B&G Foods, Inc.
Form 10-Q
October 23, 2014
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**As filed with the Securities and Exchange Commission on October 23, 2014**

# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**(Mark one)**

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

**For the quarterly period ended September 27, 2014**

**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, 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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.

| | | | |
|---|---|---|---|
| Large accelerated filer x | Accelerated filer o | Non-accelerated filer o<br>(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 October 23, 2014, the registrant had 53,663,697 shares of common stock, par value $0.01 per share, issued and outstanding.

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## PART I

## FINANCIAL INFORMATION

### Item 1. Financial Statements (Unaudited)

**B&G Foods, Inc. and Subsidiaries**

**Consolidated Balance Sheets**

**(In thousands, except share and per share data)**

**(Unaudited)**

| | September 27, 2014 | December 28, 2013 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 5,981 | $ 4,107 |
| Trade accounts receivable, net | 68,444 | 62,763 |
| Inventories | 132,856 | 101,251 |
| Prepaid expenses and other current assets | 7,996 | 8,079 |
| Income tax receivable | 12,540 | 3,422 |
| Deferred income taxes | 4,293 | 2,115 |
| Total current assets | 232,110 | 181,737 |
| | | |
| Property, plant and equipment, net of accumulated depreciation of $125,397 and $114,685 | 114,621 | 110,374 |
| Goodwill | 370,096 | 319,292 |
| Other intangibles, net | 951,101 | 844,141 |
| Other assets | 30,064 | 28,799 |
| Total assets | $ 1,697,992 | $ 1,484,343 |
| | | |
| **Liabilities and Stockholders Equity** | | |
| | | |
| Current liabilities: | | |
| Trade accounts payable | $ 49,706 | $ 42,638 |
| Accrued expenses | 27,665 | 19,189 |
| Current portion of long-term debt | 20,625 | 26,250 |
| Dividends payable | 18,246 | 17,637 |
| Total current liabilities | 116,242 | 105,714 |
| | | |
| Long-term debt | 1,024,686 | 844,635 |
| Other liabilities | 2,356 | 8,692 |
| Deferred income taxes | 201,490 | 146,939 |
| Total liabilities | 1,344,774 | 1,105,980 |
| Commitments and contingencies (Note 9) | | |
| Stockholders equity: | | |

| | | | | |
|---|---|---|---|---|
| Preferred stock, $0.01 par value per share. Authorized 1,000,000 shares; no shares issued or outstanding | | | | |
| Common stock, $0.01 par value per share. Authorized 125,000,000 shares; 53,663,697 and 53,445,910 shares issued and outstanding as of September 27, 2014 and December 28, 2013 | | 537 | | 534 |
| Additional paid-in capital | | 128,487 | | 183,113 |
| Accumulated other comprehensive loss | | (2,495) | | (2,471) |
| Retained earnings | | 226,689 | | 197,187 |
| Total stockholders equity | | 353,218 | | 378,363 |
| Total liabilities and stockholders equity | $ | 1,697,992 | $ | 1,484,343 |

See Notes to Consolidated Financial Statements.

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**B&G Foods, Inc. and Subsidiaries**

**Consolidated Statements of Operations**

**(In thousands, except per share data)**

**(Unaudited)**

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| | September 27, 2014 | September 28, 2013 | September 27, 2014 | September 28, 2013 |
| Net sales | $ 208,998 | $ 181,350 | $ 610,027 | $ 513,426 |
| Cost of goods sold | 145,936 | 120,084 | 419,269 | 337,651 |
| Gross profit | 63,062 | 61,266 | 190,758 | 175,775 |
| | | | | |
| Operating expenses: | | | | |
| Selling, general and administrative expenses | 21,173 | 21,271 | 69,065 | 55,097 |
| Amortization expense | 3,391 | 2,385 | 9,986 | 6,608 |
| Impairment of intangible assets | 34,154 | | 34,154 | |
| Gain on change in fair value of contingent consideration | | | (8,206) | |
| Operating income | 4,344 | 37,610 | 85,759 | 114,070 |
| | | | | |
| Other expenses: | | | | |
| Interest expense, net | 11,587 | 11,097 | 34,532 | 30,900 |
| Loss on extinguishment of debt | | 2,813 | 5,748 | 31,291 |
| (Loss) income before income tax (benefit) expense | (7,243) | 23,700 | 45,479 | 51,879 |
| Income tax (benefit) expense | (2,830) | 8,350 | 15,977 | 18,328 |
| Net (loss) income | $ (4,413) | $ 15,350 | $ 29,502 | $ 33,551 |
| | | | | |
| Weighted average shares outstanding: | | | | |
| Basic | 53,664 | 52,873 | 53,656 | 52,817 |
| Diluted | 53,664 | 53,120 | 53,730 | 52,975 |
| | | | | |
| (Loss) earnings per share: | | | | |
| Basic | $ (0.08) | $ 0.29 | $ 0.55 | $ 0.64 |
| Diluted | $ (0.08) | $ 0.29 | $ 0.55 | $ 0.63 |
| | | | | |
| Cash dividends declared per share | $ 0.34 | $ 0.32 | $ 1.02 | $ 0.90 |

See Notes to Consolidated Financial Statements.

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**B&G Foods, Inc. and Subsidiaries**

**Consolidated Statements of Comprehensive Income (Loss)**

**(In thousands)**

**(Unaudited)**

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| | **September 27, 2014** | **September 28, 2013** | **September 27, 2014** | **September 28, 2013** |
| Net (loss) income | $ (4,413) | $ 15,350 | $ 29,502 | $ 33,551 |
| Other comprehensive (loss) income: | | | | |
| Foreign currency translation adjustments | (41) | 34 | (45) | (28) |
| Amortization of unrecognized prior service cost and pension deferrals, net of tax | 7 | 116 | 21 | 399 |
| Other comprehensive (loss) income | (34) | 150 | (24) | 371 |
| Comprehensive (loss) income | $ (4,447) | $ 15,500 | $ 29,478 | $ 33,922 |

See Notes to Consolidated Financial Statements.

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**B&G Foods, Inc. and Subsidiaries**

**Consolidated Statements of Cash Flows**

**(In thousands)**

**(Unaudited)**

| | Thirty-Nine Weeks Ended September 27, 2014 | Thirty-Nine Weeks Ended September 28, 2013 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income | $ 29,502 | $ 33,551 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 20,783 | 17,002 |
| Amortization of deferred debt financing costs and bond discount | 2,907 | 3,318 |
| Deferred income taxes | 5,083 | 12,063 |
| Interest accretion on contingent consideration | 432 | |
| Gain on change in fair value of contingent consideration | (8,206) | |
| Impairment of intangible assets | 34,154 | |
| Loss on disposal of inventory | 2,978 | |
| Loss on extinguishment of debt | 5,748 | 31,291 |
| Share-based compensation expense | 2,128 | 3,269 |
| Excess tax benefits from share-based compensation | (2,356) | (4,192) |
| Provision for doubtful accounts | 140 | 165 |
| Changes in assets and liabilities, net of effects of businesses acquired: | | |
| Trade accounts receivable | (6,039) | (9,616) |
| Inventories | (32,412) | (15,969) |
| Prepaid expenses and other current assets | 83 | (1,159) |
| Income tax receivable | (2,765) | 3,434 |
| Other assets | (941) | (223) |
| Trade accounts payable | 3,281 | (3,463) |
| Accrued expenses | 5,917 | 2,096 |
| Other liabilities | 272 | (2,674) |
| Net cash provided by operating activities | 60,689 | 68,893 |
| | | |
| **Cash flows from investing activities:** | | |
| Payments for acquisition of businesses, net of cash acquired | (154,277) | (209,905) |
| Capital expenditures | (13,901) | (8,418) |
| Net cash used in investing activities | (168,178) | (218,323) |
| | | |
| **Cash flows from financing activities:** | | |
| Repayments of long-term debt | (131,250) | (501,404) |
| Proceeds from issuance of long-term debt | 299,250 | 700,000 |
| Borrowings under revolving credit facility | 252,500 | 65,000 |
| Repayments of borrowings under revolving credit facility | (246,500) | (60,000) |
| Dividends paid | (54,124) | (45,905) |
| Excess tax benefits from share-based compensation | 2,356 | 4,192 |
| Debt financing costs | (8,473) | (12,549) |
| Payments of tax withholding on behalf of employees for net share settlement of share-based compensation | (4,374) | (6,812) |
| Net cash provided by financing activities | 109,385 | 142,522 |

| | | | | |
|---|---|---|---|---|
| Effect of exchange rate fluctuations on cash and cash equivalents | | (22) | | (12) |
| Net increase (decrease) in cash and cash equivalents | | 1,874 | | (6,920) |
| | | | | |
| Cash and cash equivalents at beginning of period | | 4,107 | | 19,219 |
| Cash and cash equivalents at end of period | $ | 5,981 | $ | 12,299 |
| | | | | |
| **Supplemental disclosures of cash flow information:** | | | | |
| Cash interest payments | $ | 23,177 | $ | 26,110 |
| Cash income tax payments | $ | 13,629 | $ | 2,834 |
| Non-cash transactions: | | | | |
| Dividends declared and not yet paid | $ | 18,246 | $ | 16,919 |

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 whose principal assets are the shares of 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. Our financial statements are presented on a consolidated basis.

We operate in a single 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, bagel chips, spices, seasonings, hot sauces, wine vinegar, maple syrup, molasses, salad dressings, Mexican-style sauces, dry soups, taco shells and kits, salsas, pickles, peppers, tomato-based products, puffed corn and rice snacks, nut clusters and other specialty products. Our products are marketed under many recognized brands, including *Ac cent*, *B&G*, *B&M*, *Baker s Joy*, *Bear Creek Country Kitchens, Brer Rabbit*, *Canoleo, Cary s, Cream of Rice*, *Cream of Wheat*, *Devonsheer*, *Don Pepino*, *Emeril s*, *Grandma s Molasses*, *JJ Flats*, *Joan of Arc*, *Las Palmas*, *MacDonald s, Maple Grove Farms of Vermont*, *Molly McButter*, *Mrs. Dash*, *New York Flatbreads, New York Style*, *Old London*, *Original Tings*, *Ortega*, *Pirate s Booty*, *Polaner*, *Red Devil*, *Regina*, *Rickland Orchards*, *Sa-són*, *Sclafani*, *Smart Puffs*, *Spring Tree, Sugar Twin*, *Trappey s*, *TrueNorth*, *Underwood*, *Vermont Maid* and *Wright s.* We also sell and distribute two branded household products, *Static Guard* and *Kleen Guard.* We compete in the retail grocery, food service, specialty, private label, club and mass merchandiser channels of distribution. We sell and distribute our products directly and via a network of independent brokers and distributors to supermarket chains, food service outlets, mass merchants, warehouse clubs, non-food outlets and specialty distributors.

***Acquisitions***

On April 23, 2014, we completed the acquisition of Specialty Brands of America, Inc. and related entities, including the *Bear Creek Country Kitchens, Spring Tree, Cary s, MacDonald s, New York Flatbreads* and *Canoleo* brands, from affiliates of American Capital, Ltd. and certain individual sellers for a purchase price of $154.3 million in cash. We refer to this acquisition as the Specialty Brands acquisition.

On October 7, 2013, we acquired Rickland Orchards LLC, including the *Rickland Orchards* brand, from Natural Instincts LLC for a base purchase price of $57.5 million, of which approximately $37.4 million was paid in cash and approximately $20.1 million was paid in shares of common stock of B&G Foods (based on the closing price of $35.15 per share on October 4, 2013), plus contingent earn-out consideration ranging from zero to a maximum of $15.0 million in the aggregate, which is payable upon the achievement of revenue growth targets during fiscal 2014, 2015 and 2016 meant to achieve operating results in excess of base purchase price acquisition model assumptions. We refer to this acquisition as the *Rickland Orchards* acquisition.

