

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the period ended June 26, 2004

or

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

Commission File Number: 0-14616

J & J SNACK FOODS CORP.

(Exact name of registrant as specified in its charter)

New Jersey 22-1935537  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

6000 Central Highway, Pennsauken, NJ 08109  
(Address of principal executive offices)

Telephone (856) 665-9533

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

Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act)

Yes  No

As of July 16, 2004, there were 8,997,274 shares of the Registrant's Common Stock outstanding.

INDEX

	Page Number
Part I. Financial Information	
Item 1. Consolidated Financial Statements	
Consolidated Balance Sheets - June 26, 2004 (unaudited) and September 27, 2003	3
Consolidated Statements of Operations - Three Months and Nine Months Ended June 26, 2004 and June 28, 2003 (unaudited)	5
Consolidated Statements of Cash Flows - Nine Months Ended June 26, 2004 and June 28, 2003 (unaudited)	6
Notes to the Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Item 3. Quantitative and Qualitative Disclosures About Market Risk	22

Item 4. Controls and Procedures	22
Item 5. Other Information	23
Part II. Other Information	
Item 6. Exhibits and Reports on Form 8-K	24
PART I. FINANCIAL INFORMATION	

Item 1. Consolidated Financial Statements

J & J SNACK FOODS CORP. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(in thousands)

ASSETS	June 26, 2004 (Unaudited)	September 27, 2003
Current assets		
Cash and cash equivalents	\$ 42,072	\$ 37,694
Accounts receivable	49,263	38,161
Inventories	31,621	23,202
Prepaid expenses and other	1,446	1,348
	124,402	100,405
Property, plant and equipment, at cost		
Land	606	606
Buildings	5,106	5,106
Plant machinery and equipment	99,359	93,122
Marketing equipment	179,085	173,360
Transportation equipment	988	909
Office equipment	8,320	7,394
Improvements	15,264	15,654
Construction in progress	4,300	2,458
	313,028	298,609
Less accumulated deprecia- tion and amortization	223,752	211,494
	89,276	87,115
Other assets		
Goodwill	46,477	45,850
Other intangible assets, less accumulated amortization	2,492	1,231
Long term investment securities held to maturity	-	275
Other	1,491	1,807
	50,460	49,163
	\$264,138	\$236,683

See accompanying notes to the consolidated financial statements.

3

J & J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - Continued  
(in thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY	June 26, 2004 (unaudited)	September 27, 2003
Current liabilities		
Accounts payable	\$ 36,790	\$ 27,252
Accrued liabilities	13,870	12,806
	50,660	40,058
Deferred income taxes	13,374	13,374
Other long-term liabilities	484	687

13,858

14,061

Stockholders' equity		
Capital stock		
Preferred, \$1 par value; authorized, 5,000,000 shares; none issued	-	-
Common, no par value; authorized 25,000 shares; issued and outstanding, 8,969 and 8,757, respectively	31,405	28,143
Accumulated other comprehen- sive loss	(2,035)	(1,957)
Retained earnings	170,250	156,378
	199,620	182,564
	\$264,138	\$236,683

See accompanying notes to the consolidated financial statements.

4

J & J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share amounts)

	Three months ended		Nine months ended	
	June 26, 2004	June 28, 2003	June 26, 2004	June 28, 2003
Net Sales	\$118,952	\$102,529	\$294,111	\$261,181
Cost of goods sold	76,702	64,146	196,477	173,857
Gross profit	42,250	38,383	97,634	87,324
Operating expenses				
Marketing	15,446	14,486	39,568	37,219
Distribution	9,136	7,635	23,985	20,253
Administrative	4,024	4,114	12,365	11,323
Other general (income)expense	73	(9)	243	(61)
	28,679	26,226	76,161	68,734
Operating income	13,571	12,157	21,473	18,590
Other income(expenses)				
Investment income	123	84	352	270
Interest expense	(30)	(42)	(87)	(96)
Earnings before income taxes	13,664	12,199	21,738	18,764
Income taxes	4,959	4,391	7,866	6,754
NET EARNINGS	\$ 8,705	\$ 7,808	\$ 13,872	\$ 12,010
Earnings per diluted share	\$.95	\$.87	\$1.52	\$1.32
Weighted average number of diluted shares	9,163	8,937	9,122	\$ 9,080
Earnings per basic share	\$.97	\$.91	\$1.56	\$1.38
Weighted average number of basic shares	8,956	8,574	8,873	8,680

