

Submission Data File

General Information	
Form Type*	10-Q
Contact Name	M2 Compliance
Contact Phone	754-243-5120
Filer Accelerated Status*	Non-Accelerated Filer
Filer File Number	
Filer CIK*	0000014177 (BRIDGFORD FOODS CORP)
Filer CCC*	*****
Filer is Shell Company*	N
Filer is Smaller Reporting Company	Yes
Confirming Copy	No
Notify via Website only	No
Return Copy	Yes
SROS*	NONE
Period*	04-14-2023
Emerging Growth Company	No
Elected not to use extended transition period	No
(End General Information)	

Document Information	
File Count*	6
Document Name 1*	form10-q.htm
Document Type 1*	10-Q
Document Description 1	
Document Name 2*	ex31-1.htm
Document Type 2*	EX-31.1
Document Description 2	
Document Name 3*	ex31-2.htm
Document Type 3*	EX-31.2
Document Description 3	
Document Name 4*	ex32-1.htm
Document Type 4*	EX-32.1
Document Description 4	
Document Name 5*	ex32-2.htm
Document Type 5*	EX-32.2
Document Description 5	
Document Name 6*	form10-q_001.jpg
Document Type 6*	GRAPHIC
Document Description 6	
(End Document Information)	

Notifications	
Notify via Website only	No
E-mail 1	filing@m2compliance.com
(End Notifications)	

**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 April 14, 2023

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)

Texas
(State or other jurisdiction of
incorporation or organization)

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

1707 S. Good-Latimer Expressway
(Address of principal executive offices)

75226
(Zip code)

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

N/A
(Former name, former address and former fiscal year, if changed since last report)

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
Non-accelerated filer

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 May 26, 2023, the registrant had 9,076,832 shares of common stock outstanding.

BRIDGFORD FOODS CORPORATION
FORM 10-Q QUARTERLY REPORT

INDEX

References to “Bridgford Foods”, “Company”, “we”, “us” or “our” contained in this Quarterly Report on Form 10-Q (this “Report”) refer to Bridgford Foods Corporation.

	<u>Page</u>
<u>Part I. Financial Information</u>	3
<u>Item 1. Financial Statements</u>	3
<u>a. Condensed Consolidated Balance Sheets as of April 14, 2023 (unaudited) and October 28, 2022</u>	3
<u>b. Condensed Consolidated Statements of Operations for the twelve and twenty-four weeks ended April 14, 2023 (unaudited) and April 15, 2022 (unaudited)</u>	4
<u>c. Condensed Consolidated Statements of Shareholders’ Equity for the twelve and twenty-four weeks ended April 14, 2023 (unaudited) and April 15, 2022 (unaudited)</u>	5
<u>d. Condensed Consolidated Statements of Cash Flows for the twenty-four weeks ended April 14, 2023 (unaudited) and April 15, 2022 (unaudited)</u>	6
<u>e. Notes to Condensed Consolidated Financial Statements (unaudited)</u>	7
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	25
<u>Item 4. Controls and Procedures</u>	25
<u>Part II. Other Information</u>	26
<u>Item 1. Legal Proceedings</u>	26
<u>Item 1A. Risk Factors</u>	26
<u>Item 6. Exhibits</u>	27
<u>Signatures</u>	28

Items 2 through 5 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)

	<u>April 14, 2023</u>	<u>October 28, 2022</u>
	<u>(unaudited)</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,751	\$ 16,333
Accounts receivable, less allowance for doubtful accounts of \$361 and \$177, respectively, and promotional allowances of \$3,838 and \$2,771, respectively	29,498	34,541
Inventories, net	39,954	40,533
Refundable income taxes	1,730	1,201
Prepaid expenses and other current assets	2,322	321
Total current assets	<u>89,255</u>	<u>92,929</u>
Property, plant and equipment, net of accumulated depreciation and amortization of \$72,300 and \$70,968, respectively	69,775	71,830
Other non-current assets	11,829	11,589
Total assets	<u>\$ 170,859</u>	<u>\$ 176,348</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 10,763	\$ 13,658
Accrued payroll, advertising, and other expenses	6,368	6,799
Income taxes payable	224	224
Current notes payable - equipment	1,023	1,089
Current right-of-use leases payable	1,288	1,054
Other current liabilities	1,669	4,029
Total current liabilities	<u>21,335</u>	<u>26,853</u>
Long-term notes payable - equipment	3,400	3,824
Deferred income taxes, net	8,972	8,972
Long-term right-of-use leases payable	3,096	3,420
Other non-current liabilities	6,650	6,954
Total liabilities	<u>43,453</u>	<u>50,023</u>
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	120,399	119,318
Accumulated other comprehensive loss	(10,425)	(10,425)
Total shareholders' equity	<u>127,406</u>	<u>126,325</u>
Total liabilities and shareholders' equity	<u>\$ 170,859</u>	<u>\$ 176,348</u>

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)

	<u>12 weeks ended</u>		<u>24 weeks ended</u>	
	<u>April 14, 2023</u>	<u>April 15, 2022</u>	<u>April 14, 2023</u>	<u>April 15, 2022</u>
Net sales	\$ 55,510	\$ 59,986	\$ 117,132	\$ 124,072
Cost of products sold	<u>40,053</u>	<u>43,304</u>	<u>84,609</u>	<u>90,997</u>
Gross margin	15,457	16,682	32,523	33,075
Selling, general and administrative expenses	14,941	15,178	30,735	29,909
Loss (gain) on sale of property, plant, and equipment	<u>232</u>	<u>-</u>	<u>160</u>	<u>(18)</u>
Operating income	284	1,504	1,628	3,184
Other income (expense)				
Interest expense	(100)	(318)	(225)	(615)
Cash surrender value gain (loss)	<u>129</u>	<u>10</u>	<u>240</u>	<u>(1,000)</u>
Total other income (expense)	<u>29</u>	<u>(308)</u>	<u>15</u>	<u>(1,615)</u>
Income before taxes	313	1,196	1,643	1,569
Provision for income taxes	<u>164</u>	<u>391</u>	<u>562</u>	<u>457</u>
Net income	<u>\$ 149</u>	<u>\$ 805</u>	<u>\$ 1,081</u>	<u>\$ 1,112</u>
Basic earnings per share	<u>\$ 0.02</u>	<u>\$ 0.09</u>	<u>\$ 0.12</u>	<u>\$ 0.12</u>
Shares used to compute basic earnings per share	<u>9,076,832</u>	<u>9,076,832</u>	<u>9,076,832</u>	<u>9,076,832</u>

See accompanying notes to Condensed Consolidated Financial Statements.

Item 1. c.