As of the date of the *Rickland Orchards* acquisition we estimated the original fair value of the contingent consideration to be approximately $7.6 million. During the remainder of fiscal 2013 and the first two quarters of 2014, we recorded interest accretion expense on the contingent consideration liability of $0.2 million and $0.4 million, respectively. At June 28, 2014, we remeasured the fair value of the contingent consideration using actual operating results through June 28, 2014 and our revised forecasted operating results for *Rickland Orchards* for the remainder of fiscal 2014, 2015 and 2016. As a result of lower than expected net sales results for *Rickland Orchards* and the unlikelihood of *Rickland Orchards* achieving the revenue growth targets, the fair value of the contingent consideration was reduced to zero, resulting in a non-cash gain of $8.2 million that is included in gain on change in fair value of contingent consideration in the accompanying unaudited consolidated statements of operations for the first three quarters of 2014. See Note 6, Fair Value Measurements. We also concluded that these factors were potential indicators of the impairment of certain long-lived assets (trademark and customer relationship intangibles), requiring us to perform an interim impairment analysis of the trademark and customer relationship intangibles acquired in the *Rickland Orchards* acquisition. Based on the results of the interim impairment analysis we performed at June 28, 2014, we determined that no impairment was required as of that date.

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**B&G Foods, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

**(1) Nature of Operations (Continued)**

During the third quarter of 2014, net sales to the club channel of the core products of *Rickland Orchards* continued to deteriorate beyond our June 28, 2014 projections. As a result, we have as of September 27, 2014 reduced our net sales projections to the club channel and performed an interim impairment analysis of the trademark and customer relationship intangibles acquired in the *Rickland Orchards* acquisition. We used a discounted cash flow model to determine the fair value of the intangibles. Based on the results of the interim impairment analysis performed at September 27, 2014, we recorded non-cash impairment charges to amortizable trademarks and customer relationship intangibles of $26.9 million and $7.3 million, respectively, which is recorded in Impairment of intangible assets on the accompanying unaudited consolidated statement of operations. As of September 27, 2014, the remaining balances of the *Rickland Orchards* amortizable trademark and customer relationship intangibles were $5.3 million and $1.1 million, respectively. If, during the remainder of 2014 or thereafter, operating results for the *Rickland Orchards* brand continue to deteriorate at rates in excess of our revised projections, we may be required to record an additional non-cash charge for the impairment of long-lived intangibles relating to *Rickland Orchards*, and these non-cash charges would be material.

In connection with the interim impairment analysis of the intangibles, we also recorded a charge to cost of goods sold of approximately $3.0 million relating to a write-off of certain raw material and finished goods inventory used in the production of *Rickland Orchards* products.

On July 8, 2013, we completed the acquisition of Pirate Brands, LLC, including the *Pirate s Booty, Smart Puffs* and *Original Tings* brands, from affiliates of VMG Partners and Driven Capital Management and certain other entities and individuals for a purchase price of $195.4 million in cash. We refer to this acquisition as the Pirate Brands acquisition.

On May 6, 2013, we acquired the *TrueNorth* brand from DeMet s Candy Company. We refer to this acquisition as the *TrueNorth* acquisition.

We have accounted for each of these acquisitions using the acquisition method of accounting and, accordingly, have included the assets acquired, liabilities assumed and results of operations in our consolidated financial statements from the respective dates of acquisition. The excess of the purchase price over the fair value of identifiable net assets acquired represents goodwill. Unamortizable trademarks are deemed to have an indefinite useful life and are not amortized. Customer relationship intangibles and amortizable trademarks acquired are amortized over 10 to 20 years. Goodwill and other intangible assets, except in the case of the Specialty Brands acquisition, are deductible for income tax purposes. Inventory has been recorded at estimated selling price less costs of disposal and a reasonable profit and the property, plant and equipment and other intangible assets (including trademarks, customer relationships and other intangibles) acquired have been recorded at fair value as determined by our management with the assistance of a third-party valuation specialist. See Note 4, Goodwill and Other Intangible Assets.

The following table sets forth the preliminary allocation of the Specialty Brands acquisition purchase price to the estimated fair value of the net assets acquired at the date of acquisition. The preliminary purchase price allocation may be adjusted as a result of the finalization of our purchase price allocation procedures related to assets acquired and liabilities assumed. During the third quarter of 2014, we recorded a purchase price allocation adjustment by decreasing goodwill, customer relationship intangibles and other working capital and increasing trademarks and long-term deferred income taxes by $3.4 million primarily due to a change in our valuation of intangible assets and deferred income taxes as of the date of acquisition. We anticipate completing the purchase price allocation before or during the second quarter of fiscal 2015. The goodwill and other intangible assets acquired are not expected to be deductible for income tax purposes.

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**B&G Foods, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

**(1) Nature of Operations (Continued)**

**Specialty Brands Acquisition (dollars in thousands):**

| | | |
|---|---|---|
| Purchase Price: | | |
| Cash paid | $ | 154,277 |
| Total | $ | 154,277 |
| | | |
| Preliminary Allocation: | | |
| Trademarks unamortizable intangible assets | $ | 139,400 |
| Goodwill | | 48,524 |
| Customer relationship intangibles amortizable intangible assets | | 11,700 |
| Other working capital | | 4,375 |
| Long-term deferred income tax liabilities | | (49,722) |
| Total | $ | 154,277 |

The following table sets forth the allocation of the *Rickland Orchards* acquisition purchase price to the estimated fair value of the net assets acquired at the date of acquisition. During the first three quarters of 2014, we recorded a purchase price allocation adjustment by increasing goodwill and decreasing other working capital by $2.1 million due to a change in our valuation of accounts receivable and inventory as of the date of acquisition. We completed the purchase price allocation during the third quarter of fiscal 2014.

**Rickland Orchards Acquisition (dollars in thousands):**

| | | |
|---|---|---|
| Purchase Price: | | |
| Cash paid | $ | 37,376 |
| Equity issued | | 20,124 |
| Fair value of contingent consideration | | 7,566 |
| Total | $ | 65,066 |
| | | |
| Allocation: | | |
| Trademarks amortizable intangible assets | $ | 35,000 |
| Goodwill | | 23,353 |
| Customer relationship intangibles amortizable intangible assets | | 9,000 |
| Other working capital | | (2,287) |
| Total | $ | 65,066 |

The following table sets forth the allocation of the Pirate Brands acquisition purchase price to the estimated fair value of the net assets acquired at the date of acquisition. During the first quarter of 2014, we recorded a purchase price allocation adjustment by increasing goodwill and decreasing other working capital by $0.2 million due to a change in our valuation of accounts receivable as of the date of acquisition. We completed the purchase price allocation during the first quarter of fiscal 2014.

**Pirate Brands Acquisition (dollars in thousands):**

| | | |
|---|---|---|
| Purchase Price: | | |
| Cash paid | $ | 195,417 |
| Total | $ | 195,417 |
| | | |
| Allocation: | | |
| Trademarks unamortizable intangible assets | $ | 152,800 |
| Goodwill | | 29,953 |
| Customer relationship intangibles amortizable intangible assets | | 11,400 |
| Other working capital | | 1,264 |
| Total | $ | 195,417 |

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**B&G Foods, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

**(1) Nature of Operations (Continued)**

***Unaudited Pro Forma Summary of Operations***

The following pro forma summary of operations for the third quarter and first three quarters of 2014 and 2013 presents our operations as if the Specialty Brands acquisition had occurred as of the beginning of fiscal 2013, and the *Rickland Orchards* and Pirate Brands acquisitions had occurred as of the beginning of fiscal 2012. In addition to including the results of operations of these acquisitions, the pro forma information gives effect to the interest on additional borrowings, the amortization of trademark and customer relationship intangibles, and the issuance of shares of common stock. On an actual basis, Specialty Brands, *Rickland Orchards* and Pirate Brands contributed $22.1 million, $4.5 million and $22.9 million of net sales, respectively, for the third quarter of 2014, and $33.5 million, $20.3 million and $63.6 million of net sales, respectively, for the first three quarters of 2014.

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| | September 27, 2014 | September 28, 2013 | September 27, 2014 | September 28, 2013 |
| | (dollars in thousands, except per share data) | | | |
| Net sales | $ 208,998 | $ 216,967 | $ 636,420 | $ 648,430 |
| Net (loss) income | (4,413) | 16,632 | 30,694 | 35,437 |
| Basic and diluted (loss) earnings per share | $ (0.08) | $ 0.31 | $ 0.57 | $ 0.67 |

The pro forma information presented above does not purport to be indicative of the results that actually would have been attained if the Specialty Brands acquisition had occurred as of the beginning of fiscal 2013 and the *Rickland Orchards* and Pirate Brands acquisitions had occurred as of the beginning of fiscal 2012, and is not intended to be a projection of future results.

The *TrueNorth* acquisition was not material to our consolidated results of operations or financial position and, therefore, pro forma financial information is not presented.

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**B&G Foods, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

## (2) Summary of Significant Accounting Policies

***Fiscal Year***

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, 2015 (fiscal 2014) contains 53 weeks and our fiscal year ended December 28, 2013 (fiscal 2013) contains 52 weeks. Each quarter of fiscal 2014 and 2013 contains 13 weeks, except the fourth quarter of 2014, which will contain 14 weeks.

***Basis of Presentation***

The accompanying unaudited consolidated interim financial statements for the thirteen and thirty-nine week periods ended September 27, 2014 (third quarter and first three quarters of 2014) and September 28, 2013 (third quarter and first three quarters of 2013) have been prepared by our company in accordance with accounting principles generally accepted in the United States of America 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, 2014, and the results of our operations and comprehensive income (loss) for the third quarter and first three quarters of 2014 and 2013 and the cash flows for the first three quarters of 2014 and 2013. Our results of operations for the third quarter and first three quarters of 2014 are not necessarily indicative of the results to be expected for the full year. We have evaluated subsequent events for disclosure through the date of issuance of the accompanying unaudited consolidated interim financial statements. The accompanying unaudited consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for fiscal 2013 filed with the SEC on February 26, 2014. Certain reclassifications, none of which were material, have been made to the prior year amounts to conform to the current year presentation.

***Use of Estimates***

The preparation of financial statements in accordance with accounting principles generally accepted in the United States 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; acquisition accounting allocations; the recoverability of goodwill, other intangible assets, property, plant and equipment and deferred tax assets; the determination of the useful life of customer relationship and amortizable trademark intangibles; and the fair value of contingent consideration. Actual results could differ significantly from these estimates and assumptions.

Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances, including the current economic environment. We adjust such estimates and assumptions when facts and circumstances dictate.

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**B&G Foods, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

**(2) Summary of Significant Accounting Policies (Continued)**

Volatility in the credit and equity markets can increase the uncertainty inherent in such estimates and assumptions.

***Recently Issued Accounting Standards***

In May 2014, the Financial Accounting Standards Board issued new accounting requirements for the recognition of revenue from contracts with customers. The requirements of the new standard are effective for annual reporting periods beginning after December 15, 2016, and interim periods within those annual periods, which for us is the first quarter of fiscal 2017. We are currently evaluating the impact of this new standard, however, we do not expect it to have a material impact on our financial position or results of operations.

**(3) Inventories**

Inventories are stated at the lower of cost or market and include direct material, direct labor, overhead, warehousing and product transfer costs. 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.

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

| | September 27, 2014 | December 28, 2013 |
|---|---|---|
| Raw materials and packaging | $ 36,543 | $ 25,075 |
| Finished goods | 96,313 | 76,176 |
| Total | $ 132,856 | $ 101,251 |

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**B&G Foods, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

## (4) Goodwill and Other Intangible Assets

The carrying amounts of goodwill and other intangible assets, as of the dates indicated, consist of the following (in thousands):

| | As of September 27, 2014 | | | As of December 28, 2013 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| *Amortizable Intangible Assets* | | | | | | |
| Trademarks | $ 12,056 | $ 642 | $ 11,414 | $ 41,800 | $ 1,031 | $ 40,769 |
| Customer relationships | 191,313 | 55,926 | 135,387 | 187,569 | 49,097 | 138,472 |
| | $ 203,369 | $ 56,568 | $ 146,801 | $ 229,369 | $ 50,128 | $ 179,241 |
| | | | | | | |
| *Unamortizable Intangible Assets* | | | | | | |
| Goodwill | $ 370,096 | | | $ 319,292 | | |
| Trademarks | $ 804,300 | | | $ 664,900 | | |

Note: The increases in carrying amounts are attributable to purchase accounting adjustments related to the Specialty Brands, *Rickland Orchards* and Pirate Brands acquisitions. The impairment loss relating to *Rickland Orchards* offset the increase in customer relationship intangibles and caused the decrease in amortizable trademarks.