See accompanying notes to the consolidated financial statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited) (in thousands)

	Nine months ended	
	June 26, 2004	June 28, 2003
Operating activities:		
Net earnings	\$13,872	\$12,010
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	17,464	18,576
Amortization of intangibles and deferred costs	744	535
Other	13	(336)
Changes in assets and liabilities, net of effects from purchase of companies		
Increase in accounts receivable	(8,677)	(2,469)
Increase in inventories	(4,666)	(3,858)
Increase in prepaid expenses	(9)	(364)
Increase in accounts payable and accrued liabilities	9,222	4,372
Net cash provided by operating activities	27,963	28,466
Investing activities:		
Purchase of property, plant and equipment	(14,987)	(14,778)
Payments for purchases of companies, net of cash acquired	(12,668)	-
Proceeds from investments held to maturity	275	400
Proceeds from disposals of property and equipment	749	2,167
Other	(26)	(107)
Net cash used in investing activities	(26,657)	(12,318)
Financing activities:		
Proceeds from issuance of stock	3,072	1,156
Payments to repurchase common stock	-	(8,565)
Net cash provided by (used in) financing activities	3,072	(7,409)
Net increase in cash and cash equivalents	4,378	8,739
Cash and cash equivalents at beginning of period	37,694	14,158
Cash and cash equivalents at end of period	\$42,072	\$22,897

See accompanying notes to the consolidated financial statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position and the results of operations and cash flows. Certain prior year amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on reported net earnings.

The results of operations for the three months and nine months ended June 26, 2004 and June 28, 2003 are not necessarily indicative of results for the full year. Sales at our retail stores are generally higher in the first quarter due to the holiday shopping season. Sales of our frozen beverages and frozen juice bars and ices are generally higher in the third and fourth quarters due to warmer weather.

While we believe that the disclosures presented are

adequate to make the information not misleading, it is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes included in the Company's Annual Report on Form 10-K for the year ended September 27, 2003.

Note 2 We recognize revenue from Food Service, Retail Supermarkets, The Restaurant Group and Frozen Beverage products at the time the products are shipped to third parties. When we perform services for others under time and material agreements, revenue is recognized upon the completion of the services. We also sell fixed-fee service contracts. The terms of coverage range between 12 and 60 months. We record deferred income on service contracts which is amortized by the straight-line method over the term of the contracts. We provide an allowance for doubtful receivables after taking into account historical experience and other factors.

Note 3 Depreciation of equipment and buildings is provided for by the straight-line method over the assets' estimated useful lives. Amortization of improvements is provided for by the straight-line method over the term of the lease or the assets' estimated useful lives, whichever is shorter. Licenses and rights arising from

7

acquisitions are amortized by the straight-line method over periods ranging from 4 to 20 years.

Note 4 Our calculation of earnings per share in accordance with SFAS No. 128, "Earnings Per Share," is as follows:

	Three Months Ended June 26, 2004		
	Income	Shares	Per Share
	(Numerator)	(Denominator)	Amount
	(in thousands, except per share amounts)		

Basic EPS

Net Earnings available to common stockholders	\$ 8,705	8,956	\$.97
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Effect of Dilutive Securities Options	-	207	(.02)
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Diluted EPS

Net Earnings available to common stockholders plus assumed conversions	\$ 8,705	9,163	\$.95
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35,700 anti-dilutive weighted shares have been excluded in the computation of the three months ended June 26, 2004 diluted EPS because the options' exercise price is greater than the average market price of the common stock.

