B&G Foods, Inc.
Form 10-Q
October 30, 2008
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As filed with the Securities and Exchange Commission on October 30, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)	**Quarterly Report Pursuant to Section 13 or 15(d)**
x	**of the Securities Exchange Act of 1934**

For the quarterly period ended September 27, 2008

or

o	**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 001-32316

B&G FOODS, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**13-3918742**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4 Gatehall Drive, Suite 110, Parsippany, New Jersey	**07054**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: **(973) 401-6500**

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 x No o

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

Large accelerated filer o	Accelerated filer x	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of September 27, 2008, the registrant had 36,796,988 shares of Class A common stock, par value $0.01 per share, issued and outstanding, 17,077,331 of which were held in the form of Enhanced Income Securities (EISs) and 19,719,657 of which were held separate from EISs. Each EIS represents one share of Class A common stock and $7.15 principal amount of 12% senior subordinated notes due 2016. As of September 27, 2008, the registrant had no shares of Class B common stock, par value $0.01 per share, issued or outstanding.

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B&G Foods, Inc. and Subsidiaries

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

B&G Foods, Inc. and Subsidiaries

Consolidated Balance Sheets

(Dollars in thousands, except per share data)

(Unaudited)

	September 27, 2008	December 29, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 31,899	$ 36,606
Trade accounts receivable, net	38,414	42,362
Inventories	95,688	93,181
Prepaid expenses	3,174	3,556
Income tax receivable	597	569
Deferred income taxes	648	648
Total current assets	170,420	176,922
Property, plant and equipment, net of accumulated depreciation of $62,201 and $55,679	52,878	49,658
Goodwill	253,353	253,353
Trademarks	227,220	227,220
Customer relationship intangibles, net	117,930	122,768
Net deferred debt issuance costs and other assets	15,102	17,669
Total assets	$ 836,903	$ 847,590
Liabilities and Stockholders Equity		
Current liabilities:		
Trade accounts payable	$ 30,045	$ 32,126
Accrued expenses	20,314	21,894
Dividends payable	7,801	7,797
Total current liabilities	58,160	61,817
Long-term debt	535,800	535,800
Other liabilities	6,872	6,376
Deferred income taxes	74,463	68,962
Total liabilities	675,295	672,955
Stockholders equity:		
Preferred stock, $0.01 par value per share. Authorized 1,000,000 shares; no shares issued or outstanding		
	368	368

Class A common stock, $0.01 par value per share. Authorized 100,000,000 shares; 36,796,988 and 36,778,988 shares issued and outstanding as of September 27, 2008 and December 29, 2007				
Class B common stock, $0.01 par value per share. Authorized 25,000,000 shares; no shares issued or outstanding				
Additional paid-in capital		179,308		202,197
Accumulated other comprehensive loss		(4,685)		(3,718)
Accumulated deficit		(13,383)		(24,212)
Total stockholders equity		161,608		174,635
Total liabilities and stockholders equity	$	836,903	$	847,590

See Notes to Consolidated Financial Statements.

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B&G Foods, Inc. and Subsidiaries

Consolidated Statements of Operations

(Dollars in thousands, except per share data)

(Unaudited)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Net sales	$ 116,515	$ 117,003	$ 352,041	$ 338,952
Cost of goods sold	85,778	78,725	252,816	230,668
Gross profit	30,737	38,278	99,225	108,284
Operating expenses:				
Sales, marketing and distribution expenses	10,813	13,114	34,563	37,184
General and administrative expenses	2,067	3,374	5,307	6,802
Amortization expense customer relationships	1,613	1,612	4,838	3,888
Operating income	16,244	20,178	54,517	60,410
Other expenses:				
Interest expense, net	11,562	12,374	37,041	40,028
Income before income tax expense	4,682	7,804	17,476	20,382
Income tax expense	1,792	2,958	6,647	7,725
Net income	$ 2,890	$ 4,846	$ 10,829	$ 12,657
Earnings per share calculations:				
Basic and diluted distributed earnings per share:				
Class A common stock	$ 0.21	$ 0.21	$ 0.64	$ 0.72
Basic and diluted earnings (loss) per share:				
Class A common stock	$ 0.08	$ 0.13	$ 0.29	$ 0.49
Class B common stock	$	$	$	$ (0.23)

See Notes to Consolidated Financial Statements.

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B&G Foods, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Dollars in thousands)

(Unaudited)

	Thirty-nine Weeks Ended September 27, 2008	Thirty-nine Weeks Ended September 29, 2007
Cash flows from operating activities:		
Net income	$ 10,829	$ 12,657
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,420	9,706
Amortization of deferred debt issuance costs	2,376	2,397
Deferred income taxes	6,087	6,944
Write off of deferred debt issuance costs		1,769
Unrealized gain on interest rate swap	(1,514)	
Stock-based compensation expense	510	
Other	76	
Changes in assets and liabilities, net of effects of business acquired:		
Trade accounts receivable	3,948	(6,659)
Inventories	(2,507)	(15,660)
Prepaid expenses	382	(17)
Income tax receivable	(28)	(654)
Other assets	191	(12)
Trade accounts payable	(2,081)	3,627
Accrued expenses	(1,550)	7,881
Other liabilities	387	(779)
Net cash provided by operating activities	28,526	21,200
Cash flows from investing activities:		
Capital expenditures	(9,832)	(10,914)
Payments for acquisition of businesses		(200,850)
Net cash used in investing activities	(9,832)	(211,764)
Cash flows from financing activities:		
Payments of long-term debt		(100,000)
Proceeds from issuance of long-term debt		205,000
Payments for repurchase of Class B common stock		(82,417)
Proceeds from issuance of Class A common stock, net		193,215
Dividends paid	(23,395)	(16,277)
Payment of debt issuance costs		(4,001)
Net cash (used in) provided by financing activities	(23,395)	195,520
Effect of exchange rate fluctuations on cash and cash equivalents	(6)	42
Net (decrease) increase in cash and cash equivalents	(4,707)	4,998
Cash and cash equivalents at beginning of period	36,606	29,626
Cash and cash equivalents at end of period	$ 31,899	$ 34,624

Supplemental disclosures of cash flow information:				
Cash interest payments	$	31,336	$	30,665
Cash income tax payments	$	708	$	947
Cash income tax refunds	$	(96)	$	(91)
Non-cash transactions:				
Dividends declared and not yet paid	$	7,801	$	7,797

See Notes to Consolidated Financial Statements.

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B&G Foods, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Unaudited)

(1) Nature of Operations

B&G Foods, Inc. is a holding company, the principal assets of which are the capital stock of its subsidiaries. Unless the context requires otherwise, references in this report to B&G Foods, our company, we, us and our refer to B&G Foods, Inc. and its subsidiaries. We operate i one industry segment and manufacture, sell and distribute a diverse portfolio of high-quality shelf-stable foods across the United States, Canada and Puerto Rico. Our products include hot cereals, fruit spreads, canned meats and beans, spices, seasonings, marinades, hot sauces, wine vinegar, maple syrup, molasses, salad dressings, Mexican-style sauces, taco shells and kits, salsas, pickles, peppers and other specialty food products. We compete in the retail grocery, food service, specialty, private label, club and mass merchandiser channels of distribution. We distribute our products throughout the United States through a nationwide network of independent brokers and distributors to supermarket chains, food service outlets, mass merchants, warehouse clubs, non-food outlets and specialty food distributors. We distribute several of our brands in the greater New York metropolitan area primarily through direct-store-delivery.

Recent Acquisition

Effective February 25, 2007, we completed the acquisition of the *Cream of Wheat* and *Cream of Rice* business from Kraft Foods Global, Inc. The final purchase price, including transaction costs, was $200.5 million. We refer to the *Cream of Wheat* and *Cream of Rice* acquisition as the *Cream of Wheat* acquisition and the *Cream of Wheat* and *Cream of Rice* businesses collectively as the *Cream of Wheat* business.

The acquisition was accounted for using the purchase method of accounting and, accordingly, the assets acquired and results of operations are included in our consolidated financial statements from the date of the acquisition. The excess of the purchase price over the fair value of identifiable net assets acquired represents goodwill. Trademarks are deemed to have an indefinite useful life and are not amortized. Customer relationship intangibles are amortized over 20 years. Goodwill, customer relationship intangibles and trademarks amortization are deductible for income tax purposes.

Class A Common Stock Offering

On May 29, 2007, we completed a public offering of 15,985,000 shares of our Class A common stock as a separately traded security, which includes 2,085,000 shares issued pursuant to the fully exercised underwriters option to purchase additional shares, at $13.00 per share. The shares of our separately traded Class A common stock trade on the New York Stock Exchange under the trading symbol BGS and trade separately from our Enhanced Income Securities (EISs), which trade on the New York Stock Exchange under the trading symbol BGF. Each EIS represents one share of our Class A common stock and $7.15 principal amount of our senior subordinated notes.

The proceeds of the Class A common stock offering were $193.2 million, after deducting underwriting discounts and commissions and other expenses. In connection with the offering, we repurchased 6,762,455 outstanding shares of our Class B common stock for $82.4 million, and the remaining 793,988 shares of our outstanding Class B common stock were exchanged for an equal number of shares of Class A common stock. See note 9, Related-Party Transactions. We also prepaid $100.0 million of our term loan borrowings under our senior secured credit facility. The remaining funds were allocated for general corporate purposes.

The holders of our EISs may separate each EIS into one share of Class A common stock and $7.15 principal amount of senior subordinated notes at any time. Upon the occurrence of certain events (including redemption of the senior subordinated notes or upon maturity of the senior subordinated notes), EISs will automatically separate. Conversely, subject to limitations, a holder of separate shares of Class A common stock and senior subordinated notes can combine such securities to form EISs. Separation and combination of

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B&G Foods, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Unaudited)

(1) Nature of Operations (Continued)

EISs will automatically result in increases and decreases, respectively, in the number of shares of Class A common stock not held in the form of EISs. As of September 27, 2008, we had 36,796,988 shares of Class A common stock issued and outstanding, 17,077,331 of which were held in the form of EISs and 19,719,657 of which were held separate from EISs. As of September 29, 2007, we had 36,778,988 shares of Class A common stock issued and outstanding, 17,115,567 of which were held in the form of EISs and 19,663,421 of which were held separate from EISs.

(2) Summary of Significant Accounting Policies

Fiscal Year

Our financial statements are presented on a consolidated basis. Typically, our fiscal quarters and fiscal year consist of 13 and 52 weeks, respectively, ending on the Saturday closest to December 31 in the case of our fiscal year and fourth fiscal quarter, and on the Saturday closest to the end of the corresponding calendar quarter in the case of our fiscal quarters. As a result, a 53rd week is added to our fiscal year every five or six years. In a 53-week fiscal year our fourth fiscal quarter contains 14 weeks. Our fiscal year ending January 3, 2009 (fiscal 2008) contains 53 weeks and our fiscal year ended December 29, 2007 (fiscal 2007) contains 52 weeks. Each quarter of fiscal 2008 and 2007 contains 13 weeks, except the fourth quarter of 2008 which will contain 14 weeks.

Basis of Presentation

The accompanying consolidated interim financial statements for the thirteen and thirty-nine week periods ended September 27, 2008 (third quarter of 2008 and first three quarters of 2008) and September 29, 2007 (third quarter of 2007 and first three quarters of 2007) have been prepared by our company in accordance with accounting principles generally accepted in the United States of America without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC), and include the accounts of B&G Foods, Inc. and its subsidiaries. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. However, our management believes, to the best of their knowledge, that the disclosures herein are adequate to make the information presented not misleading. All intercompany balances and transactions have been eliminated. The accompanying unaudited consolidated interim financial statements contain all adjustments (consisting only of normal and recurring adjustments) that are, in the opinion of management, necessary to present fairly our consolidated financial position as of September 27, 2008, the results of our operations for the third quarter and first three quarters of 2008 and 2007, and cash flows for the first three quarters of 2008 and 2007. Our results of operations for the third quarter and first three quarters of 2008 are not necessarily indicative of the results to be expected for the full year. The accompanying unaudited consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and notes for fiscal 2007 included in our Annual Report on Form 10-K for fiscal 2007 filed with the SEC on March 6, 2008.

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires our management to make a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Some of the more significant estimates and assumptions made by management involve trade and consumer promotion expenses; allowances for excess, obsolete and unsaleable inventories; pension benefits; purchase accounting

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B&G Foods, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

allocations; the recoverability of goodwill, trademarks, customer relationship intangibles, property, plant and equipment and deferred tax assets; the accounting for our enhanced income securities (EISs); the accounting for earnings per share and the accounting for stock-based compensation expense. Actual results could differ from these estimates and assumptions.

Recently Issued Accounting Standards

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The provisions of SFAS No. 157 are effective as of the beginning of our 2008 fiscal year, with the exception of certain provisions deferred until the beginning of our 2009 fiscal year. In February 2008, the FASB issued FASB Staff Position SFAS No. 157-2, *Effective Date of FASB Statement No. 157* , which delayed the effective date of SFAS No. 157 for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, until January 1, 2009. The impact of the adoption of SFAS No. 157 for financial assets and liabilities was not material to our consolidated interim financial statements. The expanded disclosures about fair value measurements for financial assets and liabilities are presented in note 6. We have not yet determined the impact that the adoption of SFAS No. 157 will have on our non-financial assets and liabilities which are not recognized on a recurring basis; however we do not anticipate it to materially impact our consolidated financial statements.