BRIDGFORD FOODS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
24 weeks ended April 15, 2022, and April 14, 2023
(unaudited)
(in thousands)

	<u>Shares</u>	<u>Amount</u>	<u>Capital in excess of par value</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive loss</u>	<u>Total shareholders' equity</u>
Balance, October 29, 2021	9,076	\$ 9,134	\$ 8,298	\$ 74,252	\$ (16,706)	\$ 74,978
Net income	-	-	-	1,112	-	1,112
Balance, April 15, 2022	<u>9,076</u>	<u>\$ 9,134</u>	<u>\$ 8,298</u>	<u>\$ 75,364</u>	<u>\$ (16,706)</u>	<u>\$ 76,090</u>

	<u>Shares</u>	<u>Amount</u>	<u>Capital in excess of par value</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive loss</u>	<u>Total shareholders' equity</u>
Balance, October 28, 2022	9,076	\$ 9,134	\$ 8,298	\$ 119,318	\$ (10,425)	\$ 126,325
Net income	-	-	-	1,081	-	1,081
Balance, April 14, 2023	<u>9,076</u>	<u>\$ 9,134</u>	<u>\$ 8,298</u>	<u>\$ 120,399</u>	<u>\$ (10,425)</u>	<u>\$ 127,406</u>

BRIDGFORD FOODS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
12 weeks ended April 15, 2022, and April 14, 2023
(unaudited)
(in thousands)

	<u>Shares</u>	<u>Amount</u>	<u>Capital in excess of par value</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive loss</u>	<u>Total shareholders' equity</u>
Balance, January 21, 2022	9,076	\$ 9,134	\$ 8,298	\$ 74,559	\$ (16,706)	\$ 75,285
Net income	-	-	-	805	-	805
Balance, April 15, 2022	<u>9,076</u>	<u>\$ 9,134</u>	<u>\$ 8,298</u>	<u>\$ 75,364</u>	<u>\$ (16,706)</u>	<u>\$ 76,090</u>

	<u>Shares</u>	<u>Amount</u>	<u>Capital in excess of par value</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive loss</u>	<u>Total shareholders' equity</u>
Balance, January 20, 2023	9,076	\$ 9,134	\$ 8,298	\$ 120,250	\$ (10,425)	\$ 127,257
Net income	-	-	-	149	-	149
Balance, April 14, 2023	<u>9,076</u>	<u>\$ 9,134</u>	<u>\$ 8,298</u>	<u>\$ 120,399</u>	<u>\$ (10,425)</u>	<u>\$ 127,406</u>

See accompanying notes to Condensed Consolidated Financial Statements.

Item 1. d.

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

	24 weeks ended	
	April 14, 2023	April 15, 2022
Cash flows from operating activities:		
Net income	\$ 1,081	\$ 1,112
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,027	3,158
Provision for losses (recovery on) accounts receivable	195	(10)
Increase in promotional allowances	1,067	2,278
Loss (gain) on sale of property, plant, and equipment	160	(18)
Changes in operating assets and liabilities:		
Accounts receivable, net	3,781	(2,438)
Inventories, net	579	(4,164)
Prepaid expenses and other current assets	(2,001)	1,330
Refundable income taxes	(529)	425
Other non-current assets	(240)	1,000
Accounts payable	(2,895)	(159)
Accrued payroll, advertising, and other expenses	(1,485)	(743)
Other current liabilities	(1,193)	1,774
Other non-current liabilities	(250)	(1,272)
Net cash provided by operating activities	<u>1,297</u>	<u>2,273</u>
Cash flows from investing activities:		
Proceeds from sale of property, plant, and equipment	161	18
Additions to property, plant, and equipment	(1,293)	(629)
Net cash used in investing activities	<u>(1,132)</u>	<u>(611)</u>
Cash flows from financing activities:		
Payment of lease and right-of-use obligations	(255)	(151)
Proceeds from borrowings under revolving credit facilities	-	6,000
Repayments of bank borrowings	(492)	(1,028)
Net cash (used in) provided by financing activities	<u>(747)</u>	<u>4,821</u>
Net (decrease) increase in cash and cash equivalents and restricted cash	(582)	6,483
Cash and cash equivalents and restricted cash at beginning of period	<u>16,333</u>	<u>375</u>
Cash and cash equivalents at end of period	<u>\$ 15,751</u>	<u>\$ 6,858</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	<u>\$ 1,094</u>	<u>\$ 37</u>
Cash paid for interest	<u>\$ 225</u>	<u>\$ 615</u>

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 twelve weeks ended April 14, 2023 and April 15, 2022 have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X, 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 Company’s Annual Report on Form 10-K for the fiscal year ended October 28, 2022 (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, if any, 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 COVID-19 pandemic on our Condensed Consolidated Financial Statements. The business disruptions associated with the pandemic had a minimal impact on our Consolidated Financial Statements for the fiscal year ended October 28, 2022, and during the twelve and twenty-four weeks ended April 14, 2023. Disruptions from the pandemic 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. The long-term impacts of COVID-19 are unknown and dependent upon future developments including COVID-19 variants and resurgences as well as actions taken by federal, state and local government officials.

The federal Public Health Emergency for COVID-19, declared under Section 319 of the Public Health Service Act expired at the end of the day on May 11, 2023.

The October 28, 2022, balance sheet amounts within these interim Condensed Consolidated Financial Statements were derived from the audited fiscal year 2022 financial statements included in the Company’s annual report of Form 10-K for the fiscal year ended October 28, 2022.

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, and notes payable. The carrying amount of these instruments approximate fair market value due to their short-term maturity or market interest rates. The Company has accounts with nationally recognized financial institutions in excess of the Federal Deposit Insurance Corporation insurance coverage limit. The Company has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk 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 and additional minimum pension liability adjustments. There were no differences between net income and comprehensive income during each of the twelve and twenty-four weeks ended April 14, 2023, or April 15, 2022.

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 April 14, 2023, and April 15, 2022, respectively.

	Walmart ⁽¹⁾		Dollar General	
	Sales	AR	Sales	AR
April 14, 2023	30.4%	27.3%	16.2%	27.1%
April 15, 2022	31.4%	4.4%	17.7%	38.1%

(1) Walmart AR represented a higher percentage of consolidated AR as of April 14, 2023, due to terminating the accelerated payments on outstanding accounts receivable on July 1, 2022.

The table below shows customers that accounted for more than 20% of consolidated accounts receivable or 10% of consolidated sales for the twelve weeks ended April 14, 2023, and April 15, 2022, respectively.

	Walmart ⁽¹⁾		Dollar General	
	Sales	AR	Sales	AR
April 14, 2023	30.8%	27.3%	20.1%	27.1%
April 15, 2022	30.5%	4.4%	19.6%	38.1%

(1) Walmart AR represented a higher percentage of consolidated AR as of April 14, 2023, due to terminating the accelerated payments on outstanding accounts receivable on July 1, 2022.

Revenue recognition

Revenues are recognized in accordance with Accounting Standards Codification (“ASC”) Topic 606 – *Revenue from 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 receiving in exchange for providing products 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. Promotional allowances deducted from sales for the twelve weeks ended April 14, 2023 and April 15, 2022, were \$4,520 and \$3,862, respectively. Promotional allowances deducted from sales for the twenty-four weeks ended April 14, 2023, and April 15, 2022, were \$8,384 and \$7,366, respectively.

Leases

Leases are recognized in accordance with ASC 842 Leases (“ASC 842”) which requires a lessee to recognize assets and liabilities with lease terms of more than twelve months. We lease or rent property for such operations as storing inventory and equipment. We analyze our agreements to evaluate whether or not a lease exists by determining what assets exist for which we control usage 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 twelve months or less, we made an accounting policy election to not recognize lease assets and liabilities and record them on a straight-line basis over the lease term. The storage units rented on a month-to-month basis for use by our Snack Food Product segment direct store delivery route system are not costly to relocate and contain no significant leasehold improvements or degree of integration over leased assets. Orders can be fulfilled by another route storage unit interchangeably. No specialized assets exist in the rental storage units. Market price is paid for storage units. No guarantee of debt is made.