Amortization expense associated with amortizable trademarks and customer relationship intangibles for the third quarter and first three quarters of 2014 was $3.4 million and $10.0 million, respectively, and is recorded in operating expenses. Amortization expense associated with amortizable trademarks and customer relationship intangibles for the third quarter and first three quarters of 2013 was $2.4 million and $6.6 million, respectively, and is recorded in operating expenses. We expect to recognize an additional $2.7 million of amortization expense associated with our amortizable trademarks and customer relationship intangibles during the remainder of fiscal 2014, and thereafter $10.6 million per year for each of the next four fiscal years.

See Note 1, Nature of Operations *Acquisitions*.

## (5) Long-Term Debt

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

| | September 27, 2014 | December 28, 2013 |
|---|---|---|
| Current and former senior secured credit agreement: | | |
| Revolving credit facility | $ 46,000 | $ 40,000 |
| Tranche A term loan due 2019 | 300,000 | |
| Tranche A term loan due 2016 | | 131,250 |
| 4.625% senior notes due 2021 | 700,000 | 700,000 |
| Unamortized discount | (689) | (365) |
| Total long-term debt, net of unamortized discount | 1,045,311 | 870,885 |
| Current portion of long-term debt | (20,625) | (26,250) |
| Long-term debt, net of unamortized discount and excluding current portion | $ 1,024,686 | $ 844,635 |

**B&G Foods, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

**(5) Long-Term Debt (Continued)**

As of September 27, 2014, the aggregate contractual maturities of long-term debt are as follows (in thousands):

| **Years ending December:** | | |
|---|---|---|
| 2014 | $ | 7,500 |
| 2015 | | 18,750 |
| 2016 | | 26,250 |
| 2017 | | 24,375 |
| 2018 | | 76,875 |
| Thereafter | | 892,250 |
| Total | $ | 1,046,000 |

*Senior Secured Credit Agreement.* On June 5, 2014, we entered into a new senior secured credit agreement, which includes a $500.0 million revolving credit facility and $300.0 million of tranche A term loans. The proceeds of the term loan borrowings, $46.0 million of revolving loans and cash on hand were used to repay all outstanding obligations under our prior credit agreement, which included $215.0 million of revolving loans that were used in part to fund the Specialty Brands acquisition, $121.9 million of term loan borrowings and $0.6 million of accrued and unpaid interest, and to pay $8.6 million of related transaction fees and expenses. At September 27, 2014, $300.0 million of tranche A term loans were outstanding and $46.0 million of revolving loans were outstanding under our senior secured credit agreement.

At September 27, 2014, the available borrowing capacity under our revolving credit facility, net of outstanding letters of credit of $0.5 million, was $453.5 million. Proceeds of the revolving credit facility may be used for general corporate purposes including acquisitions of targets in the same or a similar line of business as our company, subject to specified criteria. We are required to pay a commitment fee of 0.50% per annum on the unused portion of the revolving credit facility. The maximum letter of credit capacity under our revolving credit facility is $50.0 million, with a fronting fee of 0.25% per annum for all outstanding letters of credit and a letter of credit fee equal to the applicable margin for revolving loans that are Eurodollar (LIBOR) loans. The revolving credit facility matures on June 5, 2019.

The tranche A term loans are subject to principal amortization: $7.5 million is due and payable in fiscal 2014, $18.8 million is due and payable in fiscal 2015, $26.2 million is due and payable in fiscal 2016, $24.4 million is due and payable in fiscal 2017 and $76.9 million is due and payable in fiscal 2018. The balance of all borrowings under the tranche A term loan facility, or $146.2 million, is due and payable at maturity on June 5, 2019.

We may prepay the tranche A term loans or permanently reduce the revolving credit facility commitment under our credit agreement at any time without premium or penalty (other than customary breakage costs with respect to the early termination of LIBOR loans). Subject to certain exceptions, the credit agreement provides for mandatory prepayment upon certain asset dispositions or casualty events and issuances of indebtedness.

Interest under the revolving credit facility, including any outstanding letters of credit, and under the tranche A term loan facility, is determined based on alternative rates that we may choose in accordance with the credit agreement, including a base rate per annum plus an applicable margin ranging from 0.50% to 1.00%, and LIBOR plus an applicable margin ranging from 1.50% to 2.00%, in each case depending on our consolidated leverage ratio. At the end of the third quarter of 2014, the revolving credit facility and the tranche A term loan interest rates were each approximately 2.16%.

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**B&G Foods, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

**(5) Long-Term Debt (Continued)**

Our obligations under our credit agreement 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 domestic subsidiaries assets except our and our domestic subsidiaries real property. The credit agreement contains customary restrictive covenants, subject to certain permitted amounts and exceptions, including covenants limiting our ability to incur additional indebtedness, pay dividends and make other restricted payments, repurchase shares of our outstanding stock and create certain liens.

The credit agreement also contains certain financial maintenance covenants, which, among other things, specify maximum capital expenditure limits, a maximum consolidated leverage ratio and a minimum interest coverage ratio, each ratio as defined in the credit agreement. Our consolidated leverage ratio (defined as the ratio of our consolidated net debt, as of the last day of any period of four consecutive fiscal quarters to our adjusted EBITDA for such period), commencing with the second quarter of 2014, may not exceed 7.00 to 1.00 through the fourth quarter of 2015; 6.75 to 1.00 for the first quarter of 2016 through the fourth quarter of 2016; and 6.50 to 1.00 for the first quarter of 2017 and thereafter. We are also required to maintain a consolidated interest coverage ratio of at least 1.75 to 1.00 as of the last day of any period of four consecutive fiscal quarters. As of September 27, 2014, we were in compliance with all of the covenants, including the financial covenants, in the credit agreement.

The credit agreement also provides for an incremental term loan and revolving loan facility, pursuant to which we may request that the lenders under the credit agreement, and potentially other lenders, provide unlimited additional amounts of term loans or revolving loans or both on terms substantially consistent with those provided under the credit agreement. Among other things, the utilization of the incremental facility is conditioned on our ability to meet a maximum senior secured leverage ratio of 4.00 to 1.00, and a sufficient number of lenders or new lenders agreeing to participate in the facility.

*4.625% Senior Notes due 2021.* On June 4, 2013, we issued $700.0 million aggregate principal amount of 4.625% senior notes due 2021 at a price to the public of 100% of their face value. We used the net proceeds from the issuance of the 4.625% senior notes to purchase or redeem all $248.5 million principal amount of our then existing 7.625% senior notes due 2018, to repay $222.2 million principal amount of tranche B term loans and approximately $40.0 million principal amount of revolving loans under our credit agreement, and to pay related premiums, fees and expenses. We used the remaining net proceeds for the Pirate Brands acquisition.

Interest on the 4.625% senior notes is payable on June 1 and December 1 of each year. The 4.625% senior notes will mature on June 1, 2021, unless earlier retired or redeemed. On or after June 1, 2016, we may redeem some or all of the 4.625% senior notes at a redemption price of 103.469% beginning June 1, 2016 and thereafter at prices declining annually to 100% on or after June 1, 2019, in each case plus accrued and unpaid interest to the date of redemption. We may redeem up to 35% of the aggregate principal amount of the 4.625% senior notes prior to June 1, 2016 with the net proceeds from certain equity offerings at a redemption price of 104.625% plus accrued and unpaid interest to the date of redemption. We may also redeem some or all of the 4.625% senior notes at any time prior to June 1, 2016 at a redemption price equal to the make-whole amount set forth in the indenture governing the 4.625% senior notes. In addition, if we undergo a change of control or upon certain asset sales, we may be required to offer to repurchase the 4.625% senior notes at the repurchase price set forth in the indenture plus accrued and unpaid interest to the date of repurchase.

We may also, from time to time, seek to retire the 4.625% senior notes through cash repurchases of the 4.625% senior notes and/or exchanges of the 4.625% senior notes for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend

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**B&G Foods, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

**(5) Long-Term Debt (Continued)**

on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved would be material.

Our obligations under the 4.625% 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 4.625% 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 all existing and future 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. Our foreign subsidiaries are not guarantors, and any future foreign or partially owned domestic subsidiaries will not be guarantors, of the 4.625% senior notes.

The 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; creation of specified liens, certain sale-leaseback transactions and sales of certain specified 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, 2014, we were in compliance with all of the covenants in the indenture governing the 4.625% senior notes.

*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 long-term debt, and management has determined that our Canadian subsidiaries, which are our only subsidiaries that are not guarantors of our long-term debt, are minor subsidiaries 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 Financing Costs.* During the second quarter of 2014, we wrote-off and expensed $5.4 million of deferred debt financing costs relating to the termination of our prior credit agreement, which included the repayment of $121.9 million aggregate principal amount of our tranche A term loans and $215.0 million of revolving loans. During the second quarter of 2014, we also capitalized $5.6 million and $2.9 million of debt financing costs relating to the new revolving credit facility and tranche A term loans, respectively, which will be amortized over the five year scheduled term of the new credit agreement. As of September 27, 2014 and December 28, 2013 we had net deferred debt financing costs of $18.0 million and $17.8 million, respectively, included in other assets in the accompanying unaudited consolidated balance sheets.

*Loss on Extinguishment of Debt.* During the third quarter of 2014, we did not incur any loss on extinguishment of debt. During the third quarter of 2013, we incurred a loss on extinguishment of debt of $2.8 million in connection with the repayment of $30.2 million aggregate principal amount of the 7.625% senior notes. The loss on extinguishment includes the repurchase premium and other expenses of $2.3 million, the write-off of deferred debt financing costs of $0.4 million and the write-off of unamortized discount of $0.1 million. During the second quarter of 2014, we incurred a loss on extinguishment of debt in connection with the termination of our prior credit agreement and the repayment of all outstanding obligations thereunder. The loss on extinguishment includes the write-off of deferred debt financing costs of $5.4 million discussed above

**B&G Foods, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

**(5) Long-Term Debt (Continued)**

and the write-off of unamortized discount of $0.3 million. Loss on extinguishment of debt for the second quarter of 2013 includes costs relating to our repurchase of $218.3 million aggregate principal amount of 7.625% senior notes and our repayment of $222.2 million aggregate principal amount of tranche B term loans, including the repurchase premium and other expenses of $17.9 million, the write-off of deferred debt financing costs of $7.9 million and the write-off of unamortized discount of $2.6 million. We did not incur any loss on extinguishment of debt during the first quarter of 2014 or 2013.

*Accrued Interest.* At September 27, 2014 and December 28, 2013, accrued interest of $11.8 million and $3.3 million, respectively, is included in accrued expenses in the accompanying unaudited consolidated balance sheets.

**(6) Fair Value Measurements**

The authoritative accounting literature relating to fair value measurements 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 accounting literature 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 the accounting literature 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 fair value hierarchy under the accounting literature. The three levels are as follows:

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

Level 2 Observable inputs other than Level 1 quoted prices, such as quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value driver is observable for the asset or liability, either directly or indirectly.

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

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 revolving credit loans, term loans and senior notes as of September 27, 2014 and December 28, 2013 are as follows (in thousands):

| | **September 27, 2014** | | **December 28, 2013** | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | **Carrying Value** | **Fair Value** |
| Revolving Credit Loans | 46,000 | 46,000(1) | 40,000 | 40,000(1) |
| Tranche A Term Loans due 2016 | | | 130,885(2) | 131,250(1) |
| Tranche A Term Loans due 2019 | 299,311(2) | 300,000(1) | | |
| 4.625% Senior Notes due 2021 | 700,000 | 661,500(3) | 700,000 | 672,000(3) |

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**B&G Foods, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

**(6) Fair Value Measurements (Continued)**

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(1) Fair values are estimated based on Level 2 inputs, which were quoted prices for identical or similar instruments in markets that are not active.

(2) The carrying values of the tranche A term loans are net of discount. At September 27, 2014 and December 28, 2013, the face amounts of the tranche A term loans were $300.0 million and $131.3 million, respectively.

(3) Fair values are estimated based on quoted market prices.

For the *Rickland Orchards* acquisition, additional purchase price payments ranging from zero to $15.0 million are contingent upon the achievement of certain revenue growth targets during fiscal 2014, 2015 and 2016 meant to achieve revenue growth in excess of base purchase price acquisition model assumptions. We estimated the original fair value of the contingent consideration as the present value of the expected contingent payments, determined using the weighted probabilities of the possible payments. As of the date of acquisition we estimated the original fair value of the contingent consideration to be approximately $7.6 million.

