

BRIDGFORD FOODS CORP
Form 10-Q
August 27, 2007

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended July 13, 2007

OR

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

For the transition period from

Commission file number 0-2396

BRIDGFORD FOODS CORPORATION

(Exact name of Registrant as specified in its charter)

California
(State or other jurisdiction of
incorporation or organization)

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

1308 N. Patt Street, Anaheim, CA 92801

(Address of principal executive offices-Zip code)

714-526-5533

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated Filer

Non-accelerated filer

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

Yes No

As of August 24, 2007 the registrant had 9,903,000 shares of common stock outstanding.

BRIDGFORD FOODS CORPORATION

FORM 10-Q QUARTERLY REPORT

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

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Part I. Financial Information

Item 1. a.

BRIDGFORD FOODS CORPORATION**CONSOLIDATED CONDENSED BALANCE SHEETS**

(in thousands, except per share amounts)

	July 13 2007 (Unaudited)	November 3 2006 As restated (Note 2)
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 13,002	\$ 1,180
Trading securities		12,200
Accounts receivable, less allowance for doubtful accounts of \$363 and \$524, respectively, and promotional allowances of \$2,143 and \$2,170, respectively	7,506	10,222
Inventories (Note 3)	18,798	19,544
Prepaid expenses and other current assets	3,382	2,767
Total current assets	42,688	45,913
Property, plant and equipment, less accumulated depreciation of \$55,686 and \$53,941, respectively	11,817	13,041
Other non-current assets	14,312	13,977
	\$ 68,817	\$ 72,931
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 2,845	\$ 3,923
Accrued payroll, advertising and other expenses	8,453	10,308
Total current liabilities	11,298	14,231
Non-current liabilities	7,431	8,514
Commitments (Notes 5 and 6)		
Shareholders' equity: Preferred stock, without par value Authorized - 1,000 shares Issued and outstanding - none		
Common stock, \$1.00 par value Authorized - 20,000 shares Issued and outstanding - 9,911 and 9,958 shares	9,968	10,015
Capital in excess of par value	13,929	14,235
Retained earnings	26,930	27,129
Accumulated other comprehensive loss	(739)	(1,193)
	50,088	50,186
	\$ 68,817	\$ 72,931

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See accompanying notes to consolidated condensed financial statements.

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Item 1. b.

BRIDGFORD FOODS CORPORATION**CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS**

(Unaudited)

	(in thousands, except per share amounts)		(in thousands, except per share amounts)	
	12 weeks ended July 13 2007	12 weeks ended July 7 2006	36 weeks ended July 13 2007	36 weeks ended July 7 2006
Net sales	\$ 26,686	\$ 28,169	\$ 86,893	\$ 91,049
Cost of products sold, excluding depreciation	16,954	17,024	56,454	58,087
Selling, general and administrative expenses	8,936	10,019	28,380	30,230
Depreciation	717	892	2,280	2,676
Gain on sale of equity securities	26,607	27,935	87,114	(106)
Income (loss) before taxes	79	234	(221)	162
Income tax provision (benefit)	46	10	(22)	4
Net income (loss)	\$ 33	\$ 224	\$ (199)	\$ 158
Basic and diluted income (loss) per share (Note 4)	\$.00	\$.02	\$ (.02)	\$.02
Basic and diluted shares computed	9,924	9,964	9,940	9,968

Item 1. c.

CONSOLIDATED CONDENSED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(in thousands)

	Common Stock Shares	Amount	Capital in excess of par	Retained earnings	Accumulated other comprehensive income (loss)	Total
November 3, 2006	9,958	\$ 10,015	\$ 14,235	\$ 27,129	\$ (1,193)	\$ 50,186
Shares repurchased	(47)	(47)	(306)			(353)
Net loss				(199)		(199)
Other comprehensive income:						
Unrealized income on investments					53	53
Minimum pension liability					401	401
Comprehensive income						255

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July 13, 2007 9,911 \$ 9,968 \$ 13,929 \$ 26,930 \$ (739) \$ 50,088

See accompanying notes to consolidated condensed financial statements.

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Item 1. d.

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

	36 weeks ended July 13 2007 (in thousands)	36 weeks ended July 7 2006 As restated (Note 2) (in thousands)
Cash flows from operating activities:		
Net (loss) income	\$ (199)	\$ 158
Income charges not affecting cash:		
Depreciation	2,280	2,676
Recovery on losses on accounts receivable	(488)	(324)
Gain on sale of property, plant and equipment	(11))
Effect on cash of changes in assets and liabilities:		
Trading securities	12,200	(8,700)
Accounts receivable, net	3,204	785
Inventories	746	3,805
Prepaid expenses and other current assets	(561)	(12)
Other non-current assets	(572)	(301)
Accounts payable	(1,078)	(1,866)
Accrued payroll, advertising and other expenses	(1,855)	593
Non-current liabilities	(446)	1,261
Net cash provided (used) by operating activities	13,220	(1,925)
Cash used in investing activities:		
Proceeds from sale of property, plant and equipment	11	
Additions to property, plant and equipment	(1,056)	(1,454)
Net cash used in investing activities	(1,045)	(1,454)
Cash used in financing activities:		
Shares repurchased	(353)	(152)
Net cash used in financing activities	(353)	(152)
Net increase (decrease) in cash and cash equivalents	11,822	(3,531)
Cash and cash equivalents at beginning of period	1,180	5,855
Cash and cash equivalents at end of period	\$ 13,002	\$ 2,324
Cash paid for income taxes	\$ 0	\$ 26

See accompanying notes to consolidated condensed financial statements.

Item 1. e.

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

(in thousands, except share and per share amounts)

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

The unaudited consolidated condensed financial statements of Bridgford Foods Corporation (the Company) for the twelve and thirty-six weeks ended July 13, 2007 and July 7, 2006 have been prepared in conformity with the accounting principles described in the Company's Annual Report on Form 10-K/A for the fiscal year ended November 3, 2006 (the Annual Report) and include all adjustments considered necessary by management for a fair statement of the interim periods. Such adjustments consist only of normal recurring items. This report should be read in conjunction with the Annual Report. Due to seasonality and other factors, interim results are not necessarily indicative of the results to be expected for the full year. New accounting pronouncements and their affect on the Company are included in Management's Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-Q.