ROU lease assets are recorded within property, plant and equipment, net of accumulated depreciation and amortization. The Company leases warehouse space from time to time that is recorded as ROU lease assets and corresponding lease liabilities. The Company's leases of long-haul trucks used in its Frozen Food Products segment qualify as finance leases. Finance lease liabilities are recorded under other liabilities, the consolidated balance sheets reflecting both the current and long-term obligation. 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.

Subsequent events

Management has evaluated events subsequent to April 14, 2023, 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.

On April 17, 2023, the Company leased one box truck for a market value of \$27 and that lease term is two years.

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

Basic earnings per share

Basic 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 April 14, 2023, or April 15, 2022.

Note 2 – Inventories, net:

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

	April 14, 2023	October 28, 2022
Meat, ingredients, and supplies	\$ 11,756	\$ 10,242
Work in progress	3,679	2,432
Finished goods	24,519	27,859
	<u>\$ 39,954</u>	<u>\$ 40,533</u>

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 estimated excess, obsolete inventories, or impaired balances 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. We maintain a net realizable reserve of \$258 as of April 14, 2023, and \$131 as of October 28, 2022, on products in inventory after determining that the market value on some meat products could not cover the costs associated with completion and sale of the product.

Note 3 – Contingencies and Commitments:

The Company generally leases warehouse and/or office facilities throughout the United States through 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 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 leases three long-haul trucks received during fiscal year 2019. The six-year leases for these trucks expire in fiscal year 2025. Amortization of equipment as a finance lease was \$39 during the twenty-four weeks ended April 14, 2023. The Company leased one box truck for a market value of \$27 on April 17, 2023, and that lease term is two years. Please refer to Note 1 - Summary of Significant Accounting Policies - Subsequent events.

The Company performed a detailed analysis and determined that the only indication of a long-term lease in addition to transportation leases for long-haul trucks were the warehouse leases with Hogshed Ventures, LLC and Racine Partners 4333 LLC.

The Company's five-year term lease with Racine Partners 4333 LLC, was effective June 1, 2022. An ROU asset of \$3,782 and corresponding liability for warehouse storage space of \$3,823 as of April 14, 2023, was recorded for Racine Partners 4333 LLC for 43rd Street in Chicago, Illinois. This lease does not provide an implicit rate and we estimated our incremental interest rate to be approximately 3.68%. 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.

A ROU asset and corresponding liability for warehouse storage space was recorded for \$559 for Hogshed Ventures, LLC for 40th Street in Chicago, Illinois, as of April 14, 2023. 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 was set to terminate on June 30, 2023, but was extended one year on March 1, 2023 and as a result will terminate on June 30, 2024. 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 ROU asset.

The lease with Hogshed Ventures, LLC does not provide an implicit rate and we estimated our incremental interest rate to be approximately 1.6% for the lease expiring June 30, 2023 and 5.49% for the extended lease expiring June 30, 2024. 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 ROU assets:

Fiscal Year	Financing Obligations
2023	\$ 1,378
2024	681
2025	932
2026	991
Later Years	604
Total Minimum Lease Payments(a)	\$ 4,586
Less: Amount representing executory costs	(27)
Less: Amount representing interest(b)	(2)
Present value of future minimum lease payments(c)	<u>\$ 4,557</u>

- (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. of the Condensed Consolidated Balance Sheets as current and noncurrent obligations are capital leases of \$90 and \$83 under Other current liabilities and Other non-current liabilities, respectively, and right-of-use leases payable of \$1,288 and \$3,096 are disclosed as line items Current right-of-use leases payable and Long-term ROU leases payable, respectively, as of April 14, 2023.

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.

We purchase large quantities of pork, beef, and flour. These ingredients are generally available from a number of different suppliers although the availability of these ingredients is subject to seasonal variation. We build ingredient inventories to take advantage of downward trends in seasonal prices or anticipated supply limitations.

We purchase bulk flour under short-term fixed price contracts at current market prices. The contracts are usually effective for and settle within three months or less at a fixed price and quantity. We monitor and manage our ingredient costs to help negate volatile daily swings in market prices when possible. We do 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 April 14, 2023, and April 15, 2022, respectively.

Segment Information				
Twelve weeks Ended April 14, 2023	Frozen Food Products	Snack Food Products	Other	Totals
Sales	\$ 11,904	\$ 43,606	\$ -	\$ 55,510
Cost of products sold	9,478	30,575	-	40,053
Gross margin	2,426	13,031	-	15,457
SG&A	3,244	11,697	-	14,941
Loss on sale of property, plant, and equipment	30	202	-	232
Operating (loss) income	(848)	1,132	-	284
Total assets	\$ 15,046	\$ 124,247	\$ 31,566	\$ 170,859
Additions to PP&E	\$ 164	\$ 870	\$ -	\$ 1,034
Twelve weeks Ended April 15, 2022	Frozen Food Products	Snack Food Products	Other	Totals
Sales	\$ 12,477	\$ 47,509	\$ -	\$ 59,986
Cost of products sold	8,649	34,655	-	43,304
Gross margin	3,828	12,854	-	16,682
SG&A	3,286	11,892	-	15,178
Gain on sale of property, plant, and equipment	-	-	-	-
Operating income	542	962	-	1,504
Total assets	\$ 14,484	\$ 121,521	\$ 26,318	\$ 162,323
Additions to PP&E	\$ (54)	\$ 303	\$ -	\$ 249

The following segment information is presented for the twenty-four weeks ended April 14, 2023, and April 15, 2022, respectively.

Twenty-four weeks Ended April 14, 2023	Frozen Food Products	Snack Food Products	Other	Totals
Sales	\$ 26,303	\$ 90,829	\$ -	\$ 117,132
Cost of products sold	20,223	64,386	-	84,609
Gross margin	6,080	26,443	-	32,523
SG&A	6,888	23,847	-	30,735
Loss on sale of property, plant, and equipment	30	130	-	160
Operating (loss) income	(838)	2,466	-	1,628
Total assets	\$ 15,046	\$ 124,247	\$ 31,566	\$ 170,859
Additions to PP&E	\$ 378	\$ 915	\$ -	\$ 1,293
Twenty-four weeks Ended April 15, 2022	Frozen Food Products	Snack Food Products	Other	Totals
Sales	\$ 24,843	\$ 99,229	\$ -	\$ 124,072
Cost of products sold	17,500	73,497	-	90,997
Gross margin	7,343	25,732	-	33,075
SG&A	6,373	23,536	-	29,909
Gain on sale of property, plant, and equipment	-	(18)	-	(18)
Operating income	970	2,214	-	3,184
Total assets	\$ 14,484	\$ 121,521	\$ 26,318	\$ 162,323
Additions to PP&E	\$ 6	\$ 623	\$ -	\$ 629

The following information further disaggregates our sales to customers by major distribution channel and customer type for the twelve weeks ended April 14, 2023, and April 15, 2022, respectively.