During the remainder of fiscal 2013 and the first two quarters of 2014, we recorded interest accretion expense on the contingent consideration liability of $0.2 million and $0.4 million, respectively. We are required to reassess the fair value of the contingent consideration at each reporting period. At June 28, 2014, we remeasured the fair value of the contingent consideration using actual operating results through June 28, 2014 and our revised forecasted operating results for *Rickland Orchards* for the remainder of fiscal 2014, 2015 and 2016. As a result of lower than expected net sales results for *Rickland Orchards* and the unlikelihood of *Rickland Orchards* achieving the revenue growth targets, the fair value of the contingent consideration was reduced to zero, resulting in a non-cash gain of $8.2 million that is included in gain on change in fair value of contingent consideration in the accompanying unaudited consolidated statements of operations for the first three quarters of 2014. The significant inputs used in these estimates include numerous possible scenarios for the contingent earn-out payments based on the contractual terms of the contingent consideration, for which probabilities are assigned to each scenario, which are then discounted based on an individual risk analysis of the respective liabilities. Although we believe our assumptions are reasonable, different assumptions or changes in the future may result in different estimated amounts.

The following table summarized the Level 3 activity (in thousands):

| | | September 27, 2014 |
|---|---|---|
| Balance at beginning of year | $ | 7,774 |

| | | |
|---|---|---|
| Contingent consideration accretion expense | | 432 |
| Gain on change in fair value of contingent consideration | | (8,206) |
| Balance at end of quarter | $ | |

**(7) Accumulated Other Comprehensive Loss**

The reclassification from accumulated other comprehensive loss as of September 27, 2014 and September 28, 2013 are as follows (in thousands):

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**B&G Foods, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

## (7) Accumulated Other Comprehensive Loss (Continued)

| Details about AOCL Components | Thirteen Weeks Ended September 27, 2014 | Thirteen Weeks Ended September 28, 2013 | Thirty-Nine Weeks Ended September 27, 2014 | Thirty-Nine Weeks Ended September 28, 2013 | Affected Line Item in the Statement Where Net Income (loss) is Presented |
|---|---|---|---|---|---|
| **Defined benefit pension plan items** | | | | | |
| Amortization of prior service cost | $ 11 | $ 11 | $ 33 | $ 33 | See (1) below |
| Amortization of unrecognized loss | | 195 | | 619 | See (1) below |
| | 11 | 206 | 33 | 652 | Total before tax |
| | (4) | (90) | (12) | (253) | Income tax expense |
| **Total reclassification** | $ 7 | $ 116 | $ 21 | $ 399 | Net of tax |

(1) These items are included in the computation of net periodic pension cost. See Note 8, Pension Benefits for additional information.

Changes in accumulated other comprehensive loss as of September 27, 2014 is as follows (in thousands):

| | Defined Benefit Pension Plan Items | Foreign Currency Translation Adjustments | Total |
|---|---|---|---|
| Beginning balance | $ (2,340) | $ (131) | $ (2,471) |
| Other comprehensive loss before reclassifications | | (45) | (45) |
| Amounts reclassified from AOCL | 21 | | 21 |
| Net current period other comprehensive income (loss) | 21 | (45) | (24) |
| Ending balance | $ (2,319) | $ (176) | $ (2,495) |

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**B&G Foods, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

## (8) Pension Benefits

*Company Sponsored Defined Benefit Pension Plans.* Net periodic pension costs for company sponsored defined benefit pension plans for the third quarter and first three quarters of 2014 and 2013 include the following components (in thousands):

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| | September 27, 2014 | September 28, 2013 | September 27, 2014 | September 28, 2013 |
| Service cost benefits earned during the period | $ 768 | $ 792 | $ 2,173 | $ 2,493 |
| Interest cost on projected benefit obligation | 592 | 528 | 1,794 | 1,583 |
| Expected return on plan assets | (1,089) | (913) | (3,258) | (2,722) |
| Amortization of unrecognized prior service cost | 11 | 11 | 33 | 33 |
| Amortization of unrecognized loss | | 195 | | 619 |
| Net periodic pension cost | $ 282 | $ 613 | $ 742 | $ 2,006 |

During the first three quarters of 2014, we made $1.8 million of defined benefit pension plan contributions. We do not plan to make additional contributions during the remainder of fiscal 2014.

*Multi-Employer Defined Benefit Pension Plan.* We also contribute to the Bakery and Confectionary Union and Industry International Pension Fund (EIN 52-6118572, Plan No. 001), a multi-employer defined benefit pension plan, sponsored by the Bakery, Confectionary, Tobacco Workers and Grain Millers International Union (BCTGM). The plan provides multiple plan benefits with corresponding contribution rates that are collectively bargained between participating employers and their affiliated BCTGM local unions. The collective bargaining agreement for our Portland, Maine employees participating in the plan expires on April 25, 2015.

We were notified that for the plan year beginning January 1, 2012, the plan was in critical status and classified in the Red Zone. As of the date of the accompanying unaudited consolidated interim financial statements, the plan remains in critical status. The law requires that all contributing employers pay to the plan a surcharge to help correct the plan s financial situation. The amount of the surcharge is equal to a percentage of the amount an employer is otherwise required to contribute to the plan under the applicable collective bargaining agreement. A 5% surcharge payable on hours worked on and after June 1, 2012 until December 31, 2012 was charged for plan year 2012, the initial critical year. A 10% surcharge payable on hours worked on and after January 1, 2013 will be applicable for each succeeding plan year that the plan is in critical status until we agree to a collective bargaining agreement that implements a rehabilitation plan. B&G Foods made contributions to the plan of $1.0 million in fiscal 2013. These contributions represented less than five percent of total contributions made to the plan. In fiscal 2013, we paid less than $0.1 million in surcharges and expect to pay surcharges of less than $0.1 million in fiscal 2014 assuming consistent hours are worked.

**(9) Commitments and Contingencies**

*Operating Leases*. As of September 27, 2014, future minimum lease payments under non-cancelable operating leases in effect at quarter-end (with initial lease terms in excess of one year) were as follows (in thousands):

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**B&G Foods, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

**(9) Commitments and Contingencies (Continued)**

| **Fiscal year ending:** | | **Third Parties** |
|---|---|---|
| 2014 | $ | 1,784 |
| 2015 | | 7,276 |
| 2016 | | 7,277 |
| 2017 | | 4,945 |
| 2018 | | 4,910 |
| Thereafter | | 8,586 |
| Total | $ | 34,778 |

*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, product labeling 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. While we cannot predict with certainty the results of these claims and legal actions in which we are currently or in the future may be involved, we do not expect that the ultimate disposition of any currently pending claims or actions will have a material adverse effect on our consolidated financial position, results of operations or liquidity.

Pirate Brands has been named as a defendant in six duplicative putative class action lawsuits filed in United States District Courts, two of which were filed prior to our ownership of Pirate Brands. The cases allege that Pirate Brands products are improperly labeled as natural because they contain genetically modified and highly processed ingredients. Each case was filed on behalf of a plaintiff and purported similarly situated individuals. The first case was filed in December 2012 in the Eastern District of New York by Milana Vasquez. A duplicative case was then filed in February 2013 in the Northern District of California by Michael Hill, which case has been transferred to the Eastern District of New York. Identical actions were then filed in July 2013 in the Southern District of Florida (by Janelle Ruffino), the Western District of Washington (by Victoria Molinarolo), the Central District of California (by Nicolle DiSimone) and the District of New Jersey (by Randy Goldberg). Each complaint seeks monetary damages, injunctive relief and attorneys fees. Pirate Brands was successful in its efforts to have all six cases transferred to the Eastern District of New York to be coordinated before a single judge. We intend to vigorously defend these lawsuits and believe that the plaintiffs claims are without merit. No discovery has commenced in any of the cases, and a motion to dismiss the claims is pending. Based upon information currently available, we do not believe the ultimate resolution of these actions will have a material adverse effect on B&G Foods consolidated financial position, results of operations or liquidity.

B&G Foods has been named as a defendant in two additional putative class action lawsuits that allege that certain of our products are improperly labeled as natural because they contain genetically modified and/or and highly processed ingredients. The first case was filed in the United States District Court for the Southern District of Florida in September 2014 by Bonnie Jo Pettinga, Caleb Johnson, Shawn Teufel and Joseph Grey, individually and purportedly on behalf of similarly situated individuals. This action was voluntarily dismissed without prejudice by the plaintiffs on or about October 17, 2014. The second case was filed in the United States District Court for the Southern District of New York in October 2014 by Carolina Alduey, purportedly on behalf of herself and similarly situated individuals. Each complaint seeks monetary damages, injunctive relief and attorneys fees. B&G Foods has yet to be served with the complaint. We intend to vigorously defend these lawsuits and believe that the plaintiffs claims are without merit. Based upon information currently available, we do not believe the ultimate resolution of these actions will have a material adverse effect on B&G Foods consolidated financial position, results of operations or liquidity.

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**B&G Foods, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

**(9) Commitments and Contingencies (Continued)**

*Environmental.* We are subject to environmental laws and regulations in the normal course of business. We did not make any material expenditures during the first three quarters of 2014 or 2013 in order to comply with environmental laws and regulations. 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.

*Collective Bargaining Agreements*. As of September 27, 2014, approximately 327 of our 966 employees, or 33.9%, were covered by collective bargaining agreements, of which approximately 98 were covered by a collective bargaining agreement expiring within the next 12 months. Our collective bargaining agreement with the Bakery, Confectionery, Tobacco Workers and Grain Millers International Union, AFL-CIO, Local No. 334 that covers certain employees at our Portland, Maine manufacturing facility is scheduled to expire on April 25, 2015. We expect to begin negotiations for a new collective bargaining agreement during the fourth quarter of 2014 or the first quarter of 2015. While we believe that our relations with our union employees are good, we cannot be certain that we will be able to negotiate a new collective bargaining agreement for the Portland, Maine manufacturing facility on terms satisfactory to us, or at all, and without production interruptions, including labor stoppages. At this time, however, management does not expect the outcome of these negotiations to have a material adverse effect on our business, financial condition or results of operations. None of our other collective bargaining agreements is scheduled to expire within one year.

*Severance and Change of Control Agreements.* We have employment agreements with each of our seven 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 in the agreements) or as a result of the employee s death or disability, or termination by us or a deemed termination upon a change of control (as defined in the agreements). Severance benefits generally include payments for salary continuation, continuation of health care and insurance benefits, present value of additional pension credits and, in the case of a change of control, accelerated vesting under compensation plans and potential excise tax liability and gross up payments.

**(10) Earnings per Share**

Basic earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding. Diluted earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding plus all additional shares of common stock that would have been outstanding if potentially dilutive shares of common stock related to performance shares that may be earned under long-term incentive awards had been issued as of the beginning of the period using the treasury stock method. For the third quarter of 2014, 101,428 shares of common stock issuable upon the achievement of performance goals in connection with share-based compensation awards have not been included in the calculation of diluted weighted average shares because the effect would have been anti-dilutive on diluted loss per share.

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**B&G Foods, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

**(10) Earnings per Share (Continued)**

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| | September 27, 2014 | September 28, 2013 | September 27, 2014 | September 28, 2013 |
| Weighted average shares outstanding: | | | | |
| Basic | 53,663,697 | 52,873,364 | 53,655,743 | 52,817,048 |
| Net effect of potentially dilutive share-based compensation awards | | 247,028 | 74,638 | 158,031 |
| Diluted | 53,663,697 | 53,120,392 | 53,730,381 | 52,975,079 |

**(11) 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 the financial condition of our customers. Our top ten customers accounted for approximately 51.9% and 48.9% of consolidated net sales for the first three quarters of 2014 and 2013, respectively. Our top ten customers accounted for approximately 50.5% and 46.1% of our consolidated trade accounts receivables as of September 27, 2014 and December 28, 2013, respectively. Other than Wal-Mart, which accounted for 18.6% of our consolidated net sales for both the first three quarters of 2014 and 2013, no single customer accounted for more than 10.0% of our consolidated net sales for the first three quarters of 2014 or 2013. Other than Wal-Mart, which accounted for 14.5% and 12.9% of our consolidated trade accounts receivables as of September 27, 2014 and December 28, 2013, respectively, no single customer accounted for more than 10.0% of our consolidated trade accounts receivables. As of September 27, 2014, we do not believe we have any significant concentration of credit risk with respect to our consolidated trade accounts receivable with any single customer whose failure or nonperformance would materially affect our results other than as described above with respect to Wal-Mart.

During the first three quarters of 2014 and 2013, our sales to foreign countries represented approximately 3.3% and 3.2%, respectively, of net sales. Our foreign sales are primarily to customers in Canada.

