J&J SNACK FOODS CORP
Form 10-K
December 09, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED SEPTEMBER 27, 2008

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 No. 0-14616

J & J SNACK FOODS CORP.
(Exact name of registrant as specified in its charter)

New Jersey (State or other jurisdiction of incorporation or organization)	22-1935537 (I.R.S. Employer Identification No.)
6000 Central Highway, Pennsauken, New Jersey	08109
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (856) 665-9533

Securities Registered Pursuant to Section 12(b) of the Act: Common Stock, no par value

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No x

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 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 ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not con–tained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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," "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨	Smaller reporting company ¨

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

As of November 17, 2008, the latest practicable date, 18,339,980 shares of the Registrant's common stock were issued and outstanding. The aggregate market value of shares held by non-affiliates of the Registrant on such date was $384,345,953 based on the last sale price on March 28, 2008 of $27.08 per share. March 28, 2008 was the last business day of the registrant's most recently completed second fiscal quarter.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its Annual Meeting of Shareholders scheduled for February 12, 2009 are incorporated by reference into Part III of this report.

J & J SNACK FOODS CORP.
2008 FORM 10-K ANNUAL REPORT

TABLE OF CONTENTS

In addition to historical information, this document and analysis contains forward-looking statements. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. Important factors that might cause such a difference include, but are not limited to, those discussed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations." Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. We undertake no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after the date hereof.

PART I

Item 1. Business

General

J & J Snack Foods Corp. (the “Company” or “J & J”) manufactures nutritional snack foods and distributes frozen beverages which it markets nationally to the food service and retail supermarket industries. The Company’s principal snack food products are soft pretzels marketed primarily under the brand name SUPERPRETZEL and frozen juice treats and desserts marketed primarily under the LUIGI’S, FRUIT–A-FREEZE, WHOLE FRUIT, ICEE, BARQ’S* and MINUTE MAID** brand names. J & J believes it is the largest manufacturer of soft pretzels in the United States, Mexico and Canada. Other snack food products include churros (an Hispanic pastry), funnel cake and bakery products. The Company’s principal frozen beverage products are the ICEE brand frozen carbonated beverage and the SLUSH PUPPIE brand frozen uncarbonated beverage.

The Company’s Food Service and Frozen Beverages sales are made primarily to food service customers including snack bar and food stand locations in leading chain, department, discount, warehouse club and convenience stores; malls and shopping centers; fast food outlets; stadiums and sports arenas; leisure and theme parks; movie theatres; independent retailers; and schools, colleges and other institutions. The Company’s retail supermarket customers are primarily supermarket chains. The Company’s restaurant group sells direct to the public through its chains of specialty snack food retail outlets, BAVARIAN PRETZEL BAKERY and PRETZEL GOURMET, located primarily in the Mid-Atlantic States.

The Company was incorporated in 1971 under the laws of the State of New Jersey.

The Company made no material acquisitions in fiscal year 2008 but has made material acquisitions in prior years as described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes thereto.

The Company operates in four business segments: Food Service, Retail Supermarkets, The Restaurant Group and Frozen Beverages. These segments are described below.

The Chief Operating Decision Maker for Food Service, Retail Supermarkets and The Restaurant Group and the Chief Operating Decision Maker for Frozen Beverages monthly review and evaluate operating income and sales in order to assess performance and allocate resources to each individual segment. In addition, the Chief Operating Decision Makers review and evaluate depreciation, capital spending and assets of each segment on a quarterly basis to monitor cash flow and asset needs of each segment (see Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations and Item 8 — Financial Statements and Supplementary Data for financial information about segments).

Food Service

The primary products sold by the food service segment are soft pretzels, frozen juice treats and desserts, churros and baked goods. Our customers in the food service segment include snack bars and food stands in chain, department and discount stores; malls and shopping centers; fast food outlets; stadiums and sports arenas; leisure and theme parks; convenience stores; movie theatres; warehouse club stores; schools, colleges and other institutions. Within the food service industry, our products are purchased by the consumer primarily for consumption at the point-of-sale.

Retail Supermarkets

The primary products sold to the retail supermarket industry are soft pretzel products — including SUPERPRETZEL, frozen juice treats and desserts including LUIGI'S Real Italian Ice, MINUTE MAID Juice Bars and Soft Frozen Lemonade, FRUIT-A-FREEZE frozen fruit bars, WHOLE FRUIT Sorbet, BARQ'S FLOATZ and ICEE Squeeze-Up Tubes and TIO PEPE'S Churros. Within the retail supermarket industry, our frozen and prepackaged products are purchased by the consumer for consumption at home.

---

*BARQ'S is a registered trademark of Barq's Inc.
**MINUTE MAID is a registered trademark of the Coca-Cola Company

1

The Restaurant Group

We sell direct to the public through our Restaurant Group, which operates BAVARIAN PRETZEL BAKERY and PRETZEL GOURMET, our chain of specialty snack food retail outlets.

Frozen Beverages

We sell frozen beverages to the food service industry primarily under the names ICEE, SLUSH PUPPIE and ARCTIC BLAST in the United States, Mexico and Canada.

Products

Soft Pretzels

The Company's soft pretzels are sold under many brand names; some of which are: SUPERPRETZEL, PRETZEL FILLERS, PRETZELFILS, GOURMET TWISTS, MR. TWISTER, SOFT PRETZEL BITES, SOFTSTIX, SOFT PRETZEL BUNS, HOT KNOTS, DUTCH TWIST, TEXAS TWIST, SANDWICH TWIST, CINNAPRETZEL* and SERIOUSLY TWISTED!; and, to a lesser extent, under private labels. Soft pretzels are sold in the Food Service, Retail Supermarket and The Restaurant Group segments. Soft pretzel sales amounted to 20% of the Company's revenue in fiscal year 2008, 22% in 2007, and 24% in 2006.

The Company's soft pretzels qualify under USDA regulations as the nutritional equivalent of bread for purposes of the USDA school lunch program, thereby enabling a participating school to obtain partial reimbursement of the cost of the Company's soft pretzels from the USDA.

The Company's soft pretzels are manufactured according to a proprietary formula. Soft pretzels, ranging in size from one to ten ounces in weight, are shaped and formed by the Company's proprietary twister machines. These soft pretzel tying machines are automated, high-speed machines for twisting dough into the traditional pretzel shape. Additionally, we make soft pretzels which are extruded or shaped by hand. Soft pretzels, after processing, are primarily quick-frozen in either raw or baked form and packaged for delivery.

The Company's principal marketing program in the Food Service segment includes supplying ovens, mobile merchandisers, display cases, warmers and similar merchandising equipment to the retailer to prepare and promote the sale of soft pretzels. Some of this equipment is proprietary, including combination warmer and display cases that reconstitute frozen soft pretzels while displaying them, thus eliminating the need for an oven. The Company retains ownership of the equipment placed in customer locations, and as a result, customers are not required to make an investment in equipment.

Frozen Juice Treats and Desserts

The Company's frozen juice treats and desserts are marketed primarily under the LUIGI'S, FRUIT-A-FREEZE, WHOLE FRUIT, ICEE, BARQ'S and MINUTE MAID brand names. Frozen juice treats and desserts are sold in the Food Service and Retail Supermarkets segments. Frozen juice treats and dessert sales were 13% of the Company's revenue in fiscal year 2008 and 14% in 2007 and 2006.

The Company's MINUTE MAID frozen juice fruit bars are manufactured from an apple or pear juice base to which water, sweeteners, coloring (in some cases) and flavorings are added. The juice bars contain two to three ounces of apple or pear juice and the minimum daily requirement of vitamin C, and qualify as reimbursable items under the USDA school lunch program. The juice bars are produced in various flavors and are packaged in a sealed push-up paper container referred to as the Milliken M-pak, which the Company believes has certain sanitary and safety advantages.

The balance of the Company's frozen juice treats and desserts products are manufactured from water, sweeteners and fruit juice concentrates in various flavors and packaging including cups, tubes, sticks, M-paks, pints and tubs. Several of the products contain ice cream and FRUIT-A-FREEZE and WHOLE FRUIT contain pieces of fruit.

---

*CINNAPRETZEL is a registered trademark of Cinnabon, Inc.

Churros

The Company's churros are sold primarily under the LA CHURROS and TIO PEPE'S brand names. Churros are sold to the Food Service and Retail Supermarkets segments. Churro sales were 4% of the Company's sales in fiscal year 2008, 4% in 2007 and 4% in 2006. Churros are Hispanic pastries in stick form which the Company produces in several sizes according to a proprietary formula. The churros are deep fried, frozen and packaged. At food service point-of-sale they are reheated and topped with a cinnamon sugar mixture. The Company also sells fruit and crème-filled churros. The Company supplies churro merchandising equipment similar to that used for its soft pretzels.

Bakery Products

The Company's bakery products are marketed under the MRS. GOODCOOKIE, CAMDEN CREEK BAKERY, READI-BAKE, COUNTRY HOME, MARY B'S, DADDY RAY'S and PRETZEL COOKIE brand names, and under private labels. Bakery products include primarily biscuits, fig and fruit bars, cookies, muffins and donuts. In 2007, biscuits and dumplings under the MARY B'S name and fruit and fig bars, under the DADDY RAY'S name, were added through acquisitions. Bakery products are sold to the Food Service segment. Bakery products sales amounted to 35% of the Company's sales in fiscal year 2008, 32% in 2007 and 28% in 2006.

Frozen Beverages

The Company markets frozen beverages primarily under the names ICEE, SLUSH PUPPIE and ARCTIC BLAST in the United States, Mexico and Canada. Additional frozen beverages are JAVA FREEZE and CALIFORNIA NATURAL. Frozen beverages are sold in The Restaurant Group and Frozen Beverages segments. Frozen beverage sales amounted to 18% of revenue in fiscal in 2008 and 19% in 2007 and 2006.