Note 2 - Trading Securities:

At July 13, 2007 the Company held no auction rate securities. The Company elected to sell all auction rate securities during the second quarter of fiscal 2007 and invest in 90-day treasury bills which are classified as cash and cash equivalents on the accompanying consolidated condensed balance sheet.

At November 3, 2006 the Company held \$12,200 of auction rate securities, which are shown as a separately stated current asset in the accompanying consolidated condensed balance sheet in accordance with SFAS 115, Accounting for Certain Debt and Equity Securities. The auction rate securities as of November 3, 2006 have been reclassified from that which was originally presented in the Company's Annual Report on Form 10-K. Auction rate securities are variable-rate bonds tied to short-term interest rates with maturities on the face of the securities in excess of 90 days. The Company's investments in these auction rate securities are classified as trading securities under SFAS 115, Accounting for Certain Investments in Debt and Equity Securities. The securities are recorded at cost, which approximates fair market value because of their variable interest rates, which typically resets every 7 to 35 days. Despite the long-term nature of their stated contractual maturities, the Company has the intent and ability to quickly liquidate these securities; therefore, the Company has no cumulative gross unrealized holding gains or losses, or gross unrealized gains or losses from these investments. All income generated from these investments was recorded as interest income.

The consolidated condensed statement of cash flows for the thirty-six weeks ended July 7, 2006 has been reclassified to give effect to auction rate securities activity classified as trading securities.

Note 3 - Inventories:

Inventories are comprised as follows at the respective periods:

	July 13 2007	November 3 2006
Meat, ingredients and supplies	\$ 5,126	\$ 3,748
Work in progress	2,029	2,228
Finished goods	11,643	13,568
	\$ 18,798	\$ 19,544

Inventories are valued at the lower of cost (at standard cost, which approximates actual cost on a first-in, first-out basis) or market. Costs

related to warehousing, transportation and distribution to customers are considered when computing market value. Inventories include the cost of raw materials, labor and manufacturing overhead. The Company regularly reviews inventory quantities on hand and writes down any excess or obsolete inventories to net realizable value. An inventory reserve is created when potentially slow-moving or obsolete inventories are identified in order to reflect the appropriate inventory value. Changes in economic conditions, production requirements, and lower than expected customer demand could result in additional obsolete or slow-moving inventory that cannot be sold or can be sold at reduced prices and could result in additional reserve provisions.

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Note 4 - Basic and diluted earnings per share:

The Company had 250,000 employee stock options outstanding during the thirty-six week periods ended July 13, 2007 and July 7, 2006. The effect of the employee stock options outstanding for the thirty-six weeks ended July 13, 2007 and July 7, 2006 was not included in the calculation of diluted shares and diluted earnings per share as to do so would be anti-dilutive. No options were granted during the first thirty-six weeks of the fiscal year ending November 2, 2007.

Note 5 - Retirement and Other Benefit Plans:

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

Net pension cost consisted of the following:

	36 weeks ended July 13 2007	36 weeks ended July 7 2006
Service cost	\$ 119	\$ 1,082
Interest cost	1,297	1,355
Expected return on plan assets	(1,355)	(1,064)
Amortization of net loss from earlier periods		191
Amortization of unrecognized prior service cost	1	22
Curtailement cost	47	8
Net pension cost	\$ 109	\$ 1,594

The expected Company contribution to the plans in fiscal year 2007 is \$3,476. The Company has funded the plans in the amount of \$2,333 through the third quarter of fiscal 2007.

In the third quarter of fiscal 2006, the Company froze the defined benefit pension plan accrued benefits for members employed by the Company with administration, sales or supervisory job classification or within a non-bargaining class. This action was defined as a curtailment under SFAS No. 88 Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits and, therefore, the Company recognized a curtailment loss of approximately \$8.

In the fourth quarter of fiscal 2006, the Company froze the defined pension benefits for employees classified in the Dallas Union Group effective January 1, 2007. This action is defined as a curtailment under SFAS No. 88 and, therefore, the Company recognized a curtailment loss of approximately \$47. As a result of these actions, net pension costs will be reduced in future periods.

Note 6 - Commitments:

The Company leases certain transportation and computer equipment under operating leases. The terms of the transportation leases provide for annual renewal options and contingent rental payments based upon mileage and adjustments of rental payments based on the Consumer Price Index. No material changes have been made to these contracts during the first thirty-six weeks of fiscal 2007.

Note 7 - Segment Information:

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

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

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The following segment information is presented for the twelve and thirty-six week periods ended July 13, 2007 and July 7, 2006.

Twelve Weeks Ended July 13, 2007	Frozen Food Products	Refrigerated and Snack Food Products	Other	Elimination	Totals
Sales from external customers	\$ 9,903	\$ 16,783	\$	\$	\$ 26,686
Intersegment sales		741		741	
Net sales	9,903	17,524		741	26,686
Cost of products sold, excluding depreciation	6,159	11,536		741	16,954
Selling, general and administrative expenses	3,146	5,790			8,936
Depreciation	203	418	96		717
	9,508	17,744	96	741	26,607
Income (loss) before taxes	395	(220)	(96)		79
Income tax provision (benefit)	145	(99)			46
Net income (loss)	\$ 250	\$ (121)	\$ (96)	\$	\$ 33
Total assets	\$ 10,124	\$ 28,307	\$ 30,386	\$	\$ 68,817
Additions to property, plant and equipment	\$ 22	\$ 162	\$ 37	\$	\$ 221

Twelve Weeks Ended July 7, 2006	Frozen Food Products	Refrigerated and Snack Food Products	Other	Elimination	Totals
Sales from external customers	\$ 10,183	\$ 17,986	\$	\$	\$ 28,169
Intersegment sales		596		596	
Net sales	10,183	18,582		596	28,169
Cost of products sold, excluding depreciation	6,065	11,555		596	17,024
Selling, general and administrative expenses	3,139	6,880			10,019
Depreciation	290	504	98		892
Gain on sale of equity securities	9,494	18,939	98	596	27,935
Income (loss) before taxes	689	(357)	(98)		234
Income tax provision (benefit)	224	(214)			10
Net income (loss)	\$ 465	\$ (143)	\$ (98)	\$	\$ 224
Total assets	\$ 11,133	\$ 28,626	\$ 31,872	\$	\$ 71,631
Additions to property, plant and equipment	\$ (94)	\$ 505	\$ 28	\$	\$ 439