**(12) Share-Based Payments**

Our company makes annual grants of performance share long-term incentive awards to our executive officers and certain other members of senior management. The performance share long-term incentive awards entitle the participants to earn shares of common stock upon the attainment of certain performance goals. In addition, our non-employee directors receive annual equity grants as part of their non-employee director compensation.

The following table sets forth the compensation expense recognized for share-based payments (performance share long-term incentive awards, non-employee director stock grants and other share based compensation, if any) during the third quarter and first three quarters of 2014 and 2013 and where that expense is reflected in our consolidated statements of operations (in thousands):

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**B&G Foods, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

**(12) Share-Based Payments (Continued)**

| Consolidated Statements of Operations Location | Thirteen Weeks Ended September 27, 2014 | Thirteen Weeks Ended September 28, 2013 | Thirty-Nine Weeks Ended September 27, 2014 | Thirty-Nine Weeks Ended September 28, 2013 |
|---|---|---|---|---|
| Compensation expense included in cost of goods sold | $ 115 | $ 282 | $ 609 | $ 716 |
| Compensation expense included in selling, general and administrative expenses | 271 | 827 | 1,519 | 2,553 |
| Total compensation expense for share-based payments | $ 386 | $ 1,109 | $ 2,128 | $ 3,269 |

As of September 27, 2014, there was $2.4 million of unrecognized compensation expense related to performance share long-term incentive awards, which is expected to be recognized over the next 2.25 years.

The following table details the activity in our non-vested performance share long-term incentive awards for the first three quarters of 2014:

| | Number of Performance Shares | Weighted Average Grant Date Fair Value (per share)(2) |
|---|---|---|
| Beginning of fiscal 2014 | 611,819(1) | $ 17.05 |
| Granted | 174,834(1) | $ 27.54 |
| Vested | (342,576) | $ 11.78 |
| Forfeited | (20,126) | $ 27.70 |
| End of first three quarters of 2014 | 423,951(1) | $ 25.12 |

(1) Solely for purposes of this table, the number of performance shares is based on the participants earning the maximum number of performance shares (i.e., 200% of the target number of performance shares).

(2) The fair value of the awards was determined based upon the closing price of our 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.

The following table details the number of shares of common stock issued by our company during the first three quarters of 2014 and 2013 upon the vesting of performance share long-term incentive awards and other share based compensation:

| | Thirty-Nine Weeks Ended September 27, 2014 | Thirty-Nine Weeks Ended September 28, 2013 |
|---|---|---|
| Number of performance shares vested | 342,576 | 512,885 |
| Shares withheld to fund statutory minimum tax withholding | 138,799 | 214,878 |
| Shares of common stock issued for performance share long-term incentive awards | 203,777 | 298,007 |
| Shares of common stock issued to non-employee directors for annual equity grants | 14,010 | 14,592 |
| Total shares of common stock issued | 217,787 | 312,599 |
| Excess tax benefit recorded to additional paid in capital | $ 2,356 | $ 4,192 |

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**B&G Foods, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

## (13) Net Sales by Brand

The following table sets forth net sales by brand (in thousands):

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| | September 27, 2014 | September 28, 2013 | September 27, 2014 | September 28, 2013 |
| Brand (1): | | | | |
| *Ortega* | $ 35,272 | $ 33,665 | $ 105,485 | $ 102,208 |
| Pirate Brands (2) | 22,902 | 16,488 | 63,599 | 16,488 |
| *Maple Grove Farms of Vermont* | 19,272 | 19,639 | 56,447 | 56,804 |
| *Mrs. Dash* | 15,259 | 14,036 | 48,027 | 47,061 |
| *Cream of Wheat* | 13,977 | 14,854 | 42,549 | 46,373 |
| *Polaner* | 8,433 | 9,148 | 25,811 | 27,846 |
| *Las Palmas* | 8,289 | 7,917 | 24,558 | 24,469 |
| *New York Style* | 5,770 | 8,229 | 21,321 | 24,094 |
| *Rickland Orchards* (3) | 4,461 | | 20,250 | |
| *Bloch & Guggenheimer* | 5,637 | 6,107 | 19,965 | 20,452 |
| *Bear Creek Country Kitchens* (4) | 13,908 | | 19,277 | |
| *TrueNorth* (5) | 5,051 | 5,366 | 16,232 | 8,521 |
| *B&M* | 3,559 | 4,002 | 15,668 | 17,134 |
| *Underwood* | 4,884 | 5,561 | 14,043 | 15,353 |
| *Ac cent* | 4,088 | 4,535 | 13,053 | 13,613 |
| *Emeril s* | 3,725 | 4,114 | 10,992 | 12,073 |
| *Spring Tree* (4) | 5,107 | | 8,787 | |
| All other brands | 29,404 | 27,689 | 83,963 | 80,937 |
| Total | $ 208,998 | $ 181,350 | $ 610,027 | $ 513,426 |

(1) Net sales for each brand include, if applicable, any private label and food service net sales attributable to the brand.

(2) We completed the acquisition of Pirate Brands on July 8, 2013.

(3) We acquired the *Rickland Orchards* brand on October 7, 2013.

(4) We completed the acquisition of Specialty Brands on April 23, 2014, including the *Bear Creek Country Kitchens, Spring Tree, Cary s, MacDonald s, New York Flatbreads and Canoleo* brands.

(5) We acquired the *TrueNorth* brand on May 6, 2013.

**(14) Related Party Transactions**

Except as noted below, there were no related party transactions in the first three quarters of 2014 with any director or executive officer of B&G Foods or any other related person, as defined in Rule 404 under Regulation S-K promulgated under the Securities Act of 1933, as amended, and none is proposed.

On October 7, 2013, we completed the acquisition of all the issued and outstanding equity interests of Rickland Orchards LLC from Natural Instincts LLC for a purchase price of $57.5 million, of which approximately $37.4 million was paid in cash and approximately $20.1 million was paid in shares of common stock of B&G Foods (based on the closing price of $35.15 per share on October 4, 2013), plus consideration of up to a maximum of $15.0 million in the aggregate, which is payable based upon the achievement of specified operating results during fiscal 2014, 2015 and 2016. Following the completion of the acquisition, Jason Cohen, a co-founder and the former chief executive officer of Rickland Orchards, and Michael Sands, a co-founder and the former chief operating officer of Rickland Orchards, began serving as an executive vice president and a vice president, respectively, of B&G Foods. Mr. Sands was promoted to executive vice president of snacks of B&G Foods effective March 11, 2014. Mr. Cohen resigned as executive vice president of club channel of B&G Foods effective March 31, 2014. Mr. Cohen is a member of the board of managers of Natural Instincts as well as a

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**B&G Foods, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Unaudited)**

**(14) Related Party Transactions (Continued)**

member of Natural Instincts. Mr. Sands is a member of Natural Instincts. Mr. Cohen has an approximately 40% interest in Natural Instincts and Mr. Sands has an approximately 1.5% interest in Natural Instincts. In addition, in connection with Mr. Cohen s resignation from B&G Foods, Replenish Capital LLC agreed to become a strategic advisor to B&G Foods executive management team on a non-exclusive basis. Under that arrangement, Replenish Capital was able to earn $20,000 per month plus commissions on incremental sales of B&G Foods products to the club channel that are facilitated by Replenish Capital. Mr. Cohen is the sole member of Replenish Capital. On August 1, 2014, Replenish Capital and B&G Foods mutually agreed to terminate the consulting arrangement, with an effective date of termination of September 30, 2014.

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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, 2014 (third quarter and first three quarters of 2014) included elsewhere in this report and the audited consolidated financial statements and related notes for the fiscal year ended December 28, 2013 (fiscal 2013) included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 26, 2014 (which we refer to as our 2013 Annual Report on Form 10-K).

**General**

We manufacture, sell and distribute a diverse portfolio of branded, high quality, shelf-stable foods and household 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 company has been built upon a successful track record of both organic and acquisition-driven growth. Our goal is to continue to increase sales, profitability and cash flows through organic growth, strategic acquisitions and new product development. We intend to implement our growth strategy through the following initiatives: expanding our brand portfolio with disciplined acquisitions of complementary branded businesses, continuing to develop new products and delivering them to market quickly, leveraging our 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 more than 35 brands into our company. Most recently, on April 23, 2014, we completed the acquisition of Specialty Brands of America, Inc., including the *Bear Creek Country Kitchens, Spring Tree, Cary s, MacDonald s, New York Flatbreads* and *Canoleo* brands, from affiliates of American Capital, Ltd. and certain individuals. On October 7, 2013, we acquired Rickland Orchards LLC, including the *Rickland Orchards* brand, from Natural Instincts LLC. On July 8, 2013, we completed the acquisition of Pirate Brands, LLC, including the *Pirate s Booty*, *Smart Puffs* and *Original Tings* brands, from affiliates of VMG Partners and Driven Capital Management and certain other entities and individuals. On May 7, 2013, we acquired the *TrueNorth* nut cluster brand from DeMet s Candy Company. We refer to these acquisitions in this report as the Specialty Brands acquisition, *Rickland Orchards* acquisition, Pirate Brands acquisition and *TrueNorth* acquisition, respectively. Each of these four recent acquisitions has been accounted for using the acquisition method of accounting and, accordingly, the assets acquired and results of operations of the acquired businesses are included in our consolidated financial statements from the respective dates of acquisition. These acquisitions and the application of the acquisition method of accounting 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, ingredients and packaging materials from growers, commodity processors, other food companies and packaging suppliers located in U.S. and foreign locations. Raw materials and other input costs, such as fuel and transportation, 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. The cost of raw materials,

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fuel, labor, distribution and other costs related to our operations can increase from time to time significantly and unexpectedly.

We attempt to manage cost inflation risks by locking in prices through short-term supply contracts and advance commodities purchase agreements and by implementing cost saving measures. We also attempt to offset rising input costs by raising sales prices to our customers. However, increases in the prices we charge our customers may lag behind rising input costs. Competitive pressures also may limit our ability to quickly raise prices in response to rising costs.

We expect cost decreases for raw materials in the marketplace during 2014 and are currently locked into our supply and prices for a majority of our most significant commodities (excluding, among others, maple syrup) through the second quarter of 2015 at a cost decrease of less than 1% of cost of goods sold. During fiscal 2013, we had minimal cost increases. To the extent we are unable to avoid or offset any present or future cost increases by locking in our costs, implementing cost saving measures or increasing prices to our customers, our operating results could be materially adversely affected. In addition, should input costs begin to decline further, customers may look for price reductions in situations where we have locked into purchases at higher costs.

*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. If consumers in our principal markets lose confidence in the safety and quality of our food products, even as a result of a product liability claim or a product recall by a food industry competitor, our business could be adversely affected.

*Fluctuations in Currency Exchange Rates*. We purchase the majority of our maple syrup requirements from suppliers located in Québec, Canada. Any weakening of the U.S. dollar against the Canadian dollar, could significantly increase our costs relating to the production of our maple syrup products to the extent we have not purchased Canadian dollars in advance of any such weakening of the U.S. dollar or otherwise entered into a currency hedging arrangement in advance of any such weakening of the U.S. dollar. Our purchases of raw materials from other foreign suppliers are generally denominated in U.S. dollars.

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, to address consumer concerns about food safety, quality and health and to favorably manage currency fluctuations.

**Critical Accounting Policies; Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States 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; acquisition accounting allocations; the recoverability of goodwill, other intangible assets, property, plant and equipment, and deferred tax assets; the determination of the useful life of customer relationship and

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amortizable trademark intangibles; and the fair value of contingent consideration liabilities. Actual results could differ significantly from these estimates and assumptions.

In our 2013 Annual Report on Form 10-K, we identified the critical accounting policies which affect our more significant estimates and assumptions used in preparing our consolidated financial statements. There have been no significant changes to these policies from those disclosed in our 2013 Annual Report on Form 10-K.