Under the Company's principal marketing program for frozen carbonated beverages, it installs frozen beverage dispensers for its ICEE and ARCTIC BLAST brands at customer locations and thereafter services the machines, arranges to supply customers with ingredients required for production of the frozen beverages, and supports customer retail sales efforts with in-store promotions and point-of-sale materials. In most cases, the Company retains ownership of its dispensers, and as a result, customers are not required to make an investment in equipment or arrange for the ingredients and supplies necessary to produce and market the frozen beverages. In fiscal 1999, the Company began providing installation and maintenance service only to a large, quick-service restaurant and others, which resulted in the increase of customer-owned beverage dispensers beginning in 1999. The Company also provides managed service and sells equipment in its Frozen Beverages segment, revenue from which amounted to 9% of sales in 2008, 8% of sales in 2007 and 9% of the Company's sales in fiscal year 2006. In fiscal 2006, through an acquisition, the Company began to sell frozen uncarbonated beverages under the SLUSH PUPPIE brand through a distributor network.

Each new frozen carbonated customer location requires a frozen beverage dispenser supplied by the Company or by the customer. Company-supplied frozen carbonated dispensers are purchased from outside vendors, built new or rebuilt by the Company.

The Company provides managed service and/or products to approximately 83,000 Company-owned and customer-owned dispensers.

The Company has the rights to market and distribute frozen beverages under the name ICEE to the entire continental United States (except for portions of nine states) as well as internationally.

Other Products

Other products sold by the Company include soft drinks, funnel cakes sold under the FUNNEL CAKE FACTORY brand name and smaller amounts of various other food products. These products are sold in the Food Service, The Restaurant Group and Frozen Beverages segments.

Customers

The Company sells its products to two principal customer groups: food service and retail supermarkets. The primary products sold to the food service group are soft pretzels, frozen beverages, frozen juice treats and desserts, churros and baked goods. The primary products sold to the retail supermarket industry are soft pretzels and frozen juice treats and desserts. Additionally, the Company sells soft pretzels, frozen beverages and various other food products direct to the public through its restaurant group, which operates BAVARIAN PRETZEL BAKERY and PRETZEL GOURMET, our chain of specialty snack food retail outlets.

We have several large customers that account for a significant portion of our sales. Our top ten customers accounted for 42%, 42% and 45% of our sales during fiscal years 2008, 2007 and 2006, respectively, with our largest customer accounting for 9% of our sales in 2008 and 8% in 2007 and 2006. Three of the ten customers are food distributors who sell our product to many end users. The loss of one or more of our large customers could adversely affect our results of operations. These customers typically do not enter into long-term contracts and make purchase decisions based on a combination of price, product quality, consumer demand and customer service performance. If our sales to one or more of these customers are reduced, this reduction may adversely affect our business. If receivables from one or more of these customers become uncollectible, our operating income would be adversely impacted.

The Food Service, The Restaurant Group and the Frozen Beverages segments sell primarily to the food service industry. The Retail Supermarkets segment sells to the retail supermarket industry.

The Company's customers in the food service segment include snack bars and food stands in chain, department and mass merchandising stores, malls and shopping centers, fast food outlets, stadiums and sports arenas, leisure and theme parks, convenience stores, movie theatres, warehouse club stores, schools, colleges and other institutions, and independent retailers. Machines and machine parts are sold to other food and beverage companies. Within the food service industry, the Company's products are purchased by the consumer primarily for consumption at the point-of-sale.

The Company sells its products to over 90% of supermarkets in the United States. Products sold to retail supermarket customers are primarily soft pretzel products, including SUPERPRETZEL, frozen juice treats and desserts including LUIGI'S Real Italian Ice, MINUTE MAID Juice Bars and Soft Frozen Lemonade, FRUIT-A-FREEZE frozen fruit bars, WHOLE FRUIT Sorbet, MARY B'S biscuits, DADDY RAY'S fig and fruit bars, BARQ'S FLOATZ and ICEE Squeeze-Up Tubes and TIO PEPE'S Churros. Within the retail supermarket industry, the Company's frozen and prepackaged products are purchased by the consumer for consumption at home.

Marketing and Distribution

The Company has developed a national marketing program for its products. For Food Service and Frozen Beverages segments' customers, this marketing program includes providing ovens, mobile merchandisers, display cases, warmers, frozen beverage dispensers and other merchandising equipment for the individual customer's requirements and point-of-sale materials as well as participating in trade shows and in-store demonstrations. The Company's ongoing advertising and promotional campaigns for its Retail Supermarket segment's products include trade shows, newspaper advertisements with coupons, in-store demonstrations and consumer advertising campaigns.

The Company develops and introduces new products on a routine basis. The Company evaluates the success of new product introductions on the basis of sales levels, which are reviewed no less frequently than monthly by the Company's Chief Operating Decision Makers.

The Company's products are sold through a network of about 200 food brokers and over 1,000 independent sales distributors and the Company's own direct sales force. For its snack food products, the Company maintains warehouse and distribution facilities in Pennsauken, Bellmawr and Bridgeport, New Jersey; Vernon (Los Angeles), California; Scranton, Pittsburgh, Hatfield and Lancaster, Pennsylvania; Carrollton (Dallas), Texas; Atlanta, Georgia; Moscow Mills (St. Louis), Missouri; and Solon, Ohio. Frozen beverages are distributed from 110 Company managed warehouse and distribution facilities located in 44 states, Mexico and Canada, which allow the Company to directly service its customers in the surrounding areas. The Company's products are shipped in refrigerated and other vehicles from the Company's manufacturing and warehouse facilities on a fleet of Company operated tractor-trailers, trucks and vans, as well as by independent carriers.

Seasonality

The Company’s sales are seasonal because frozen beverage sales and frozen juice treats and desserts sales are generally higher during the warmer months.

Trademarks and Patents

The Company has numerous trademarks, the most important of which are SUPERPRETZEL, DUTCH TWIST, TEXAS TWIST, MR. TWISTER, SOFT PRETZEL BITES, SOFTSTIX, PRETZEL FILLERS and PRETZELFILS for its pretzel products; FROSTAR, SHAPE-UPS, MAMA TISH’S, FRUIT-A-FREEZE, WHOLE FRUIT and LUIGI’S for its frozen juice treats and desserts; LA CHURROS and TIO PEPE’S for its churros; ARCTIC BLAST and SLUSH PUPPIE for its frozen beverages; FUNNEL CAKE FACTORY for its funnel cake products, and MRS. GOODCOOKIE, READI-BAKE, COUNTRY HOME, CAMDEN CREEK, MARY B’S and DADDY RAY’S for its bakery products.

The trademarks, when renewed and continuously used, have an indefinite term and are considered important to the Company as a means of identifying its products.

The Company markets frozen beverages under the trademark ICEE in all of the continental United States, except for portions of nine states, and in Mexico and Canada. Additionally, the Company has the international rights to the trademark ICEE.

The Company considers its trademarks important to the success of its business.

The Company has numerous patents related to the manufacturing and marketing of its product.

Supplies

The Company’s manufactured products are produced from raw materials which are readily available from numerous sources. With the exception of the Company’s soft pretzel twisting equipment and funnel cake production equipment, which are made for J & J by independent third parties, and certain specialized packaging equipment, the Company’s manufacturing equipment is readily available from various sources. Syrup for frozen beverages is purchased from The Coca-Cola Company, Dr Pepper/Seven Up, Inc., the Pepsi Cola Company, and Jogue, Inc. Cups, straws and lids are readily available from various suppliers. Parts for frozen beverage dispensing machines are purchased from several sources. Frozen beverage dispensers are purchased primarily from IMI Cornelius, Inc. and Lancer FBD.

Competition

Snack food and bakery products markets are highly competitive. The Company’s principal products compete against similar and different food products manufactured and sold by numerous other companies, some of which are substantially larger and have greater resources than the Company. As the soft pretzel, frozen juice treat and dessert, bakery products and related markets grow, additional competitors and new competing products may enter the markets. Competitive factors in these markets include product quality, customer service, taste, price, identity and brand name awareness, method of distribution and sales promotions.

The Company believes it is the only national distributor of soft pretzels. However, there are numerous regional and local manufacturers of food service and retail supermarket soft pretzels as well as several chains of retail pretzel stores.

In Frozen Beverages the Company competes directly with other frozen beverage companies. These include several companies which have the right to use the ICEE name in portions of nine states. There are many other regional frozen beverage competitors throughout the country and one large retail chain which uses its own frozen beverage brand.

The Company competes with large soft drink manufacturers for counter and floor space for its frozen beverage dispensing machines at retail locations and with products which are more widely known than the ICEE, SLUSH PUPPIE and ARCTIC BLAST frozen beverages.

The Company competes with a number of other companies in the frozen juice treat and dessert and bakery products markets.

Risks Associated with Foreign Operations

Foreign operations generally involve greater risk than doing business in the United States. Foreign economies differ favorably or unfavorably from the United States' economy in such respects as the level of inflation and debt, which may result in fluctuations in the value of the country's currency and real property. Further, there may be less government regulation in various countries, and difficulty in enforcing legal rights outside the United States. Additionally, in some foreign countries, there is the possibility of expropriation or confiscatory taxation limitations on the removal of property or other assets, political or social instability or diplomatic developments which could affect the operations and assets of U.S. companies doing business in that country. Sales of our foreign operations were $11,078,000, $9,785,000 and $7,889,000 in fiscal years 2008, 2007 and 2006, respectively. At September 27, 2008, the total assets of our foreign operations were approximately $8.6 million or 2% of total assets.