Thirty-Six Weeks Ended July 13, 2007	Frozen Food Products	Refrigerated and Snack Food Products	Other	Elimination	Totals
Sales from external customers	\$ 33,327	\$ 53,566	\$	\$	\$ 86,893
Intersegment sales		1,316		1,316	
Net sales	33,327	54,882		1,316	86,893
Cost of products sold, excluding depreciation	20,576	37,194		1,316	56,454
Selling, general and administrative expenses	10,174	18,206			28,380
Depreciation	609	1,384	287		2,280
	31,359	56,784	287	1,316	87,114
Income (loss) before taxes	1,968	(1,902)	(287)		(221)
Income tax provision (benefit)	732	(754)			(22)
Net income (loss)	\$ 1,236	\$ (1,148)	\$ (287)	\$	\$ (199)

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Total assets	\$ 10,124	\$ 28,307	\$ 30,386	\$	\$ 68,817
Additions to property, plant and equipment	\$ 159	\$ 850	\$ 47	\$	\$ 1,056

Thirty-Six Weeks Ended July 7, 2006	Frozen Food Products	Refrigerated and Snack Food Products	Other	Elimination	Totals
Sales from external customers	\$ 34,281	\$ 56,768	\$	\$	\$ 91,049
Intersegment sales		1,797		1,797	
Net sales	34,281	58,565		1,797	91,049
Cost of products sold, excluding depreciation	20,265	39,619		1,797	58,087
Selling, general and administrative expenses	10,009	20,221			30,230
Depreciation	871	1,509	296		2,676
Gain on sale of equity securities		(106)			(106)
	31,145	61,243	296	1,797	90,887
Income (loss) before taxes	3,136	(2,678)	(296)		162
Income tax provision (benefit)	1,136	(1,132)			4
Net income (loss)	\$ 2,000	\$ (1,546)	\$ (296)	\$	\$ 158
Total assets	\$ 11,133	\$ 28,626	\$ 31,872	\$	\$ 71,631
Additions to property, plant and equipment	\$ 156	\$ 1,197	\$ 101	\$	\$ 1,454

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Form 10-Q under Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere constitute forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. In addition, the Company may from time to time make oral forward-looking statements. Words such as may, will, should, could, expect, plan, anticipate, believe, estimate, predict, potential or contribute or similar words are intended to identify forward-looking statements, although not all forward-looking statements contain these words. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in Item 3. Quantitative and Qualitative Disclosures Regarding Market Risk General Business Risks of this Quarterly Report on Form 10-Q as well as the risk factors references in the Company's Annual Report on Form 10-K/A for the fiscal year ended November 3, 2006.

Critical Accounting Policies and Management Estimates

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The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the respective reporting periods. Actual results could differ from those estimates. Amounts estimated related to liabilities for pension costs, self-insured workers' compensation and employee healthcare are especially subject to inherent uncertainties and these estimated liabilities may ultimately settle at amounts not originally estimated. An actuary updates the pension and post-retirement healthcare data on a quarterly basis. Management believes its current estimates are reasonable and based on the best information available at the time.

The provision for doubtful accounts receivable is based on historical trends and current collectibility risk. The Company has significant amounts receivable with a few large, well-known customers which, although historically secure, could be subject to material risk should these customers' operations suddenly deteriorate. The Company monitors these customers closely to minimize the risk of loss. Wal-Mart® comprised 15.0% of revenues for the first thirty-six weeks of fiscal year 2007 and 17.0% of accounts receivable at the end of the third quarter of fiscal year 2007. Wal-Mart® comprised 14.5% of revenues for the first thirty-six weeks of fiscal year 2006 and 18.8% of accounts receivable at the end of the third quarter of fiscal year 2006.

Revenues are recognized upon passage of title to the customer upon product pick-up, shipment or delivery to customers as determined by applicable contracts. Products are delivered to customers through the Company's own fleet, common carrier or through a Company-owned direct store delivery system.

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

The Company records 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.

The above listing is not intended to be a comprehensive list of all the Company's accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States, with no need for management's judgment in their application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result.

Executive Level Overview of Business Segments

The Company operates in two business segments – the processing and distribution of frozen products and the processing and distribution of refrigerated and snack food products. For information regarding the separate financial performance of the business segments refer to Note 7 of the Notes to the Consolidated Condensed Financial Statements included in this Quarterly Report on Form 10-Q. Although the Company has recently introduced several new products, most of these products have not contributed significantly to the Company's revenue growth for the fiscal year with the exception of Bridgford Monkey Bread, included in the Frozen Food Products segment, originally introduced in 2005.

Frozen Food Products Segment

The products manufactured and distributed by the Company in the Frozen Food Products Segment consist of an extensive line of food products, including biscuits, bread dough items, roll dough items and sandwiches. All items within this segment are considered similar products and have been aggregated at this level. The Company's frozen food division serves both food service and retail customers. The Company sells approximately 200 unique frozen food products through wholesalers, cooperatives and distributors to approximately 21,000 retail outlets and 22,000 restaurants and institutions.

Frozen Food Products – Food Service Customers

The food service industry is composed of establishments that serve food outside the home and includes restaurants, the food operations of health care providers, schools, hotels, resorts, corporations, and other traditional and non-traditional food service outlets. Growth in this industry has been driven by the increase in away-from-home meal preparation, which has accompanied the expanding number of both dual income and single-parent households. Another trend within the food service industry is the growth in the number of non-traditional food service outlets such as convenience stores, retail stores and supermarkets. These non-traditional locations often lack extensive cooking, storage or preparation facilities, resulting in a need for pre-cooked and prepared foods similar to those provided by the Company. The expansion in the food service industry has also been accompanied by the continued consolidation and growth of broad line and specialty food service distributors, many of which are long-standing customers of the Company.