	Nine Months Ended June 26, 2004		
	Income	Shares	Per Share
	(Numerator)	(Denominator)	Amount
	(in thousands, except per share amounts)		

Basic EPS

Net Earnings available to common stockholders	\$13,872	8,873	\$1.56
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Effect of Dilutive Securities Options	-	249	(.04)
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Diluted EPS

Net Earnings available to common stockholders plus assumed conversions	\$13,872	9,122	\$1.52
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35,700 anti-dilutive weighted shares have been excluded in the computation of the nine months ended June 26, 2004 diluted EPS because the options' exercise price is greater than the average market price of the common stock.

Three Months Ended June 28, 2003  
Income                      Shares                      Per Share  
(Numerator) (Denominator)                      Amount  
(in thousands, except per share amounts)

## Basic EPS

Net Earnings available to common stockholders	\$7,808	8,574	\$.91
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## Effect of Dilutive Securities

Options	-	363	(.04)
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## Diluted EPS

Net Earnings available to common stockholders plus assumed conversions	\$7,808	8,937	\$.87
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93,894 anti-dilutive weighted shares have been excluded in the computation of the nine months ended June 28, 2003 diluted EPS because the options' exercise price is greater than the average market price of the common stock.

Nine Months Ended June 28, 2003  
Income                      Shares                      Per Share  
(Numerator) (Denominator)                      Amount  
(in thousands, except per share amounts)

## Basic EPS

Net Earnings available to common stockholders	\$12,010	8,680	\$1.38
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## Effect of Dilutive Securities

Options	-	400	(.06)
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## Diluted EPS

Net Earnings available to common stockholders plus assumed conversions	\$12,010	9,080	\$1.32
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93,894 anti-dilutive weighted shares have been excluded in the computation of the nine months ended June 28, 2003 diluted EPS because the options' exercise price is greater than the average market price of the common stock.

Note 5 The Company accounts for stock options under SFAS No. 123, "Accounting for Stock-Based Compensation", as amended by SFAS No. 148, which contains a fair value-based method for valuing stock-based compensation that

entities may use, which measures compensation cost at the grant date based on the fair value of the award. Compensation is then recognized over the service period, which is usually the vesting period. Alternatively, SFAS No. 123 permits entities to continue accounting for employee stock options and similar equity instruments under Accounting Principles Board (APB) Opinion 25, "Accounting for Stock Issued to Employees". Entities that continue to account for stock options using APB Opinion 25 are required to make pro forma disclosures of net income and earnings per share, as if the fair value-based method of accounting defined in SFAS No. 123 had been applied.

At June 26, 2004, the Company has one stock-based employee compensation plan. The Company accounts for this plan under the recognition and measurement principles of APB No. 25, "Accounting for Stock Issued to Employees", and related interpretations. Stock-based employee compensation costs are not reflected in net income, as all options granted under the plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of SFAS No. 123, to stock-based employee compensation.

	10			
	Three Months Ended		Nine Months Ended	
	June 26,	June 28,	June 26,	June 28,
	2004	2003	2004	2003
Net income, as reported	\$8,705	\$7,808	\$13,872	\$12,010
Less: stock-based compensation costs determined under fair value based method for all awards	288	317	861	983
Net income, pro forma	\$8,417	\$7,491	\$13,011	\$11,027
Earnings per share of common stock - basic:				
As reported	\$ .97	\$ .91	\$ 1.56	\$ 1.38
Pro forma	\$ .94	\$ .87	\$ 1.47	\$ 1.27
Earnings per share of common stock - diluted:				
As reported	\$ .95	\$ .87	\$ 1.52	\$ 1.32
Pro forma	\$ .92	\$ .84	\$ 1.43	\$ 1.21

The fair value of each option grant is estimated on the date of grant using the Black-Scholes options-pricing model with the following weighted average assumptions used for grants in fiscal 2003 and fiscal 2004: expected volatility of 43% and 26%; risk-free interest rates of 3.07% for 2003 and ranging between 2.91% and 3.16% for 2004; and expected lives ranging between 5 and 10 years.