Employees

The Company has approximately 2,800 full- and part-time employees as of September 27, 2008. Certain production and distribution employees at the Pennsauken and Bridgeport, New Jersey plants are covered by a collective bargaining agreement which expires in September 2009.

The production employees at our Atlanta, Georgia plant are covered by a collective bargaining agreement which expires in January 2011. The Company considers its employee relations to be good.

Available Information

The Company's internet address is www.jjsnack.com. On the investor relations section of its website, the Company provides free access to its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). The information on the website listed above is not and should not be considered part of this annual report on Form 10-K and is not incorporated by reference in this document.

Item 1A. Risk Factors

You should carefully consider the risks described below, together with all of the other information included in this report, in considering our business and prospects. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently deem insignificant may also impair our business operations. Following is a discussion of known potentially significant risks which could result in harm to our business, financial condition or results of operations.

Risks of Shortages or Increased Cost of Raw Materials

We are exposed to the market risks arising from adverse changes in commodity prices, affecting the cost of our raw materials and energy. The raw materials and energy which we use for the production and distribution of our products are largely commodities that are subject to price volatility and fluctuations in availability caused by changes in global supply and demand, weather conditions, agricultural uncertainty or governmental controls. We purchase these materials and energy mainly in the open market. If commodity price changes result in increases in raw materials and energy costs, we may not be able to increase our prices to offset these increased costs without suffering reduced volume, revenue and operating income.

General Risks of the Food Industry

Food processors are subject to the risks of adverse changes in general economic conditions; evolving consumer preferences and nutritional and health-related concerns; changes in food distribution channels; federal, state and local food processing controls or other mandates; consumer product liability claims; and risks of product tampering. The increased buying power of large supermarket chains, other retail outlets and wholesale food vendors could result in greater resistance to price increases and could alter the pattern of customer inventory levels and access to shelf space.

Environmental Risks

The disposal of solid and liquid waste material resulting from the preparation and processing of foods are subject to various federal, state and local laws and regulations relating to the protection of the environment. Such laws and regulations have an important effect on the food processing industry as a whole, requiring substantially all firms in the industry to incur material expenditures for modification of existing processing facilities and for construction of upgraded or new waste treatment facilities.

We cannot predict what environmental legislation or regulations will be enacted in the future, how existing or future laws or regulations will be administered or interpreted or what environmental conditions may be found to exist. Enactment of more stringent laws or regulations or more strict interpretation of existing laws and regulations may require additional expenditures by us, some of which could be material.

Risks Resulting from Several Large Customers

We have several large customers that account for a significant portion of our sales. Our top ten customers accounted for 42%, 42% and 45% of our sales during fiscal years 2008, 2007 and 2006, respectively, with our largest customer accounting for 9% of our sales in 2008 and 8% in 2007 and 2006. Three of the ten customers are food distributors who sell our product to many end users. The loss of one or more of our large customers could adversely affect our results of operations. These customers typically do not enter into long-term contracts and make purchase decisions based on a combination of price, product quality, consumer demand and customer service performance. If our sales to one or more of these customers are reduced, this reduction may adversely affect our business. If receivables from one or more of these customers become uncollectible, our operating income would be adversely impacted.

Competition

Our businesses operate in highly competitive markets. We compete against national and regional manufacturers and distributors on the basis of price, quality, product variety and effective distribution. Many of our major competitors in the market are larger and have greater financial and marketing resources than we do. Increased competition and anticipated actions by our competitors could lead to downward pressure on prices and/or a decline in our market share, either of which could adversely affect our results. See “Competition” in Item 1 for more information about our competitors.

Risks Relating to Manufacturing

Our ability to purchase, manufacture and distribute products is critical to our success. Damage or disruption to our manufacturing or distribution capabilities due to weather, natural disaster, fire or explosion, terrorism, pandemic, political upheaval, strikes or other reasons could impair our ability to manufacture or distribute our products.

Our Certificate of Incorporation may inhibit a change in control that you may favor

Our Certificate of Incorporation contains provisions that may delay, deter or inhibit a future acquisition of J & J Snack Foods Corp. not approved by our Board of Directors. This could occur even if our shareholders are offered an attractive value for their shares or if a substantial number or even a majority of our shareholders believe the takeover is in their best interest. These provisions are intended to encourage any person interested in acquiring us to negotiate with and obtain the approval of our Board of Directors in connection with the transaction. Provisions that could delay, deter or inhibit a future acquisition include the following:

— a classified Board of Directors;

— the requirement that our shareholders may only remove Directors for cause;

— limitations on share holdings and voting of certain persons;

— special Director voting rights; and

— the ability of the Board of Directors to consider the interests of various constituencies, including our employees, customers, suppliers, creditors and the local communities in which we operate.

Risks Relating to the Control by Gerald B. Shreiber

Gerald B. Shreiber is the founder of the Company and the current beneficial owner of 22% of its outstanding stock. Our Certificate of Incorporation provides that he has three votes on the Board of Directors (subject to certain adjustments). Therefore, he and one other director have voting control of the Board. The performance of this Company is greatly impacted by his leadership and decisions. His voting control reduces the restrictions on his actions. His retirement, disability or death will have a significant impact on our future operations.

Risk Related to Product Changes

There are risks in the marketplace related to trade and consumer acceptance of product improvements, packing initiatives and new product introductions.

Risks Related to Change in the Business

Our ability to successfully manage changes to our business processes, including selling, distribution, product capacity, information management systems and the integration of acquisitions, will directly affect our results of operations.

Risks Associated with Foreign Operations

Foreign operations generally involve greater risk than doing business in the United States. Foreign economies differ favorably or unfavorably from the United States' economy in such respects as the level of inflation and debt, which may result in fluctuations in the value of the country's currency and real property. Further, there may be less government regulation in various countries, and difficulty in enforcing legal rights outside the United States. Additionally, in some foreign countries, there is the possibility of expropriation or confiscatory taxation limitations on the removal of property or other assets, political or social instability or diplomatic developments which could affect the operations and assets of U.S. companies doing business in that country. Sales of our foreign operations were $11,078,000, $9,785,000, and $7,889,000 in fiscal years 2008, 2007 and 2006, respectively. At September 27, 2008, the total assets of our foreign operations were approximately $8.6 million or 2% of total assets.

Seasonality and Quarterly Fluctuations

Our sales are affected by the seasonal demand for our products. Demand is greater during the summer months primarily as a result of the warm weather demand for our ICEE and frozen juice treats and desserts products. Because of seasonal fluctuations, there can be no assurance that the results of any particular quarter will be indicative of results for the full year or for future years.

Item 1B. Unresolved Staff Comments

We have no unresolved SEC staff comments to report.

Item 2. Properties

The Company's primary east coast manufacturing facility is located in Pennsauken, New Jersey in a 70,000 square foot building on a two-acre lot. Soft pretzels are manufactured at this Company-owned facility which also serves as the Company's corporate headquarters. This facility operates at approximately 70% of capacity. The Company leases a 101,200 square foot building adjacent to its manufacturing facility in Pennsauken, New Jersey through March 2012. The Company has constructed a large freezer within this facility for warehousing and distribution purposes. The warehouse has a utilization rate of 80-90% depending on product demand. The Company also leases, through September 2011, 16,000 square feet of office and warehouse space located next to the Pennsauken, New Jersey plant.

The Company leases through January 2011 an additional 23,000 square feet of warehouse space several blocks distant from these facilities.

The Company owns a 150,000 square foot building on eight acres in Bellmawr, New Jersey. The facility is used by the Company to manufacture some of its products including funnel cake, pretzels, churros and cookies. The facility operates at about 50% of capacity.

The Company's primary west coast manufacturing facility is located in Vernon (Los Angeles), California. It consists of a 137,000 square foot facility in which soft pretzels, churros and various lines of baked goods are produced and warehoused. Included in the 137,000 square foot facility is a 30,000 square foot freezer used for warehousing and distribution purposes which was constructed in 1996. The facility is leased through November 2017. The Company leases an additional 45,000 square feet of office and warehouse space, adjacent to its manufacturing facility, through November 2017. The manufacturing facility operates at approximately 60% of capacity.

The Company leases through November 2017 a 25,000 square foot frozen juice treat and dessert manufacturing facility located in Norwalk (Los Angeles), California which operates at approximately 20% of capacity.

The Company leases an 85,000 square foot bakery manufacturing facility located in Atlanta, Georgia. The lease runs through December 2010. The facility operates at about 50% of capacity.

The Company owns a 46,000 square foot frozen juice treat and dessert manufacturing facility and a 42,000 square foot dry storage warehouse located on six acres in Scranton, Pennsylvania. The manufacturing facility, which was expanded from 26,000 square feet in 1998, operates at approximately 60% of capacity.

The Company leases a 29,600 square foot soft pretzel manufacturing facility located in Hatfield, Pennsylvania. The lease runs through June 2017. The facility operates at approximately 65% of capacity.

The Company leases a 19,200 square foot soft pretzel manufacturing facility located in Carrollton, Texas. The lease runs through April 2016. The facility operates at approximately 60% of capacity. The Company leases an additional property containing a 6,500 square foot storage freezer across the street from the manufacturing facility, which lease expires May 2016.

The Company leases an 18,000 square foot soft pretzel manufacturing facility located in Chambersburg, Pennsylvania. The lease runs through September 2010 with options to extend the term. The facility operates at approximately 50% of capacity.