In October 2008, the FASB issued FASB Staff Position No. FAS 157-3, *Determining Fair Value of a Financial Asset in a Market That Is Not Active* (FSP No. FAS 157-3). FSP No. FAS 157-3 clarified the application of SFAS No. 157 in an inactive market. It demonstrated how the fair value of a financial asset is determined when the market for that financial asset is inactive. FSP No. FAS 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued. The implementation of this standard did not have a material impact on our consolidated financial position and results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS No. 141R) and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (SFAS No. 160). SFAS No. 141R requires an acquirer to measure the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. SFAS No. 160 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS No. 141R and SFAS No. 160 are effective as of the beginning of our 2009 fiscal year. SFAS No. 141R will be applied prospectively. The effects of SFAS No. 141R will depend on future acquisitions. SFAS No. 160 requires retroactive adoption. We currently do not have any noncontrolling interests in subsidiaries.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133*. This statement changes the disclosure requirements for derivative instruments and hedging activities. SFAS No. 161 requires enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. SFAS No. 161 is effective as of the beginning of our 2009 fiscal year. We are currently evaluating the potential impact, if any, of the adoption of SFAS No. 161 on our consolidated financial statements.

In April 2008, the FASB issued FASB Staff Position No. FAS 142-3, *Determination of the Useful Life of Intangible Assets* (FSP No. FAS 142-3). FSP No. FAS 142-3 requires companies estimating the

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B&G Foods, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

useful life of a recognized intangible asset to consider their historical experience in renewing or extending similar arrangements or, in the absence of historical experience, to consider assumptions that market participants would use about renewal or extension as adjusted for entity-specific factors. FSP No. FAS 142-3 is effective as of the beginning of our 2009 fiscal year. We are currently evaluating the potential impact, if any, of the adoption of FSP No. FAS 142-3 on our consolidated financial statements.

(3) Inventories

Inventories consist of the following, as of the dates indicated (dollars in thousands):

	September 27, 2008	December 29, 2007
Raw materials and packaging	$ 24,552	$ 19,573
Work in process	3,042	2,641
Finished goods	68,094	70,967
Total	$ 95,688	$ 93,181

(4) Goodwill, Trademarks and Customer Relationship Intangibles

There has been no change in the carrying amount of goodwill for the period from December 29, 2007 to September 27, 2008.

There has been no change in the carrying amount of trademarks for the period from December 29, 2007 to September 27, 2008.

Customer relationship intangibles are presented at cost, net of accumulated amortization, and are amortized on a straight-line basis over their estimated useful lives of 20 years.

	Customer Relationship Intangibles	Less: Accumulated Amortization (dollars in thousands)	Total
Balance at December 29, 2007	$ 129,000	$ (6,232)	$ 122,768
Amortization expense		(4,838)	(4,838)
Balance at September 27, 2008	$ 129,000	$ (11,070)	$ 117,930

Amortization expense associated with customer relationship intangibles for the third quarter and first three quarters of 2008 was $1.6 million and $4.8 million, respectively, and $1.6 million and $3.9 million, respectively, for the third quarter and first three quarters of 2007, and is recorded in operating expenses. We expect to recognize an additional $1.7 million of amortization expense associated with our current customer relationship intangibles during the remainder of fiscal 2008, and thereafter $6.5 million per year for each of the next four succeeding fiscal years.

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B&G Foods, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Unaudited)

(5) Long-term Debt

Long-term debt consists of the following, as of the dates indicated (dollars in thousands):

	September 27, 2008	December 29, 2007
Revolving credit facility	$	$
Term loan	130,000	130,000
Total senior secured credit facility	130,000	130,000
12.0% Senior Subordinated Notes due October 30, 2016	165,800	165,800
8.0% Senior Notes due October 1, 2011	240,000	240,000
Total long-term debt	$ 535,800	$ 535,800

As of September 27, 2008, the aggregate maturities of long-term debt are as follows (dollars in thousands):

Years ending December:	
2008	$
2009	
2010	
2011	240,000
2012	
Thereafter	295,800
Total	$ 535,800

Senior Secured Credit Facility. In October 2004, we entered into a $30.0 million senior secured revolving credit facility. In order to finance the *Grandma s* molasses acquisition, we amended the credit facility in January 2006 to provide for, among other things, a new $25.0 million term loan and a reduction in the revolving credit facility commitments from $30.0 million to $25.0 million. In order to finance the *Cream of Wheat* acquisition, our credit facility was amended and restated in February 2007 to provide for, among other things, an additional $205.0 million of term loan borrowings. On May 29, 2007, we prepaid $100.0 million of term loan borrowings. Our $25.0 million revolving credit facility matures on January 10, 2011 and the remaining $130.0 million of term loan borrowings matures on February 26, 2013, provided, however, that if we do not repay, redeem or refinance our senior notes prior to April 1, 2011, the outstanding term loan borrowings will become immediately due and payable on April 1, 2011.

Interest under the revolving credit facility, including any outstanding letters of credit, is determined based on alternative rates that we may choose in accordance with the revolving credit facility, including the base lending rate per annum plus an applicable margin, and LIBOR plus an applicable margin. We pay a commitment fee of 0.50% per annum on the unused portion of the revolving credit facility. Interest under the term loan facility is determined based on alternative rates that we may choose in accordance with the credit facility, including the base lending rate per annum plus an applicable margin of 1.00%, and LIBOR plus an applicable margin of 2.00%.

Our obligations under the credit facility are jointly and severally and fully and unconditionally guaranteed on a senior basis by all of our existing and certain future domestic subsidiaries. The credit facility is secured by substantially all of our and our subsidiaries assets except our and our subsidiaries real property. The credit facility provides for mandatory prepayment upon certain asset dispositions and issuances of

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B&G Foods, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Unaudited)

(5) Long-term Debt (Continued)

securities, as defined. The credit facility contains covenants that restrict, among other things, our ability to incur additional indebtedness, pay dividends and create certain liens. The credit facility also contains certain financial maintenance covenants, which, among other things, specify maximum capital expenditure limits, a minimum interest coverage ratio and a maximum senior and total leverage ratio, each ratio as defined. As of September 27, 2008, we were in compliance with all of the covenants in the credit facility. Proceeds of the revolving credit facility are restricted to funding our working capital requirements, capital expenditures and acquisitions of companies in the same line of business as our company, subject to specified criteria. The maximum letter of credit capacity under the revolving credit facility is $10.0 million, with a fronting fee of 3.0% per annum for all outstanding letters of credit.

On September 15, 2008, Lehman Brothers Holdings Inc. (Lehman) filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Lehman Commercial Paper Inc. (Lehman CPI), a Lehman subsidiary, is the administrative agent under our credit facility. Lehman CPI filed for protection under Chapter 11 of the U.S. Bankruptcy Code on October 3, 2008. None of our $130.0 million of outstanding term loans is currently with Lehman, Lehman CPI or any other subsidiary of Lehman. Lehman CPI is one of the lenders participating in our $25.0 million revolving credit facility. However, Lehman CPI has only $3.1 million of the $25.0 million commitment. The other lenders under the revolving credit facility and their respective commitments are as follows: Bank of America, N.A., $9.4 million; Citibank, N.A., $9.4 million; and Royal Bank of Canada, $3.1 million. We do not believe that Lehman CPI would honor its funding commitment under the revolving credit facility if we were to make a funding request. As a result, the effective available borrowing capacity under our revolving credit facility, net of outstanding letters of credit of $2.4 million, was $19.5 million at September 27, 2008. We have not drawn upon the revolving credit facility since its inception in October 2004 and, based upon our cash on hand and working capital requirements, we have no plans to do so for the foreseeable future.

Effective as of February 26, 2007, we entered into a six year interest rate swap agreement in order to effectively fix at 7.0925% the interest rate payable for $130.0 million of term loan borrowings through the life of the term loan, ending on February 26, 2013. The interest rate for the remaining $100.0 million of term loan borrowings, which we subsequently prepaid, was 7.36% as of the prepayment date (based upon a three-month LIBOR rate in effect at that time that expired on May 25, 2007). The counterparty to the swap is Lehman Special Financing Inc. (Lehman SFI). Lehman SFI filed for protection under Chapter 11 of the U.S. Bankruptcy Code on October 3, 2008.

We initially designated the swap as a cash flow hedge under the guidelines of SFAS No. 133. Prior to Lehman s bankruptcy filing, we recorded changes in the fair value of the swap in other comprehensive income (loss), net of tax in our consolidated balance sheet. However, as a result of the Lehman bankruptcy filing, we determined that the interest rate swap was no longer an effective hedge as defined by SFAS No. 133 and, accordingly, subsequent changes in the swap s fair value are being recorded in current earnings in net interest expense in the consolidated statements of operations. We obtain third-party verification of fair value at the end of each reporting period. As of September 27, 2008, the fair value of our interest rate swap was $6.0 million and is recorded in other liabilities on our consolidated balance sheet. The amount recorded in accumulated other comprehensive income (loss) will be reclassified to net interest expense over the remaining life of the term loan borrowings as we make interest payments. During the third quarter of 2008, we reclassified to net interest expense $0.1 million of the amount recorded in accumulated other comprehensive income (loss) and expect to reclassify to net interest expense $0.4 million during the fourth quarter of 2008. During fiscal 2009, we expect to reclassify to net interest expense $1.7 million of the amount recorded in accumulated other comprehensive income (loss).

Subsidiary Guarantees. We have no assets or operations independent of our direct and indirect subsidiaries. All of our present domestic subsidiaries jointly and severally and fully and unconditionally guarantee our senior subordinated notes and our senior notes, and management has determined that our Canadian subsidiary that is not a guarantor of our senior subordinated notes and senior notes is a minor

B&G Foods, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Unaudited)

(5) Long-term Debt (Continued)

subsidiary as that term is used in Rule 3-10 of Regulation S-X promulgated by the SEC. There are no significant restrictions on our ability and the ability of our subsidiaries to obtain funds from our respective subsidiaries by dividend or loan. Consequently, separate financial statements have not been presented for our subsidiaries because management has determined that they would not be material to investors.

Deferred Debt Issuance Costs. In connection with the issuance of our senior subordinated notes and our senior notes in October, 2004, we capitalized approximately $23.1 million of financing costs, which will be amortized over their respective terms. In connection with the issuance of our term loan in January 2006, we capitalized approximately $0.4 million of additional financing costs, which will be amortized over the term of the loan. In connection with the issuance of additional term loan borrowings of $205.0 million in February 2007 we capitalized approximately $4.0 million of additional debt issuance costs. During the second quarter of 2007 we wrote-off and expensed $1.8 million of deferred debt issuance costs in connection with our May 2007 prepayment of $100.0 million of term loan borrowings. As of September 27, 2008 and December 29, 2007 we had net deferred debt issuance costs of $14.0 million and $16.4 million, respectively.

At September 27, 2008 and December 29, 2007 accrued interest of $13.7 million and $8.9 million, respectively, is included in accrued expenses in the accompanying consolidated balance sheets.

(6) Financial Instruments

We adopted SFAS No. 157 on December 30, 2007, the first day of our 2008 fiscal year. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The standard outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. Under generally accepted accounting principles, certain assets and liabilities must be measured at fair value, and SFAS No. 157 details the disclosures that are required for items measured at fair value.

Financial assets and liabilities are measured using inputs from the three levels of the SFAS No. 157 fair value hierarchy. The three levels are as follows:

Level 1 Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 Unobservable inputs that reflect our assumptions about the assumptions that market participants would use in pricing the asset or liability.

In accordance with the fair value hierarchy described above, the following table shows the fair value of our interest rate swap as of September 27, 2008, which is included in other liabilities in our consolidated balance sheet (dollars in thousands):

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B&G Foods, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Unaudited)

(6) Financial Instruments (Continued)

	September 27, 2008	Fair Value Measurements as of September 27, 2008 Level 1	Level 2	Level 3
Interest rate swap	$ 6,036	$	$ 6,036	$

We entered into the interest rate swap to manage variable interest rate exposure on our $130.0 million of term loan borrowings. Our objective for holding this derivative is to decrease the volatility of future cash flows associated with interest payments on our variable rate debt. As discussed in note 5 above, we have determined that the interest rate swap is no longer an effective hedge as defined by SFAS No. 133.

Cash and cash equivalents, trade accounts receivable, income tax receivable, trade accounts payable, accrued expenses and dividends payable are reflected in the consolidated balance sheets at carrying value, which approximates fair value due to the short-term nature of these instruments.