Note 6 In November 2002, FASB Interpretation 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45), was issued. FIN 45 requires a guarantor entity, at the inception of a guarantee covered by the measurement provisions of the interpretation, to record a liability for the fair value of the obligation undertaken in issuing the guarantee.

We previously did not record a liability when guaranteeing obligations unless it became probable that we would have to perform under the guarantee.

11

FIN 45 applies prospectively to guarantees we issue or modify subsequent to December 31, 2002, but has certain disclosure requirements effective for interim and annual periods ending after December 15, 2002. The adoption of FIN 45 did not have a significant impact on our consolidated financial position, results of operations or cash flows.

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46). In general, a variable interest entity is a corporation, partnership, trust or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003. We adopted the provisions of FIN 46 effective February 1, 2003 and such adoption did not have a material impact on our consolidated financial statements since we currently have no variable interest entities.

In December 2003, the FASB issued FIN 46R with respect to variable interest entities created before January 31, 2003, which among other things, revised the implementation date to the first fiscal year or interim period ending after March 15, 2004, with the exception of Special Purpose Entities (SPE). The consolidation requirements apply to all SPE's in the first fiscal year or interim period ending after December 15, 2003. We adopted the provisions of FIN 46R effective December 29, 2003 and such adoption did not have a material impact on our consolidated financial statements since we currently have no SPE's.

On May 15, 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity.

12

Most of the guidance in SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have a material effect on our consolidated financial position, results of operations or cash flows.

Note 7 Inventories consist of the following:

	June 26, 2004	September 27, 2003
	(in thousands)	
Finished goods	\$15,946	\$10,537
Raw materials	4,674	2,775
Packaging materials	3,027	2,975
Equipment parts & other	7,974	6,915
	\$31,621	\$23,202

Note 8 We principally sell our products to the food service and retail supermarket industries. We also distribute our products directly to the consumer through our chain of retail stores referred to as The Restaurant Group. Sales and results of our frozen beverages business are monitored separately from the balance of our food service business and restaurant group because of different distribution and capital requirements. We maintain separate and discrete financial information for the four operating segments mentioned above which is available to our Chief Operating Decision Makers. We have applied no aggregate criteria to any of these operating segments in order to determine reportable segments. Our four reportable segments are Food Service, Retail Supermarkets, The Restaurant Group and Frozen Beverages. All inter-segment net sales and expenses have been



eliminated in computing net sales and operating income (loss). These segments are described below.

#### Food Service

The primary products sold to the food service group are soft pretzels, frozen juice treats and desserts, churros and baked goods. Our customers in the food service industry 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,

13

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, LUIGI'S Real Italian Ice, MINUTE MAID Juice Bars and Soft Frozen Lemonade, 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.

#### The Restaurant Group

We sell direct to the consumer 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, including our restaurant group, primarily under the names ICEE and ARCTIC BLAST in the United States, Mexico and Canada.

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. Information regarding the operations in these four reportable segments is as follows:

14

	Three Months Ended		Nine Months Ended	
	June 26,	June 28,	June 26,	June 28,
	2004	2003	2004	2003

(in thousands)

#### Sales to External Customers:

Food Service	\$ 69,644	\$ 53,842	\$178,332	\$144,915
Retail Supermarket	12,990	13,557	28,556	28,689
Restaurant Group	1,567	2,228	6,106	7,671
Frozen Beverages	34,751	32,902	81,117	79,906
	\$118,952	\$102,529	\$294,111	\$261,181

#### Depreciation and Amortization:

Food Service	\$ 3,495	\$ 3,217	\$ 10,283	\$ 9,828
Retail Supermarket	-	-	-	-
Restaurant Group	84	143	294	447
Frozen Beverages	2,467	2,531	7,631	8,836
	\$ 6,046	\$ 5,891	\$ 18,208	\$ 19,111

