650 in earnest money deposits through April 16, 2021. The seventh amendment dated July 30, 2021, further extended the inspection period to September 30, 2021, the zoning period to March 30, 2022, and closing date to April 29, 2022. The seventh amendment also established that the parties acknowledged and agree that the purchaser shall commence demolition of certain portions of the improvements prior to the expiration of the inspection period and be diligently completed in a commercially reasonable manner on or prior to the closing date. The escrow account for the transaction has received $1,650 in earnest money deposits through July 9, 2021. We have received a total of $1,050 in total which is non-refundable earnest money through July 9, 2021, which is thus not part of restricted cash. An additional $75 of non-refundable earnest money had been received as of August 2, 2021, bringing that total to $1,125. The total amount of earnest money deposited in the escrow account since the inception of the CRG Purchase Agreement increased to $1,650 as of February 2, 2021 and reduced to $1,500 on July 30, 2021.

On February 15, 2021, our line of credit with Wells Fargo Bank, N.A. was increased to $15,000 with an unused commitment fee of 0.25% of the available loan amount. The amended line of credit expires March 1, 2022. Under the terms of this line of credit, we may borrow up to $15,000 at an interest rate equal to the bank's prime rate or LIBOR plus 2.0%. The Company borrowed $2,000 under this line of credit during the first quarter of fiscal 2021, $4,000 during the second quarter of fiscal 2021 and had $6,000 borrowings outstanding as of July 9, 2021. The Company borrowed an additional $3,000 under this line of credit on July 19, 2021. The line of credit contains various covenants, the more significant of which require us to maintain a minimum tangible net worth, a minimum quick ratio, and a fixed charge coverage ratio. The Company was in violation of the minimum quick ratio covenant which was subsequently waived (per letter dated August 12, 2021). The Company was in compliance with all other covenants under the Wells Fargo Loan Agreements as of July 9, 2021.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
31.1	Certification of Principal Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Principal Executive Officer).					X
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Principal Financial Officer).					X
101.INS	Inline XBRL Instance Document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and Contained in Exhibit 101).					

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 20, 2021	By: */s/ Raymond F. Lancy* Raymond F. Lancy Chief Financial Officer (Duly Authorized Officer, Principal Financial and Accounting Officer)

Exhibit 31.1

SECTION 302 CERTIFICATION

I, William L. Bridgford, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bridgford Foods Corporation;

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

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 20, 2021

/s/ William L. Bridgford
William L. Bridgford, Chairman of the Board
(Principal Executive Officer)

Exhibit 31.2

SECTION 302 CERTIFICATION

I, Raymond F. Lancy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bridgford Foods Corporation;

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

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 20, 2021

/s/ Raymond F. Lancy
Raymond F. Lancy, Chief Financial Officer, Executive Vice President, Treasurer and Assistant Secretary
(Principal Financial and Accounting Officer)

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, William L. Bridgford, Chairman of the Board of Bridgford Foods Corporation (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. the Quarterly Report on Form 10-Q of the Company for the quarterly period ended July 9, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 780(d)); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 20, 2021

/s/ William L. Bridgford

William L. Bridgford, Chairman of the Board
(Principal Executive Officer)

This certification accompanies the Quarterly Report on Form 10-Q pursuant to Section 13(a) and 15(d) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934 and shall not be incorporated by reference into any of the Company’s filings under the Securities Act or the Exchange Act, irrespective of any general incorporation language contained in any such filing.

Exhibit 32.2

Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Raymond F. Lancy, Chief Financial Officer, Executive Vice President, Treasurer and Assistant Secretary of Bridgford Foods Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. the Quarterly Report on Form 10-Q of the Company for the quarterly period ended July 9, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 780(d)); and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 20, 2021

/s/ Raymond F. Lancy

Raymond F. Lancy, Chief Financial Officer, Executive Vice President, Treasurer and Assistant Secretary
(Principal Financial and Accounting Officer)

This certification accompanies the Quarterly Report on Form 10-Q pursuant to Section 13(a) and 15(d) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934 and shall not be incorporated by reference into any of the Company's filings under the Securities Act or the Exchange Act, irrespective of any general incorporation language contained in any such filing.