The carrying values and fair values of our senior notes and senior subordinated notes as of September 27, 2008 and December 29, 2007 are as follows (dollars in thousands):

	September 27, 2008		December 29, 2007	
	Carrying Value	Fair Value(1)(2)	Carrying Value	Fair Value(1)(3)
8% Senior Notes due October 1, 2011	$ 240,000	$ 231,600	$ 240,000	$ 235,800
12% Senior Subordinated Notes due October 30, 2016(2):				
represented by EISs	122,103	118,517	119,067	126,561
held separately	43,697	42,413	46,733	49,674

(1) Fair values are estimated based on quoted market prices, except as otherwise noted in footnotes (2) and (3) below.

(2) Solely for purposes of this presentation, we have assumed that the fair value of each senior subordinated note at September 27, 2008 was $6.94, based upon the $7.50 per share closing price of our separately traded Class A common stock and the $14.44 per EIS closing price of our EISs on the New York Stock Exchange on September 26, 2008 (the

last business day of the third quarter of 2008). Each EIS represents one share of Class A common stock and $7.15 principal amount of our senior subordinated notes.

(3) Solely for purposes of this presentation, we have assumed that the fair value of each senior subordinated note at December 29, 2007 was $7.60, based upon the $10.07 per share closing price of our separately traded Class A common stock and the $17.67 per EIS closing price of our EISs on the New York Stock Exchange on December 28, 2007 (the last business day of fiscal 2007).

The carrying value of our term loan borrowings approximates fair value because interest rates under the term loan borrowings are variable, based on prevailing market rates.

The recent volatility in the global financial markets could negatively impact the fair value of our debt obligations.

(7) Comprehensive Income Recognition

Comprehensive income includes net income, foreign currency translation adjustments relating to assets and liabilities located in our Canadian subsidiary, amortization of unrecognized prior service cost and

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B&G Foods, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Unaudited)

(7) Comprehensive Income Recognition (Continued)

pension deferrals, net of tax and mark to market adjustments of our cash flow hedge, net of tax. The components of comprehensive income are as follows (dollars in thousands):

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Net income	$ 2,890	$ 4,846	$ 10,829	$ 12,657
Other comprehensive income:				
Foreign currency translation adjustments	(21)	(32)	(6)	42
Amortization of unrecognized prior service cost and pension deferrals, net of tax	6	5	16	21
Mark to market adjustments of cash flow hedge, net of tax	(1,340)	(2,311)	(1,023)	(1,060)
Comprehensive income	$ 1,535	$ 2,508	$ 9,816	$ 11,660

(8) Pension Benefits

Net periodic costs for the third quarter and first three quarters of 2008 and 2007 include the following components (dollars in thousands):

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Service cost benefits earned during the period	$ 350	$ 332	$ 1,010	$ 1,060
Interest cost on projected benefit obligation	389	322	1,109	982
Expected return on plan assets	(463)	(371)	(1,369)	(1,113)
Amortization of unrecognized prior service cost	(3)	(4)	(9)	
Amortization of loss	11	11	33	33
Net pension cost	$ 284	$ 290	$ 774	$ 962

During the third quarter and first three quarters of 2008, we have contributed $0.5 million to our defined benefit pension plans. We anticipate electing to make additional contributions to our defined benefit pension plans of approximately $0.6 million during the fourth quarter of 2008.

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B&G Foods, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Unaudited)

(9) Related-Party Transactions

Roseland Lease. We lease a manufacturing and warehouse facility from a former chairman of our board of directors under an operating lease, which expires in April 2009. Total rent expense associated with this lease was $0.6 million for the first three quarters of 2008 and 2007.

Repurchase and Exchange of Class B Common Stock. In May 2007, we used a portion of the proceeds of the Class A common stock offering to repurchase 6,762,455 shares of our Class B common stock, which were held by, among others, Bruckmann, Rosser, Sherrill & Co., L.P. (BRS), Stephen C. Sherrill, the chairman of our board of directors, and certain of our current and former executive officers, at a per share repurchase price equal to the offering price of our Class A common stock, or $13.00 per share, less discounts and commissions. BRS was our majority owner prior to our EIS offering in October 2004 and remained a majority owner of our Class B common stock prior to our Class A common stock offering in May 2007. Mr. Sherrill is a managing director of Bruckmann, Rosser, Sherrill & Co., Inc., the manager of BRS. We also exchanged the remaining 793,988 shares of our Class B common stock, which were held by certain of our current and former executive officers, for an equal numbers of shares of our Class A common stock in order to eliminate all of our outstanding Class B common stock. Our board of directors established a special committee comprised solely of our independent directors to recommend to our board of directors the repurchase price and exchange ratio for our Class B common stock, to negotiate with the holders of the Class B common stock, and to recommend to our board of directors if the transaction was in our best interests and fair to the holders of our Class A common stock. The special committee retained a financial advisor to provide information, advice and analysis to assist the special committee in its review of the proposed transaction. The special committee also engaged its own legal counsel to advise the special committee on its duties and responsibilities. The financial advisor delivered to the special committee an opinion that the proposed consideration to be paid by us to the holders of the Class B common stock was fair to us and the holders of the Class A common stock from a financial point of view. After considering all of the information it had gathered, the special committee recommended to our board of directors that from a valuation standpoint, the purchase price for the Class B common stock to be repurchased should be the offering price of the Class A common stock in the offering, net of underwriting discounts and commissions, and that each share of our Class B common stock to be exchanged should be exchanged for one share of our Class A common stock. The special committee also recommended to our board of directors that based on the repurchase price and Class A and Class B exchange ratio and other material terms of the transaction, the transaction was advisable and in our best interests and fair to the holders of our Class A common stock.

(10) Commitments and Contingencies

We are subject to environmental laws and regulations in the normal course of business. Based on our experience to date, management believes that the future cost of compliance with existing environmental laws and regulations (and liability for any known environmental conditions) will not have a material adverse effect on our consolidated financial position, results of operations or liquidity. However, we cannot predict what environmental or health and safety legislation or regulations will be enacted in the future or how existing or future laws or regulations will be enforced, administered or interpreted, nor can we predict the amount of future expenditures that may be required in order to comply with such environmental or health and safety laws or regulations or to respond to such environmental claims.

During an environmental compliance audit of our Hurlock, Maryland facility conducted by a third-party consultant, we became aware of reporting violations of the Emergency Planning and Community Right to Know Act (EPCRA). EPCRA requires companies that manufacture, use or process more than a threshold amount of certain listed chemicals to file an annual chemical release form with Environmental Protection Agency (EPA) and the state and an annual chemical inventory form to the state and local emergency planning and/or response commissions and the local fire department. For certain years we failed to file one or more of such

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B&G Foods, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Unaudited)

(10) Commitments and Contingencies (Continued)

reports with the EPA and/or duplicate copies with the state and local government. We voluntarily self-disclosed these potential violations to the EPA pursuant to the EPA s self-disclosure policy. During the third quarter of 2008 we entered into a consent agreement with the EPA pursuant to which we settled the matter and agreed to a penalty of $94,509, which we paid to the EPA during the fourth quarter of 2008. None of the reporting violations resulted in any actual harm to the environment.

We are from time to time involved in various claims and legal actions arising in the ordinary course of business, including proceedings involving product liability claims, worker s compensation and other employee claims, and tort and other general liability claims, as well as trademark, copyright, patent infringement and related claims and legal actions. In the opinion of our management, the ultimate disposition of any currently pending claims or actions will not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

We have employment agreements with our executive officers. The agreements generally continue until terminated by the executive or by us, and provide for severance payments under certain circumstances, including termination by us without cause (as defined) or as a result of the employees disability, or termination by us or a deemed termination upon a change of control (as defined). Severance benefits include payments for salary continuation, continuation of health care and insurance benefits, present value of additional pension credits, accelerated vesting under compensation plans and, in the case of a change of control, potential excise tax liability and gross-up payments.

(11) Earnings per Share

We currently have one class of common stock issued and outstanding, designated as Class A common stock. Prior to May 29, 2007, we had two classes of common stock issued and outstanding, designated as Class A common stock and Class B common stock. For periods in which we had shares of both Class A and Class B common stock issued and outstanding, we present earnings per share using the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock according to dividends declared and participation rights in undistributed earnings or losses. Net income is allocated between the two classes of common stock based upon the two-class method. Basic and diluted earnings per share for the Class A common stock and Class B common stock is calculated by dividing allocated net income by the weighted average number of shares of Class A common stock and Class B common stock outstanding.

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B&G Foods, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Unaudited)

(11) Earnings per Share (Continued)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
	(dollars in thousands)			
Net income	$ 2,890	$ 4,846	$ 10,829	$ 12,657
Less: Class A common stock dividends declared	7,801	7,797	23,399	19,834
Undistributed loss	$ (4,911)	$ (2,951)	$ (12,570)	$ (7,177)
Basic and diluted weighted average common shares outstanding:				
Class A common stock	36,796,988	36,778,988	36,786,768	27,621,225
Class B common stock				4,124,212
Basic and diluted allocation of undistributed loss:				
Class A common stock	$ (4,911)	$ (2,951)	$ (12,570)	$ (6,245)
Class B common stock				(932)
Total	$ (4,911)	$ (2,951)	$ (12,570)	$ (7,177)
Basic and diluted earnings per share:				
Undistributed (loss) earnings per share:				
Class A common stock	$ (0.13)	$ (0.08)	$ (0.35)	$ (0.23)
Class B common stock	$	$	$	$ (0.23)
Distributed earnings:				
Class A common stock	$ 0.21	$ 0.21	$ 0.64	$ 0.72(1)
Earnings (loss) per share:				
Class A common stock	$ 0.08	$ 0.13	$ 0.29	$ 0.49
Class B common stock	$	$	$	$ (0.23)

(1) Distributed earnings differs from actual per share amounts paid as dividends as the earnings per share computation under GAAP requires the use of the weighted average, rather than the actual number of shares outstanding.

Since May 29, 2007, we no longer have any shares of Class B common stock issued or outstanding. In addition, no dividends on our Class B common stock were ever declared prior to such date. Therefore, for purposes of the earnings per share calculation, all distributed earnings are included in Class A common stock earnings per share. Diluted earnings per share for each of the periods presented is equal to basic earnings per share as no dilutive securities were outstanding during either period.

(12) Business and Credit Concentrations and Geographic Information

Our exposure to credit loss in the event of non-payment of accounts receivable by customers is estimated in the amount of the allowance for doubtful accounts. We perform ongoing credit evaluations of our customers financial conditions. As of September 27, 2008, we do not believe we have any significant concentration of credit risk with respect to our trade accounts receivable. Our top ten customers accounted for approximately 46.3% and 44.8% of consolidated net sales for the first three quarters of 2008 and 2007, respectively. Other than Wal-Mart, which accounted for 13.4% and 11.7% of our consolidated net sales for the first three quarters of 2008 and 2007, respectively, no single customer accounted for more than 10.0% of our consolidated net sales for the first three quarters of 2008 or 2007.

During the third quarter of 2008 and 2007 and the first three quarters of 2008 and 2007, respectively, our sales to foreign countries represented less than 1.0% of net sales, respectively. Our foreign sales are primarily to customers in Canada.

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B&G Foods, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Unaudited)

(13) Income Taxes

As of September 27, 2008 and December 29, 2007, we have approximately $0.2 million of total unrecognized tax benefits, which includes interest and penalties, that if recognized would have a favorable impact on our tax expense. We continue to classify interest and penalties related to income tax uncertainties as income tax expense.

(14) Insurance Recovery

During the fourth quarter of fiscal 2006, we learned of an alleged theft of approximately $0.8 million over several years at our Roseland, New Jersey manufacturing facility resulting from overpayments allegedly authorized by a former supervisor to direct-store-delivery independent contractor truck drivers. While the cumulative amount of the alleged theft may have been substantial, the related losses were reported in each respective period and discovery of this alleged theft did not result in changes to any previously reported results. During the second quarter of 2007, we received insurance proceeds for the entire amount of the loss, which is recorded as an offset to general and administrative expenses.

(15) Stock-Based Compensation Expense

Upon the recommendation of our compensation committee, our board of directors on March 10, 2008 adopted the B&G Foods, Inc. 2008 Omnibus Incentive Compensation Plan, which we refer to as the 2008 Omnibus Plan, subject to stockholder approval. Our stockholders approved the 2008 Omnibus Plan at our annual meeting on May 6, 2008.

The 2008 Omnibus Plan authorizes the grant of performance share awards, restricted stock, options, stock appreciation rights, deferred stock, stock units and cash-based awards to employees, non-employee directors and consultants. Subject to adjustment as provided in the plan, the total number of shares of Class A common stock available for awards under the plan is 2,000,000.

Performance Share Awards. On March 10, 2008, the compensation committee granted the following performance share long-term incentive awards (LTIAs) under the 2008 Omnibus Plan. These awards were granted subject to stockholder approval of the 2008 Omnibus Plan, which was received on May 6, 2008.

Each of our named executive officers and certain other members of senior management were awarded performance share LTIAs that entitle the participant to earn shares of Class A common stock upon the attainment of certain performance goals over the applicable performance period. The 2008 LTIAs have a one year performance period, fiscal 2008. The 2008 to 2009 LTIAs have a two-year cumulative performance period, fiscal 2008 and fiscal 2009. The 2008 to 2010 LTIAs have a three-year cumulative performance period, fiscal 2008 through fiscal 2010.