The Company supplies its food service customers generally through distributors that take title to the product and resell it. Among the Company's customers are many of the country's largest broad line and specialty food service distributors. For these and other large end purchasers, the Company's products occasionally go through extensive qualification procedures and its manufacturing capabilities are subjected to thorough review by the end purchasers prior to the Company's approval as a vendor. Large end purchasers typically select suppliers that can consistently meet increased volume requirements on a national basis during peak promotional periods. The Company believes that its manufacturing flexibility, national presence and long-standing customer relationships should pose barriers to entry for other manufacturers seeking to provide similar products to the Company's current large food service end purchasers, although no assurances can be given.

Frozen Food Products – Retail Customers

The majority of the Company's existing and targeted retail customers are involved in the resale of branded and private label packaged foods. The same trends which have contributed to the increase in away-from-home meal preparation have also fueled the growth in easy to prepare, microwaveable frozen and refrigerated convenience foods. Among the fastest growing segments is the frozen and refrigerated hand-held foods market. This growth has been driven by improved product quality and variety and the increasing need for inexpensive and healthy food items that require minimal preparation. Despite rapid growth, many categories of frozen and refrigerated hand-held foods have achieved minimal household penetration. The Company believes it has been successful in establishing and maintaining supply relationships with certain selected leading retailers in this market.

Frozen Food Products Sales and Marketing

The Company's frozen food business covers the United States and Canada. In addition to regional sales managers, the Company maintains a network of independent food service and retail brokers covering most of the states as well as Canada. Brokers are compensated on a commission basis. The Company believes that its broker relationships, in close cooperation with the regional sales managers, are a valuable asset providing significant new product and customer opportunities. The regional sales managers perform several significant functions for the Company, including identifying and developing new business opportunities and providing customer service and support to the Company's distributors and end purchasers through the effective use of the Company's broker network.

The Company's annual advertising expenditures are directed towards retail and institutional customers. These customers participate in various special promotional and marketing programs and direct advertising allowances sponsored by the Company. The Company also invests in general consumer advertising in various newspapers and periodicals. The Company directs advertising at food service customers with campaigns in major industry publications and through Company participation in trade shows throughout the United States.

Refrigerated and Snack Food Segment

The products distributed by the Company in the Refrigerated and Snack Food Products segment consist of both products manufactured by the Company and product manufactured or processed by third parties. Approximately 46% of this segment's products were manufactured by third parties. All items within this segment are considered similar products and have been aggregated at this level. The dry sausage division includes products such as jerky, meat snacks, sausage, summer sausage and pepperoni products. The deli division includes products such as ham, sandwiches, cheese, Mexican food, pastries and other delicatessen type food products.

Refrigerated and Snack Food Segment Customers

The Company's refrigerated and snack food products division sells approximately 270 different items through a direct store delivery network serving approximately 36,000 supermarkets, mass merchandise and convenience retail stores located in 49 states and Canada.

These customers are comprised of large retail chains and smaller independent operators. This part of the Company's business is highly competitive. Proper placement of the Company's product lines is critical to selling success since most items could be considered impulse items which are often consumed shortly after purchase. The Company's ability to sell successfully to this distribution channel depends on aggressive marketing and maintaining relationships with key buyers.

Refrigerated and Snack Food Segment Sales and Marketing

The Company's direct store delivery network consists of two separate divisions, refrigerated and non-refrigerated snack food products. Refrigerated snack food products are distributed through five different regions located in the southwest, primarily operating in California, Arizona and Nevada. Non-refrigerated snack food products are distributed in seventeen geographic regions across the United States and Canada, each managed by regional sales managers. The regional sales managers perform several significant functions for the Company including identifying and developing new business opportunities and providing customer service and support to the Company's customers. The Company also utilizes the services of brokers where appropriate to support efficient product distribution and customer satisfaction.

Results of Operations for the Twelve Weeks ended July 13, 2007 and

Twelve Weeks ended July 7, 2006.

Net Sales-Consolidated

Net sales decreased by \$1,483,000 (5.3%) to \$26,686,000 in the third twelve weeks of the 2007 fiscal year compared to the same twelve-week period last year. Unit volume decreased approximately 7.4% offset by unit price increases of 3.5%. Promotional allowances increased by approximately 2.0% as a percent of sales also contributing to the net sales decrease compared to the same twelve-week period last year. Product return levels were slightly higher against the comparative prior period.

Compared to the prior twelve-week period ended April 20, 2007 (not shown), average weekly sales decreased \$101,000 (4.3%). The decrease primarily relates to 10.6% lower unit sales volume off-set by unit price increases of 5.8% during the third twelve weeks of the 2007 fiscal year compared to the previous twelve-week period. The decline in unit sales resulted from normal seasonal factors.

Net Sales-Frozen Food Products Segment

Net sales in the Frozen Food Products segment decreased by \$280,000 (2.7%) to \$9,903,000 in the third twelve weeks of the 2007 fiscal year compared to the same twelve-week period last year. Unit volume decreases of 3.9% were offset by unit price increases. Promotional allowances were higher compared to the same twelve-week period last year causing the net sales decline.

Net Sales-Refrigerated and Snack Food Segment

Net sales in the Refrigerated and Snack Food Products segment decreased by \$1,058,000 (5.7%) to \$17,524,000 in the third twelve weeks of the 2007 fiscal year compared to the same twelve-week period last year. Unit volume decreased by 9.5%. An increase in unit selling prices partially off-set the impact of the unit volume decreases.

Cost of Products Sold-Consolidated

Cost of products sold decreased by \$70,000 (0.4%) to \$16,954,000 in the third twelve weeks of the 2007 fiscal year compared to the same twelve-week period in fiscal 2006. The gross margin before depreciation decreased from 39.6% to 36.5% primarily due to higher commodity costs when compared to the same twelve-week period in fiscal 2006. Higher promotional allowances also reduced net selling prices contributing to the gross margin decline.