The Company's fresh bakery products manufacturing facility and offices are located in Bridgeport, New Jersey in three buildings totaling 133,000 square feet. The buildings are leased through December 2015. The manufacturing facility operates at approximately 50% of capacity.

The Company owns a 65,000 square foot fig and fruit bar manufacturing facility located on 91⁄2 acres in Moscow Mills (St. Louis), Missouri. The facility operates at about 70% of capacity.

The Company leases a building in Pensacola, Florida for the manufacturing, packing and warehousing of dumplings. The building is approximately 14,000 square feet and the lease runs through December 2010. The manufacturing facility operates at approximately 70% of capacity.

The Company's Bavarian Pretzel Bakery headquarters and warehouse and distribution facilities are owned and located in an 11,000 square foot building in Lancaster, Pennsylvania.

The Company also leases approximately 135 warehouse and distribution facilities in 44 states, Mexico and Canada.

Item 3. Legal Proceedings

The Company has no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company or any of its subsidiaries is a party or of which any of their property is subject.

Item 4. Submission Of Matters To A Vote Of Security Holders

There were no matters submitted to a vote of the security holders during the quarter ended September 27, 2008.

PART II

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters And Issuer Purchases Of Equity Securities

The Company's common stock is traded on the NASDAQ Global Select Market under the symbol "JJSF." The following table sets forth the high and low sale price quotations as reported by NASDAQ and dividend information for the common stock for each quarter of the years ended September 29, 2007 and September 27, 2008.

Common Stock Market Price

	High	Low	Dividend Declared
Fiscal 2007			
First quarter	$ 42.27	$ 30.76	$ .085
Second quarter	43.51	37.41	.085
Third quarter	41.95	37.16	.085
Fourth quarter	40.14	33.23	.085
Fiscal 2008			
First quarter	$ 38.76	$ 29.01	$ .0925
Second quarter	31.85	23.38	.0925
Third quarter	29.97	26.74	.0925
Fourth quarter	36.07	27.00	.0925

As of November 20, 2008, there about 3,700 beneficial shareholders.

In our 2008 fiscal year, we purchased and retired 135,124 shares of our common stock at a cost of $3,539,000 under a million share buyback authorization approved by the Company's Board of Directors in February 2008 leaving 864,876 as the number of shares that may yet be purchased under the share buyback authorization. No shares were repurchased in the fourth quarter of the year. The Company did not repurchase any of its common stock in fiscal years 2007 and 2006.

Subsequent to September 27, 2008 and prior to the filing of this Form 10-K, we purchased and retired 400,000 shares of our common stock at a purchase price of $27.90 per share from Gerald B. Shreiber, Chairman of the Board, President, Chief Executive Officer and Director of the Company.

For information on the Company's Equity Compensation Plans, please see Item 12 herein.

Stock Performance Graph

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among J & J Snack Foods Corp., The NASDAQ Composite Index
And The S&P Packaged Foods & Meats Index

*$100 invested on 9/30/03 in stock & index-including reinvestment of dividends.
Fiscal year ending September 30.

Item 6. Selected Financial Data

The selected financial data for the last five years was derived from our audited consolidated financial statements. The following selected financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes thereto, especially as the information pertains to fiscal 2006, 2007 and 2008.

	Fiscal year ended in September (In thousands except per share data)				
	2008	2007	2006	2005	2004
Net Sales	$ 629,359	$ 568,901	$ 514,831	$ 457,112	$ 416,588
Net Earnings	$ 27,908	$ 32,112	$ 29,450	$ 26,043	$ 22,710
Total Assets	$ 408,408	$ 380,288	$ 340,808	$ 305,924	$ 277,424
Long-Term Debt	$ —	$ —	$ —	$ —	$ —
Capital Lease Obligations	$ 474	$ 565	$ —	$ —	$ —
Stockholders’ Equity	$ 316,778	$ 295,582	$ 263,656	$ 234,762	$ 210,096
Common Share Data					
Earnings Per Diluted Share	$ 1.47	$ 1.69	$ 1.57	$ 1.40	$ 1.24
Earnings Per Basic Share	$ 1.49	$ 1.72	$ 1.60	$ 1.43	$ 1.27
Book Value Per Share	$ 16.90	$ 15.80	$ 14.28	$ 12.85	$ 11.67
Common Shares Outstanding At Year End	18,748	18,702	18,468	18,272	18,012
Cash Dividends Declared Per Common Share	$ .37	$ .34	$ .30	$ .25	$ —

Item 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

In addition to historical information, this document and analysis contains forward-looking statements. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. Important factors that might cause such a difference include, but are not limited to, those discussed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations." Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. We undertake no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after the date hereof.

Critical Accounting Policies, Judgments and Estimates

We prepare our financial statements in conformity with accounting principles generally accepted in the United States of America. The preparation of such financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of those financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company discloses its significant accounting policies in the accompanying notes to its audited consolidated financial statements.

Judgments and estimates of uncertainties are required in applying the Company's accounting policies in certain areas. Following are some of the areas requiring significant judgments and estimates: revenue recognition, accounts receivable, cash flow and valuation assumptions in performing asset impairment tests of long-lived assets, estimates of the useful lives of intangible assets and insurance reserves.

There are numerous critical assumptions that may influence accounting estimates in these and other areas. We base our critical assumptions on historical experience, third-party data and various other estimates we believe to be reasonable. A description of the aforementioned policies follows:

Revenue Recognition — We recognize revenue from our products when the products are shipped to our customers and when equipment service is performed for our customers who are charged on a time and material basis. We also sell equipment service contracts with terms of coverage ranging between 12 and 60 months. We record deferred income on equipment service contracts which is amortized by the straight-line method over the term of the contracts. We record offsets to revenue for allowances, end-user pricing adjustments and trade spending. Off-invoice allowances are deducted directly from the amount invoiced to our customer when our products are shipped to the customer. Offsets to revenue for allowances, end-user pricing adjustments and trade spending are recorded primarily as a reduction of accounts receivable based on our estimates of liability which are based on customer programs and historical experience. These offsets to revenue are based primarily on the quantity of product purchased over specific time periods. For our Retail Supermarket and Frozen Beverages segments, we accrue for the liability based on products sold multiplied by per product offsets. Offsets to revenue for our Food Service segment are calculated in a similar manner for offsets owed to our direct customers; however, because shipments to end-users are unknown to us until reported by our direct customers or by the end-users, there is a greater degree of uncertainty as to the accuracy of the amounts accrued for end-user offsets. Additional uncertainty may occur as customers take deductions when they make payments to us. This creates complexities because our customers do not always provide reasons for the deductions taken. Additionally, customers may take deductions to which they are not entitled and the length of time customers take deductions to which they are entitled can vary from two weeks to well over a year. Because of the aforementioned uncertainties, the process to determine the amount of liability to record is cumbersome and subject to inaccuracies. However, we feel that due to constant monitoring of the process, any inaccuracies would not be material.

Our recorded liability for allowances, end-user pricing adjustments and trade spending was approximately $12,090,000 and $11,793,000 at September 27, 2008 and September 29, 2007, respectively.

Accounts Receivable — We record accounts receivable at the time revenue is recognized. Bad debt expense is recorded in marketing and administrative expenses. The amount of the allowance for doubtful accounts is based on our estimate of the accounts receivable amount that is uncollectable. It is comprised of a general reserve based on historical experience and amounts for specific customers' accounts receivable balances that we believe are at risk due to our knowledge of facts regarding the customer(s). We continually monitor our estimate of the allowance for doubtful accounts and adjust it monthly. We usually have 2 to 3 customers with accounts receivable balances of between $1.5 million to $6 million. Failure of these customers, and others with lesser balances, to pay us the amounts owed, could have a material impact on our consolidated financial statements.

Accounts receivable due from any of our customers is subject to risk. Our total bad debt expense was $502,000, $189,000 and $300,000 for the fiscal years 2008, 2007 and 2006, respectively. At September 27, 2008 and September 29, 2007, our accounts receivables were $61,176,000 and $56,772,000, net of an allowance for doubtful accounts of $926,000 and $1,052,000.

Asset Impairment — In 2006, goodwill of our frozen beverages reporting unit increased by $3,487,000 as a result of the acquisitions of ICEE of Hawaii and SLUSH PUPPIE and the goodwill of our food service reporting unit increased by $839,000 as a result of a smaller acquisition. In 2007, goodwill of our food service reporting unit increased by $1,763,000 as a result of the acquisitions of Hom/Ade Foods and DADDY RAY'S. In 2007, goodwill of our frozen beverages reporting unit increased by $603,000 as the result of the Kansas ICEE acquisition.

We have three reporting units with goodwill totaling $60,314,000 as of September 27, 2008. We utilize historical reporting unit cash flows (defined as reporting unit operating income plus depreciation and amortization) as a proxy for expected future reporting unit cash flows to evaluate the fair value of these reporting units. If the fair value estimated substantially exceeds the carrying value of the reporting unit, including the goodwill, if any, associated with that unit, we do not recognize any impairment loss. We do not engage a third party to assist in this analysis as we believe that our in-house expertise is adequate to perform the analysis.

Licenses and rights, customer relationships and non compete agreements are being amortized by the straight-line method over periods ranging from 3 to 20 years and amortization expense is reflected throughout operating expenses. The gross carrying amount of intangible assets increased by $17,034,000 in 2006 primarily as a result of the acquisition of $15,188,000 of intangible assets of the SLUSH PUPPIE business. The gross carrying amount of intangibles increased by $39,633,000 in 2007 primarily as a result of the acquisitions of $23,771,000 and $12,799,000 of intangible assets of Hom/Ade Foods and DADDY RAY'S, respectively. Long-lived assets, including fixed assets and intangibles, are reviewed for impairment as events or changes in circumstances occur indicating that the carrying amount of the asset may not be recoverable. Cash flow analyses are used to assess impairment. The estimates of future cash flows involve considerable management judgment and are based upon assumptions about expected future operating performance. Assumptions used in these forecasts are consistent with internal planning. The actual cash flows could differ from management's estimates due to changes in business conditions, operating performance, economic conditions, competition and consumer preferences.