The 2008 LTIAs, 2008 to 2009 LTIAs and the 2008 to 2010 LTIAs, each have a threshold, target and maximum payout. The awards will be settled based upon our performance over the one, two and three year cumulative performance periods, as applicable, with respect to excess cash (as defined in the award agreements), the applicable performance metric. If our performance fails to meet the performance threshold, then the awards will not vest and no shares will be issued pursuant to the awards. If our performance meets or exceeds the performance threshold, then a varying amount of shares from the threshold amount (0% of the target amount) up to the maximum amount (300% of the target amount) may be earned. Shares of Class A common stock in respect of the 2008 LTIAs, 2008 to 2009 LTIAs and 2008 to 2010 LTIAs will be issued in March 2009, March 2010 and March 2011, respectively, in each case subject to the performance goals for the applicable performance period being certified in writing by our compensation committee as having been achieved.

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B&G Foods, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Unaudited)

(15) Stock-Based Compensation Expense

The recognition of compensation expense for the performance share LTIAs is initially based on the probable outcome of the performance condition based on the fair value of the award on the date of grant and the anticipated number of shares to be awarded on a straight-line basis over the applicable performance period. Our company s performance against the defined performance goal will be re-evaluated on a quarterly basis throughout the applicable performance period and the recognition of compensation expense will be adjusted for subsequent changes in the estimated or actual outcome. The cumulative effect on current and prior periods of a change in the estimated number of performance share awards is recognized as an adjustment to earnings in the period of the revision.

During the third quarter and first three quarters of 2008, we recognized $0.1 million and $0.3 million of compensation expense related to the performance share LTIAs, which is reflected in general and administrative expenses in our consolidated statements of operations. As of September 27, 2008, there was $1.3 million of unrecognized compensation expense related to performance share LTIAs, which is expected to be recognized over the next 27 months.

The following table details the activity in our performance share LTIAs for the first three quarters of 2008 as follows:

	Number of Performance Shares (1)	Weighted Average Grant Date Fair Value (per share)(2)
Beginning of year		
Granted	466,746	$ 7.66
Vested		
Released		
Forfeited		
End of first three quarters	466,746	$ 7.66

(1) The number of unvested performance shares is based on the participants earning their target number of performance shares at 100%.

(2) The fair value of the awards was determined based upon the closing price of our Class A common stock on the applicable measurement dates (i.e., the deemed grant dates for accounting purposes) reduced by the present value of expected dividends using the risk-free interest-rate as the award holders are not entitled to dividends or dividend equivalents during the vesting period.

Non-Employee Director Stock Grants. Commencing in fiscal 2008, each of our non-employee directors receives an annual equity grant of \$35,000 of Class A Common Stock as part of his or her non-employee director compensation. These shares fully vest when issued. On June 2, 2008, 18,000 shares of Class A common stock were issued to all non-employee directors based upon the closing price of our Class A common stock on May 30, 2008 (the business day immediately prior to the date of grant) of \$9.72 per share. Total compensation expense of \$0.2 million is reflected in general and administrative expenses in our consolidated statements of operations.

(16) Subsequent Events

Workforce Reduction. In October 2008, B&G Foods implemented a reduction in workforce that has reduced our workforce by approximately 7.5%. On a pre-tax basis, we expect that the reduction in workforce will save our company an estimated \$3.7 million on an annualized basis. We expect to record severance and termination charges of approximately \$0.8 million in the fourth quarter of 2008. Substantially all of these

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B&G Foods, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Unaudited)

(16) Subsequent Events

charges will result in cash payments. These payments will be made during the remainder of fiscal 2008 and in fiscal 2009.

Stock and Debt Repurchase Plan. On October 27, 2008, our board of directors authorized a stock and debt repurchase program for the repurchase of up to $10.0 million of our Class A common stock and/or senior notes over the next twelve months. Under the authorization, we may purchase shares of Class A common stock and/or senior notes from time to time in the open market or in privately negotiated transactions in compliance with the applicable rules and regulations of the SEC.

The timing and amount of such repurchases, if any, will be at the discretion of management, and will depend on market conditions and other considerations. Therefore, there can be no assurance as to the number of shares, if any, that will be repurchased under the stock and debt repurchase program, or the aggregate dollar amount of the shares or principal amount of senior notes, if any, repurchased. We may discontinue the program at any time. Any shares repurchased pursuant to the stock repurchase program will be cancelled. Likewise, any senior notes repurchased will be cancelled. In general, our credit agreement prohibits us from repurchasing our senior subordinated notes.

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

The following Management s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under the heading Forward-Looking Statements below and elsewhere in this report. The following discussion should be read in conjunction with the unaudited consolidated interim financial statements and related notes for the thirteen and thirty-nine weeks ended September 27, 2008 (third quarter of 2008 and first three quarters of 2008) included elsewhere in this report and the audited consolidated financial statements and related notes for the fiscal year ended December 29, 2007 (fiscal 2007) included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on March 6, 2008 (which we refer to as our 2007 Annual Report on Form 10-K).

General

We manufacture, sell and distribute a diverse portfolio of branded, high quality, shelf-stable food products, many of which have leading regional or national market shares. In general, we position our branded products to appeal to the consumer desiring a high quality and reasonably priced product. We complement our branded product retail sales with institutional and food service sales and limited private label sales.

Our goal is to continue to increase sales, profitability and cash flows by enhancing our existing portfolio of branded shelf-stable products and by capitalizing on our competitive strengths. We intend to implement our growth strategy through the following initiatives: expanding our brand portfolio with acquisitions of complementary branded businesses, continuing to develop new products and delivering them to market quickly, leveraging our unique multiple channel sales and distribution system and continuing to focus on higher growth customers and distribution channels.

Since 1996, we have successfully acquired and integrated 18 separate brands into our operations. We completed the acquisition of the *Cream of Wheat* and *Cream of Rice* brands from Kraft Foods Global, Inc. effective February 25, 2007, which we refer to in this report as the *Cream of Wheat* acquisition. The *Cream of Wheat* acquisition has been accounted for using the purchase method of accounting and, accordingly, the assets acquired and results of operations of the acquired business is included in our consolidated financial statements from the date of acquisition. The *Cream of Wheat* acquisition and the application of the purchase method of accounting for the acquisition affect comparability between periods.

We are subject to a number of challenges that may adversely affect our businesses. These challenges, which are discussed below and under the heading Forward-Looking Statements, include:

Fluctuations in Commodity Prices and Production and Distribution Costs. We purchase raw materials, including agricultural products, meat, poultry, other raw materials, ingredients and packaging materials from growers, commodity processors, other food companies and packaging manufacturers. Raw materials, ingredients and packaging materials are subject to fluctuations in price attributable to a number of factors. Fluctuations in commodity prices can lead to retail price volatility and intensive price competition, and can influence consumer and trade buying patterns. In the third quarter and first three quarters of 2008, our commodity prices for wheat, maple syrup, beans and corn sweeteners were higher than those incurred during the thirteen and thirty-nine weeks ended September 29, 2007 (third quarter and first three quarters of 2007).

In 2008, maple syrup production in Canada, which represents the great majority of global production, was significantly below industry needs due to poor crop yields and growing global demand. As a result, the price we pay for maple syrup has increased significantly and we are faced with a shortfall in supply as compared to our needs, which has and will continue to negatively impact our sales volume of maple syrup products through at least the first quarter of fiscal 2009.

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In addition, the cost of labor, manufacturing, energy, fuel, packaging materials and other costs related to the production and distribution of our food products have risen significantly in recent years and at an increasing rate during 2008. We expect that many of these costs will continue to rise for the foreseeable future. We attempt to manage these risks by entering into short-term supply contracts and advance commodities purchase agreements from time to time, implementing cost saving measures and, when necessary, by raising sales prices. To date, our cost saving measures and sales price increases have not fully offset increases to our raw material, ingredient, packaging and distribution costs and as a result our operating results have been negatively impacted. To the extent we are unable to offset present and future cost increases, our operating results will continue to be negatively impacted.

Consolidation in the Retail Trade and Consequent Inventory Reductions. As the retail grocery trade continues to consolidate and our retail customers grow larger and become more sophisticated, our retail customers may demand lower pricing and increased promotional programs. These customers are also reducing their inventories and increasing their emphasis on private label products.

Changing Customer Preferences. Consumers in the market categories in which we compete frequently change their taste preferences, dietary habits and product packaging preferences.

Consumer Concern Regarding Food Safety, Quality and Health. The food industry is subject to consumer concerns regarding the safety and quality of certain food products, including the health implications of genetically modified organisms and obesity.

A Weakening of the U.S. Dollar in Relation to the Canadian Dollar. We purchase the majority of our maple syrup requirements from suppliers located in Québec, Canada. During the third quarter of 2008, the U.S. dollar has begun strengthening against the Canadian dollar. However, over the past several years the U.S. dollar had weakened against the Canadian dollar, which in turn significantly increased our costs relating to the production of our maple syrup products.

To confront these challenges, we continue to take steps to build the value of our brands, to improve our existing portfolio of products with new product and marketing initiatives, to reduce costs through improved productivity and to address consumer concerns about food safety, quality and health.

Critical Accounting Policies; Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires our management to make a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Some of the more significant estimates and assumptions made by management involve trade and consumer promotion expenses; allowances for excess, obsolete and unsaleable inventories; pension benefits; purchase accounting allocations; the recoverability of goodwill, trademarks, customer relationship intangibles, property, plant and equipment, and deferred tax assets; the accounting for our EISs; the accounting for earnings per share and the accounting for stock-based compensation expense. Actual results could differ from these estimates and assumptions.

Our significant accounting policies are described more fully in note 2 to our consolidated financial statements included in our 2007 Annual Report on Form 10-K. We believe the following critical accounting policies involve the most significant judgments and estimates used in the preparation of our consolidated financial statements.

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Trade and Consumer Promotion Expenses

We offer various sales incentive programs to customers and consumers, such as price discounts, in-store display incentives, slotting fees and coupons. The recognition of expense for these programs involves the use of judgment related to performance and redemption estimates. Estimates are made based on historical experience and other factors. Actual expenses may differ if the level of redemption rates and performance vary from our estimates.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out and average cost methods. Inventories have been reduced by an allowance for excess, obsolete and unsaleable inventories. The allowance is an estimate based on our management s review of inventories on hand compared to estimated future usage and sales.

Long-Lived Assets

Long-lived assets, such as property, plant and equipment, and intangibles with estimated useful lives are depreciated or amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Recoverability of assets held for sale is measured by a comparison of the carrying amount of an asset or asset group to their fair value less estimated cost to sell. Estimating future cash flows and calculating fair value of assets requires significant estimates and assumptions by management.

Goodwill and Trademarks

Goodwill and intangible assets with indefinite useful lives (trademarks) are tested for impairment at least annually and whenever events or circumstances occur indicating that goodwill or indefinite life intangibles might be impaired.

We perform the annual impairment tests as of the last day of each fiscal year. The annual goodwill impairment test involves a two-step process. The first step of the impairment test involves comparing the fair value of our company with our company s carrying value, including goodwill. If the carrying value of our company exceeds our fair value, we perform the second step of the impairment test to determine the amount of the impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of goodwill with the carrying value of that goodwill and recognizing a loss for the difference. Calculating our fair value requires significant estimates and assumptions by management. We estimate our fair value by applying third party market value indicators to our earnings before interest, taxes, depreciation and amortization (EBITDA). We test indefinite life intangible assets for impairment by comparing their carrying value to their fair value that is determined using a cash flow method and recognize a loss to the extent the carrying value is greater.

We completed our annual impairment tests for fiscal 2007 with no adjustments to the carrying values of goodwill and indefinite life intangibles. We did not note any events or circumstances during the first three quarters of 2008 that would indicate that goodwill or indefinite life intangibles might be impaired. The recent volatility in our company s stock price and declines in our market capitalization could put pressure on the carrying value of our goodwill and other indefinite life intangibles and result in an impairment charge if these conditions persist for an extended period of time. Management will continue to monitor these assets in future periods.

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Accounting Treatment for EISs

Our EISs include Class A common stock and senior subordinated notes. Upon completion of our 2004 EIS offering (including the exercise of the over-allotment option), we allocated the proceeds from the issuance of the EISs, based upon relative fair value at the issuance date, to the Class A common stock and the senior subordinated notes. We have assumed that the price paid in the EIS offering was equivalent to the combined fair value of the Class A common stock and the senior subordinated notes, and the price paid in the offering for the senior subordinated notes sold separately (not in the form of EISs) was equivalent to their initial stated principal amount. We have concluded there are no embedded derivative features related to the EIS that require bifurcation under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended (SFAS No. 133). We have determined the fair value of the Class A common stock and the senior subordinated notes with reference to a number of factors, including the sale of the senior subordinated notes sold separately from the EISs that have the same terms as the senior subordinated notes included in the EISs. Therefore, we have allocated the entire proceeds of the EIS offering to the Class A common stock and the senior subordinated notes, and the allocation of the EIS proceeds to the senior subordinated notes did not result in a premium or discount.