Compared to the prior twelve-week period ended April 20, 2007 (not shown), the average weekly cost of products sold decreased \$82,000 (5.5%) for the third twelve weeks of fiscal year 2007. This decrease is consistent with the sales decrease and normal seasonal trends.

Cost of Products Sold Frozen Food Products Segment

Cost of products sold in the Frozen Food Products segment increased by \$94,000 (1.5%) to \$6,159,000 in the third twelve weeks of the 2007 fiscal year compared to the same twelve-week period in fiscal 2006. An increase in flour commodity costs was the primary contributing factor in this increase. Unit production volumes were also lower than the comparative twelve-week period.

Cost of Products Sold Refrigerated and Snack Food Segment

Cost of products sold in the Refrigerated and Snack Food Products segment decreased by \$19,000 (0.2%) to \$11,536,000 in the third twelve weeks of the 2007 fiscal year compared to the same twelve-week period in fiscal 2006. Unit volume declines were partially off-set by rising commodity costs in the 12 week period.

Selling, General and Administrative Expenses-Consolidated

Selling, general and administrative expenses decreased by \$1,083,000 (10.8%) to \$8,936,000 in the third twelve weeks of fiscal year 2007 compared to the same twelve-week period in the prior fiscal year. The change in this category for the twelve-week period ended July 13, 2007 did not directly correspond to the sales decrease. Favorable trends were experienced in employee pensions, healthcare expenses, workers compensation, cash surrender value gains and bad debt recoveries compared to the same twelve week period in the prior year.

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Compared to the prior twelve-week period ended April 20, 2007 (not shown), average weekly selling, general and administrative expenses decreased by \$49,000 (6.2%). The decrease was primarily caused by a decrease in average weekly sales and lower cost trends related to healthcare and workers compensation expenses.

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Selling, General and Administrative Expenses-Frozen Food Products Segment

Selling, general and administrative expenses in the Frozen Food Products segment increased by \$7,000 (0.2%) to \$3,146,000 in the third twelve weeks of fiscal year 2007 compared to the same twelve-week period in the prior fiscal year. Higher advertising costs were off-set by lower healthcare and workers compensation costs when compared to the same twelve-week period in fiscal 2006.

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

Selling, general and administrative expenses in the Refrigerated and Snack Food Products segment decreased by \$1,090,000 (15.8%) to \$5,790,000 in the third twelve weeks of fiscal year 2007 compared to the same twelve-week period in the prior fiscal year. Lower healthcare, workers compensation and pension expenses and a significant bad debt recovery were the most significant contributors to the decrease in selling, general and administrative expenses when compared to the same twelve-week period in fiscal 2006.

Depreciation Expense-Consolidated

Depreciation expense decreased by \$175,000 (19.6%) to \$717,000 in the third twelve weeks of the 2007 fiscal year compared to the same twelve-week period in fiscal year 2006. The decrease in depreciation expense reflects lower capital expenditure levels in recent years and certain significant assets becoming fully depreciated in the 2007 fiscal year. Compared to the prior twelve-week period ended April 20, 2007 (not shown), average weekly depreciation decreased by \$5,000 due to the reasons mentioned previously.

Depreciation Expense-Frozen Food Products and Refrigerated and Snack Food Segments

Depreciation expense in the Frozen Food Products segment decreased by \$87,000 (30.0%) to \$203,000 in the third twelve weeks of the 2007 fiscal year compared to the same twelve-week period in fiscal year 2006.

Depreciation expense in the Refrigerated and Snack Food Products segment decreased by \$86,000 (17.1%) to \$418,000 in the third twelve weeks of the 2007 fiscal year compared to the same twelve-week period in fiscal year 2006. The decrease in depreciation expense in both segments was due to lower capital expenditures in recent years and certain significant assets becoming fully depreciated in the 2007 fiscal year.

Income Taxes-Consolidated

The Company recorded an income tax provision based on an estimated annual effective tax rate of 58.2% in the third twelve weeks of fiscal 2007 as compared to 4.3% in the prior fiscal year and 23.3% for the prior twelve-week period. The change in the effective income tax rate relates to significant non-taxable gains on life insurance policies and revisions to the Company's projected tax rates related to updated income estimates.

Net Income (Loss)-Consolidated

Net income in the twelve weeks ended July 13, 2007 included non-taxable gains on life insurance policies in the amount of \$212,000. Gains and losses on life insurance policies are dependent upon the performance of the underlying equities and future results may not produce gains of equal magnitude or may produce losses. Taxable investment income also decreased on a comparative basis during the third twelve weeks of fiscal 2007 in the amount of \$41,000 due to lower cash balances and lower short-term interest rates.

After considering the effect of these transactions, the Company's results were as follows:

	12 Weeks Ended July 13, 2007	12 Weeks Ended July 7, 2006
Net income (loss) before taxes, life insurance gain and investment income	\$ (290,000)	\$ 89,000
Life insurance gain and investment income	369,000	145,000
Income before taxes	79,000	234,000
Income tax provision	46,000	10,000
Net income	\$ 33,000	\$ 224,000

The Company presents net income or loss before taxes, life insurance gain or loss and investment income because the Company believes it is an important measure for investors to use in understanding the Company's underlying operations.

Results of Operations for the Thirty-Six Weeks ended July 13, 2007 and

Thirty-Six Weeks ended July 7, 2006.

Net Sales-Consolidated

Net sales decreased by \$4,156,000 (4.6%) to \$86,893,000 in the first thirty-six weeks of the 2007 fiscal year compared to the same thirty-six week period last year. The primary reason for the sales decline was a 4.0% decrease in unit volume. Promotional allowances, as a percent of sales, increased 1.8% compared to the same 36 week period last year. Unit selling prices increased approximately 0.8% offsetting the sales decline.

Net Sales-Frozen Food Products Segment

Net sales in the Frozen Food Products segment decreased by \$954,000 (2.8%) to \$33,327,000 in the first thirty-six weeks of the 2007 fiscal year compared to the same thirty-six week period last year. The primary reason for the decline was an increase in promotional allowances compared to the same thirty-six week period last year. Unit prices, before promotions and allowances, increased 4.5% offset by unit volume decrease of approximately 3.4%.