**Results of Operations**

The following table sets forth the percentages of net sales represented by selected items for the third quarter and first three quarters of each of 2014 and 2013 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, 2014 | September 28, 2013 | September 27, 2014 | September 28, 2013 |
| **Statement of Operations:** | | | | |
| Net sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of goods sold | 69.8% | 66.2% | 68.7% | 65.8% |
| Gross profit | 30.2% | 33.8% | 31.3% | 34.2% |
| | | | | |
| Selling, general and administrative expenses | 10.1% | 11.7% | 11.3% | 10.7% |
| Amortization expense | 1.7% | 1.3% | 1.6% | 1.3% |
| Impairment of intangible assets | 16.3% | | 5.6% | |
| Gain on change in fair value of contingent consideration | | | (1.3)% | |
| Operating income | 2.1% | 20.8% | 14.1% | 22.2% |
| | | | | |
| Interest expense, net | 5.6% | 6.1% | 5.7% | 6.0% |
| Loss on extinguishment of debt | | 1.6% | 0.9% | 6.1% |
| (Loss) income before income tax (benefit) expense | (3.5)% | 13.1% | 7.5% | 10.1% |
| | | | | |
| Income tax (benefit) expense | (1.4)% | 4.6% | 2.7% | 3.6% |
| Net (loss) income | (2.1)% | 8.5% | 4.8% | 6.5% |

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.

*Selling, General and Administrative Expenses.* Our selling, general and administrative expenses include costs related to selling our products, as well as all other general and administrative expenses. Some of these costs include administrative, marketing and internal sales force employee compensation and benefits costs, consumer advertising programs, brokerage costs, warehousing expenses, information technology and communication costs, office rent, utilities, supplies, professional services, acquisition-related transaction costs and other general corporate expenses.

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*Impairment of Intangible Assets.* Impairment on intangible assets represents a reduction of the carrying value of amortizable intangible assets to fair value when the carrying value of the assets is no longer recoverable.

*Gain on Change in Fair Value of Contingent Consideration.* Gain on change in fair value of contingent consideration represents decreases in the fair value of the contingent consideration liability relating to additional purchase price earn-out payments that are contingent upon the achievement of certain operating results by acquired businesses.

*Amortization Expense.* Amortization expense includes the amortization expense associated with customer relationships, amortizable trademarks and other intangibles.

*Net Interest Expense.* Net interest expense includes interest relating to our outstanding indebtedness, amortization of bond discount and amortization of deferred debt financing costs, net of interest income.

*Loss on Extinguishment of Debt.* Loss on extinguishment of debt includes costs relating to the retirement of indebtedness, including repurchase premium, if any, and write-off of deferred debt financing costs and unamortized discounts, if any.

***Non-GAAP Financial Measures***

Certain disclosures in this report include non-GAAP 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 from the most directly comparable measure calculated and presented in accordance with accounting principles generally accepted in the United States (GAAP) in our consolidated balance sheets and related consolidated statements of operations, comprehensive income (loss), changes in stockholders equity and cash flows.

EBITDA and adjusted EBITDA are non-GAAP financial measures used by management to measure operating performance. We define EBITDA as net income (loss) before net interest expense (as defined above), income taxes, depreciation and amortization and loss on extinguishment of debt (as defined above). We define adjusted EBITDA as EBITDA adjusted for cash and non-cash acquisition-related expenses, gains and losses (which may include third party fees and expenses, integration, restructuring and consolidation expenses), intangible asset impairment charges and related asset write-offs, and gains or losses related to changes in the fair value of contingent liabilities from earn-outs. Management believes that it is useful to eliminate net interest expense, income taxes, depreciation and amortization, loss on extinguishment of debt, acquisition-related expenses, gains and losses, non-cash intangible asset impairment charges and related asset write-offs, and gains or losses related to changes in the fair value of contingent liabilities from earn-outs 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 and adjusted EBITDA in our business operations to, among other things, 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 and adjusted EBITDA because we believe they are useful indicators of our historical debt capacity and ability to service debt and because covenants in our credit agreement and our senior notes indenture contain ratios based on these measures. As a result, internal management reports used during monthly operating reviews feature the EBITDA and adjusted EBITDA metrics. However, management uses these metrics 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 these measures as its only measures of operating performance and liquidity.

EBITDA and adjusted EBITDA are not recognized terms under GAAP and do not purport to be an alternative to operating income or net income (loss) or any other GAAP measure as an indicator of operating

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performance. EBITDA and adjusted EBITDA are not complete net cash flow measures because EBITDA and adjusted EBITDA are measures of liquidity that do not include reductions for cash payments for an entity s obligation to service its debt, fund its working capital, capital expenditures and acquisitions and pay its income taxes and dividends. Rather, EBITDA and adjusted EBITDA are two potential indicators of an entity s ability to fund these cash requirements. EBITDA and adjusted EBITDA are not complete measures of an entity s profitability because they do not include costs and expenses for depreciation and amortization, interest and related expenses, loss on extinguishment of debt, acquisition-related expenses, gains and losses and income taxes, intangible asset impairment charges and related asset write-offs, and gains or losses related to changes in the fair value of contingent liabilities from earn-outs. Because not all companies use identical calculations, this presentation of EBITDA and adjusted EBITDA may not be comparable to other similarly titled measures of other companies. However, EBITDA and adjusted EBITDA can still be useful in evaluating our performance against our peer companies because management believes these measures provide users with valuable insight into key components of GAAP amounts.

A reconciliation of EBITDA and adjusted EBITDA to net income and to net cash provided by operating activities for the third quarter and first three quarters of each of 2014 and 2013 along with the components of EBITDA and adjusted EBITDA follows (in thousands):

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| | September 27, 2014 | September 28, 2013 | September 27, 2014 | September 28, 2013 |
| Net (loss) income | $ (4,413) | $ 15,350 | $ 29,502 | $ 33,551 |
| Income tax (benefit) expense | (2,830) | 8,350 | 15,977 | 18,328 |
| Interest expense, net | 11,587 | 11,097 | 34,532 | 30,900 |
| Depreciation and amortization | 6,838 | 5,983 | 20,783 | 17,002 |
| Loss on extinguishment of debt | | 2,813 | 5,748 | 31,291 |
| EBITDA | 11,182 | 43,593 | 106,542 | 131,072 |
| Acquisition-related transaction costs | 1,141 | 2,399 | 6,524 | 2,933 |
| Impairment of intangible assets | 34,154 | | 34,154 | |
| Loss on disposal of inventory | 2,978 | | 2,978 | |
| Gain on change in fair value of contingent consideration | | | (8,206) | |
| Adjusted EBITDA | 49,455 | 45,992 | 141,992 | 134,005 |
| Income tax benefit (expense) | 2,830 | (8,350) | (15,977) | (18,328) |
| Interest expense, net | (11,587) | (11,097) | (34,532) | (30,900) |
| Deferred income taxes | (3,511) | 5,869 | 5,083 | 12,063 |
| Amortization of deferred financing costs and bond discount | 879 | 1,025 | 2,907 | 3,318 |
| Acquisition-related transaction costs | (1,141) | (2,399) | (6,524) | (2,933) |
| Acquisition-related contingent consideration expense, including interest accretion | | | 432 | |
| Share-based compensation expense | 386 | 1,109 | 2,128 | 3,269 |
| Excess tax benefits from share-based compensation | 27 | 6 | (2,356) | (4,192) |
| Changes in assets and liabilities | (12,790) | (4,938) | (32,464) | (27,409) |
| Net cash provided by operating activities | $ 24,548 | $ 27,217 | $ 60,689 | $ 68,893 |

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***Third quarter of 2014 compared to the third quarter of 2013***

*Net Sales.* Net sales for the third quarter of 2014 increased $27.6 million, or 15.2%, to $209.0 million from $181.4 million for the third quarter of 2013. Net sales of Specialty Brands, acquired in April 2014, contributed $22.1 million to the overall increase. Net sales of the *Rickland Orchards* brand, acquired in October 2013, contributed $4.5 million to the overall increase. Net sales from our base business increased $1.0 million, or 0.6%, attributable to a unit volume increase of $2.4 million, or 1.4%, partially offset by a net price decrease of $1.4 million, or 0.8%.

See Note 13, Net Sales by Brand, to our unaudited consolidated interim financial statements in Part I, Item 1 of this report, for detailed information regarding total net sales by brand for the third quarter of 2014 and the third quarter of 2013 for each of our brands that exceed approximately 2% of our net sales and for all other brands in the aggregate. The following chart sets forth the most significant net sales increases and decreases by brand for our base business for the third quarter of 2014 as compared to the third quarter of 2013:

| | Base Business Net Sales Increase (Decrease) | | |
|---|---|---|---|
| | Dollars (in millions) | | Percentage |
| Brand: | | | |
| Pirate Brands | $ | 6.4 | 38.9% |
| *Ortega* | | 1.6 | 4.8% |
| *Mrs.Dash* | | 1.2 | 8.7% |
| | | | |
| *New York Style* | | (2.5) | (29.9)% |
| *Cream of Wheat* | | (0.9) | (5.9)% |
| *Polaner* | | (0.7) | (7.8)% |
| *Underwood* | | (0.7) | (12.2)% |
| *Bloch & Guggenheimer* | | (0.5) | (7.7)% |
| *Ac cent* | | (0.4) | (9.9)% |
| *B&M* | | (0.4) | (11.1)% |
| | | | |
| All other brands | | (2.1) | (3.2)% |
| Total | $ | 1.0 | 0.6% |

The increase in net sales for Pirate Brands for the third quarter of 2014 was primarily attributable to increased distribution in the club channel and increased promotional display activity in the grocery channel. Net sales for *New York Style* decreased primarily due to distribution losses in both the grocery and club channels.

*Gross Profit.* Gross profit for the third quarter of 2014 increased $1.8 million, or 2.9%, to $63.1 million from $61.3 million for the third quarter of 2013. Gross profit expressed as a percentage of net sales decreased to 30.2% for the third quarter of 2014 from 33.8% in the third quarter of 2013. The 3.6 percentage point decrease was to a large extent attributable to a charge to cost of goods sold of approximately $3.0 million relating to a write-off of certain raw material and finished goods inventory used in the production of *Rickland Orchards* products, which reduced gross profit margin by approximately 1.4 percentage points. See Note 1, Nature of Operations *Acquisitions*, to our unaudited consolidated interim financial statements in Part I, Item 1 of this report, for detailed information regarding this write-off. The remaining 2.2 percentage point decrease was attributable to a sales mix shift to lower margin products, an increase in distribution costs and the base business net price decrease described above, as well as the effect of the Canadian exchange rate, which reduced gross profit margin by approximately 0.9 percentage points, 0.7 percentage points and 0.6 percentage points, respectively.

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*Selling, General and Administrative Expenses.* Selling, general and administrative expenses decreased $0.1 million, or 0.5%, to $21.2 million for the third quarter of 2014 from $21.3 million for the third quarter of 2013. This decrease was due to decreases in acquisition-related transaction costs of $1.3 million, consumer marketing of $0.2 million and other expenses of $0.4 million, offset by increases in selling expenses of $1.1 million (including an increase of $0.9 million for brokerage expenses) and warehousing expenses of $0.7 million. Expressed as a percentage of net sales, our selling, general and administrative expenses decreased 1.6 percentage points to 10.1% for the third quarter of 2014 from 11.7% for the third quarter of 2013.

*Impairment of Intangible Assets.* During the third quarter of 2014, we recognized non-cash impairment charges to intangible assets of $34.2 million relating to *Rickland Orchards,* including a $26.9 million charge for the impairment of amortizable trademarks and a $7.3 million charge for the impairment of customer relationship intangibles, due primarily to our reduced projections for net sales to the club channel for the core products of *Rickland Orchards.* We did not have any impairment of intangible assets during the third quarter of 2013.

*Amortization Expense.* Amortization expense increased $1.0 million to $3.4 million for the third quarter of 2014 from $2.4 million for the third quarter of 2013 due to acquisitions.

*Operating Income.* As a result of the foregoing, operating income decreased $33.3 million, or 88.5%, to $4.3 million for the third quarter of 2014 from $37.6 million for the third quarter of 2013. Operating income expressed as a percentage of net sales decreased to 2.1% in the third quarter of 2014 from 20.8% in the third quarter of 2013.

*Net Interest Expense.* Net interest expense for the third quarter of 2014 increased $0.5 million, or 4.4%, to $11.6 million from $11.1 million in the third quarter of 2013. The increase was primarily attributable to an increase in our average debt outstanding attributable to our recent acquisitions. See Liquidity and Capital Resources Debt below.

*Loss on Extinguishment of Debt.* During the third quarter of 2014, we did not have any loss on extinguishment of debt. Loss on extinguishment of debt for the third quarter of 2013 included costs relating to our repurchase of the remaining $30.2 million aggregate principal amount of 7.625% senior notes, including the repurchase premium and other expenses of $2.3 million, the write-off of deferred debt financing costs of $0.4 million and the write-off of unamortized discount of $0.1 million.