Useful Lives of Intangible Assets — Most of our trade names which have carrying value have been assigned an indefinite life and are not amortized because we plan to receive the benefit from them indefinitely. If we decide to curtail or eliminate the use of any of the trade names or if sales that are generated from any particular trade name do not support the carrying value of the trade name, then we would record an impairment or assign an estimated useful life and amortize over the remaining useful life. Rights such as prepaid licenses and non compete agreements are amortized over contractual periods. The useful lives of customer relationships are based on the discounted cash flows expected to be received from sales to the customers adjusted for an attrition rate. The loss of a major customer or declining sales in general could create an impairment charge.

Insurance Reserves — We have a self-insured medical plan which covers approximately 1,100 of our employees. We record a liability for incurred but not yet reported or paid claims based on our historical experience of claims payments and a calculated lag time period. We maintain a spreadsheet that includes claims payments made each month according to the date the claim was incurred. This enables us to have an historical record of claims incurred but not yet paid at any point in the past. We then compare our accrued liability to the more recent claims incurred but not yet paid amounts and adjust our recorded liability up or down accordingly. Our recorded liability at September 27, 2008 and September 29, 2007 was $772,000 and $801,000, respectively. Considering that we have stop loss coverage of $175,000 for each individual plan subscriber, the general consistency of claims payments and the short time lag, we believe that there is not a material exposure for this liability. Because of the foregoing, we do not engage a third party actuary to assist in this analysis.

We self-insure, up to loss limits, worker's compensation and automobile liability claims. Accruals for claims under our self-insurance program are recorded on a claims-incurred basis. Under this program, the estimated liability for claims incurred but unpaid in fiscal years 2008 and 2007 was $1,600,000 and $1,900,000, respectively. Our total recorded liability for all years' claims incurred but not yet paid was $6,400,000 and $6,800,000 at September 27, 2008 and September 29, 2007, respectively. We estimate the liability based on total incurred claims and paid claims adjusting for loss development factors which account for the development of open claims over time. We estimate the amounts we expect to pay for some insurance years by multiplying incurred losses by a loss development factor which is based on insurance industry averages and the age of the incurred claims; our estimated liability is then the difference between the amounts we expect to pay and the amounts we have already paid for those years. Loss development factors that we use range from 1.0 to 2.0. However, for some years, the estimated liability is the difference between the amounts we have already paid for that year and the maximum we could pay under the program in effect for that particular year because the calculated amount we expect to pay is higher than the maximum. For other years, where there are few claims open, the estimated liability we record is the amount the insurance company has reserved for those claims. We evaluate our estimated liability on a continuing basis and adjust it accordingly. Due to the multi-year length of these insurance programs, there is exposure to claims coming in lower or higher than anticipated; however, due to constant monitoring and stop loss coverage on individual claims, we believe our exposure is not material. Because of the foregoing, we do not engage a third party actuary to assist in this analysis. In connection with these self-insurance agreements, we customarily enter into letters of credit arrangements with our insurers. At September 27, 2008 and September 29, 2007, we had outstanding letters of credit totaling $9,475,000 and $9,595,000, respectively.

Refer to Note A to the accompanying consolidated financial statements for additional information on our accounting policies.

RESULTS OF OPERATIONS

Fiscal 2008 (52 weeks) Compared to Fiscal 2007 (52 weeks)

Net sales increased $60,548,000, or 11%, to $629,359,000 in fiscal 2008 from $568,901,000 in fiscal 2007. Adjusting for sales related to the acquisitions of DADDY RAY’S and Hom/Ade Foods in January 2007, and WHOLE FRUIT Sorbet and FRUIT-A-FREEZE Frozen Fruit Bar brands in April 2007, sales increased approximately 7%, or $41,681,000.

We have four reportable segments, as disclosed in the accompanying notes to the consolidated financial statements: Food Service, Retail Supermarkets, The Restaurant Group and Frozen Beverages.

The Chief Operating Decision Maker for Food Service, Retail Supermarkets and The Restaurant Group and the Chief Operating Decision Maker for Frozen Beverages monthly review and evaluate operating income and sales in order to assess performance and allocate resources to each individual segment. In addition, the Chief Operating Decision Makers review and evaluate depreciation, capital spending and assets of each segment on a quarterly basis to monitor cash flow and asset needs of each segment.

Food Service

Sales to food service customers increased $44,430,000, or 12%, to $400,194,000 in fiscal 2008. Excluding the benefit of sales from acquisitions, sales increased approximately 7%. Soft pretzel sales to the food service market increased $925,000, or 1%, to $99,784,000 for the year. Sales of bakery products excluding Hom/Ade and DADDY RAY’S, increased $19,768,000, or 14%, for the year. Hom/Ade and DADDY RAY sales were $30,380,000 and $26,596,000, respectively, for the year. Churro sales were up 15% for the year with $25,286,000 of sales in 2008. Frozen juice bar and ices sales increased $3,635,000 or 8% to $51,206,000 for the year. Without WHOLE FRUIT and FRUIT-A-FREEZE, sales increased 5% for the year. Sales of our funnel cake products were down $835,000, or 12%, as sales declined to one customer. The changes in sales throughout the Food Service segment were from a combination of volume changes and price increases.

Retail Supermarkets

Sales of products to retail supermarkets increased $4,981,000 or 10% to $57,112,000 in fiscal 2008. Total soft pretzel sales to retail supermarkets were $27,559,000, an increase of 11% from fiscal 2007 virtually all due to pricing. Sales of frozen juice bars and ices increased 8% to $31,742,000 in 2008 due to increased volume of WHOLE FRUIT and FRUIT-A-FREEZE and reduced allowances on our other products. Coupon costs, a reduction of sales, were essentially unchanged for the year.

14

The Restaurant Group

Sales of our Restaurant Group, which operates BAVARIAN PRETZEL BAKERY and PRETZEL GOURMET retail stores in the Mid-Atlantic region, declined by 41% primarily due to closings or licensings of stores in the past year. At September 27, 2008, we had 5 stores open. Sales of stores open for both years were down 4% for the year.

Frozen Beverages

Frozen beverage and related product sales increased $12,178,000 or 8% to $170,418,000 in fiscal 2008. Beverage sales alone were up 6% for the year with approximately 2/3 of the increase resulting from a change in distribution to one customer and the balance resulting from pricing. Gallon sales were down 4% for the year in our base ICEE business. Service revenue increased $7,554,000, or 24%, to $38,803,000 for the year as we continue to grow this part of our business. Frozen carbonated machine sales decreased $1,680,000 to $14,793,000 for the year.

Consolidated

Other than as commented upon above by segment, there are no material specific reasons for the reported sales increases or decreases. Sales levels can be impacted by the appeal of our products to our customers and consumers and their changing tastes, competitive and pricing pressures, sales execution, marketing programs, seasonal weather, customer stability and general economic conditions.

Gross profit as a percent of sales decreased 3.09 percentage points in 2008 from 2007 to 30%.

We were impacted by higher unit commodity costs of over $30,000,000 for the year. This compares to an increase of less than $10,000,000 in 2007 compared to 2006. We expect to be impacted by higher commodity costs going forward, at least over the short term; however, we do expect the magnitude of the year over year increases to continue the decline which began in our fourth quarter. Reduced trade spending of about $2,700,000 in our retail supermarket segment benefitted gross profit and contributed to the improved operating income in the Retail Supermarkets segment. Pricing and lower liability insurance costs of approximately $1,900,000 also helped to partially offset some of the commodity costs' increase.

Total operating expenses increased $5,624,000 to $143,571,000 in fiscal 2008 but as a percentage of sales decreased 1.44 percentage points to 23% of sales in 2008. Other general income of $375,000 this year primarily consists of gains on the disposition of assets and insurance gains in our Food Service and Frozen Beverages segments offset by store closing costs in our Restaurant Group segment of $102,000. Last year, other general income consisted of primarily $495,000 and $321,000 insurance gains in the Frozen Beverages and The Restaurant Group segments, respectively and a royalty settlement of $569,000 in the Food Service segment reduced by other general expense items. Marketing expenses decreased 1.26 percentage points to 11% of sales. Controlled spending in our Food Service and Retail Supermarket segments accounted for the decline with lower advertising expense of approximately $2,000,000 accounting for about 25% of the percentage point decline. Distribution expenses decreased .24 of a percentage point to 8% of sales even though our fuel costs were approximately $2 million higher in our Frozen Beverages segment and administrative expenses were about 3-1/2% of sales in both years.

Operating income decreased $5,244,000, or 11%, to $43,336,000 in fiscal 2008 as a result of the aforementioned items.

Investment income decreased by $55,000 to $2,665,000 primarily due to lower investment returns in the fourth quarter.

The effective income tax rate increased to 39% in fiscal year 2008 from 37% in fiscal 2007. Last year included the benefit of the resolution of state and foreign tax matters. This year had a lower benefit from stock based compensation as well as additional expense resulting from changes in state tax requirements.

Net earnings decreased $4,204,000, or 13%, in fiscal 2008 to $27,908,000, or $1.47 per diluted share as a result of the aforementioned items.