Net Sales-Refrigerated and Snack Food Segment

Net sales in the Refrigerated and Snack Food Products segment decreased by \$3,683,000 (6.3%) to \$54,882,000 in the first thirty-six weeks of the 2007 fiscal year compared to the same thirty-six week period last year. Unit volumes were approximately 4.1% lower than the comparative thirty-six week period. Average unit selling prices were also lower than the prior thirty-six week period.

Cost of Products Sold-Consolidated

Cost of products sold decreased by \$1,633,000 (2.8%) to \$56,454,000 in the first thirty-six weeks of the 2007 fiscal year compared to the same thirty-six week period in fiscal 2006. The decrease in cost of products sold on a comparative basis was due primarily to lower unit sales volume. The slight decrease in gross margin before depreciation from 36.2% to 35.0% was due to higher commodity costs when compared to the same thirty-six-week period in fiscal year 2006. Higher promotional allowances also reduced the effective net selling price contributing to the gross margin decline.

Cost of Products Sold Frozen Food Products Segment

Cost of products sold in the Frozen Food Products segment increased by \$311,000 (1.5%) to \$20,576,000 in the first thirty-six weeks of the 2007 fiscal year compared to the same thirty-six week period in fiscal 2006. Higher flour commodity costs contributed to the increase in costs of products sold. Higher promotional allowances also reduced the effective net selling price contributing to a decline in the gross margin.

Cost of Products Sold Refrigerated and Snack Food Segment

Cost of products sold in the Refrigerated and Snack Food Products segment decreased by \$2,425,000 (6.1%) to \$37,194,000 in the first thirty-six weeks of the 2007 fiscal year compared to the same thirty-six-week period in fiscal 2006. Lower unit volumes levels were slightly off-set by higher meat and cheese commodity costs.

Selling, General and Administrative Expenses-Consolidated

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Selling, general and administrative expenses decreased by \$1,850,000 (6.1%) to \$28,380,000 in the first thirty-six weeks of fiscal year 2007 compared to the same thirty-six week period in the prior fiscal year. The change in this category for the thirty-six week period ended July 13, 2007 did not directly correspond to the sales decrease. Significant reductions in employee healthcare, pension expenses and workers compensation expenses in addition to cash surrender value gains on life insurance policies, bad debt recoveries and higher interest income helped offset expenses in this category. These favorable trends were somewhat off-set by higher costs for advertising programs.

Selling, General and Administrative Expenses-Frozen Food Products Segment

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Selling, general and administrative expenses in the Frozen Food Products segment increased by \$165,000 (1.6%) to \$10,174,000 in the first thirty-six weeks of fiscal year 2007 compared to the same thirty-six week period in the prior fiscal year. Significant reductions in employee healthcare, pension expenses helped off-set higher advertising expenses in this category.

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

Selling, general and administrative expenses in the Refrigerated and Snack Food Products segment decreased by \$2,015,000 (10.0%) to \$18,206,000 in the first thirty-six weeks of fiscal year 2007 compared to the same thirty-six week period in the prior fiscal year. Lower sales trends reduced the expenses in this category. In addition, significant reductions in employee healthcare, pension expenses and workers compensation expenses, in addition to higher bad debt recoveries, helped reduce expenses in this category.

Depreciation Expense-Consolidated

Depreciation expense decreased by \$396,000 (14.8%) to \$2,280,000 in the first thirty-six weeks of the 2007 fiscal year compared to the same thirty-six week period in fiscal year 2006. The decrease in depreciation expense was due to lower capital expenditures in recent years and certain significant assets becoming fully depreciated in the 2007 fiscal year.

Depreciation Expense-Frozen Food Products and Refrigerated and Snack Food Segments

Depreciation expense in the Frozen Food Products segment decreased by \$262,000 (30.1%) to \$609,000 in the first thirty-six weeks of the 2007 fiscal year compared to the same thirty-six week period in fiscal year 2006. Depreciation expense in the Refrigerated and Snack Food Products segment decreased by \$125,000 (8.3%) to \$1,384,000 in the first thirty-six weeks of the 2007 fiscal year compared to the same thirty-six week period in fiscal year 2006. The decrease in depreciation expense in both segments was due to lower capital expenditures in recent years and certain significant assets becoming fully depreciated in the 2007 fiscal year.

Income Taxes-Consolidated

The Company recorded an income tax provision based on an estimated annual effective tax rate of 10.0% in the first thirty-six weeks of fiscal 2007 as compared to 2.5% in the prior fiscal year. The change in the effective income tax rate relates to significant non-taxable gains on life insurance policies and revisions to the Company's projected tax rates related to updated estimates and the recognition of research and development tax credits.

Net Income (Loss)-Consolidated

Net loss in the thirty-six weeks ended July 13, 2007 included non-taxable gains on life insurance policies in the amount of \$572,000. Gains and losses on life insurance policies are dependent upon the performance of the underlying equities and future results may not produce gains of equal magnitude or may produce losses. Taxable investment income also increased on a comparative basis during the first thirty-six weeks of fiscal 2007 in the amount of \$120,000 due to higher cash balances and an increase in short-term interest rates. After considering the effect of these transactions, the Company's results were as follows:

	36 Weeks Ended July 13, 2007	36 Weeks Ended July 7, 2006
Net loss before taxes, life insurance gain and investment income	\$ (1,302,000)	\$ (636,000)
Gain on sale of equity securities		106,000
Life insurance gain and investment income	1,081,000	692,000
Income (loss) before taxes	(221,000)	162,000
Income tax provision (benefit)	(22,000)	4,000
Net income (loss)	\$ (199,000)	\$ 158,000

The Company presents net income or loss before taxes, life insurance gain or loss and investment income because the Company believes it is an important measure for investors to use in understanding the Company's underlying operations.