*Income Tax Expense.* Income tax expense decreased $11.2 million to an income tax benefit of $2.8 million for the third quarter of 2014 from a tax expense of $8.4 million for the third quarter of 2013. Our effective tax rate was 39.1% for the third quarter of 2014 and 35.2% for the third quarter of 2013. During the third quarter of 2014, we recorded a non-cash impairment charge to intangible assets which was treated as a discrete item reducing our effective tax rate for the first three quarters of 2014. The cumulative reduction recognized in the quarter caused an increase in our effective tax rate due to a loss before income tax for the quarter.

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***First three quarters of 2014 compared to the first three quarters of 2013***

*Net Sales.* Net sales for the first three quarters of 2014 increased $96.6 million, or 18.8%, to $610.0 million from $513.4 million for the first three quarters of 2013. An additional six months of net sales of Pirate Brands, acquired in July 2013, contributed $40.7 million to the overall increase. Net sales of Specialty Brands, acquired in April 2014, contributed $33.5 million to the overall increase. Net sales of the *Rickland Orchards* brand, acquired in October 2013, contributed $20.3 million to the overall increase. And an additional four months of net sales of the *TrueNorth* brand, acquired in May 2013, contributed $7.2 million to the overall increase. Net sales from our base business decreased $5.1 million, or 1.0%, attributable to a net price decrease of $6.8 million, or 1.3%, partially offset by a unit volume increase of $1.7 million, or 0.3%.

Approximately 75% of the net price decrease is attributable to net price decreases for our *Ortega*, *Cream of Wheat*, *B&M, Bloch & Guggenheimer* and *Polaner* products, as we increased promotional activity in response to competition. See Note 13, Net Sales by Brand, to our unaudited consolidated interim financial statements in Part I, Item 1 of this report, for detailed information regarding total net sales by brand for the first three quarters of 2014 and the first three quarters of 2013 for each of our brands that exceed approximately 2% of our net sales and for all other brands in the aggregate. The following chart sets forth the most significant net sales increases and decreases by brand for our base business for the first three quarters of 2014 as compared to the first three quarters of 2013:

| | Base Business Net Sales Increase (Decrease) | | |
|---|---|---|---|
| | Dollars (in millions) | | Percentage |
| Brand: | | | |
| Pirate Brands* | $ | 6.4 | 38.9% |
| *Ortega* | | 3.3 | 3.2% |
| *Crock Pot* Seasoning Mixes | | 1.0 | 62.3% |
| *Mrs. Dash* | | 1.0 | 2.1% |
| *Static Guard* | | 0.9 | 15.9% |
| | | | |
| *Cream of Wheat* | | (3.8) | (8.2)% |
| *New York Style* | | (2.8) | (11.5)% |
| *Polaner* | | (2.0) | (7.3)% |
| *B&M* | | (1.5) | (8.6)% |
| *Underwood* | | (1.3) | (8.5)% |
| *Sugar Twin* | | (1.2) | (18.9)% |
| *Emeril s* | | (1.1) | (9.0)% |
| *Old London* | | (0.9) | (9.5)% |
| *Trappey s* | | (0.9) | (8.1)% |
| | | | |
| All other brands | | (2.2) | (1.2)% |
| Total | $ | (5.1) | (1.0)% |

* In total Pirate Brands contributed $47.1 million to our overall net sales increase for the first three quarters of 2014, $40.7 million of which is attributable to an extra six months of ownership of the brand during the first three quarters of 2014 and $6.4 million of which is base business growth during the comparable period of ownership during the first three quarters of 2014 and 2013.

The increase in net sales for Pirate Brands for the first three quarters of 2014 was primarily attributable to increased distribution in the club channel and increased promotional display activity in the grocery channel. Net sales for *Cream of Wheat* decreased primarily due to distribution losses for our instant products and of our more recent product introductions. Net sales for *New York Style* decreased primarily due to distribution losses in both the grocery and club channels.

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*Gross Profit.* Gross profit for the first three quarters of 2014 increased $15.0 million, or 8.5%, to $190.8 million from $175.8 million for the first three quarters of 2013. Gross profit expressed as a percentage of net sales decreased to 31.3% in the first three quarters of 2014 from 34.2% in the first three quarters of 2013. The 2.9 percentage point decrease was primarily attributable to the base business net price decrease described above as well as the effect of the Canadian exchange rate, a sales mix shift to lower margin products, an increase in distribution costs, and a charge to cost of goods sold of approximately $3.0 million relating to a write-off of certain raw material and finished goods inventory used in the production of *Rickland Orchards* products (See Note 1, Nature of Operations *Acquisitions*, to our unaudited consolidated interim financial statements in Part I, Item 1 of this report, for detailed information regarding this write-off), which reduced gross profit margin by approximately 0.9 percentage points, 0.8 percentage points, 0.7 percentage points and 0.5 percentage points, respectively.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses increased $14.0 million, or 25.4%, to $69.1 million for the first three quarters of 2014 from $55.1 million for the first three quarters of 2013. This increase was primarily due to increases in consumer marketing of $5.0 million, selling expenses of $4.5 million (including increases of $2.8 million for brokerage expenses and $0.8 million for salesperson compensation), acquisition-related transaction costs of $3.6 million, warehousing expenses of $1.8 million and other expenses of $0.1 million, offset by a decrease in compensation expenses of $1.0 million. Expressed as a percentage of net sales, our selling, general and administrative expenses increased 0.6 percentage points to 11.3% for the first three quarters of 2014 from 10.7% for the first three quarters of 2013.

*Impairment of Intangible Assets.* During the first three quarters of 2014, we recognized non-cash impairment charges to intangible assets of $34.2 million relating to *Rickland Orchards,* including a $26.9 million charge for the impairment of amortizable trademarks and a $7.3 million charge for the impairment of customer relationship intangibles, due primarily to our reduced projections for net sales to the club channel for the core products of *Rickland Orchards.* We did not have any impairment of intangible assets during the first three quarters of 2013.

*Gain on Change in Fair Value of Contingent Consideration.* In addition to the base purchase price consideration paid at closing, the acquisition agreement for *Rickland Orchards* requires that we pay additional purchase price earn-out consideration contingent upon the achievement of revenue growth targets during fiscal 2014, 2015 and 2016. At the time of the acquisition, we established the fair value of the contingent consideration using revenue growth targets meant to achieve operating results in excess of base purchase price acquisition model assumptions. As required, at June 28, 2014 we remeasured the fair value of the contingent consideration using actual operating results through June 28, 2014 and our revised forecasted operating results for the remainder of fiscal 2014, 2015 and 2016, and reduced the probability of achievement and the fair value of the contingent consideration to zero. This resulted in a non-cash gain of $8.2 million that is included in gain on change in fair value of contingent consideration in the accompanying unaudited consolidated statements of operations for the first three quarters of 2014. See Note 1, Nature of Operations *Acquisitions* and Note 6, Fair Value Measurements, to our unaudited consolidated interim financial statements for a more detailed description of the *Rickland Orchards* acquisition and related contingent consideration. We did not have any contingent consideration obligations in fiscal 2013.

*Amortization Expense.* Amortization expense increased $3.4 million to $10.0 million for the first three quarters of 2014 from $6.6 million for the first three quarters of 2013 due to acquisitions.

*Operating Income.* As a result of the foregoing, operating income decreased $28.3 million, or 24.8%, to $85.8 million for the first three quarters of 2014 from $114.1 million for the first three quarters of 2013. Operating income expressed as a percentage of net sales decreased to 14.1% in the first three quarters of 2014 from 22.2% in the first three quarters of 2013.

*Net Interest Expense.* Net interest expense for the first three quarters of 2014 increased $3.6 million, or 11.8%, to $34.5 million from $30.9 million in the first three quarters of 2013. The increase was primarily attributable to the increase in our average debt outstanding relating to our recent acquisitions. See Liquidity and Capital Resources Debt below.

*Loss on Extinguishment of Debt.* Loss on extinguishment of debt for the first three quarters of 2014 includes costs relating to the termination of our prior credit agreement and the repayment of all outstanding obligations thereunder, including the write-off of deferred debt financing costs and unamortized discount of $5.4 million and $0.3 million, respectively. Loss on extinguishment of debt for the first three quarters of 2013 includes costs relating to our repurchase of $248.5 million aggregate principal amount of 7.625% senior notes and our repayment of $222.2 million aggregate principal amount of tranche B term loans, including the repurchase premium and other expenses of $20.2 million, the write-off of deferred debt financing costs of $8.3 million and the write-off of unamortized discount of $2.8 million.

*Income Tax Expense.* Income tax expense decreased $2.3 million to $16.0 million for the first three quarters of 2014 from $18.3 million for the first three quarters of 2013. Our effective tax rate was 35.1% for the first three quarters of 2014 and 35.3% for the first three quarters of 2013.

**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 external sources of financing, including our revolving credit facility.

*Cash Flows*. Cash receipts from the sale of our products, net of costs to manufacture and market our products, are the principal source of our net cash provided by operating activities. Net cash provided by operating activities decreased $8.2 million to $60.7 million for the first three quarters of 2014 from $68.9 million for the first three quarters of 2013. The decrease in net cash provided by operating activities in the first three quarters of 2014 as compared to the first three quarters of 2013 was primarily due to higher spending attributable to our recent acquisitions and related integration inefficiencies that resulted in a decrease in net income before depreciation, amortization, loss on extinguishment of debt and other non-cash expenses, and higher net working capital costs (primarily related to increased inventory positions, partially offset by a decrease in cash used for accounts payable and accrued expenses).

Net cash used in investing activities for the first three quarters of 2014 decreased $50.1 million to $168.2 million from $218.3 million for the first three quarters of 2013. The decrease was primarily attributable to the difference in the purchase prices of the TrueNorth and Pirate Brands acquisitions in the first three quarters of 2013 and the Specialty Brands acquisition in the first three quarters of 2014, as well as an increase in capital spending in the first three quarters of 2014. Capital expenditures in the first three quarters of 2014 and 2013 included expenditures for building improvements, purchases of manufacturing and computer equipment and capitalized interest.

Net cash provided by financing activities for the first three quarters of 2014 decreased $33.1 million to $109.4 million from $142.5 million for the first three quarters of 2013. The decrease was primarily attributable to differences in the net effects of the refinancings of long-term debt completed during the second quarters of 2014 and 2013, respectively, and an increase of $8.2 million in dividends paid in 2014. See *Debt* below.

Based on a number of factors, including amortization for tax purposes of our trademarks, goodwill and other intangible assets acquired in prior acquisitions, we realized a significant reduction in cash taxes in fiscal 2013 and 2012 as compared to our tax expense for financial reporting purposes. We believe that we will realize a benefit to our cash taxes payable from amortization of our trademarks, goodwill and other intangible assets for the taxable years 2014 through 2028. If there is a change in U.S. federal tax policy that reduces any of these available deductions or results in an increase in our corporate tax rate, our cash taxes payable may

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increase further, which could significantly reduce our future cash and impact our ability to make interest and dividend payments.

***Dividend Policy***

Our dividend policy reflects a basic judgment that our stockholders would be better served if we distributed to them a substantial portion of our cash generated as dividends 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 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. We have paid dividends every quarter since our initial public offering in October 2004.

For the first three quarters of 2014 and 2013, we had cash flows provided by operating activities of $60.7 million and $68.9 million, and distributed $54.1 million and $45.9 million, respectively, as dividends. At our current intended dividend rate of $1.36 per share per annum, we expect our aggregate dividend payments in fiscal 2014 to be approximately $72.4 million.

Our dividend policy is based upon our current assessment of our business and the environment in which we operate, and that assessment could change based on competitive or other developments (which could, for example, increase our need for capital expenditures or working capital), new acquisition opportunities or other factors. 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.

***Acquisitions***

Our liquidity and capital resources have been significantly impacted by acquisitions and may be impacted in the foreseeable future by additional acquisitions. As discussed elsewhere in this report, as part of our growth strategy we plan to expand our brand portfolio with disciplined acquisitions of complementary brands. We have historically financed acquisitions with borrowings and cash flows from operating activities. As a result, our interest expense has in the past increased as a result of additional indebtedness we have incurred in connection with acquisitions, and will increase with any additional indebtedness we may incur to finance future acquisitions. The impact of future acquisitions, whether financed with additional indebtedness or otherwise, may have a material impact on our liquidity.