There are many factors which can impact our net earnings from year to year and in the long run, among which are the supply and cost of raw materials and labor, insurance costs, factors impacting sales as noted above, the continuing consolidation of our customers, our ability to manage our manufacturing, marketing and distribution activities, our ability to make and integrate acquisitions and changes in tax laws and interest rates.

RESULTS OF OPERATIONS

Fiscal 2007 (52 weeks) Compared to Fiscal 2006 (53 weeks)

Net sales increased $54,070,000, or 11%, to $568,901,000 in fiscal 2007 from $514,831,000 in fiscal 2006. Adjusting for sales related to the acquisitions of ICEE of Hawaii in January 2006, SLUSH PUPPIE in May 2006, DADDY RAY'S in January 2007, HOM/ADE Foods in January 2007, and WHOLE FRUIT Sorbet and FRUIT-A-FREEZE Frozen Fruit Bar brands in April 2007, sales increased approximately 2%, or $9,236,000.

We have four reportable segments, as disclosed in the accompanying notes to the consolidated financial statements: Food Service, Retail Supermarkets, The Restaurant Group and Frozen Beverages.

The Chief Operating Decision Maker for Food Service, Retail Supermarkets and The Restaurant Group and the Chief Operating Decision Maker for Frozen Beverages monthly review and evaluate operating income and sales in order to assess performance and allocate resources to each individual segment. In addition, the Chief Operating Decision Makers review and evaluate depreciation, capital spending and assets of each segment on a quarterly basis to monitor cash flow and asset needs of each segment.

Food Service

Sales to food service customers increased $35,597,000, or 11%, to $355,764,000 in fiscal 2007. Excluding the benefit of Hom/Ade sales of $22,409,000, DADDY RAY'S sales of $15,468,000, and WHOLE FRUIT and FRUIT-A-FREEZE sales of $1,781,000, sales increased approximately 1%. Soft pretzel sales to the food service market decreased $722,000, or 1%, to $98,859,000 for the year. Sales of bakery products excluding Hom/Ade and DADDY RAY'S, increased $3,648,000, or 3%, for the year. Churro sales were essentially unchanged for the year with $22,069,000 of sales in 2007. Frozen juice bar and ices sales increased $3,235,000 or 7% to $47,571,000 for the year. Without WHOLE FRUIT and FRUIT-A-FREEZE, sales increased 3% for the year with sales to school food service customers accounting for most of the increase. Sales of our funnel cake products were down $1,198,000, or 15%, as sales declined to one customer. The changes in sales throughout the Food Service segment were from a combination of volume changes and price increases.

Retail Supermarkets

Sales of products to retail supermarkets increased $5,183,000 or 11% to $52,131,000 in fiscal 2007. Total soft pretzel sales to retail supermarkets were $24,867,000, an increase of 10% from fiscal 2006 due to volume and pricing. Sales of frozen juice bars and ices increased $3,626,000, or 14%, to $29,426,000 in 2007 from $25,800,000 in 2006 due to volume and pricing. Coupon costs, a reduction of sales, were up $687,000, or 33%, for the year, because of increased distribution of coupons.

The Restaurant Group

Sales of our Restaurant Group, which operates BAVARIAN PRETZEL BAKERY and PRETZEL GOURMET retail stores in the Mid-Atlantic region, declined by 29% primarily due to closings or licensings of stores in the past year. At September 29, 2007, we had 9 stores open. Sales of stores open for both years were down 8% for the year.

Frozen Beverages

Frozen beverage and related product sales increased $14,421,000 or 10% to $158,420,000 in fiscal 2007. Excluding the benefit of sales from the acquisitions of ICEE of Hawaii and SLUSH PUPPIE, frozen beverages and related product sales would have been up 2% for the year. Beverage sales alone were up 9% for the year. Excluding sales from the acquisitions, beverage sales alone would have been up 1% for the year. Gallon sales were down 3% for the year in our base ICEE business. Service revenue increased $5,831,000, or 23%, to $31,249,000 for the year as we continue to emphasize growing this part of our business. Frozen carbonated machine sales decreased $1,111,000 to $16,473,000 for the year.

Consolidated

Other than as commented upon above by segment, there are no material specific reasons for the reported sales increases or decreases. Sales levels can be impacted by the appeal of our products to our customers and consumers and their changing tastes, competitive and pricing pressures, sales execution, marketing programs, seasonal weather, customer stability and general economic conditions.

Gross profit as a percent of sales decreased .71 of a percentage point in 2007 from 2006 although it remained at 33% of sales for both 2007 and 2006. Excluding the lower gross profit margin of the acquired DADDY RAY'S business, gross profit percentage would have declined only .26 of a percentage point for the year.

We were impacted by higher commodity costs of over $8,000,000 for the year with over $3,500,000 impacting us in the fourth quarter. Reduced trade spending in our retail supermarket segment, other pricing and lower utility and insurance costs of approximately $1,100,000 helped to offset some of the commodity costs increase.

We expect to continue to be impacted by higher commodity costs going forward.

Total operating expenses increased $10,592,000 to $137,947,000 in fiscal 2007 but as a percentage of sales decreased .49 of a percentage point to 24% of sales in 2007. An impairment charge last year of $1,193,000 in the Food Service segment for the writedown of robotic packaging equipment and an increase of other general income of $1,312,000 this year accounted for virtually all of the .49 percentage point decrease. Other general income of $1,388,000 this year primarily consists of $495,000 and $321,000 insurance gains in the Frozen Beverages and The Restaurant Group segments, respectively and a royalty settlement of $569,000 in the Food Service segment reduced by other general expense items. Marketing expenses increased .38 of a percentage point but stayed at 12% of sales. Marketing expenses this year include $1,940,000 of costs for a TV/Internet advertising campaign for our retail SUPERPRETZEL product.

Operating income increased $3,516,000, or 8%, to $48,580,000 in fiscal 2007 as a result of the aforementioned items. Excluding the writedown of robotic packaging equipment last year, operating income increased $2,323,000, or 5%. Excluding the impact of the writedown of the robotic packaging equipment last year and the increase in other general income this year, operating income was up $1,011,000, or 2%, this year.

Investment income decreased by $417,000 to $2,720,000 primarily due to lower investable balances of cash and marketable securities.

The effective income tax rate decreased to 37% in fiscal year 2007 from 39% in fiscal 2006 due primarily from the resolution of state and foreign tax matters.

Net earnings increased $2,662,000, or 9%, in fiscal 2007 to $32,112,000, or $1.69 per diluted share as a result of the aforementioned items.

There are many factors which can impact our net earnings from year to year and in the long run, among which are the supply and cost of raw materials and labor, insurance costs, factors impacting sales as noted above, the continuing consolidation of our customers, our ability to manage our manufacturing, marketing and distribution activities, our ability to make and integrate acquisitions and changes in tax laws and interest rates.

ACQUISITIONS

In January 2004, we acquired the assets of Country Home Bakers, Inc. Country Home Bakers, Inc., with its manufacturing facility in Atlanta, Georgia, manufactures and distributes bakery products to the food service and supermarket industries. Its product line includes cookies, biscuits, and frozen doughs sold under the names

READI-BAKE, COUNTRY HOME and private labels sold through supermarket in-store bakeries.

In March 2005, we acquired all of the assets of Snackworks LLC, d/b/a Bavarian Brothers, a manufacturer of soft pretzels headquartered in Rancho Cucamonga, California. Snackworks operates production facilities in California and Chambersburg, Pennsylvania and markets its products under the brand names SERIOUSLY TWISTED!, BAVARIAN BROTHERS and CINNAPRETZEL. Snackworks sells throughout the continental United States primarily to mass merchandisers and theatres.

On January 31, 2006, we acquired the stock of ICEE of Hawaii. ICEE of Hawaii, headquartered in Waipahu, Hawaii, distributes ICEE frozen beverages and related products throughout the Hawaiian islands.

On May 26, 2006, The ICEE Company, our frozen carbonated beverage distribution company, acquired the SLUSH PUPPIE branded business from Dr. Pepper/Seven Up, Inc., a Cadbury Schweppes Americas Beverages Company for $18.1 million plus approximately $4.3 million in working capital. SLUSH PUPPIE, North America's leading brand for frozen non-carbonated beverages, is sold through an existing established distributor network to over 20,000 locations in the United States and Canada as well as to certain international markets.

On January 9, 2007, we acquired the assets of Hom/Ade Foods, Inc. Hom/Ade Foods, Inc., based in Pensacola, Florida is a manufacturer and distributor of biscuits and dumplings sold under the MARY B's and private label store brands predominately to the retail supermarket trade.

Annual sales of the business were approximately $30 million for the year ended December 2006.

On January 31, 2007, we acquired the assets of Radar, Inc. Radar, Inc. is a manufacturer and seller of fig and fruit bars selling its products under the brand DADDY RAY'S. Headquartered and with its manufacturing facility in Moscow Mills, Missouri (outside of St. Louis), Radar, Inc. had annual sales of approximately $23 million dollars selling to the retail grocery segment and mass merchandisers, both branded and private label.

On April 2, 2007, we acquired the WHOLE FRUIT Sorbet and FRUIT-A-FREEZE Frozen Fruit Bar brands, along with related assets including a manufacturing facility located in Norwalk, California, selling primarily to the supermarket industry. Sales for 2007 were $2,429,000.

On June 25, 2007, we acquired the assets of an ICEE distributor in Kansas with annual sales of less than $1 million.

These acquisitions were accounted for under the purchase method of accounting, and their operations are included in the accompanying consolidated financial statements from their respective acquisition dates.

LIQUIDITY AND CAPITAL RESOURCES

Although there are many factors that could impact our operating cash flow, most notably net earnings, we believe that our future operating cash flow, along with our borrowing capacity, is sufficient to fund future growth and expansion. See Note C to these financial statements for a discussion of auction market preferred stock which previously we had considered to be a source of liquidity.