Operating Income:

Food Service	\$ 6,583	\$ 5,250	\$ 14,728	\$ 12,782
Retail Supermarket	1,220	1,389	1,996	1,535
Restaurant Group	(353)	(417)	(767)	(600)
Frozen Beverages	6,121	5,935	5,516	4,873
	\$ 13,571	\$ 12,157	\$ 21,473	\$ 18,590

Capital Expenditures:

Food Service	\$ 2,473	\$ 3,271	\$ 6,175	\$ 7,538
Retail Supermarket	-	-	-	-
Restaurant Group	-	7	15	55
Frozen Beverages	4,032	3,238	8,797	7,185
	\$ 6,505	\$ 6,516	\$ 14,987	\$ 14,778

Assets:

Food Service	\$170,771	\$140,753	\$170,771	\$140,753
Retail Supermarket	-	-	-	-
Restaurant Group	1,600	2,360	1,600	2,360
Frozen Beverages	91,767	85,847	91,767	85,847
	\$264,138	\$228,960	\$264,138	\$228,960

Note 9 We follow SFAS No. 142 "Goodwill and Intangible Assets". SFAS No. 142 includes requirements to test goodwill and indefinite lived intangible assets for impairment rather than amortize them; accordingly, we no longer amortize goodwill.

Our four reporting units, which are also reportable segments, are Food Service, Retail Supermarkets, The Restaurant Group and Frozen Beverages. Each of the segments have goodwill and indefinite lived intangible assets.

15

The carrying amount of acquired intangible assets for the Food Service, Retail Supermarkets, The Restaurant Group and Frozen Beverage segments as of June 26, 2004 are as follows:

	Gross Carrying Amount	Accumulated Amortization (in thousands)	Net Carrying Amount
<b>FOOD SERVICE</b>			
Amortized intangible assets			
Licenses and rights	\$3,730	\$1,297	\$2,433
<b>RETAIL SUPERMARKETS</b>			
Amortized intangible assets			
Licenses and rights	\$ -	\$ -	\$ -
<b>THE RESTAURANT GROUP</b>			
Amortized intangible assets			
Licenses and rights	\$ 20	\$ 20	\$ -
<b>FROZEN BEVERAGES</b>			
Amortized intangible assets			
Licenses and rights	\$ 201	\$ 142	\$ 59

Licenses and rights are being amortized by the straight-line method over periods ranging from 4 to 20 years and amortization expense is reflected throughout operating expenses. There were no changes in the gross carrying amount of intangible assets for the three and nine months ended June 26, 2004. Aggregate amortization expense of intangible assets for the three months ended June 26, 2004 and June 28, 2003 was \$149,000 and \$76,000, respectively and for the nine months ended June 26, 2004 and June 28, 2003 was \$388,000 and \$231,000, respectively.

Estimated amortization expense for the next five fiscal

years is approximately \$570,000 in 2004 and 2005, and \$500,000 in 2006, 2007 and 2008.

#### Goodwill

The carrying amounts of goodwill for the Food Service, Restaurant Group and Frozen Beverage segments are as follows:

16

	Food Service	Retail Supermarket	Restaurant Group	Frozen Beverages	Total
Balance at June 26, 2004	\$14,241	\$ -	\$386	\$31,850	\$46,477

There were no changes in the carrying amount of goodwill for the three months ended June 26, 2004.

17

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

### Liquidity and Capital Resources

Our current cash and cash equivalents balance and cash expected to be provided by future operations are our primary sources of liquidity. We believe that these sources, along with our borrowing capacity, are sufficient to fund future growth and expansion.

In the three months ended June 26, 2004 and June 28, 2003, fluctuations in the valuation of the Mexican peso caused a decrease of \$60,000 and an increase of \$51,000, respectively, in stockholders' equity because of the revaluation of the net assets of the Company's Mexican frozen beverage subsidiary. In the nine month periods, there was a decrease of \$78,000 in fiscal year 2004 and a decrease of \$48,000 in fiscal year 2003.