***Debt***

*Senior Secured Credit Agreement.* On June 5, 2014, we entered into a new senior secured credit agreement, which includes a $500.0 million revolving credit facility and $300.0 million of tranche A term loans. The proceeds of the term loan borrowings, $46.0 million of revolving loans and cash on hand were used to repay all outstanding obligations under our prior credit agreement, which included $215.0 million of revolving loans, $121.9 million of term loan borrowings and $0.6 million of accrued and unpaid interest, and to pay $8.6 million of related transaction fees and expenses. At September 27, 2014, $300.0 million of tranche A term loans were outstanding and $46.0 million of revolving loans were outstanding under our senior secured credit agreement. The credit agreement is secured by substantially all of our and our domestic subsidiaries assets except our and our domestic subsidiaries real property.

At September 27, 2014, the available borrowing capacity under our revolving credit facility, net of outstanding letters of credit of $0.5 million, was $453.5 million.   Proceeds of the revolving credit facility may be used for general corporate purposes including acquisitions of targets in the same or a similar line of business as our company, subject to specified criteria.  The revolving credit facility matures on June 5, 2019.

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The tranche A term loans are subject to principal amortization:  $7.5 million is due and payable in fiscal 2014, $18.8 million is due and payable in fiscal 2015, $26.2 million is due and payable in fiscal 2016,  $24.4 million is due and payable in fiscal 2017 and $76.9 million is due and payable in fiscal 2018.  The balance of all borrowings under the tranche A term loan facility, or $146.2 million, is due and payable at maturity on June 5, 2019.

Interest under the revolving credit facility, including any outstanding letters of credit, and under the tranche A term loan facility, is determined based on alternative rates that we may choose in accordance with the credit agreement, including a base rate per annum plus an applicable margin ranging from 0.50% to 1.00%, and LIBOR plus an applicable margin ranging from 1.50% to 2.00%, in each case depending on our consolidated leverage ratio. At the end of the third quarter of 2014, the revolving credit facility and the tranche A term loan interest rates were each approximately 2.16%.

For further information regarding our senior secured credit agreement, including a description of optional and mandatory prepayment terms, and financial and restrictive covenants, see Note 5,   Long-Term Debt,   to our unaudited consolidated interim financial statements in Part I, Item 1 of this report.

*4.625% Senior Notes due 2021*.  On June 4, 2013, we issued $700.0 million aggregate principal amount of 4.625% senior notes due 2021 at a price to the public of 100% of their face value.   We used the net proceeds from the issuance of the 4.625% senior notes to purchase or redeem all $248.5 million principal amount of our then existing 7.625% senior notes due 2018, to repay $222.2 million principal amount of tranche B term loans and approximately $40.0 million principal amount of revolving loans under our credit agreement, and to pay related premiums, fees and expenses.  We used the remaining net proceeds for the Pirate Brands acquisition.

Interest on the 4.625% senior notes is payable on June 1 and December 1 of each year.   The 4.625% senior notes will mature on June 1, 2021, unless earlier retired or redeemed as permitted or required by the terms of the indenture governing the 4.625% senior notes as described in Note 5 to our unaudited consolidated interim financial statements.  We may also, from time to time, seek to retire the 4.625% senior notes through cash repurchases of the 4.625% senior notes or exchanges of the 4.625% senior notes for equity securities or both, 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.  The amounts involved may be material.  See Note 5,   Long-Term Debt,   to our unaudited consolidated interim financial statements for a more detailed description of the 4.625% senior notes.

***Future Capital Needs***

On September 27, 2014, our total long-term debt was $1,045.3 million, which, net of our cash and cash equivalents of $6.0 million, was $1,039.3 million.  Stockholders   equity as of that date was $353.2 million.

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 and cash equivalents 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, make future acquisitions, if any, and pay our anticipated quarterly dividends on our common stock.

We expect to make capital expenditures of approximately $22.0 million in the aggregate during fiscal 2014, $13.9 million of which were made during the first three quarters of 2014.

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***Seasonality***

Sales of a number of our products tend to be seasonal and may be influenced by holidays, changes in seasons or other annual events. In the aggregate, however, sales of our products are not heavily weighted to any particular quarter due to the offsetting nature of demands for our diversified product portfolio. Sales during the fourth quarter are generally greater than those of the preceding three quarters.

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

***Inflation***

We are currently locked into pricing and supply for substantially all of our major commodities, other than maple syrup, through the second quarter of 2015 at a cost decrease of less than 1% of cost of goods sold and will continue to manage inflation risk by entering into short-term supply contracts and advance commodities purchase agreements from time to time, and, if necessary, by raising prices. During 2013 and 2012, we had cost increases (net of cost savings) for raw materials of less than 2% of cost of goods sold. To the extent we are unable to avoid or offset any present or future cost increases by locking in our costs, implementing cost saving measures or increasing prices to our customers, our operating results could be materially and adversely affected. In addition, should input costs begin to further decline, customers may look for price reductions in situations where we have locked into purchases at higher costs.

***Contingencies***

See Note 9, Commitments and Contingencies, to our unaudited consolidated interim financial statements in Part I, Item 1 of this report.

**Recent Accounting Pronouncements**

See Note 2, Summary of Significant Accounting Policies *Recently Issued Accounting Standards*, to our unaudited consolidated interim financial statements in Part I, Item 1 of this report.

**Off-balance Sheet Arrangements**

As of September 27, 2014, 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 2014, there were no material changes outside the ordinary course of business in the specified contractual obligations set forth in the Commitments and Contractual Obligations table in our 2013 Annual Report on Form 10-K, except as described in Note 5, Long-term Debt to our unaudited consolidated interim financial statements in Part I, Item 1 of this report.

***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

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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 any 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;
- unanticipated expenses, including, without limitation, litigation or legal settlement expenses;

- 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:

- 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;

- competitors pricing practices and promotional spending levels;

- 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

- 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 or injure our reputation; 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 2013 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.

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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**

Our principal market risks are exposure to changes in commodity prices, interest rates on borrowings and foreign currency exchange rates and market fluctuation risks related to our defined benefit pension plans.

*Commodity Prices and Inflation.* 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.

*Interest Rate Risk.* In the normal course of operations, we are exposed to market risks relating to our long-term debt 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.

Changes in interest rates impact our fixed and variable rate debt differently. For fixed rate debt, a change in interest rates will only impact the fair value of the debt, whereas for variable rate debt, a change in the interest rates will impact interest expense and cash flows. At September 27, 2014, we had $700.0 million of fixed rate debt and $346.0 million of variable rate debt.

Based upon our principal amount of long-term debt outstanding at September 27, 2014, a hypothetical 1.0% increase or decrease in interest rates would have affected our annual interest expense by approximately $3.5 million.

The carrying values and fair values of our revolving credit loans, term loans and senior notes as of September 27, 2014 and December 28, 2013 are as follows (in thousands):

| | September 27, 2014 | | December 28, 2013 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Revolving Credit Loans | 46,000 | 46,000(1) | 40,000 | 40,000(1) |
| Tranche A Term Loans due 2016 | | | 130,885(2) | 131,250(1) |
| Tranche A Term Loans due 2019 | 299,311(2) | 300,000(1) | | |
| 4.625% Senior Notes due 2021 | 700,000 | 661,500(3) | 700,000 | 672,000(3) |

(1) Fair values are estimated based on Level 2 inputs, which were quoted prices for identical or similar instruments in markets that are not active.

(2) The carrying values of the tranche A term loans is net of discount. At September 27, 2014 and December 28, 2013, the face amounts of the tranche A term loans were $300.0 million and $131.3 million, respectively.

(3) Fair values are estimated based on quoted market prices.

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

For more information, see Note 5, Long-Term Debt, to our unaudited consolidated interim financial statements in Part I, Item 1 of this report.

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*Foreign Currency Risk*. Our foreign sales are primarily to customers in Canada. Our sales to Canada are generally denominated in Canadian dollars and our sales for export to other countries are generally denominated in U.S. dollars. During the first three quarters of 2014, our net sales to foreign countries represented approximately 3.3% of our total net sales. During the first three quarters of 2013, our net sales to foreign countries represented approximately 3.2% of our total net sales. We also purchase certain raw materials from foreign suppliers. For example, we purchase the majority of our maple syrup requirements from suppliers in Québec, Canada. These purchases are made in Canadian dollars. A weakening of the U.S. dollar in relation to the Canadian dollar would significantly increase our future costs relating to the production of our maple syrup products to the extent we have not purchased Canadian dollars or otherwise entered into a currency hedging arrangement in advance of any such weakening of the U.S. dollar. Our purchases of raw materials from other foreign suppliers are generally denominated in U.S. dollars.

As a result, certain revenues and expenses have been, and are expected to be, subject to the effect of foreign currency fluctuations, and these fluctuations may have a material impact on operating results.

*Market Fluctuation Risks Relating to our Defined Benefit Pension Plans*. See Part I, Item 2, Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies; Use of Estimates and Note 8, Pension Benefits, to our unaudited consolidated interim financial statements in Part I, Item 1 of this report for a discussion of the exposure of our defined benefit pension plan assets to risks related to market fluctuations.

**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.

*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 period 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,

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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

The information set forth under the heading *Legal Proceedings* in Note 9 to our unaudited consolidated interim financial statements in Part I, Item 1 of this quarterly report on Form 10-Q is incorporated herein by reference.

### Item 1A. Risk Factors

Except for the additional risk factor set forth below, we do not believe there have been any material changes in our risk factors as previously disclosed in our 2013 Annual Report on Form 10-K.

***If operating results for the* Rickland Orchards *brand continue to deteriorate at rates in excess of our revised projections, we may be required to record additional non-cash impairment charges to certain intangible assets, which would negatively affect our consolidated results of operations and net worth.***

For the *Rickland Orchards* acquisition, additional purchase price payments are contingent upon the achievement of certain revenue growth targets during fiscal 2014, 2015 and 2016 meant to achieve revenue growth in excess of base purchase price acquisition model assumptions. As a result of lower than expected net sales results for *Rickland Orchards* and the unlikelihood of *Rickland Orchards* achieving the revenue growth targets, the fair value of the contingent consideration was reduced to zero as of June 28, 2014, resulting in a non-cash gain of $8.2 million that is included in gain on change in fair value of contingent consideration in the accompanying unaudited consolidated statements of operations for the first three quarters of 2014. See Note 1, Nature of Operations *Acquisitions* and Note 6, Fair Value Measurements. We also concluded that these factors were potential indicators of the impairment of certain long-lived assets (trademark and customer relationship intangibles), requiring us to perform an interim impairment analysis of the trademark and customer relationship intangibles acquired in the *Rickland Orchards* acquisition. Based on the results of the interim impairment analysis we performed at June 28, 2014, we determined that no impairment was required as of that date.

During the third quarter of 2014, net sales to the club channel of the core products of *Rickland Orchards* continued to deteriorate beyond our June 28, 2014 projections. As a result, we have as of September 27, 2014 reduced our net sales projections to the club channel and performed an interim impairment analysis of the trademark and customer relationship intangibles acquired in the *Rickland Orchards* acquisition. We used a discounted cash flow model to determine the fair value of the intangibles. Based on the results of the interim impairment analysis performed at September 27, 2014, we recorded non-cash impairment charges to amortizable trademarks and customer relationship intangibles of $26.9 million and $7.3 million, respectively, which is recorded in Impairment of intangible assets on the accompanying unaudited consolidated statement of operations. As of September 27, 2014, the remaining balances of the *Rickland Orchards* amortizable trademark and customer relationship intangibles were $5.3 million and $1.1 million, respectively. If, during the remainder of 2014 or thereafter, operating results for the *Rickland Orchards* brand continue to deteriorate at rates in excess of our revised projections, we may be required to record an additional non-cash charge for the impairment of long-lived intangibles relating to *Rickland Orchards*, and these non-cash charges would be material and negatively affect our consolidated results of operations and net worth.

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

Not applicable.

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**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

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. |
| 101.1 | The following financial information from B&G Foods Quarterly Report on Form 10-Q for the quarter ended September 27, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income (Loss), (iv) the Consolidated Statements of Cash Flows, (v) Notes to Consolidated Financial Statements, and (vi) document and entity information. |

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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 23, 2014 | B&G FOODS, INC. | | |
| | By: | /s/ Robert C. Cantwell<br>Robert C. Cantwell<br>Executive Vice President and Chief Financial Officer<br>(Principal Financial and Accounting Officer and Authorized Officer) | |