Twelve weeks Ended April 14, 2023

Distribution Channel	Retail (a)	Foodservice (b)	Totals
Direct store delivery	\$ 29,053	\$ -	\$ 29,053
Direct customer warehouse	14,553	-	14,553
Total Snack Food Products	43,606	-	43,606
Distributors	1,276	10,628	11,904
Total Frozen Food Products	1,276	10,628	11,904
Totals	\$ 44,882	\$ 10,628	\$ 55,510

Twelve weeks Ended April 15, 2022

Distribution Channel	Retail (a)	Foodservice (b)	Totals
Direct store delivery	\$ 31,065	\$ -	\$ 31,065
Direct customer warehouse	16,444	-	16,444
Total Snack Food Products	47,509	-	47,509
Distributors	1,576	10,901	12,477
Total Frozen Food Products	1,576	10,901	12,477
Totals	\$ 49,085	\$ 10,901	\$ 59,986

(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.

Twenty-four weeks Ended April 14, 2023

Distribution Channel	Retail (a)	Foodservice (b)	Totals
Direct store delivery	\$ 63,099	\$ -	\$ 63,099
Direct customer warehouse	27,730	-	27,730
Total Snack Food Products	90,829	-	90,829
Distributors	4,483	21,820	26,303
Total Frozen Food Products	4,483	21,820	26,303
Totals	\$ 95,312	\$ 21,820	\$ 117,132

Twenty-four weeks Ended April 15, 2022

Distribution Channel	Retail (a)	Foodservice (b)	Totals
Direct store delivery	\$ 67,694	\$ -	\$ 67,694
Direct customer warehouse	31,535	-	31,535
Total Snack Food Products	99,229	-	99,229
Distributors	4,515	20,328	24,843
Total Frozen Food Products	4,515	20,328	24,843
Totals	\$ 103,744	\$ 20,328	\$ 124,072

(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 net operating loss (“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 34.2% and 29.1% for the second quarter of fiscal 2023 and 2022, respectively. The effective tax rate for the second quarter of fiscal 2023 reflects the impact of \$562 of tax expense.

As of April 14, 2023, the Company has a federal NOL carry forward of approximately \$0 and state NOL carry forwards of approximately \$4,600.

Our federal income tax returns are open to audit under the statute of limitations for the fiscal years 2019 through 2021. We are subject to income tax in Texas and various other state taxing jurisdictions. Our state income tax returns are open to audit under the statute of limitations for the fiscal years 2018 through 2021.

Note 6 – Equipment Notes Payable and Financial Arrangements:

Revolving Credit Facility

We maintain a revolving line of credit with Wells Fargo Bank, N.A. that extends to August 31, 2023. As of year-end October 28, 2022, under the terms of this line of credit, we could borrow up to \$15,000 at an interest rate equal to the bank’s prime rate or secured overnight financing rate (“SOFR”) plus 2.0%. The line of credit has an unused commitment fee of 0.25% of the available loan amount. The line of credit is presented under non-current liabilities at October 28, 2022, in the accompanying condensed consolidated balance sheets. On December 1, 2021, Wells Fargo Bank, N.A. expanded our line of credit to \$25,000 through June 15, 2022, upon which time the credit limit returned to \$15,000 for the balance of the term. We borrowed \$2,000 under this line of credit on December 2, 2020, \$2,000 on April 27, 2021, \$2,000 on July 1, 2021, \$3,000 on July 19, 2021, \$3,000 on October 15, 2021, \$2,000 on November 1, 2021, \$2,000 on December 16, 2021, and \$2,000 on January 24, 2022, for a combined total of \$18,000. The outstanding balance under the revolving line of credit was paid off on June 7, 2022, using \$18,000 in proceeds from the gain on the sale of a land parcel in Chicago.

Equipment Notes Payable

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; April 18, 2019, December 19, 2019, March 5, 2020, and April 17, 2020 (the Original Wells Fargo Loan Agreement and the subsequent agreements collectively referred to as the “Wells Fargo Loan Agreements”). Pursuant to the Wells Fargo Loan Agreements, we owe the amounts as stated in the table below on the following page.

Bridge Loan

On August 30, 2021, we entered into a loan commitment note for a bridge loan of up to \$25,000 to obtain capital to pay off the existing equipment loans as they come out of the lock out period and may be prepaid. The outstanding principal balances of the bridge loan became due and payable in full one Federal Reserve business day after the closing of the real estate transactions contemplated under the Purchase and Sale Agreement dated March 16, 2020, as amended, between Bridgford Food Processing Corporation and CRG Acquisition, LLC (the “CRG Purchase Agreement”). We prepaid \$18,653 in equipment loans utilizing proceeds from the new bridge loan. The Company evaluated the exchange under ASC 470 and determined that the exchange should be treated as a debt modification prospectively. The Company accounted for this transaction as a debt modification and did not incur any gain or loss relating to the modification. The debt modification did not meet the greater than ten percent test and was deemed not substantial. We prepaid and terminated the bridge loan and related loan commitment note on June 2, 2022, using \$18,653 in proceeds from the gain on the sale of a land parcel in Chicago pursuant to the CRG Purchase Agreement.

The following table reflects major components of our revolving line of credit and borrowing agreements as of April 14, 2023, and October 28, 2022, respectively.

	<u>April 14, 2023</u>	<u>October 28, 2022</u>
Revolving credit facility	\$ -	\$ -
Equipment notes:		
3.68% note due 04/16/27, out of lockout 04/17/22	4,423	4,913
SOFR plus 2.00% bridge loan due 08/31/23	-	-
Total debt	<u>4,423</u>	<u>4,913</u>
Less current debt	<u>(1,023)</u>	<u>(1,089)</u>
Total long-term debt	<u>\$ 3,400</u>	<u>\$ 3,824</u>

Loan Covenants

The Wells Fargo Loan Agreements collectively contain various affirmative and negative covenants that limit the use of funds and define other provisions of the loan. Material financial covenants are listed below:

- Total Liabilities divided by Tangible Net Worth not greater than 2.5 to 1.0 at each fiscal quarter,
- Quick Ratio not less than 0.85 to 1.0 at each fiscal quarter end,
- Net Income After Taxes not less than \$500 on a quarterly basis, and
- Capital Expenditures less than \$5,000.

As of April 14, 2023, the Company was in violation of the net income after taxes covenant which was subsequently waived (per letter dated May 23, 2023). As of April 14, 2023 and October 28, 2022, the Company was in compliance with all other covenants under the Wells Fargo Loan Agreements.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements included within in this Report, and the information and documents incorporated by reference with this Report, constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), 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 operational challenges, including as a result of global supply chain disruptions and labor shortages; statements regarding inflationary pressures and the resulting impact on our results of operations; statements regarding new regulations related to federal income tax and the impact on our financial statements and cash flow; statements regarding the impact of the adoption of recent accounting pronouncements on our business; 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 our actual results, performance, or achievements 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; macroeconomic conditions, including global financial pressures, inflation, market volatility, and recessionary concerns; success of operating initiatives; development and operating costs; trends impacting the purchasing behavior of our customers and consumers; 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; including the effects of climate change and changes in the regulatory environment and consumer demand to mitigate these effects; construction schedules; 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; 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 for the fiscal year ended October 28, 2022 (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 have considered the impact of federal, state, and local government actions related to the COVID-19 pandemic on our Condensed Consolidated Financial Statements. The business disruptions associated with the pandemic had a minimal impact on our Consolidated Financial Statements for the fiscal year ended October 28, 2022, and during the twelve and twenty-four weeks ended April 14, 2023. Disruptions from the pandemic 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. The long-term impacts of COVID-19 are unknown and dependent upon future developments including COVID-19 variants and resurgences as well as actions taken by federal, state and local government officials.