Fluctuations in the value of the Mexican and Canadian currencies and the resulting translation of the net assets of our Mexican and Canadian subsidiaries caused a decrease of $3,000 in accumulated other comprehensive loss in 2008 and an increase of $42,000 in 2007 and an increase of $46,000 in 2006. In 2008, sales of the two subsidiaries were $11,078,000 as compared to $9,785,000 in 2007 and $7,889,000 in 2006.

In our 2008 fiscal year, we purchased and retired 135,124 shares of our common stock at a cost of $3,539,000 under a million share buyback authorization approved by the Company's Board of Directors in February 2008. In fiscal years 2007 and 2006, we did not repurchase or retire any of our Company stock.

Subsequent to September 27, 2008 and prior to the filing of this Form 10-K, we purchased and retired 400,000 shares of our comon stock at a purchase price of $27.90 per share from Gerald B. Shreiber, Chairman of the Board, President, Chief Executive Officer and Director of the Company.

In December 2006, we entered into an amended and restated loan agreement with our existing banks which provides for up to a $50,000,000 revolving credit facility repayable in December 2011. The agreement contains restrictive covenants and requires commitment fees in accordance with standard banking practice. There were no outstanding balances under the facility at September 27, 2008 and September 29, 2007. The significant financial covenants are:

- Earnings before interest expense and income taxes divided by interest expense shall not be less than 1.5 to 1.

- Tangible net worth must initially be more than $170 million.

- Total funded indebtedness divided by earnings before interest expense, income taxes, depreciation and amortization shall not be greater than 2.25 to 1.

- Total liabilities divided by tangible net worth shall not be more than 2.0 to 1.

We were in compliance with the financial covenants described above at September 27, 2008.

We self-insure, up to loss limits, certain insurable risks such as worker's compensation and automobile liability claims. Accruals for claims under our self-insurance program are recorded on a claims-incurred basis. Under this program, the estimated liability for claims incurred but unpaid in fiscal years 2008 and 2007 was $1,600,000 and $1,900,000, respectively. In connection with certain self-insurance agreements, we customarily enter into letters of credit arrangements with our insurers. At September 27, 2008 and September 29, 2007, we had outstanding letters of credit totaling $9,475,000 and $9,595,000, respectively.

The following table presents our contractual cash flow commitments on long-term debt, operating leases and purchase commitments for raw materials and packaging. See Notes to the consolidated financial statements for additional information on our long-term debt and operating leases.

	Payments Due by Period (in thousands)				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt, including current maturities	$ —	$ —	$ —	$ —	$ —
Capitalized lease obligations	474	93	194	187	—
Purchase commitments	44,316	44,316	—	—	—
Operating leases	37,872	9,716	14,126	6,568	7,462
Total	$ 82,662	$ 54,125	$ 14,320	$ 6,755	$ 7,462

The amounts shown above exclude uncertain tax benefits of $1,735,000 as determined under FIN 48 as we cannot predict if or when such amounts, if any, will be paid or be payable to the taxing authorities.

The purchase commitments do not exceed our projected requirements over the related terms and are in the normal course of business.

Fiscal 2008 Compared to Fiscal 2007

Cash and cash equivalents, marketable securities held to maturity and auction market preferred stock increased $24,916,000, or 44%, to $81,935,000 from a year ago primarily because net cash provided by operating activities of $54,897,000 was more than cash used for purchases of property, plant and equipment by $32,116,000, which was partially offset by cash used in financing activities of $7,600,000.

Trade receivables increased $4,404,000, or 8%, to $61,176,000 in 2008 due primarily to higher net sales. Inventories increased $2,496,000 or 5% to $49,095,000 in 2008 due primarily to higher unit costs of inventories.

Net property, plant and equipment was essentially unchanged at $93,064,000 because purchases of fixed assets were essentially offset by depreciation of fixed assets.

Other intangible assets, less accumulated amortization decreased $4,700,000 to $53,633,000 due completely to amortization.

Goodwill was unchanged at $60,314,000 from September 29, 2007 to September 27, 2008.

Accounts payable and accrued liabilities increased $550,000, or 1% from 2007 to 2008 primarily because of higher costs of raw materials and packaging.

Deferred income tax liabilities increased by $3,876,000 to $23,056,000 which related primarily to amortization of goodwill and other intangible assets and depreciation of property, plant and equipment.

Other long-term liabilities at September 27, 2008 include $1,735,000 of gross unrecognized tax benefits.

Common stock increased $1,135,000 to $48,415,000 in 2008 because increases from the exercise of incentive and nonqualified stock options, stock issued under our stock purchase plan for employees and share-based compensation expense exceeded the repurchase of common stock of $3,539,000 by $1,135,000.

Net cash provided by operating activities decreased $2,946,000 to $54,897,000 in 2008 primarily because of the decrease to net earnings of $4,204,000.

Net cash used in investing activities decreased $38,980,000 to $18,854,000 in 2008 from $57,834,000 in 2007 primarily because we did not make any acquisitions in 2008.

Net cash used in financing activities of $7,600,000 in 2008 compared to net cash used by financing activities of $1,769,000 in 2007. The increase was caused by $3,539,000 of payments to repurchase common stock along with a decrease in proceeds from the issuance of common stock upon the exercise of stock options.

In 2008, the major variables in determining our net increase in cash and cash equivalents and marketable securities were our net earnings, depreciation and amortization of fixed assets and purchases of property, plant and equipment. Additionally, in 2008, due to the failure of the auction market, we reclassified a portion of our investment securities to long-term assets (see Note C to these financial statements). Other variables which in the past have had a significant impact on our change in cash and cash equivalents are payments for the repurchase of common stock, proceeds from borrowings and payments of long-term debt. As discussed in results of operations, our net earnings may be influenced by many factors. Depreciation and amortization of fixed assets is primarily determined by past purchases of property, plant and equipment although it could be impacted by a significant acquisition. Purchases of property, plant and equipment are primarily determined by our ongoing normal manufacturing and marketing requirements but could be increased significantly for manufacturing expansion requirements or large frozen beverage customer needs. From time to time, we have repurchased common stock and we anticipate that we will do so again in the future. We are actively seeking acquisitions that could be a significant use of cash. Although the balance of our long-term debt is $0 at September 27, 2008, we may borrow in the future depending on our needs.

Fiscal 2007 Compared to Fiscal 2006

Cash and cash equivalents and marketable securities available for sale decreased $19,602,000, or 26%, to $57,019,000 from a year ago primarily because net cash provided by operating activities of $57,843,000 was less than cash used for purchases of property, plant and equipment and for purchase of companies by $17,669,000.

Trade receivables increased $3,739,000, or 7%, to $56,772,000 in 2007 due primarily to an increased level of business resulting from acquisitions and internal growth. Inventories increased $8,809,000 or 23% to $46,599,000 in 2007. The increases were due primarily to increased levels of business and higher unit costs of inventories.

Net property, plant and equipment increased $7,775,000 to $93,222,000 because purchases of fixed assets and fixed assets acquired in acquisitions exceeded depreciation of existing assets.

Other intangible assets, less accumulated amortization increased $35,664,000 to $58,333,000 primarily because of the purchase of intangible assets of $23,771,000, $12,799,000, $2,731,000 and $413,000 in the Hom/Ade Foods, DADDY RAY’S, WHOLE FRUIT and FRUIT-A-FREEZE and Kansas ICEE acquisitions, respectively.

Goodwill increased $2,366,000 to $60,314,000 as a result of the purchases of the aforementioned acquisitions.

Accounts payable and accrued liabilities increased $5,033,000, or 10% from 2006 to 2007 primarily because of increased levels of business, higher costs of raw materials and packaging and higher income taxes payable.

Deferred income tax liabilities increased by $969,000 to $19,180,000 which related primarily to amortization of goodwill and other intangible assets.

Common stock increased $6,182,000 to $47,280,000 in 2007 because of the exercise of incentive and nonqualified stock options, stock issued under our stock purchase plan for employees and share-based compensation expense.

Net cash provided by operating activities increased $2,878,000 to $57,843,000 in 2007 primarily because of an increase to net earnings of $2,662,000 and higher amortization of intangibles and deferred costs of $2,797,000 compared to 2006.

Net cash used in investing activities increased $7,205,000 to $57,834,000 in 2007 from $50,629,000 in 2006 primarily because purchases of property, plant and equipment and payments for purchases of companies, net of cash acquired were higher by $29,509,000, which was offset by the net difference between proceeds from sales of marketable securities and purchases of marketable securities of $22,782,000 this year compared to last year.

Net cash used in financing activities of $1,769,000 in 2007 compared to net cash used by financing activities of $2,464,000 in 2006. The decrease was caused by increased proceeds from the issuance of common stock.

In 2007, the major variables in determining our net increase in cash and cash equivalents and marketable securities available for sale were our net earnings, depreciation and amortization of fixed assets, purchases of property, plant and equipment and payments for the purchase of companies. Other variables which in the past have had a significant impact on our change in cash and cash equivalents are payments for the repurchase of common stock, proceeds from borrowings and payments of long-term debt. As discussed in results of operations, our net earnings may be influenced by many factors. Depreciation and amortization of fixed assets is primarily determined by past purchases of property, plant and equipment although it could be impacted by a significant acquisition in the current year. Purchases of property, plant and equipment are primarily determined by our ongoing normal manufacturing and marketing requirements but could be increased significantly for manufacturing expansion requirements or large frozen beverage customer needs. From time to time, we have repurchased common stock and we anticipate that we will do so again in the future. We are actively seeking acquisitions that could be a significant use of cash. Although the balance of our long-term debt is $0 at September 29, 2007, we may borrow in the future depending on our needs.