We have concluded that the call option and the change in control put option in the senior subordinated notes do not warrant separate accounting under SFAS No. 133 because they are clearly and closely related to the economic characteristics of the host debt instrument. Therefore, we have allocated the entire proceeds of the offering to the Class A common stock and the senior subordinated notes. Upon subsequent issuances of senior subordinated notes, if any, we will evaluate whether the call option and the change in control put option in the senior subordinated notes require separate accounting under SFAS No. 133. We expect that if there is a substantial discount or premium upon a subsequent issuance of senior subordinated notes, we may need to separately account for the call option and the change in control put option features as embedded derivatives for such subsequent issuance. If we determine that the embedded derivatives, if any, require separate accounting from the debt host contract under SFAS No. 133, the call option and the change in control put option associated with the senior subordinated notes will be recorded as derivative liabilities at fair value, with changes in fair value recorded as other non-operating income or expense. Any discount on the senior subordinated notes resulting from the allocation of proceeds to an embedded derivative will be amortized to interest expense over the remaining life of the senior subordinated notes.

The Class A common stock portion of each EIS is included in stockholders equity, net of the related portion of the EIS transaction costs allocated to Class A common stock. Dividends paid on our Class A common stock portion of each EIS are recorded as a decrease to additional paid-in capital when declared by us. The senior subordinated note portion of each EIS is included in long-term debt, and the related portion of the EIS transaction costs allocated to the senior subordinated notes was capitalized as deferred debt issuance costs and is being amortized to interest expense using the effective interest method. Interest on the senior subordinated notes is charged to interest expense as accrued by us and deducted for income tax purposes.

Income Tax Expense Estimates and Policies

As part of the income tax provision process of preparing our consolidated financial statements, we are required to estimate our income taxes. This process involves estimating our current tax expense together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. We then assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe the recovery is not likely, we establish a valuation allowance. Further, to the extent that we establish a valuation allowance or increase this allowance in a financial accounting period, we include such charge in our tax provision, or reduce our tax benefits in our consolidated statement of operations. We use our judgment to determine our provision or benefit for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets.

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There are various factors that may cause these tax assumptions to change in the near term, and we may have to record a valuation allowance against our deferred tax assets. We cannot predict whether future U.S. federal and state income tax laws and regulations might be passed that could have a material effect on our results of operations. We assess the impact of significant changes to the U.S. federal and state income tax laws and regulations on a regular basis and update the assumptions and estimates used to prepare our consolidated financial statements when new regulations and legislation are enacted. We recognize the benefit of an uncertain tax position that we have taken or expect to take on the income tax returns we file if it is more likely than not that such tax position will be sustained based on its technical merits.

Earnings Per Share

We currently have one class of common stock issued and outstanding, designated as Class A common stock. Prior to May 29, 2007, we had two classes of common stock issued and outstanding, designated as Class A common stock and Class B common stock. For periods in which we had shares of both Class A and Class B common stock issued and outstanding, we present earnings per share using the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock according to dividends declared and participation rights in undistributed earnings or losses.

For periods in which we had shares of both Class A and Class B common stock issued and outstanding, net income is allocated between the two classes of common stock based upon the two-class method. Basic and diluted earnings per share for the Class A common stock and Class B common stock is calculated by dividing allocated net income by the weighted average number of shares of Class A common stock and Class B common stock outstanding.

Pension Expense

We have defined benefit pension plans covering substantially all of our employees. Our funding policy is to contribute annually the amount recommended by our actuaries. The funded status of our pension plans is dependent upon many factors, including returns on invested assets and the level of certain market interest rates. We review pension assumptions regularly and we may from time to time make voluntary contributions to our pension plans, which exceed the amounts required by statute. During the first three quarters of 2008, we made contributions of $0.5 million to our defined benefit pension plans, all of which were made in the third quarter, as compared to $0.8 million and $2.1 million of contributions during the third quarter and first three quarters of 2007, respectively. We anticipate electing to make approximately $0.6 million in additional contributions during the fourth quarter of fiscal 2008. Changes in interest rates and the market value of the securities held by the plans could materially change, positively or negatively, the funded status of the plans and affect the level of pension expense and required contributions during the remainder of fiscal 2008 and beyond. In addition, the recent volatility in the financial markets could affect the valuation of our pension assets and liabilities, resulting in potentially higher pension costs in future periods.

Our discount rate assumption increased from 5.90% at December 30, 2006 to 6.50% at December 29, 2007 for our pension plans. This increase in the discount rate, coupled with the amortization of deferred gains and losses will result in a decrease in fiscal 2008 pre-tax pension expense of approximately $0.8 million. While we do not currently anticipate a change in our fiscal 2008 assumptions, as a sensitivity measure, a 0.25% decline or increase in our discount rate would increase or decrease our pension expense by approximately $0.1 million. Similarly, a 0.25% decrease or increase in the expected return on pension plan assets would increase or decrease our pension expense by approximately $0.1 million.

In August 2006, the Pension Protection Act of 2006 was signed into law. The major provisions of the statute became effective on January 1, 2008. Among other things, the statute is designed to ensure timely and adequate funding of qualified pension plans by shortening the time period within which employers must fully fund pension benefits. Due to the fully funded status of our defined benefit pension plans as of December 29, 2007, the Pension Protection Act of 2006 is not currently expected to have a significant impact on our future pension funding requirements.

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Acquisition Accounting

We account for acquired businesses using the purchase method of accounting, which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. Our consolidated financial statements and results of operations reflect an acquired business after the completion of the acquisition. The cost to acquire a business, including transaction costs, is allocated to the underlying net assets of the acquired business in proportion to their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

The judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations. Accordingly, for significant items, we typically obtain assistance from third party valuation specialists.

Determining the useful life of an intangible asset also requires judgment as different types of intangible assets will have different useful lives and certain assets may even be considered to have indefinite useful lives.

All of these judgments and estimates can materially impact our results of operations.

Results of Operations

The following table sets forth the percentages of net sales represented by selected items for the third quarter of 2008 and 2007 and the first three quarters of 2008 and 2007 reflected in our consolidated statements of operations. The comparisons of financial results are not necessarily indicative of future results:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Statement of Operations:				
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	73.6%	67.3%	71.8%	68.1%
Gross profit	26.4%	32.7%	28.2%	31.9%
Sales, marketing and distribution expenses	9.3%	11.2%	9.8%	11.0%
General and administrative expenses	1.8%	2.9%	1.5%	2.0%
Amortization expense customer relationships	1.4%	1.4%	1.4%	1.1%
Operating income	13.9%	17.2%	15.5%	17.8%
Interest expense, net	9.9%	10.6%	10.5%	11.8%
Income before income tax expense	4.0%	6.7%	5.0%	6.0%

Income tax expense	1.5%	2.5%	1.9%	2.3%
Net income	2.5%	4.1%	3.1%	3.7%

As used in this section the terms listed below have the following meanings:

Net Sales. Our net sales represents gross sales of products shipped to customers plus amounts charged to customers for shipping and handling, less cash discounts, coupon redemptions, slotting fees and trade promotional spending.

Gross Profit. Our gross profit is equal to our net sales less cost of goods sold. The primary components of our cost of goods sold are cost of internally manufactured products, purchases of finished goods from co-packers plus freight costs to our distribution centers and to our customers.

Sales, Marketing and Distribution Expenses. Our sales, marketing and distribution expenses include costs for marketing personnel, consumer advertising programs, internal sales forces, brokerage costs and warehouse facilities.

General and Administrative Expenses. Our general and administrative expenses include administrative employee compensation and benefit costs, as well as information technology infrastructure and communication costs, office rent and supplies, professional services and other general corporate expenses. For the first three quarters of 2007, general and administrative expenses is net of insurance proceeds relating to a previously reported employee theft.

Amortization Expense Customer Relationships. Amortization expense customer relationships includes the amortization expense associated with customer relationship intangibles, which are amortized over their useful lives of 20 years.

Net Interest Expense. Net interest expense includes interest relating to our outstanding indebtedness and amortization of deferred debt issuance costs, net of interest income and subsequent to our determination that our interest rate swap is no longer effective, unrealized gains on the interest rate swap and the reclassification of amounts recorded in accumulated other comprehensive income (loss) related to the swap.

Non-GAAP Financial Measures

Certain disclosures in this report include non-GAAP (generally accepted accounting principles) financial measures. A non-GAAP financial measure is defined as a numerical measure of our financial performance that excludes or includes amounts so as to be different than the most directly comparable measure calculated and presented in accordance with GAAP in our consolidated balance sheets and related consolidated statements of operations, changes in stockholders equity and comprehensive income, and cash flows.

EBITDA is a measure used by management to measure operating performance. EBITDA is defined as net income before net interest expense, income taxes, depreciation, and amortization. Management believes that it is useful to eliminate net interest expense, income taxes, depreciation and amortization because it allows management to focus on what it deems to be a more reliable indicator of ongoing operating performance and our ability to generate cash flow from operations. We use EBITDA in our business operations, among other things, to evaluate our operating performance, develop budgets and measure our performance against those budgets, determine employee bonuses and evaluate our cash flows in terms of cash needs. We also present EBITDA because we believe it is a useful indicator of our historical debt capacity and ability to service debt and because covenants in our credit facility, our senior notes indenture and our senior subordinated notes indenture contain ratios based on this measure. As a result, internal management reports used during monthly operating reviews feature the EBITDA metric. However, management uses this metric in conjunction with traditional GAAP operating performance and liquidity measures as part of its overall assessment of company performance and liquidity and therefore does not place undue reliance on this measure as its only measure of operating performance and liquidity.

EBITDA is not a recognized term under GAAP and does not purport to be an alternative to operating income or net income as an indicator of operating performance or any other GAAP measure. EBITDA is not a complete net cash flow measure because EBITDA is a measure of liquidity that does not include reductions for cash payments for an entity s obligation to service its debt, fund its working capital, capital expenditures and acquisitions, if any, and pay its income taxes and dividends. Rather, EBITDA is a potential indicator of an entity s ability to fund these cash requirements. EBITDA is not a complete measure of an entity s profitability because it does not include costs and expenses for depreciation and amortization, interest and related expenses and income taxes. Because not all companies use identical calculations, this presentation of EBITDA may not be comparable to other similarly titled measures of other companies. However, EBITDA can still be useful in evaluating our performance against our peer companies because management believes this measure provides users with valuable insight into key components of GAAP amounts.

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A reconciliation of EBITDA to net income and to net cash provided by operating activities for the third quarter and first three quarters of 2008 and 2007 along with the components of EBITDA follows:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
	(Dollars in thousands)			
Net income	$ 2,890	$ 4,846	$ 10,829	$ 12,657
Income tax expense	1,792	2,958	6,647	7,725
Interest expense, net	11,562	12,374	37,041	40,028
Depreciation and amortization	3,887	3,843	11,420	9,706
EBITDA	20,131	24,021	65,937	70,116
Income tax expense	(1,792)	(2,958)	(6,647)	(7,725)
Interest expense, net	(11,562)	(12,374)	(37,041)	(40,028)
Deferred income taxes	2,042	3,102	6,087	6,944
Amortization of deferred financing costs	792	792	2,376	2,397
Write off of deferred debt issuance costs				1,769
Unrealized gain on interest rate swap	(1,514)		(1,514)	
Other	76		76	
Stock-based compensation expense	152		510	
Changes in assets and liabilities, net of effects of business combination	8,108	(3,213)	(1,258)	(12,273)
Net cash provided by operating activities	$ 16,433	$ 9,370	$ 28,526	$ 21,200

Third quarter of 2008 compared to the third quarter of 2007.

Net Sales. Net sales decreased $0.5 million or 0.4% to $116.5 million for the third quarter of 2008 from $117.0 million for the third quarter of 2007. Price increases that we recently implemented improved net sales by $4.7 million during the third quarter of 2008. These pricing gains, however, were offset by a decrease in net sales of $5.2 million attributable to a unit volume decline. A substantial portion of the unit volume decline was attributable to (1) the poor maple syrup crop in Canada in 2008 that resulted in an industry-wide shortfall of maple syrup and (2) a management decision to eliminate unprofitable sales to certain customers of private label pickles and peppers. Net sales of our *Maple Grove Farms* pure maple syrup and our private label pickles and peppers declined in the third quarter of 2008 by $1.4 million and $0.2 million, respectively. In the case of pure maple syrup, this decline was attributable to the unit volume decline partially offset by pricing gains.

Net sales of our *Ortega*, *Emeril s*, *B&G* (excluding private label) and *Maple Grove Farms* (excluding pure maple syrup) products increased in by $0.6 million, $0.4 million, $0.4 million and $0.3 million, or 2.4%, 8.8%, 4.9% and 5.4%, respectively. These increases were offset by a reduction in net sales of *Polaner* and *B&M* products of $0.5 million and $0.4 million, or 5.1% and 6.5%, respectively. In the aggregate, net sales for all other brands increased by $0.3 million, or 0.6%.