The federal Public Health Emergency for COVID-19, declared under Section 319 of the Public Health Service Act expired at the end of the day on May 11, 2023.

Critical Accounting Policies and Management Estimates

The preparation of our 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 April 30, 2023, was 4.76% as compared to 5.51% as of October 28, 2022. 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 couple of 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 April 14, 2023, and April 15, 2022, respectively.

	Walmart ⁽¹⁾		Dollar General	
	Sales	AR	Sales	AR
April 14, 2023	30.4%	27.3%	16.2%	27.1%
April 15, 2022	31.4%	4.4%	17.7%	38.1%

(1) Walmart AR represented a higher percentage of consolidated AR as of April 14, 2023, due to terminating the accelerated payments on outstanding accounts receivable on July 1, 2022.

The table below shows customers that accounted for more than 20% of consolidated accounts receivable ("AR") or 10% of consolidated sales for the twelve weeks ended April 14, 2023, and April 15, 2022, respectively.

	Walmart ⁽¹⁾		Dollar General	
	Sales	AR	Sales	AR
April 14, 2023	30.8%	27.3%	20.1%	27.1%
April 15, 2022	30.5%	4.4%	19.6%	38.1%

(1) Walmart AR represented a higher percentage of consolidated AR as of April 14, 2023, due to terminating the accelerated payments on outstanding accounts receivable on July 1, 2022.

Revenues are recognized in accordance with ASC 606 – *Revenue from 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.

Concentration Risk

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. 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 current 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. Our health care plans as they exist in 2023 are compliant with all applicable regulations that exist currently. As we look to the future, we anticipate that future legislative action will impact the plans offered to active and retired participants. As we have done in the past, our executive team will continue to assess the accounting implications of the PPACA and potential future legislation to determine the impact on our financial position and results of operations. The potential future effects and cost of complying with the legislative changes is not determinable currently.

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 — Segment Information 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. We leverage relationships with regional sales managers, and 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 products 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 170 different items through a direct store delivery network and customer-owned distribution centers serving approximately 19,000 supermarkets, mass merchandise and convenience retail stores located in 50 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. Products 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 April 14, 2023, and April 15, 2022

Net Sales-Consolidated

Net sales decreased by \$4,476 (7.5%) to \$55,510 in the second twelve-week period of the 2023 fiscal year compared to the same twelve-week period in fiscal year 2022. The changes in net sales were comprised as follows:

<u>Impact on Net Sales-Consolidated</u>	<u>%</u>	<u>\$</u>
Selling price per pound	2.1	1,339
Unit sales volume in pounds	-7.7	(4,983)
Returns activity	-0.4	(142)
Promotional activity	-1.5	(690)
Decrease in net sales	<u>-7.5</u>	<u>(4,476)</u>

Net Sales-Frozen Food Products Segment

Net sales in the Frozen Food Products segment decreased by \$573 (4.6%) to \$11,904 in the second twelve-week period of the 2023 fiscal year compared to the same twelve-week period in fiscal year 2022. The changes in net sales were comprised as follows:

<u>Impact on Net Sales-Frozen Food Products</u>	<u>%</u>	<u>\$</u>
Selling price per pound	6.7	957
Unit sales volume in pounds	-8.8	(1,262)
Returns activity	0.0	2
Promotional activity	-2.5	(270)
Decrease in net sales	<u>-4.6</u>	<u>(573)</u>

The decrease in net sales for the twelve-week period ended April 14, 2023, primarily relates to lower unit sales volume in pounds partially offset by higher selling prices per pound implemented during July 2021 and May 2022. Other institutional Frozen Food Products dollar sales, including sheet dough and rolls, increased 6% and retail dollar sales volume decreased by 16%. We believe demand decreased due to impacts of an inflationary environment on consumer spending habits. Returns activity remained unchanged compared to the same twelve-week period in the 2022 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 decreased by \$3,903 (8.2%) to \$43,606 in the second twelve-week period of the 2023 fiscal year compared to the same twelve-week period in fiscal year 2022. The changes in net sales were comprised as follows:

<u>Impact on Net Sales-Snack Food Products</u>	<u>%</u>	<u>\$</u>
Selling price per pound	0.8	382
Unit sales volume in pounds	-7.3	(3,721)
Returns activity	-0.5	(145)
Promotional activity	-1.2	(419)
Decrease in net sales	<u>-8.2</u>	<u>(3,903)</u>

Net sales of Snack Food Products decreased due to lower unit sales volume in pounds through our direct store delivery distribution channel and was partially offset by higher selling prices per pound during the second quarter of fiscal year 2023. We believe demand decreased primarily due to inflationary pressures on consumer spending habits. The weighted average selling price per pound increased compared to the same twelve-week period in the prior fiscal year due to changes in product mix. Returns activity was higher compared to the same twelve-week period in the 2022 fiscal year. Promotional activity increased as a percentage of sales.

Cost of Products Sold and Gross Margin-Consolidated

Cost of products sold decreased by \$3,251 (7.5%) to \$40,053 in the second twelve-week period of the 2023 fiscal year compared to the same twelve-week period in fiscal year 2022. The gross margin remained the same at 27.8% during the second twelve-weeks of fiscal year 2023 compared to the same twelve-week period in fiscal year 2022.

<u>Change in Cost of Products Sold by Segment</u>	<u>\$</u>	<u>%</u>	<u>Commodity \$ Increase (Decrease)</u>
Frozen Food Products Segment	829	1.9	61
Snack Food Products Segment	(4,080)	-9.4	(1,911)
Total	<u>(3,251)</u>	<u>-7.5</u>	<u>(1,850)</u>

Cost of Products Sold-Frozen Food Products Segment

Cost of products sold in the Frozen Food Products segment increased by \$829 (9.6%) to \$9,478 in the second twelve-week period of the 2023 fiscal year compared to the same twelve-week period in fiscal year 2022. The cost of purchased flour increased approximately \$61 in the second twelve-week period of fiscal year 2023 compared to the same twelve-week period in fiscal year 2022. Gross overhead increased as a result of continued upward pressures on input costs impacted by inflation. In our Frozen Food Products segment, the volume increases in 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 decreased by \$4,080 (11.8%) to \$30,575 in the second twelve-week period of the 2023 fiscal year compared to the same twelve-week period in fiscal year 2022 due to lower cost for production materials and lower sales volume in our direct store delivery distribution channel. The cost of significant meat commodities decreased approximately \$1,911 in the second twelve-week period of fiscal year 2023 compared to the same period in fiscal year 2022. We increased our net realizable value reserve of \$122 during the twelve weeks ended April 14, 2023, to recognize inventory sold through on products already reserved in inventory as of year-end October 28, 2022. We maintain a net realizable reserve of \$258 on products as of April 14, 2023, after determining that the market value on some meat products could not cover the costs associated with completion and sale of the product.