Item 7A. Quantitative And Qualitative Disclosures About Market Risk

The following is the Company’s quantitative and qualitative analysis of its financial market risk:

Interest Rate Sensitivity

The Company has in the past entered into interest rate swaps to limit its exposure to interest rate risk and may do so in the future if the Board of Directors feels that such non-trading purpose is in the best interest of the Company and its shareholders. As of September 27, 2008, the Company had no interest rate swap contracts.

Interest Rate Risk

At September 27, 2008, the Company had no long-term debt obligations.

Purchasing Risk

The Company’s most significant raw material requirements include flour, shortening, corn syrup, sugar, juice, cheese, chocolate, and a variety of nuts. The Company attempts to minimize the effect of future price fluctuations related to the purchase of raw materials primarily through forward purchasing to cover future manufacturing requirements, generally for periods from 1 to 12 months. Futures contracts are not used in combination with forward purchasing of these raw materials. The Company’s procurement practices are intended to reduce the risk of future price increases, but also may potentially limit the ability to benefit from possible price decreases.

Foreign Exchange Rate Risk

The Company has not entered into any forward exchange contracts to hedge its foreign currency rate risk as of September 27, 2008 because it does not believe its foreign exchange exposure is significant.

Item 8. Financial Statements And Supplementary Data

The financial statements of the Company are filed under this Item 8, beginning on page F-1 of this report.

Item 9. Changes In And Disagreements With Accountants On Accounting And Financial Disclosure

None.

Item 9A. Controls And Procedures

Disclosure Controls and Procedures

We carried out an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the “Exchange Act”), as amended for financial reporting, as of September 27, 2008. Based on that evaluation, our chief executive officer and chief financial officer concluded that these controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported as specified in Securities and Exchange Commission rules and forms. There were no changes in these controls or procedures identified in connection with the evaluation of such controls or procedures that occurred during our last fiscal quarter, or in other factors that have materially affected, or are reasonably likely to materially affect these controls or procedures. There were no changes in the Company's internal controls over financial reporting that occurred during our last fiscal quarter.

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission. These disclosure controls and procedures include, among other things, controls and procedures designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, the chief executive officer and chief financial officer and effected by the board of directors and management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of our management and board of directors;

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of September 27, 2008. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on our assessment, our management believes that, as of September 27, 2008, our internal control over financial reporting is effective. Our independent registered public accounting firm has issued a report on the effectiveness of our internal control over financial reporting. That report appears in this Annual Report on Form 10-K on page F-2.

Item 9B. Other Information

There was no information required on Form 8-K during the quarter that was not reported.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Portions of the information concerning directors and executive officers, appearing under the captions “Information Concerning Nominees For Election To Board” and “Information Concerning Continuing Directors And Executive Officers” and information concerning Section 16(a) Compliance appearing under the caption “Compliance with Section 16(a) of the Securities Exchange Act of 1934” in the Company’s Proxy Statement filed with the Securities and Exchange Commission in connection with the Annual Meeting of Shareholders to be held on February 12, 2009 (“2008 Proxy Statement”) is incorporated herein by reference.

Portions of the information concerning the Audit Committee, the requirement for an Audit Committee Financial Expert and the Nominating Committee in the Company’s 2008 Proxy Statement filed with the Securities and Exchange Commission in connection with the Annual Meeting of Shareholders to be held on February 12, 2009, is incorporated herein by reference.

The Company has adopted a Code of Ethics pursuant to Section 406 of the Sarbanes-Oxley Act of 2002, which applies to the Company’s principal executive officer and senior financial officer. The Company has also adopted a Code of Business Conduct and Ethics which applies to all employees. The Company will furnish any person, without charge, a copy of the Code of Ethics upon written request to J & J Snack Foods Corp., 6000 Central Highway, Pennsauken, New Jersey 08109, Attn: Dennis Moore. A copy of the Code of Ethics can also be found on our website at www.jjsnack.com. Any waiver of any provision of the Code of Ethics granted to the principal executive officer or senior financial officer may only be granted by a majority of the Company’s disinterested directors. If a waiver is granted, information concerning the waiver will be posted on our website www.jjsnack.com for a period of 12 months.

Item 11. Executive Compensation

Information concerning executive compensation appearing in the Company’s 2008 Proxy Statement under the caption “Management Remuneration” is incorporated herein by reference.

The following is a list of the executive officers of the Company and their principal past occupations or employment. All such persons serve at the pleasure of the Board of Directors and have been elected to serve until the Annual Meeting of Shareholders on February 12, 2009 or until their successors are duly elected.

Name	Age	Position
Gerald B. Shreiber	67	Chairman of the Board, President, Chief Executive Officer and Director
Dennis G. Moore	53	Senior Vice President, Chief Financial Officer, Secretary, Treasurer and Director
Robert M. Radano	59	Senior Vice President, Sales and Chief Operating Officer
Dan Fachner	48	President of The ICEE Company Subsidiary
Vincent Melchiorre	48	Executive Vice President and Chief Marketing Officer

Gerald B. Shreiber is the founder of the Company and has served as its Chairman of the Board, President, and Chief Executive Officer since its inception in 1971. His term as a director expires in 2010.

Dennis G. Moore joined the Company in 1984. He served in various controllership functions prior to becoming the Chief Financial Officer in June 1992. His term as a director expires in 2012.

Robert M. Radano joined the Company in 1972 and in May 1996 was named Chief Operating Officer of the Company. Prior to becoming Chief Operating Officer, he was Senior Vice President, Sales responsible for national food service sales of J & J.

Dan Fachner has been an employee of ICEE-USA Corp., which was acquired by the Company in May 1987, since 1979. He was named Senior Vice President of The ICEE Company in April 1994 and became President in May 1997.

Vincent Melchiorre joined the Company in June 2007. Prior to joining the Company, he had been employed in management positions with Weston Foods, USA for one year, The Tasty Baking Company for three years and The Campbell Soup Company for over twenty years.

Item 12. Security Ownership Of Certain Beneficial Owners And Management And Related Stockholder Matters

Information concerning the security ownership of certain beneficial owners and management appearing in the Company's 2008 Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management" is incorporated herein by reference.

The following table details information regarding the Company's existing equity compensation plans as of September 27, 2008.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	1,027,000	$ 21.84	1,311,000
Equity compensation plans not approved by security holders	—	—	—
Total	1,027,000	$ 21.84	1,311,000

Item 13. Certain Relationships And Related Transactions, and Director Independence

None to report.

Item 14. Principal Accounting Fees And Services

Information concerning the Principal Accountant Fees and Services in the Company's 2009 Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this Report:

(1) Financial Statements

The financial statements filed as part of this report are listed on the Index to Consolidated Financial Statements and Financial Statements Schedule on page F-1.

(2) Financial Statement Schedules — Page S-1

Schedule II — Valuation and Qualifying Accounts

All other schedules are omitted either because they are not applicable or because the information required is contained in the financial statements or notes thereto.

(b) Exhibits

3.1 Amended and Restated Certificate of Incorporation filed February 28, 1990. (Incorporated by reference from the Company’s Form 10-Q dated May 4, 1990.)

3.2 Revised Bylaws adopted May 17, 2006. (Incorporated by reference from the Company’s Form 10-K dated December 6, 2006.)

4.3 Amended and Restated Loan Agreement dated December 1, 2006 by and among J & J Snack Foods Corp. and Certain of its Subsidiaries and Citizens Bank of Pennsylvania, as Agent. (Incorporated by reference from the Company's Form 10-K dated December 6, 2006.)

10.1 Proprietary Exclusive Manufacturing Agreement dated July 17, 1984 between J & J Snack Foods Corp. and Wisco Industries, Inc. (Incorporated by reference from the Company's Form S-1 dated February 4, 1986, file no. 33-2296).

10.2* J & J Snack Foods Corp. Stock Option Plan. (Incorporated by reference from the Company's Definitive Proxy Statement dated December 19, 2002.)

10.3* Adoption Agreement for MFS Retirement Services, Inc. Non-Standardized 401(K) Profit Sharing Plan and Trust, effective September 1, 2004. (Incorporated by reference from the Company's Form 10-K dated December 6, 2006.)

10.4* J & J Snack Foods Corp. Directors' and Consultants' Deferred Compensation Plan adopted November 21, 2005. (Incorporated by reference from the Company's Form 10-K dated December 6, 2006.)

10.6 Lease dated September 24, 1991 between J & J Snack Foods Corp. of New Jersey and A & H Bloom Construction Co. for the 101,200 square foot building next to the Company's manufacturing facility in Pennsauken, New Jersey. (Incorporated by reference from the Company's Form 10-K dated December 17, 1991.)

10.7 Lease dated August 29, 1995 between J & J Snack Foods Corp. and 5353 Downey Associated Ltd. for the lease of the Vernon, CA facility. (Incorporated by reference from the Company's Form 10-K dated December 21, 1995.)

10.8* J & J Snack Foods Corp. Employee Stock Purchase Plan (Incorporated by reference from the Company's Form S-8 dated May 16, 1996).

10.11 Amendment No. 1 to Lease dated August 29, 1995 between J & J Snack Foods Corp. and 5353 Downey Associated Ltd. for the lease of the Vernon, CA facility. (Incorporated by reference from the Company's Form 10-K dated December 18, 2002).

10.12 Employment agreement between Vincent A. Melchiorre and J & J Snack Foods Corp. (Incorporated by reference from the Company's 8-K dated June 5, 2007).

14.1 Code of Ethics Pursua