Gross Profit. Gross profit decreased $7.6 million or 19.7% to $30.7 million for the third quarter of 2008 from $38.3 million for the third quarter of 2007. Gross profit expressed as a percentage of net sales decreased 6.3% to 26.4% in the third quarter of 2008 from 32.7% in the third quarter of 2007. This decrease in gross profit expressed as a percentage of net sales was primarily attributable to increased costs for wheat, maple syrup, corn, packaging, transportation and sweeteners, partially offset by $4.7 million in sales price increases.

Sales, Marketing and Distribution Expenses. Sales, marketing and distribution expenses decreased $2.3 million or 17.6% to $10.8 million for the third quarter of 2008 from $13.1 million for the third quarter of

2007. This decrease is primarily due to a decrease in consumer marketing of $1.3 million and a decrease in brokerage and employee compensation of $0.9 million Expressed as a percentage of net sales, our sales, marketing and distribution expenses decreased to 9.3% for the third quarter of 2008 from 11.2% for the third quarter of 2007.

General and Administrative Expenses. General and administrative expenses decreased $1.3 million or 38.7% to $2.1 million for the third quarter of 2008 from $3.4 million in the third quarter of 2007. This decrease was primarily the result of a decrease in compensation expense and bonus accruals of $1.6 million partially offset by an increase in professional fees of $0.2 million.

Amortization Expense Customer Relationships. Amortization expense customer relationships remained consistent at $1.6 million for the third quarter of 2008 and for the third quarter of 2007.

Operating Income. As a result of the foregoing, operating income decreased $4.0 million or 19.5% to $16.2 million for the third quarter of 2008 from $20.2 million for the third quarter of 2007. Operating income expressed as a percentage of net sales decreased to 13.9% in the third quarter of 2008 from 17.2% in the third quarter of 2007.

Net Interest Expense. Net interest expense decreased $0.8 million or 6.6% to $11.6 million for the third quarter of 2008 from $12.4 million in the third quarter of 2007. Interest expense in the third quarter of 2008 includes a reduction of $1.5 million relating to the unrealized gain on our interest rate swap subsequent to the Lehman bankruptcy filing offset by a reclassification of $0.1 million of the amount recorded in accumulated other comprehensive income (loss) related to the swap and a reduction in interest income and capitalized interest on qualifying assets based on our effective interest rate. See Liquidity and Capital Resources Debt below.

Income Tax Expense. Income tax expense decreased $1.2 million to $1.8 million for the third quarter of 2008 from $3.0 million for the third quarter of 2007. Our effective tax rate was 38.3% and 37.9% for the third quarter of 2008 and 2007, respectively. The difference in the effective tax rate is attributable to the difference in timing in the recording of our annual true-up expense. In 2008, we recorded the annual true-up expense during the third quarter. The comparable true-up expense in 2007 was not recorded until the fourth quarter.

First three quarters of 2008 compared to first three quarters of 2007.

Net Sales. Net sales increased $13.0 million or 3.9% to $352.0 million for the first three quarters of 2008 from $339.0 million for the first three quarters of 2007. We completed the *Cream of Wheat* acquisition in late February 2007. Excluding the impact of the *Cream of Wheat* acquisition (which positively impacted net sales by $10.0 million), and the termination of a temporary co-packing arrangement (which negatively impacted net sales by $0.8 million), net sales increased $3.8 million or 1.2% during the first three quarters of 2008.

Price increases that we recently implemented improved net sales by $5.3 million during the first three quarters of 2008. These pricing gains, however, were offset by a decrease in net sales of $1.5 million attributable to a unit volume decline. A substantial portion of the unit volume decline was attributable to (1) the poor maple syrup crop in Canada in 2008 that resulted in an industry-wide shortfall of maple syrup and (2) a management decision to eliminate unprofitable sales to certain customers of private label pickles and peppers. For the first three quarters of 2008, net sales of our *Maple Grove Farms* pure maple syrup increased by $0.3 million as pricing gains offset the unit volume decline. Net sales of our private label pickles and peppers declined in the first three quarters of 2008 by $0.4 million.

Net sales of our lines of *Ortega*, *Maple Grove Farms* (excluding pure maple syrup), *Las Palmas*, *Joan of Arc* and *B&M* products increased in the amounts of $3.0 million, $1.5 million, $1.2 million, $0.4 million

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and $0.4 million, or 4.1%, 9.4%, 6.8%, 6.4% and 2.1%, respectively. These increases were offset by a reduction in net sales of *Underwood, Regina, Polaner* and *Emeril s* products of $0.8 million, $0.7 million, $0.6 million and $0.4 million, or 4.9%, 7.9%, 2.0% and 2.8%, respectively. In the aggregate, net sales for all other brands decreased $0.1 million, or 0.1%.

Gross Profit. Gross profit decreased $9.1 million or 8.4% to $99.2 million for the first three quarters of 2008 from $108.3 million for the first three quarters of 2007. Gross profit expressed as a percentage of net sales decreased 3.7% to 28.2% in the first three quarters of 2008 from 31.9% in the first three quarters of 2007. The decrease in gross profit expressed as percentage of net sales was primarily attributable to increased costs for wheat, maple syrup, corn, packaging, transportation and sweeteners, partially offset by $5.3 million in sales price increases.

Sales, Marketing and Distribution Expenses. Sales, marketing and distribution expenses decreased $2.6 million or 7.1% to $34.6 million for the first three quarters of 2008 from $37.2 million for the first three quarters of 2007. The decrease is primarily due to a decrease in consumer marketing of $1.3 million, brokerage and salesmen commissions of $1.0 million as well as general selling expenses of $0.5 million, offset by an increase in warehousing of $0.2 million. Expressed as a percentage of net sales, our sales, marketing and distribution expenses decreased to 9.8% for the first three quarters of 2008 from 11.0% for the first three quarters of 2007.

General and Administrative Expenses. General and administrative expenses decreased $1.5 million or 22.0% to $5.3 million for the first three quarters of 2008 from $6.8 million in the first three quarters of 2007. Excluding the impact of the $0.8 million insurance reimbursement received in the second quarter of 2007 (which was recorded as an offset to general and administrative expense), general and administrative expenses decreased by $2.3 million in the first three quarters of 2008 as compared to the first three quarters of 2007. This decrease was primarily the result of a decrease in compensation expense and bonus accruals of $2.0 million, professional fees of $0.2 million and other expenses of $0.1 million.

Amortization Expense Customer Relationships. Amortization expense customer relationships increased $0.9 million to $4.8 million for the first three quarters of 2008 from $3.9 million for the first three quarters of 2007. This increase is attributable to the *Cream of Wheat* acquisition, which was completed during the first quarter of 2007.

Operating Income. As a result of the foregoing, operating income decreased $5.9 million or 9.8% to $54.5 million for the first three quarters of 2008 from $60.4 million for the first three quarters of 2007. Operating income expressed as a percentage of net sales decreased to 15.5% in the first three quarters of 2008 from 17.8% in the first three quarters of 2007.

Net Interest Expense. Net interest expense decreased $3.0 million or 7.5% to $37.0 million for the first three quarters of 2008 from $40.0 million in the first three quarters of 2007. Interest expense for the first three quarters of 2007 included a write-off of deferred financing costs of $1.8 million relating to our prepayment of $100.0 million of term loan borrowings with a portion of the proceeds of our public offering of Class A common stock in May 2007. Our average debt outstanding was approximately $10.0 million lower for the first three quarters of 2008 as compared to the first three quarters of 2007. Interest expense in 2008 includes a reduction of $1.5 million relating to the unrealized gain on our interest rate swap subsequent to the Lehman bankruptcy filing offset by a reclassification of $0.1 million of the amount recorded in accumulated other comprehensive income (loss) related to the swap and a reduction in interest income and capitalized interest on qualifying assets based on our effective interest rate. See Liquidity and Capital Resources Debt below.

Income Tax Expense. Income tax expense decreased $1.1 million to $6.6 million for the first three quarters of 2008 from $7.7 million for the first three quarters of 2007. Our effective tax rate was 38.0% and

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37.9% for the first three quarters of 2008 and 2007, respectively. The difference in the effective tax rate is attributable to the difference in timing in the recording of our annual true-up expense.

Liquidity and Capital Resources

Our primary liquidity requirements include debt service, capital expenditures and working capital needs. See also, Dividend Policy and Commitments and Contractual Obligations below. We fund our liquidity requirements, as well as our dividend payments and financing for acquisitions, primarily through cash generated from operations and to the extent necessary, through borrowings under our credit facility.

Cash Flows. Cash provided by operating activities increased $7.3 million to $28.5 million for the first three quarters of 2008 from $21.2 million for the first three quarters of 2007. The increase was due to changes relating to a decrease in accounts receivable (primarily as a result of an increase in accounts receivable at the end of the third quarter of 2007 from the *Cream of Wheat* acquisition) and inventory offset by a decrease in accounts payable and accrued expenses. Working capital at September 27, 2008 was $112.3 million, a decrease of $2.8 million from working capital at December 29, 2007 of $115.1 million.

Net cash used in investing activities for the first three quarters of 2008 was $9.8 million as compared to $211.8 million for the first three quarters of 2007. Investment expenditures for the first three quarters of 2007 included $200.9 million for the *Cream of Wheat* acquisition. Capital expenditures during the first three quarters of 2008 decreased $1.1 million to $9.8 million from $10.9 million during the first three quarters of 2007 and included expenditures of $7.8 million relating to the expansion of our Stoughton, Wisconsin facility and the transfer of a portion of the *Cream of Wheat* production to that facility.

Net cash used in financing activities for the first three quarters of 2008 was $23.4 million as compared to net cash provided by financing activities of $195.5 million for the first three quarters of 2007. Net cash used in financing activities for the first three quarters of 2008 was entirely for the payment of dividends to holders of our Class A common stock. Net cash provided by financing activities for the first three quarters of 2007 consisted of $205.0 million in additional term loan borrowings ($100.0 million of which we subsequently prepaid during the second quarter of 2007), $193.2 million from the issuance of Class A common stock, net of underwriting discounts and commissions and other expenses, offset by $82.4 million for the repurchase of Class B common stock, $16.3 million in dividends paid on our Class A common stock and $4.0 million in debt issuance costs.

Based on a number of factors, including our trademark, goodwill and customer relationship intangibles amortization for tax purposes from our prior acquisitions, we realized a significant reduction in cash taxes in fiscal 2007 and 2006 as compared to our tax expense for financial reporting purposes. While we expect our cash taxes to continue to increase in fiscal 2008 as compared to the prior two years, we believe that we will realize a benefit to our cash taxes payable from amortization of our trademarks, goodwill and customer relationship intangibles for the taxable years 2008 through 2022.

Dividend Policy

Our dividend policy reflects a basic judgment that our stockholders would be better served if we distributed a substantial portion of our cash available to pay dividends to them instead of retaining it in our business. Under this policy, a substantial portion of the cash generated by our company in excess of operating needs, interest and principal payments on indebtedness, capital expenditures sufficient to maintain our properties and other assets is in general distributed as regular quarterly cash dividends (up to the intended dividend rate as determined by our board of directors) to the holders of our common stock and not retained by us. From the date of our initial public offering of EISs in October 2004 through the dividend payment we made on October 30, 2008, the dividend rate for our Class A common stock was $0.848 per share per annum. Beginning with the dividend payment previously declared and payable on January 30, 2009, the current intended dividend rate for our Class A common stock is $0.68 per share per annum.

Dividend payments, however, are not mandatory or guaranteed and holders of our common stock do not have any legal right to receive, or require us to pay, dividends. Furthermore, our board of directors may, in

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its sole discretion, amend or repeal this dividend policy. Our board of directors may decrease the level of dividends below the intended dividend rate or discontinue entirely the payment of dividends. Future dividends with respect to shares of our common stock depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, acquisition opportunities, the condition of the debt and equity financing markets, provisions of applicable law and other factors that our board of directors may deem relevant. Our board of directors is free to depart from or change our dividend policy at any time and could do so, for example, if it was to determine that we have insufficient cash to take advantage of growth opportunities. In addition, over time, our EBITDA and capital expenditure, working capital and other cash needs will be subject to uncertainties, which could impact the level of dividends, if any, we pay in the future. Our senior subordinated notes indenture, the terms of our revolving credit facility and our senior notes indenture contain significant restrictions on our ability to make dividend payments. In addition, certain provisions of the Delaware General Corporation Law may limit our ability to pay dividends.

As a result of our dividend policy, we may not retain a sufficient amount of cash to finance growth opportunities or unanticipated capital expenditure needs or to fund our operations in the event of a significant business downturn. We may have to forego growth opportunities or capital expenditures that would otherwise be necessary or desirable if we do not find alternative sources of financing. If we do not have sufficient cash for these purposes, our financial condition and our business will suffer.