Liquidity and Capital Resources-Consolidated

Net cash from operating activities was \$13,220,000 for the first thirty-six weeks of the 2007 fiscal year. Operating cash was generated principally by reductions in trading securities and accounts receivable. The substantial reduction in accounts receivable in the first thirty-six weeks of fiscal 2007 is consistent with normal seasonal trends. The Company sold \$12,200,000 in auction rate securities in the first thirty-six weeks of the 2007 fiscal year and currently has no investments in these instruments. The Company utilized cash flow for additions to property, plant and equipment and share repurchases. The net effect of these transactions resulted in a cash and cash equivalents increase during the first thirty-six weeks of fiscal 2007 of \$11,822,000 to \$13,002,000. The additions to property, plant and equipment reflect the Company's continued investment in processing, transportation and information technology equipment.

The Company's refrigerated and snack food products segment has continued development of a new major production line that was originally scheduled for completion in the fourth quarter of fiscal year 2005. The line has been producing product for analysis purposes for approximately nine months. The oven and processing parameters are being fine-tuned. A total capital expenditure of \$1,879,000 has been invested in this new production line through July 13, 2007. No significant additional investments are anticipated at this time. The Company expects regular production to begin no later than the last quarter of fiscal year 2007.

No cash dividends were paid during the first thirty-six weeks of the 2007 fiscal year, as was the case during the first thirty-six weeks of the 2006 fiscal year, as the Board of Directors suspended the quarterly cash dividend at its May 2004 meeting in recognition of lower profitability levels in recent quarters.

The Company remained free of interest bearing debt during the first thirty-six weeks of fiscal year 2007. The Company's revolving line of credit with Bank of America expires on April 30, 2008 and provides for borrowings up to \$2,000,000. The Company has not borrowed under this line for more than twenty consecutive years.

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

Recently Issued Accounting Pronouncements and Interpretations

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48). This Statement addresses uncertainty in tax positions recognized in a company's financial statements and stipulates a recognition threshold and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 will apply to the Company's fiscal year beginning November 3, 2007, with earlier adoption permitted. The Company does not expect this interpretation will have a material impact on the Company's results of operations or financial position.

In September 2006, the FASB issued Statement of Accounting Standards No. 157, Fair Value Measurements (FAS No. 157). This Statement defines fair value, provides a framework for measuring fair value, and expands the disclosures required for fair value measurements. FAS No. 157 applies to other accounting pronouncements that require fair value measurements; it does not require any new fair value measurements. FAS No. 157 is effective for financial statements for fiscal years beginning after November 15, 2007, the Company's first quarter of the 2009 fiscal year, and interim periods within those years. The Company does not expect this statement will have a material impact on the Company's results of operations or financial position.

In September 2006, the Financial Accounting Standards Board issued FAS 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans (FAS 158) an amendment of FASB Statements No. 87, 88, 106, and 132(R) . FAS 158 requires employers to recognize the over- or under-funded status of defined benefit plans and other postretirement plans in the statement of financial position and to recognize changes in the funded status in the year in which the changes occur through comprehensive income. In addition, FAS 158 requires employers to measure the funded status of plans as of the date of the year-end statement of financial position. The recognition and disclosure provisions of FAS 158 are effective for fiscal years ending after December 15, 2006 (effective for the Company's fiscal year ending November 2, 2007), while the requirement to measure plan assets and benefit obligations as of a company's year-end date is effective for fiscal years ending after December 15, 2008 (effective for the Company's fiscal year ending October 30, 2009). Based on recent preliminary analysis, the Company does not expect that the adoption of this statement will materially affect other comprehensive income, long-term liabilities and shareholders equity.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (FAS 159). FAS 159 expands opportunities to use fair value measurement in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. This Statement is effective for fiscal years beginning after November 15, 2007, or the Company's fiscal year ending October 30, 2009. The Company does not expect this statement will have a material impact on its results of operations or financial position.

Off-Balance Sheet Arrangements

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

General Business Risks

General risk factors include, among others, the following: general economic and business conditions; the impact of competitive products and pricing; success of operating initiatives; development and operating costs; advertising and promotional efforts; adverse publicity; acceptance of new product offerings; consumer trial and frequency; changes in business strategy or development plans; availability, terms and deployment of capital; availability of qualified personnel; commodity, labor, and employee benefit costs; changes in, or failure to comply with, government regulations; weather conditions; construction schedules; and other factors referenced in this Quarterly Report on Form 10-Q and in Bridgford Foods' Annual Report on Form 10-K/A for the fiscal year ended November 3, 2006. Because of these and other factors that may affect the Company's operating results, past financial performance should not be considered an indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods. The Company expressly disclaims any intent or obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof, or to reflect the occurrence of unanticipated events.

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There can be no assurances that the Company's growth objectives will be met or that product lines will be profitable. Anticipated and unanticipated declines in customer demand or taste, sales softness or aggressive competition may have a material adverse effect on the Company's results of operations. The business is also exposed to the risk of negative publicity, whether or not based in fact, which affects consumer perceptions about the health, safety or quality of food and inputs of food products.

The Company's operating results are heavily dependent upon the prices paid for raw materials. Other significant factors that influence operating results include transportation and energy costs. The marketing of the Company's value-added products does not lend itself to instantaneous changes in selling prices. Changes in selling prices are relatively infrequent and do not compare with the volatility of commodity markets, transportation costs and energy prices.

Financial Instrument Risk

The Company's financial instruments generally consist of cash and cash equivalents and life insurance policies. At July 13, 2007, the carrying value of the Company's financial instruments approximated their fair market values based on current market prices and rates. It is not the Company's policy to enter into derivative financial instruments.

Foreign Currency Risk

The Company did not have significant foreign currency exposure at July 13, 2007.

Concentration of Credit Risk

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The Company's credit risk is diversified across a broad range of customers and geographic regions. Losses due to credit risk have recently been immaterial although losses in fiscal year 2002 were significant. The provision for doubtful accounts receivable is based on historical trends and current collectibility risk. The Company has significant amounts receivable with a few large, well known customers which, although historically secure, could be subject to material risk should these customers' operations suddenly deteriorate. The Company monitors these customers closely to minimize the risk of loss.

Fixed Price Contracts Risk

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The Company purchases bulk flour under short-term fixed price contracts during the normal course of business. Under these arrangements, the Company is obligated to purchase specific quantities at fixed prices, within the specified contract period. These contracts provide for automatic price increases if agreed quantities are not purchased within the specified contract period. No significant contracts remained unfulfilled at July 13, 2007.