Selling, General and Administrative Expenses-Consolidated

Selling, general and administrative expenses (“SG&A”) decreased by \$237 (1.6%) to \$14,941 in the second twelve-week period of fiscal year 2023 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
	April 14, 2023	April 15, 2022	Increase (Decrease)
Wages and bonus	\$ 5,994	\$ 6,506	\$ (512)
Pension expense (income)	43	(367)	410
Outside storage	466	137	329
Healthcare expense	650	907	(257)
Provision for bad debt	(112)	71	(183)
Other SG&A	7,900	7,924	(24)
Total - SG&A	<u>\$ 14,941</u>	<u>\$ 15,178</u>	<u>\$ (237)</u>

Lower sales commissions due to lower sales volume in pounds resulted in lower wages and bonus expenses in the second twelve weeks of the 2023 fiscal year compared to the same period in the prior year. The increase in pension expense was a result of a decrease in pension plan assets caused by performance of the underlying markets that support them. Outside storage increased primarily as a result of the need for additional warehouse capacity to store products and house equipment to keep a portion of the space climate controlled. Healthcare costs have decreased due to favorable claim trends. The decrease in the provision for bad debt expense was mainly the result of recoveries of losses on older balances. 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 decrease of “Other SG&A” expenses were lower postage expense and sales taxes partially offset by higher travel expense.

Selling, General and Administrative Expenses-Frozen Food Products Segment

SG&A expenses in the Frozen Food Products segment decreased by \$42 (1.3%) to \$3,244 in the second twelve-week period of fiscal year 2023 compared to the same twelve-week period in the prior fiscal year. The overall decrease in SG&A expenses was due to lower wages and bonuses, partially offset by higher product advertising.

Selling, General and Administrative Expenses-Snack Food Products Segment

SG&A expenses in the Snack Food Products segment decreased by \$195 (1.6%) to \$11,697 in the second twelve-week period of fiscal year 2023 compared to the same twelve-week period in the prior fiscal year. Most of the decrease was due to lower wages and bonuses, decreased fees paid under brand licensing agreements and lower postage expense partially offset by higher pension expense and higher outside storage fees.

Income Taxes-Consolidated

Income tax for the twelve weeks ended April 14, 2023, and April 15, 2022, respectively, was as follows:

	April 14, 2023	April 15, 2022
Provision for income taxes	\$ 164	\$ 391
Effective tax rate	52.4%	32.7%

We recorded a provision for income taxes of \$164 for the twelve-week period ended April 14, 2023, 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 Twenty-Four Weeks Ended April 14, 2023, and April 15, 2022

Net Sales-Consolidated

Net sales decreased by \$6,940 (5.6%) to \$117,132 in the twenty-four-week period ended April 14, 2023, compared to the same period in fiscal year 2022. The changes in net sales were comprised as follows:

<u>Impact on Net Sales-Consolidated</u>	<u>%</u>	<u>\$</u>
Selling price per pound	2.0	2,683
Unit sales volume in pounds	-5.8	(7,668)
Returns activity	-0.9	(982)
Promotional activity	-0.9	(973)
Decrease in net sales	-5.6	(6,940)

Net Sales-Frozen Food Products Segment

Net sales in the Frozen Food Products segment increased by \$1,460 (5.9%) to \$26,303 in the twenty-four-week period ended April 14, 2023 compared to the same twenty-four-week period in fiscal year 2022. The changes in net sales were comprised as follows:

<u>Impact on Net Sales-Frozen Food Products</u>	<u>%</u>	<u>\$</u>
Selling price per pound	7.0	1,973
Unit sales volume in pounds	0.5	136
Returns activity	0.0	(11)
Promotional activity	-1.6	(638)
Increase in net sales	5.9	1,460

The increase in net sales for the twenty-four-week period ended April 14, 2023 primarily relates to higher unit sales volume coupled with a higher selling price per pound. The increase in net sales was primarily driven by a significant increase in volume to institutional customers and an increase in selling prices due to price increases implemented during the fourth quarter of fiscal year 2022. Other institutional Frozen Food Products sales, including sheet dough and rolls, increased 13% by volume while retail sales volume remained steady. Returns activity remained the same compared to the same twenty-four-week period in the 2022 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 decreased by \$8,400 (8.5%) to \$90,829 in the twenty-four-week period ended April 14, 2023, compared to the same twenty-four-week period in fiscal year 2022. The changes in net sales were comprised as follows:

<u>Impact on Net Sales-Snack Food Products</u>	<u>%</u>	<u>\$</u>
Selling price per pound	0.7	710
Unit sales volume in pounds	-7.5	(7,804)
Returns activity	-1.2	(971)
Promotional activity	-0.5	(335)
Decrease in net sales	-8.5	(8,400)

Net sales of Snack Food Products decreased due to lower sales through our direct store delivery distribution channel during the first twenty-four weeks of fiscal year 2023. The weighted average selling price per pound increased compared to the same twenty-four-week period in the prior fiscal year due to price increases implemented in response to record high meat commodity input costs. Unit sales volume in pounds was lower as compared to the prior year comparable twenty-four-week period. We believe demand decreased primarily due to inflationary pressures on consumer spending habits. Returns activity was higher compared to the same twenty-four-week period in the 2022 fiscal year. Promotional offers decreased due to lower sales to high-volume, high-promotion customers.

Cost of Products Sold and Gross Margin-Consolidated

Cost of products sold decreased by \$6,388 (7.0%) to \$84,609 in the twenty-four-week period ended April 14, 2023, year compared to the same twenty-four-week period in fiscal year 2022. The gross margin increased from 26.7% to 27.8% during the 2023 period.

Change in Cost of Products Sold by Segment	\$	%	Commodity \$ Increase (Decrease)
Frozen Food Products Segment	2,723	3.0	200
Snack Food Products Segment	(9,111)	-10.0	(6,218)
Total	(6,388)	-7.0	(6,018)

Cost of Products Sold-Frozen Food Products Segment

Cost of products sold in the Frozen Food Products segment increased by \$2,723 (15.6%) to \$20,223 in the first twenty-four-week period of the 2023 fiscal year compared to the same twenty-four-week period in fiscal year 2022. Increased volume and changes in the product mix were the primary contributing factors to this increase. The cost of purchased flour increased approximately \$200 in the first twenty-four-week period of fiscal year 2023 compared to the same twenty-four-week period in fiscal year 2022. In our Frozen Food Products segment, the volume increases in foodservice have increased the cost of production materials, direct production labor and gross overhead.

Cost of Products Sold-Snack Food Products Segment

Cost of products sold in the Snack Food Products segment decreased by \$9,111 (12.4%) to \$64,386 in the first twenty-four-week period of the 2023 fiscal year compared to the same twenty-four-week period in fiscal year 2022 due to lower cost for production materials and lower sales volume in our direct store delivery distribution channel. The cost of significant meat commodities decreased approximately \$6,218 in the twenty-four-week period of fiscal year 2023 compared to the same period in fiscal year 2022 due to lower pressure on commodity markets. We increased our net realizable value reserve of \$127 during the twenty-four weeks ended April 14, 2023, to recognize inventory sold through on products already reserved in inventory as of year-end October 28, 2022. We maintain a net realizable reserve of \$258 on products as of April 14, 2023, after determining that the market value on some meat products could not cover the costs associated with completion and sale of the product.