For the first three quarters of 2008 and 2007, we had cash flows provided by operating activities of $28.5 million and $21.2 million, and distributed $23.4 million and $16.3 million, respectively, as dividends. If our cash flows from operating activities for future periods were to fall below our minimum expectations (or if our assumptions as to capital expenditures or interest expense were too low or our assumptions as to the sufficiency of our revolving credit facility to finance our working capital needs were to prove incorrect), we would need either to reduce or eliminate dividends or, to the extent permitted under our senior notes indenture, our senior subordinated notes indenture and the terms of our credit facility, fund a portion of our dividends with borrowings or from other sources. If we were to use working capital or permanent borrowings to fund dividends, we would have less cash and/or borrowing capacity available for future dividends and other purposes, which could negatively impact our financial position, our results of operations, our liquidity and our ability to maintain or expand our business.

Acquisitions

Our liquidity and capital resources have been significantly impacted by acquisitions and may be impacted in the foreseeable future by additional acquisitions. We have historically financed acquisitions with borrowings and cash flows from operating activities. Our interest expense will increase with any additional indebtedness we may incur to finance future acquisitions, if any. To the extent future acquisitions, if any, are financed by additional indebtedness, the resulting increase in debt and interest expense could have a negative impact on liquidity.

Environmental and Health and Safety Costs

We have not made any material expenditures during the first three quarters of 2008 in order to comply with environmental laws or regulations. Based on our experience to date, we believe that the future cost of compliance with existing environmental laws and regulations (and liability for known environmental conditions) will not have a material adverse effect on our consolidated financial condition, results of operations or liquidity. However, we cannot predict what environmental or health and safety legislation or regulations will be enacted in the future or how existing or future laws or regulations will be enforced, administered or interpreted, nor can we predict the amount of future expenditures that may be required in order to comply with such environmental or health and safety laws or regulations or to respond to such environmental claims.

During an environmental compliance audit of our Hurlock, Maryland facility conducted by a third-party consultant, we became aware of reporting violations of the Emergency Planning and Community Right

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to Know Act (EPCRA). EPCRA requires companies that manufacture, use or process more than a threshold amount of certain listed chemicals to file an annual chemical release form with Environmental Protection Agency (EPA) and the state and an annual chemical inventory form to the state and local emergency planning and/or response commissions and the local fire department. For certain years we failed to file one or more of such reports with the EPA and/or duplicate copies with the state and local government. We voluntarily self-disclosed these potential violations to the EPA pursuant to the EPA s self-disclosure policy. During the third quarter of 2008 we entered into a consent agreement with the EPA pursuant to which we settled the matter and agreed to a penalty of $94,509, which we paid to the EPA during the fourth quarter of 2008. None of the reporting violations resulted in any actual harm to the environment.

Debt

Senior Secured Credit Facility. In October 2004, we entered into a $30.0 million senior secured revolving credit facility. In order to finance the *Grandma s* molasses acquisition, we amended the credit facility in January 2006 to provide for, among other things, a new $25.0 million term loan and a reduction in the revolving credit facility commitments from $30.0 million to $25.0 million. In order to finance the *Cream of Wheat* acquisition, our credit facility was amended and restated in February 2007 to provide for, among other things, an additional $205.0 million of term loan borrowings. On May 29, 2007, we prepaid $100.0 million of term loan borrowings. Our $25.0 million revolving credit facility matures on January 10, 2011 and the remaining $130.0 million of term loan borrowings matures on February 26, 2013, provided, however, that if we do not repay, redeem or refinance our senior notes prior to April 1, 2011, the outstanding term loan borrowings will become immediately due and payable on April 1, 2011.

Interest under the revolving credit facility, including any outstanding letters of credit, is determined based on alternative rates that we may choose in accordance with the revolving credit facility, including the base lending rate per annum plus an applicable margin, and LIBOR plus an applicable margin. We pay a commitment fee of 0.50% per annum on the unused portion of the revolving credit facility. Interest under the term loan facility is determined based on alternative rates that we may choose in accordance with the credit facility, including the base lending rate per annum plus an applicable margin of 1.00%, and LIBOR plus an applicable margin of 2.00%.

Our obligations under the credit facility are jointly and severally and fully and unconditionally guaranteed on a senior basis by all of our existing and certain future domestic subsidiaries. The credit facility is secured by substantially all of our and our subsidiaries assets except our and our subsidiaries real property. The credit facility provides for mandatory prepayment based on asset dispositions and certain issuances of securities, as defined. The credit facility contains covenants that restrict, among other things, our ability to incur additional indebtedness, pay dividends and create certain liens. The credit facility also contains certain financial maintenance covenants, which, among other things, specify maximum capital expenditure limits, a minimum interest coverage ratio and a maximum senior and total leverage ratio, each ratio as defined. As of September 27, 2008, we were in compliance with all of the covenants in the credit facility. Proceeds of the revolving credit facility are restricted to funding our working capital requirements, capital expenditures and acquisitions of companies in the same line of business as our company, subject to specified criteria. The maximum letter of credit capacity under the revolving credit facility is $10.0 million, with a fronting fee of 3.0% per annum for all outstanding letters of credit.

On September 15, 2008, Lehman Brothers Holdings Inc. (Lehman) filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Lehman Commercial Paper Inc. (Lehman CPI), a Lehman subsidiary, is the administrative agent under our credit facility. Lehman CPI filed for protection under Chapter 11 of the U.S. Bankruptcy Code on October 3, 2008. None of our $130.0 million of outstanding term loans is currently with Lehman, Lehman CPI or any other subsidiary of Lehman. Lehman CPI is one of the lenders participating in our $25.0 million revolving credit facility. However, Lehman CPI has only $3.1 million of the $25.0 million commitment. The other lenders under the revolving credit facility and their respective commitments are as

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follows: Bank of America, N.A., $9.4 million; Citibank, N.A., $9.4 million; and Royal Bank of Canada, $3.1 million. We do not believe that Lehman CPI would honor its funding commitment under the revolving credit facility if we were to make a funding request. As a result, the effective available borrowing capacity under our revolving credit facility, net of outstanding letters of credit of $2.4 million, was $19.5 million at September 27, 2008. We have not drawn upon the revolving credit facility since its inception in October 2004 and, based upon our cash on hand and working capital requirements, we have no plans to do so for the foreseeable future.

Effective as of February 26, 2007, we entered into a six year interest rate swap agreement in order to effectively fix at 7.0925% the interest rate payable for $130.0 million of term loan borrowings through the life of the term loan, ending on February 26, 2013. The interest rate for the remaining $100.0 million of term loan borrowings, which we subsequently prepaid, was 7.36% as of the prepayment date (based upon a three-month LIBOR rate in effect at that time that expired on May 25, 2007). The counterparty to the swap is Lehman Special Financing Inc (Lehman SFI). Lehman SFI filed for protection under Chapter 11 of the U.S. Bankruptcy Code on October 3, 2008.

We initially designated the swap as a cash flow hedge under the guidelines of SFAS No. 133. Prior to Lehman s bankruptcy filing, we recorded changes in the fair value of the swap in other comprehensive income (loss), net of tax in our consolidated balance sheet. However, as a result of the Lehman bankruptcy filing, we determined that the interest rate swap was no longer an effective hedge as defined by SFAS No. 133 and, accordingly, subsequent changes in the swap s fair value are being recorded in current earnings in net interest expense in the consolidated statements of operations. We obtain third-party verification of fair value at the end of each reporting period. As of September 27, 2008, the fair value of our interest rate swap was $6.0 million and is recorded in other liabilities on our consolidated balance sheet. The amount recorded in accumulated other comprehensive income (loss) will be reclassified to net interest expense over the remaining life of the term loan borrowings as we make interest payments. During the third quarter of 2008, we reclassified to net interest expense $0.1 million of the amount recorded in accumulated other comprehensive income (loss) and expect to reclassify to net interest expense $0.4 million during the fourth quarter of 2008. During fiscal 2009, we expect to reclassify to net interest expense $1.7 million of the amount recorded in accumulated other comprehensive income (loss).

12.0% Senior Subordinated Notes due 2016. In October 2004, we issued $165.8 million aggregate principal amount of 12.0% senior subordinated notes due 2016, $143.0 million of which in the form of EISs and $22.8 million separate from EISs. As of September 27, 2008, $122.1 million aggregate principal amount of senior subordinated notes was held in the form of EISs and $43.7 million aggregate principal amount of senior subordinated notes was held separate from EISs.

Interest on the senior subordinated notes is payable quarterly in arrears on each January 30, April 30, July 30 and October 30 through the maturity date. The senior subordinated notes will mature on October 30, 2016, unless earlier retired or redeemed as described below.

Upon the occurrence of a change of control (as defined in the indenture), unless we have retired the senior subordinated notes or exercised our right to redeem all senior subordinated notes as described below, each holder of the senior subordinated notes has the right to require us to repurchase that holder s senior subordinated notes at a price equal to 101.0% of the principal amount of the senior subordinated notes being repurchased, plus any accrued and unpaid interest to the date of repurchase. In order to exercise this right, a holder must separate the senior subordinated notes and Class A common stock represented by such holder s EISs.

We may not redeem the senior subordinated notes prior to October 30, 2009. On and after October 30, 2009, we may redeem for cash all or part of the senior subordinated notes at a redemption price of 106.0% beginning October 30, 2009 and thereafter at prices declining annually to 100%

on or after October 30, 2012.

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If we redeem any senior subordinated notes, the senior subordinated notes and Class A common stock represented by each EIS will be automatically separated.

The senior subordinated notes are unsecured obligations and are subordinated in right of payment to all of our existing and future senior secured and senior unsecured indebtedness, including the indebtedness under our credit facility and our senior notes. The senior subordinated notes rank pari passu in right of payment with any of our other subordinated indebtedness.

Our obligations under the senior subordinated notes are jointly and severally and fully and unconditionally guaranteed by all of our existing domestic subsidiaries and certain future domestic subsidiaries on an unsecured and subordinated basis on the terms set forth in our senior subordinated notes indenture. The senior subordinated note guarantees are subordinated in right of payment to all existing and future senior indebtedness of the guarantors, including the indebtedness under our credit facility and the senior notes. Our foreign subsidiary is not a guarantor, and any future foreign or partially owned domestic subsidiaries will not be guarantors, of our senior subordinated notes.

Our senior subordinated notes indenture contains covenants with respect to us and the guarantors and restricts the incurrence of additional indebtedness and the issuance of capital stock; the payment of dividends or distributions on, and redemption of, capital stock; a number of other restricted payments, including certain investments; specified creation of liens, sale-leaseback transactions and sales of assets; fundamental changes, including consolidation, mergers and transfers of all or substantially all of our assets; and specified transactions with affiliates. Each of the covenants is subject to a number of important exceptions and qualifications. As of September 27, 2008, we were in compliance with all of the covenants in the senior subordinated notes indenture.

8.0% Senior Notes due 2011. In October 2004, we issued $240.0 million aggregate principal amount of 8.0% senior notes due 2011. Interest on the senior notes is payable on April 1 and October 1 of each year. The senior notes will mature on October 1, 2011, unless earlier retired or redeemed as described below.

We may not redeem the senior notes prior to October 1, 2008. However, we may, from time to time, seek to retire senior notes through cash repurchases of senior notes and/or exchanges of senior notes for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

On and after October 1, 2008, we may redeem some or all of the senior notes at a redemption price of 104.0% beginning October 1, 2008 and thereafter at prices declining annually to 100.0% on or after October 1, 2010. If we or any of the guarantors sell certain assets or experience specific kinds of changes in control, we must offer to purchase the senior notes at the prices as described in our senior notes indenture plus accrued and unpaid interest to the date of redemption.

Our obligations under the senior notes are jointly and severally and fully and unconditionally guaranteed on a senior basis by all of our existing and certain future domestic subsidiaries. The senior notes and the subsidiary guarantees are our and the guarantors general unsecured obligations and are effectively junior in right of payment to all of our and the guarantors secured indebtedness and to the indebtedness and other liabilities of our non-guarantor subsidiaries; are pari passu in right of payment to all of our and the guarantors existing and future unsecured senior debt; and are senior in right of payment to all of our and the guarantors future subordinated debt, including the senior subordinated notes. Our foreign subsidiary is not a guarantor, and any future foreign or partially owned domestic subsidiaries will not be guarantors, of our senior notes.

Our senior notes indenture contains covenants with respect to us and the guarantors and restricts the incurrence of additional indebtedness and the issuance of capital stock; the payment of dividends or

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distributions on, and redemption of, capital stock; a number of other restricted payments, including certain investments; specified creation of liens, sale-leaseback transactions and sales of assets; fundamental changes, including consolidation, mergers and transfers of all or substantially all of our assets; and specified transactions with affiliates. Each of the covenants is subject to a number of important exceptions and qualifications. As of September 27, 2008, we were in compliance with all of the covenants in the senior notes indenture.

Stock and Debt Repurchase Plan

On October 27, 2008, our board of directors authorized a stock and debt repurchase program for the repurchase of up to $10.0 million of our Class A common stock and/or senior notes over the next twelve months. Under the authorization, we may purchase shares of Class A common stock and/or senior notes from time to time in the open market or in privately negotiated transactions in compliance with the applicable rules and regulations of the SEC.