Item 4. Controls and Procedures

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Management of the Company, with the participation and under the supervision of the Company's Chairman and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this quarterly report. Based on this evaluation, the Chairman and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective as of the end of the period covered by this report to provide reasonable assurance that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and forms. There has been no change in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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

The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its 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.

Section 404 Sarbanes-Oxley Act of 2002

The Securities and Exchange Commission, on December 15, 2006, adopted new measures to grant relief to smaller public companies by extending the date of compliance with Section 404 of the Sarbanes-Oxley Act of 2002 (the "Act"). Under these new measures, the Company will be required to comply with the Act in two phases. The first phase will be effective for the Company's fiscal year ending October 31, 2008 and will require the Company to furnish a management report on internal control over financial reporting. The second phase will require the Company to provide an auditor's attestation report on internal control over financial reporting beginning with the Company's fiscal year ending October 30, 2009.

In order to comply with the Act, the Company is in the process of centralizing most accounting and many administrative functions at its corporate headquarters in an effort to control the cost of maintaining its control systems. On July 11, 2006, The Committee of Sponsoring Organizations (COSO) issued guidance on how small companies should implement an effective internal control framework over financial reporting and other risks. This guidance is considered a key tool to help smaller public companies to confront the challenges of the Act. As a result, the Company may incur substantial additional expenses and diversion of management's time. During the course of these activities, the Company may identify certain internal control issues which management believes should be improved. These improvements, if necessary, will likely include further formalization of policies and procedures, improved segregation of duties, additional information technology system controls and additional monitoring controls. Although management does not believe that any of these matters will result in material weaknesses being identified in the Company's internal controls as defined by the Public Company Accounting Oversight Board Auditing Standard No. 5, no assurances can be given regarding the outcome of these efforts. Additionally, control weaknesses may not be identified in a timely enough manner to allow remediation prior to the issuance of the auditor's report on internal controls over financial reporting. Any failure to adequately comply could result in sanctions or investigations by regulatory authorities, which could harm the Company's business or investors' confidence in the Company.

On May 23, 2007, the Securities and Exchange Commission unanimously approved interpretive guidance to assist public companies to reinforce their internal control over financial reporting with a focus on smaller companies. The Securities and Exchange Commission approved rules that allow a company to satisfy the annual evaluation requirement by Exchange Act Rules 13a-15 and 15d-15 through the evaluation of internal control in accordance with interpretive guidance. The term "material weakness" was modified by the Securities and Exchange Commission as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The effective date for these changes was August 27, 2007.

The auditor's attestation report will now opine directly on the internal controls over financial reporting. The Public Company Accounting Oversight Board voted on May 24, 2007 to adopt Auditing Standard No. 5, "An Audit of Internal Control over Financial Reporting that is Integrated with an Audit of Financial Statements", to replace its previous internal control auditing standard, Auditing Standard No. 2. The new standard removes unnecessary audit requirements while maintaining adequate internal control, provides direction on how to scale the audit for smaller and less complex companies, and reduces and simplifies the text of the standard. Another revision included changes to the required auditor's attestation report on the effectiveness of internal controls over financial reporting which now excludes the auditor's evaluation of management's evaluation process. The Securities and Exchange Commission approved the Public Company Accounting Oversight Board's Auditing Standard No. 5 on July 25, 2007, replacing Auditing Standard No. 2.

Part II. Other Information**Item 1A. Risk Factors**

The risk factors listed in Part I Item 1A. Risk Factors in the Annual Report on Form 10-K/A for the fiscal year ended November 3, 2006, should be considered with the information provided elsewhere in this Quarterly Report on Form 10-Q, which could materially adversely affect the business, financial condition or results of operations. There have been no material changes to the risk factors as previously disclosed in such Annual Report on Form 10-K/A.

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

The Company has not sold any equity securities during the period covered by this Report.

The following table provides information regarding repurchases by the Company of its common stock, for each of the three four-week periods included in the interim twelve-week period ended July 13, 2007.

ISSUER PURCHASES OF EQUITY SECURITIES

Period (1)	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2)
April 21, 2007 – May 18, 2007	1,978	\$ 7.43	1,978	562,373
May 19, 2007 – June 15, 2007	16,949	\$ 7.59	16,949	545,424
June 16, 2007 – July 13, 2007	4,439	\$ 7.64	4,439	540,985
Total	23,366	\$ 7.59	23,366	

(1) Period information is presented by reference to the Company's fiscal period ends during the twelve-week period ended July 13, 2007.

(2) All repurchases reflected in the foregoing table were made on the open market. The Company's stock repurchase program was approved by the Board of Directors in November 1999 and was expanded in June 2005. Under the stock repurchase program, the Company is authorized, at the discretion of management and the Board of Directors, to purchase up to an aggregate of 2,000,000 shares of the Company's common stock on the open market. The stock repurchase program expires annually and is renewable each September. On September 15, 2006, the Company entered into a Rule 10b5-1 Stock Purchase Plan with Citigroup Global Markets Inc. for the purchase of shares of common stock previously issued by the Company that complies with the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934 (Exchange Act). The purchase period covers each trading day commencing October 2, 2006 through and including September 15, 2007. The daily purchase quantity is defined as a number of shares up to, but not to exceed, each day's applicable SEC Rule 10b-18 maximum volume limit (i.e. 25% of the prior four calendar weeks' average daily trading volume); however, once per week a block of stock may be purchased that exceeds the SEC Rule 10b-18 25% average daily trading volume condition, provided that no other Plan purchases are made on any day on which such a block is purchased. The total maximum number of shares that may be purchased under the plan is 594,000 at a total maximum dollar amount (exclusive of commission) of \$5,940,000.

Item 6.

Exhibits

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Exhibit No.	Description
31.1	Certification of Chairman (Principal Executive Officer), as required by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer (Principal Financial Officer), as required by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chairman (Principal Executive Officer), as required by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer (Principal Financial Officer), as required by Section 906 of the Sarbanes-Oxley Act of 2002.

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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)

August 27, 2007
Date

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

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