Selling, General and Administrative Expenses-Consolidated

Selling, general and administrative expenses increased by \$826 (2.8%) to \$30,735 in the twenty-four-week period ended April 14, 2023, compared to the same twenty-four-week period in the prior fiscal year. The table below summarizes the significant expense increases (decreases) included in this category:

	24 Weeks Ended		Expense
	April 14, 2023	April 15, 2022	Increase (Decrease)
Outside storage	\$ 819	\$ 257	\$ 562
Wages and bonus	12,776	13,104	(328)
Travel expenses	1,137	867	270
Pension expense (income)	79	(176)	255
Postage expense	270	451	(181)
Healthcare expenses	1,306	1,479	(173)
Workers' compensation costs	449	291	158
Other SG&A	13,899	13,636	263
Total - SG&A	\$ 30,735	\$ 29,909	\$ 826

Outside storage increased primarily as a result of the need for additional warehouse capacity to store product. Lower sales commissions resulted in lower wages and bonus expenses in the first twenty-four weeks of the 2023 fiscal year compared to the same period in the prior year. Travel expense increased due to participation in food shows and in-person business meetings. Postage expense has decreased due to a focus on working with outside carriers to minimize postage expense. Healthcare costs have decreased due to favorable claim trends. The increase in pension expenses was a result of a decrease in pension plan assets caused by performance of the underlying markets that support them. Workers' compensation costs increased due to unfavorable trends in claims experience in the current fiscal year. 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 product advertising and insurance premiums.

Selling, General and Administrative Expenses-Frozen Food Products Segment

SG&A expenses in the Frozen Food Products segment increased by \$515 (8.1%) to \$6,888 in the first twenty-four-week period of fiscal year 2023 compared to the same twenty-four-week period in the prior fiscal year. The overall increase in SG&A expenses was due to higher sales volume and higher pension expenses and workers' compensation costs.

Selling, General and Administrative Expenses-Snack Food Products Segment

SG&A expenses in the Snack Food Products segment increased by \$311 (1.3%) to \$23,847 in the first twenty-four-week period of fiscal year 2023 compared to the same twenty-four-week period in the prior fiscal year. Most of the increase was due to higher outside storage fees, higher pension expense and higher workers' compensation costs.

Income Taxes-Consolidated

Income tax for the twenty-four weeks ended April 14, 2023 and April 15, 2022, respectively, was as follows:

	April 14, 2023	April 15, 2022
Provision for income taxes	\$ 562	\$ 457
Effective tax rate	34.2%	29.1%

We recorded a tax provision of \$562 for the twenty-four-week period ended April 14, 2023, 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 received approximately \$60,000 in gross proceeds on June 1, 2022, from the closing of the sale of real property located at 170 N. Green Street in Chicago pursuant to the terms of the CRG Purchase Agreement. We borrowed \$2,000 under our revolving line of credit with Wells Fargo Bank, N.A. on December 2, 2020, \$2,000 on April 27, 2021, \$2,000 on July 1, 2021, \$3,000 on July 19, 2021, \$3,000 on October 15, 2021, \$2,000 on November 1, 2021, \$2,000 on December 16, 2021, and \$2,000 on January 24, 2022, for a combined total of \$18,000. The line of credit was paid off on June 7, 2022, using \$18,000 in proceeds from the sale of real property at 170 N. Green Street. The revolving line of credit continues in effect per its terms to August 31, 2023. We entered into a bridge loan with Wells Fargo Bank, N.A. on August 30, 2021, for up to \$25,000, of which we used \$18,653 to pay off a portion of our existing equipment loans as they came out of the lock out period and could be prepaid. We prepaid and terminated the bridge loan on June 2, 2022, using \$18,653 in proceeds from the sale of real property at 170 N. Green Street. As of April 14, 2023, we had \$1,023 of current debt on equipment loans, \$67,920 of net working capital and \$15,000 available under our revolving line of credit with Wells Fargo Bank, N.A. Refer to Note 6 – Equipment Notes Payable and Financial Arrangements of the Notes to the Condensed Consolidated Financial Statements included within this Report for further information.

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. Management believes there are various options available to generate additional liquidity to repay debt or fund operations such as mortgaging real estate, should that be necessary. Our ability to increase liquidity will depend upon, among other things, our business plans, the 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 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. With the cash expected to be generated from the Company's operations, we anticipate that we will maintain sufficient liquidity to operate our business for at least the next twelve months. 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 twenty-four weeks ended:

	<u>April 14, 2023</u>	<u>April 15, 2022</u>
Net income	\$ 1,081	\$ 1,112
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,027	3,158
Provision for (recoveries on) losses on accounts receivable	195	(10)
Increase in promotional allowances	1,067	2,278
Loss (gain) on sale of property, plant, and equipment	160	(18)
Changes in operating working capital	(4,233)	(4,247)
Net cash provided by operating activities	<u>\$ 1,297</u>	<u>\$ 2,273</u>

For the twenty-four weeks ended April 14, 2023, net cash provided by operating activities was \$1,297, \$976 less cash provided than during the same period in fiscal year 2022. The decrease in net cash provided by operating activities primarily relates to a decrease in accounts payable of \$2,895, an increase in prepaid expenses and other current assets of \$2,001 partially offset by lower accounts receivable of \$3,781. During the twenty-four-week period ended April 14, 2023, 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.

For the twenty-four weeks ended April 15, 2022, net cash provided by operating activities was \$2,273 and primarily relates to net income of \$1,112, increase in promotional allowance of \$2,278, partially offset by an increase in accounts receivable of \$2,438, an increase in inventories of \$4,164 and an increase in non-current liabilities of \$1,272. During the twenty-four-week period ended April 15, 2022, we did not contribute towards our defined benefit pension plan.

Our cash conversion cycle (defined as days of inventory and trade receivables less days of trade payables outstanding) was equal to 80 days for the twenty-four-week period ended April 14, 2023. The cash conversion cycle was 72 days for the twenty-four-week period ended April 15, 2022. The increase in the cash conversion cycle from 72 days to 80 days was mainly due to higher days sales outstanding and to a lesser extent higher days payable in accounts payable. We have discontinued accelerating payments on outstanding accounts receivable from Walmart as of July 1, 2022.

Cash flows from investing activities for the twenty-four weeks ended:

	<u>April 14, 2023</u>	<u>April 15, 2022</u>
Proceeds from sale of property, plant, and equipment	\$ 161	\$ 18
Additions to property, plant, and equipment	(1,293)	(629)
Net cash used in investing activities	<u>\$ (1,132)</u>	<u>\$ (611)</u>

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 twenty-four weeks ended:

	<u>April 14, 2023</u>	<u>April 15, 2022</u>
Changes in projects in process	\$ (137)	\$ (140)
Building improvements	-	-
Direct store delivery and sales vehicles	514	372
Packaging lines	564	159
Computer software and hardware	-	23
Quality control	103	-
Processing equipment	66	184
Furniture and fixtures	22	31
Additions to property, plant, and equipment	<u>\$ 1,132</u>	<u>\$ 629</u>

Cash flows from financing activities for the twenty-four weeks ended:

	<u>April 14, 2023</u>	<u>April 15, 2022</u>
Payment of lease and right-of-use obligations	\$ (255)	\$ (151)
Proceeds from borrowings under revolving credit facilities	-	6,000
Repayments of bank borrowings	(492)	(1,028)
Net cash (used in) provided by financing activities	<u>\$ (747)</u>	<u>\$ 4,821</u>

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 April 14, 2023, 120,113 shares remained authorized for repurchase under the program.