The timing and amount of such repurchases, if any, will be at the discretion of management, and will depend on market conditions and other considerations. Therefore, there can be no assurance as to the number of shares, if any, that will be repurchased under the stock and debt repurchase program, or the aggregate dollar amount of the shares or principal amount of senior notes, if any, repurchased. We may discontinue the program at any time. Any shares repurchased pursuant to the stock repurchase program will be cancelled. Likewise, any senior notes repurchased will be cancelled. In general, our credit agreement prohibits us from repurchasing our senior subordinated notes.

Future Capital Needs

We are highly leveraged. On September 27, 2008, our total long-term debt and stockholders equity was $535.8 million and $161.6 million, respectively.

Our ability to generate sufficient cash to fund our operations depends generally on our results of operations and the availability of financing. Our management believes that our cash on hand, cash flow from operating activities and available borrowing capacity under our revolving credit facility will be sufficient for the foreseeable future to fund operations, meet debt service requirements, fund capital expenditures, and pay our anticipated dividends on our Class A common stock. We expect to make capital expenditures of approximately $11.0 million in the aggregate during fiscal 2008, $9.8 million of which have already been made, and approximately $9.0 million during 2009.

Seasonality

Sales of a number of our products tend to be seasonal. In the aggregate, however, our sales are not heavily weighted to any particular quarter due to the diversity of our product and brand portfolio. Sales during the first quarter of the fiscal year are generally below those of the following three quarters.

We purchase most of the produce used to make our shelf-stable pickles, relishes, peppers and other related specialty items during the months of July through October, and we purchase substantially all of our maple syrup requirements during the months of April through July. Consequently, our liquidity needs are greatest during these periods.

Inflation

In addition, the cost of labor, manufacturing, energy, fuel, packaging materials and other costs related to the production and distribution of our food products have risen significantly in recent years and at an increasing rate during 2008. We expect that many of these costs will continue to rise for the foreseeable future. We attempt to manage these risks by entering into short-term supply contracts and advance

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commodities purchase agreements from time to time, implementing cost saving measures and, when necessary, by raising sales prices. To date, our cost saving measures and sales price increases have not fully offset increases to our raw material, ingredient, packaging and distribution costs and as a result our operating results have been negatively impacted. To the extent we are unable to offset present and future cost increases, our operating results will continue to be negatively impacted.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The provisions of SFAS No. 157 are effective as of the beginning of our 2008 fiscal year, with the exception of certain provisions deferred until the beginning of our 2009 fiscal year. In February 2008, the FASB issued FASB Staff Position SFAS No. 157-2, *Effective Date of FASB Statement No. 157* , which delayed the effective date of SFAS No. 157 for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, until January 1, 2009. The impact of the adoption of SFAS No. 157 for financial assets and liabilities was not material to our consolidated interim financial statements. We have not yet determined the impact that the adoption of SFAS No. 157 will have on our non-financial assets and liabilities which are not recognized on a recurring basis; however we do not anticipate it to materially impact our consolidated financial statements.

In October 2008, the FASB issued FASB Staff Position No. FAS 157-3, *Determining Fair Value of a Financial Asset in a Market That Is Not Active* (FSP No. FAS 157-3). FSP No. FAS 157-3 clarified the application of SFAS No. 157 in an inactive market. It demonstrated how the fair value of a financial asset is determined when the market for that financial asset is inactive. FSP No. FAS 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued. The implementation of this standard did not have a material impact on our consolidated financial position and results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS No. 141R) and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (SFAS No. 160). SFAS No. 141R requires an acquirer to measure the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. SFAS No. 160 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS No. 141R and SFAS No. 160 are effective as of the beginning of our 2009 fiscal year. SFAS No. 141R will be applied prospectively. The effects of SFAS No. 141R will depend on future acquisitions. SFAS No. 160 requires retroactive adoption. We currently do not have any noncontrolling interests in subsidiaries.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133.* This statement changes the disclosure requirements for derivative instruments and hedging activities. SFAS No. 161 requires enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. SFAS No. 161 is effective as of the beginning of our 2009 fiscal year. We are currently evaluating the potential impact, if any, of the adoption of SFAS No. 161 on our consolidated financial statements.

In April 2008, the FASB issued FASB Staff Position No. FAS 142-3, *Determination of the Useful Life of Intangible Assets* (FSP No. FAS 142-3). FSP No. FAS 142-3 requires companies estimating the useful life of a recognized intangible asset to consider their historical experience in renewing or extending similar arrangements or, in the absence of historical experience, to consider assumptions that market participants would use about renewal or extension as adjusted for entity-specific factors. FSP No. FAS 142-3 is effective as of the beginning of our 2009 fiscal year. We are currently evaluating the potential impact, if any, of the adoption of FSP No. FAS 142-3 on our consolidated financial statements.

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Off-balance Sheet Arrangements

As of September 27, 2008, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Commitments and Contractual Obligations

Our contractual obligations and commitments principally include obligations associated with our outstanding indebtedness, future minimum operating lease obligations and future pension obligations. During the first three quarters of 2008, there were no material changes outside the ordinary course of business in the specified contractual obligations set forth in our 2007 Annual Report on Form 10-K, except that we entered into a new lease in Tennessee (in connection with the transfer of our warehousing operations in Tennessee from one leased location to another leased location) that will require us to make rental payments of approximately $4.0 million in the aggregate over the course of the lease, which expires in 2013. In addition, our expected contributions to our defined benefit pension plans for fiscal 2008 have increased from $0.1 million to $1.1 because, although not obligated to do so, we made $0.5 million of contributions to our defined benefit pension plans during the third quarter of 2008 and expect to make an additional contribution of $0.6 million during the fourth quarter.

Forward-Looking Statements

This report includes forward-looking statements, including without limitation the statements under Management s Discussion and Analysis of Financial Condition and Results of Operations. The words believes, anticipates, plans, expects, intends, estimates, projects and simil expressions are intended to identify forward-looking statements. These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance and achievements, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by any forward-looking statements. We believe important factors that could cause actual results to differ materially from our expectations include the following:

- our substantial leverage;
- the effects of rising costs for our raw materials, packaging and ingredients;
- crude oil prices and their impact on distribution, packaging and energy costs;
- our ability to successfully implement sales price increases and cost saving measures to offset cost increases;

- intense competition, changes in consumer preferences, demand for our products and local economic and market conditions;

- our continued ability to promote brand equity successfully, to anticipate and respond to new consumer trends, to develop new products and markets, to broaden brand portfolios in order to compete effectively with lower priced products and in markets that are consolidating at the retail and manufacturing levels and to improve productivity;

- the risks associated with the expansion of our business;

- our possible inability to integrate any businesses we acquire;

- our ability to access the credit markets and our borrowing costs and credit ratings, which may be influenced by credit markets generally and the credit ratings of our competitors;

- the effects of currency movements of the Canadian dollar as compared to the U.S. dollar;

- other factors that affect the food industry generally, including:

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- recalls if products become adulterated or misbranded, liability if product consumption causes injury, ingredient disclosure and labeling laws and regulations and the possibility that consumers could lose confidence in the safety and quality of certain food products, as well as recent publicity concerning the health implications of obesity and trans fatty acids;

- competitors pricing practices and promotional spending levels;

- the risks associated with third-party suppliers and co-packers, including the risk that any failure by one or more of our third-party suppliers or co-packers to comply with food safety or other laws and regulations may disrupt our supply of raw materials or certain finished goods products; and

- fluctuations in the level of our customers inventories and credit and other business risks related to our customers operating in a challenging economic and competitive environment; and

- other factors discussed elsewhere in this report and in our other public filings with the SEC, including under Item 1A, Risk Factors in our 2007 Annual Report on Form 10-K.

Developments in any of these areas could cause our results to differ materially from results that have been or may be projected by or on our behalf.

All forward-looking statements included in this report are based on information available to us on the date of this report. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this report.

We caution that the foregoing list of important factors is not exclusive. We urge investors not to unduly rely on forward-looking statements contained in this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of operations, we are exposed to market risks arising from adverse changes in interest rates. Market risk is defined for these purposes as the potential change in the fair value of a financial asset or liability resulting from an adverse movement in interest rates.

Interest under our $25.0 million revolving credit facility, including any outstanding letters of credit, is determined based on alternative rates that we may choose in accordance with the revolving credit facility, including the base lending rate per annum plus an applicable margin, and LIBOR plus an applicable margin. Interest under our term loan facility is determined based on alternative rates that we may choose in accordance with the credit facility, including the base lending rate per annum plus an applicable margin of 1.00%, and LIBOR plus an applicable margin of 2.00%. The revolving credit facility was undrawn at September 27, 2008. Lehman CPI is one of the lenders participating in our revolving credit facility. Lehman CPI has only $3.1 million of the $25.0 million commitment. As a result of the bankruptcy filings by Lehman and Lehman CPI discussed above in Item 2, we do not believe that Lehman CPI would honor its funding commitment under the revolving credit facility if we were to make a funding request. As a result, the effective available borrowing capacity under our revolving credit facility, net of outstanding letters of credit of $2.4 million, was $19.5 million at September 27, 2008.

We have outstanding $130.0 million of term loan borrowings at September 27, 2008 and December 29, 2007. The interest rate payable for our term loan borrowings is effectively fixed at 7.0925% based upon a six year interest rate swap agreement that we entered into on February 26, 2007. However, as a result of the bankruptcy filings by Lehman and Lehman SFI discussed above in Item 2, we have determined that the interest rate swap is no longer an effective hedge as defined by SFAS No. 133. The carrying value of our term loan borrowings approximates fair value because interest rates under the term loan borrowings are variable, based on prevailing market rates. A 1.0% increase in interest rates, applied to our variable rate borrowings at

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September 27, 2008, would result in an annual increase in interest expense and a corresponding reduction in cash flow of $1.3 million.

The information regarding our interest rate swap under the heading Liquidity and Capital Resources Debt Senior Secured Credit Facility in Item 2, Management s Discussion and Analysis of Financial Condition and Results of Operations is incorporated herein by reference.

The carrying values and fair values of our senior notes and senior subordinated notes as of September 27, 2008 and December 29, 2007 are as follows (dollars in thousands):

	September 27, 2008		December 29, 2007	
	Carrying Value	**Fair Value(1)(2)**	**Carrying Value**	**Fair Value(1)(3)**
8% Senior Notes due October 1, 2011	$ 240,000	$ 231,600	$ 240,000	$ 235,800
12% Senior Subordinated Notes due October 30, 2016(2):				
represented by EISs	122,103	118,517	119,067	126,561
held separately	43,697	42,413	46,733	49,674

(1) Fair values are estimated based on quoted market prices, except as otherwise noted in footnotes (2) and (3) below.

(2) Solely for purposes of this presentation, we have assumed that the fair value of each senior subordinated note at September 27, 2008 was $6.94 based upon the $7.50 per share closing price of our separately traded Class A common stock and the $14.44 per EIS closing price of our EISs on the New York Stock Exchange on September 26, 2008 (the last business day of the first three quarters of 2008). Each EIS represents one share of Class A common stock and $7.15 principal amount of our senior subordinated notes.

(3) Solely for purposes of this presentation, we have assumed that the fair value of each senior subordinated note at December 29, 2007 was $7.60, based upon the $10.07 per share closing price of our separately traded Class A common stock and the $17.67 per EIS closing price of our EISs on the New York Stock Exchange on December 28, 2007 (the last business day of fiscal 2007).

The recent volatility in the global financial markets could negatively impact the fair value of our debt obligations.

The information under the heading Inflation in Item 2, Management s Discussion and Analysis of Financial Condition and Results of Operations is incorporated herein by reference.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended, our management, including our chief executive officer and our chief financial officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. As defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, disclosure controls and procedures are controls and other procedures that we use that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Based on that evaluation, our chief executive officer and our chief financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

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Changes in Internal Control Over Financial Reporting. As required by Rule 13a-15(d) under the Exchange Act, our management, including our chief executive officer and our chief financial officer, also conducted an evaluation of our internal control over financial reporting to determine whether any change occurred during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, our chief executive officer and our chief financial officer concluded that there has been no change during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls. Our company s management, including the chief executive officer and chief financial officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system s objectives will be met. 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. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on 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. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

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PART II
OTHER INFORMATION

Item 1. Legal Proceedings

We are from time to time involved in various claims and legal actions arising in the ordinary course of business, including proceedings involving product liability claims, worker s compensation and other employee claims, and tort and other general liability claims, as well as trademark, copyright, patent infringement and related claims and legal actions. In the opinion of our management, the ultimate disposition of any currently pending claims or actions will not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

Item 1A. Risk Factors

We do not believe there have been any material changes in our risk factors as previously disclosed in our 2007 Annual Report on Form 10-K.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

EXHIBIT NO.	DESCRIPTION
31.1	Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 of the Chief Executive Officer.
31.2	Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 of the Chief Financial Officer.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer and Chief Financial Officer.

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SIGNATURE

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.

Dated: October 30, 2008	B&G FOODS, INC.	
	By:	/s/ Robert C. Cantwell Robert C. Cantwell Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer and Authorized Officer)