Revolving Credit Facility

We maintain a revolving line of credit with Wells Fargo Bank, N.A. that extends through August 31, 2023. As of year-end October 28, 2022, under the terms of this line of credit, we could borrow up to \$15,000 at an interest rate equal to the bank's prime rate or secured overnight financing rate ("SOFR"). The line of credit has an unused commitment fee of 0.25% of the available loan amount. The line of credit is presented under non-current liabilities in the consolidated balance sheets. On December 1, 2021, Wells Fargo Bank, N.A. expanded our line of credit to \$25,000 through June 15, 2022, at which time the credit limit returned to \$15,000 for the balance of the term. We borrowed \$2,000 under this line of credit on December 2, 2020, \$2,000 on April 27, 2021, \$2,000 on July 1, 2021, \$3,000 on July 19, 2021, \$3,000 on October 15, 2021, \$2,000 on November 1, 2021, and \$2,000 on December 26, 2021, and \$2,000 on January 24, 2022, for a combined total of \$18,000. The outstanding balance under the revolving line of credit with Wells Fargo Bank, N.A. was paid off on June 7, 2022, using \$18,000 in proceeds from the sale of a land parcel in Chicago.

Equipment Notes Payable

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: April 18, 2019, December 19, 2019, March 5, 2020, and April 17, 2020 (the Original Wells Fargo Loan Agreement and the subsequent agreements collectively referred to as the "Wells Fargo Loan Agreements"). Pursuant to the Wells Fargo Loan Agreements, we owe the amounts as stated in the table below.

Bridge Loan

On August 30, 2021, we entered into a loan commitment note for a bridge loan of up to \$25,000 to obtain capital to pay off the existing equipment loans as they come out of the lock out period and may be prepaid. The outstanding principal balances of the bridge loan became due and payable in full one Federal Reserve business day after the closing of the real estate transactions contemplated under the CRG Purchase Agreement. We prepaid \$18,653 in equipment loans utilizing proceeds from the new bridge loan. The Company evaluated the exchange under ASC 470 and determined that the exchange should be treated as a debt modification prospectively. The Company accounted for this transaction as a debt modification and did not incur any gain or loss relating to the modification. The debt modification did not meet the greater than ten percent test and was deemed not substantial. We prepaid and terminated the bridge loan and related loan commitment note on June 2, 2022, using \$18,653 in proceeds from the sale of a land parcel in Chicago pursuant to the CRG Purchase Agreement.

The following table reflects major components of our revolving line of credit and borrowing agreements as of April 14, 2023, and October 28, 2022, respectively.

	<u>April 14, 2023</u>	<u>October 28, 2022</u>
Revolving credit facility	\$ -	\$ -
Equipment notes:		
3.68% note due 04/16/27, out of lockout 04/17/22	4,423	4,913
SOFR plus 2.00% bridge loan due 08/31/23	-	-
Total debt	<u>4,423</u>	<u>4,913</u>
Less current debt	(1,023)	(1,089)
Total long-term debt	<u>\$ 3,400</u>	<u>\$ 3,824</u>

Loan Covenants

The Wells Fargo Loan Agreements collectively contain various affirmative and negative covenants that limit the use of funds and define other provisions of the loan. Material covenants are listed below:

- Total Liabilities divided by Tangible Net Worth not greater than 2.5 to 1.0 at each fiscal quarter,
- Quick Ratio not less than 0.85 to 1.0 at each fiscal quarter end,
- Net Income After Taxes not less than \$500 on a quarterly basis, and
- Capital Expenditures less than \$5,000.

As of April 14, 2023, the Company was in violation of the net income after taxes covenant which was subsequently waived (per letter dated May 23, 2023). The Company was in compliance with all other covenants under the Wells Fargo Loan Agreements as of April 14, 2023 and October 28, 2022.

All of our operating segments have been impacted by inflation, including higher costs for labor, freight, and specific materials. We expect this trend to continue through the remainder of fiscal year 2023. 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 2023. However, future volatility of general price inflation or deflation and raw material cost and availability could adversely affect our financial results.

Recently issued accounting pronouncements and regulations

There were no new accounting pronouncements issued or proposed by the FASB during the first twenty-four weeks of fiscal year 2023 and through the date of filing this report which the Company believes will have a material impact on its financial statements.

Off-Balance Sheet Arrangements

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not required for smaller reporting companies.

Item 4. Controls and Procedures

Evaluation of Disclosure 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. As of April 14, 2023, based on this evaluation, the principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were not effective as of fiscal year ended October 28, 2022 due to the material weakness in our internal control over financial reporting related to the Company's failure to timely report to accounting a change in lease terms from a month-to-month lease to a five-year term lease, as disclosed in our Annual Report on Form 10-K for the fiscal year ended October 28, 2022. Management has implemented remediation steps to improve our internal control over financial reporting and believes the issue will be remediated prior to the end of fiscal year 2023.

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”.

Remediation

We began implementing a remediation plan to address the previously reported material weakness in internal control over financial reporting, described in Part II, Item 9A, “Controls and Procedures” in our Annual Report on Form 10-K for the fiscal year ended October 28, 2022. Management has implemented remediation steps to improve our internal control over financial reporting, including modifying the design of the related internal controls to include verbal communication with plant managers on a quarterly basis, and expanding notification to Operating Committee members for feedback on any additional information on new contractual arrangements for revenue, leases or other types of agreements impacting accounting. In the case of the lease misstatement, we believe the failure to notify management was a one-time oversight and not indicative of a pattern or continuing weakness in the proper functioning of the controls.

The material weakness will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of this material weakness will be completed prior to the end of fiscal year 2023. Notwithstanding the material weakness, we believe the financial statements in this report fairly present, in all material respects, our financial position, results of operations, and cash flows for the periods presented in conformity with generally accepted accounting principles.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal controls over financial reporting other than those discussed above that occurred during the fiscal quarter ended April 14, 2023, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

From time to time, we are involved in various legal proceedings, disputes, and other claims arising in the ordinary course of business. Although the results of these ordinary course matters cannot be predicted with certainty, we currently believe that the final outcome of these ordinary course matters will not, individually or in the aggregate, have a material adverse effect on our business, results of operations, financial condition, or cash flows. However, regardless of the merit of the claims raised or the outcome, these ordinary course matters can have an adverse impact on us as a result of legal costs, diversion of management's time and resources, and other factors.

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.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	File No.	Filing Date	
10.1#	Consulting Agreement by and between Bridgford Foods Corporation and Raymond F. Lancy dated February 2, 2023.	8-K	000-02396	10.1 2/2/23	
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).				
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).				
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).				

Indicates management contract, compensatory plan or arrangement.

*Furnished herewith.

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: May 26, 2023

By: /s/ Cindy Matthews-Morales

Cindy Matthews-Morales
Chief Financial Officer, Secretary
(Duly Authorized Officer, Principal Financial and Accounting
Officer)

Exhibit 31.1**SECTION 302 CERTIFICATION**

I, Michael W. 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: May 26, 2023

/s/ Michael W. Bridgford

Michael W. Bridgford, Chairman of the Board
(Principal Executive Officer)

Exhibit 31.2**SECTION 302 CERTIFICATION**

I, Cindy Matthews-Morales, 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: May 26, 2023

/s/ Cindy Matthews-Morales

Cindy Matthews-Morales, Chief Financial Officer, Secretary
(Principal Financial and Accounting Officer)

Exhibit 32.1Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Michael W. 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 April 14, 2023 (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: May 26, 2023

/s/ Michael W. Bridgford

Michael W. 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 32.2Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Cindy Matthews-Morales, Chief Financial Officer and 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 April 14, 2023 (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: May 26, 2023

/s/ Cindy Matthews-Morales

Cindy Matthews-Morales, Chief Financial Officer, 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.