On January 5, 2004, we acquired the assets of Country Home Bakers, Inc. for approximately \$13 million in cash. Country Home Bakers, Inc., with its manufacturing facility in Atlanta,

GA, 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. Total annual sales are estimated to be approximately \$48 million.

Our general-purpose bank credit line provides for up to a \$50,000,000 revolving credit facility. The agreement contains restrictive covenants and requires commitment fees in accordance with standard banking practice. There were no outstanding balances under this facility at June 26, 2004.

#### Results of Operations

Net sales increased \$16,423,000 or 16% for the three months to \$118,952,000 and \$32,930,000 or 13% to \$294,111,000 for the nine months ended June 26, 2004 compared to the three and nine months ended June 28, 2003. Excluding sales from the acquisition of Country Home Bakers, Inc. in January 2004, net sales increased \$4,219,000 or 4% for the three months and \$8,911,000 or 3% for the nine months ended June 26, 2004 compared to the three and nine months ended June 28, 2003.

#### FOOD SERVICE

Sales to food service customers increased \$15,802,000 or 29% in the third quarter to \$69,644,000 and increased \$33,417,000 or 23% for the nine months. Excluding sales from the

18

acquisition of Country Home Bakers, Inc., sales to food service customers increased \$3,598,000 or 7% in the third quarter and increased \$9,398,000 or 6% for the nine months. Soft pretzel sales to the food service market increased 11% to \$20,214,000 in the third quarter and 6% to \$59,455,000 in the nine months due primarily to increased sales of PRETZEL FILLERS. Sales to three customers accounted for approximately 55% of the soft pretzel sales' increase in the third quarter. For the nine months, a significant drop-off in sales to one customer which had increased significantly in the year ago period was more than offset by significant increases in sales to two other customers. Italian ice and frozen juice treat and dessert sales decreased 1%, or \$137,000, to \$12,827,000 in the three months and decreased 2%, or \$619,000, to \$25,242,000 in the nine months. Continued strength in our school food service business and sales of BARQ'S FLOATZ, a frozen root beer and ice cream float, in warehouse club stores have offset most of the declines which resulted from replacement of our products with low carb products in some warehouse club stores. Churro sales to food service customers decreased 1% to \$3,373,000 in the third quarter and increased 1% to \$9,755,000 in the nine months. Sales of bakery products increased \$14,170,000 or 81% in the third quarter to \$31,617,000 and increased \$30,573,000 or 62% for the nine months. Excluding sales from the acquisition of Country Home Bakers, Inc., sales of bakery products increased \$1,966,000 or 11% in the third quarter and \$6,554,000 or 13% for the nine months due to increased sales to existing customers and sales to new customers. 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 decreased \$567,000 or 4% to \$12,990,000 in the third quarter and were essentially unchanged from last year with sales of \$28,556,000 in the nine months. Soft pretzel sales increased 7% to \$4,240,000 for the quarter and increased 7% to \$14,221,000 for the nine months due to sales of our recently introduced PRETZELFILS. Sales of frozen juices and ices decreased \$721,000 or 7% to \$9,240,000 in the third quarter and \$715,000 or 4% to \$15,578,000 in the nine months. Case sales of frozen juices and ices products were down 9% in the quarter and 10% for the nine months.

#### THE RESTAURANT GROUP

Sales of our Restaurant Group decreased 30% to \$1,567,000 in the third quarter and 20% to \$6,106,000 for the nine month period. The sales decreases were caused primarily by decreased mall traffic and the closing or licensing of unprofitable stores. During the first nine months of the year,

19

thirteen stores were closed or licensed to others, leaving a total of 35 open at quarter end. Operating income was impacted during the nine months by approximately \$120,000 of store closing costs.

#### FROZEN BEVERAGES

Frozen beverage and related product sales increased \$1,849,000 or 6% to \$34,751,000 in the third quarter and \$1,211,000 or 2% to \$81,117,000 in the nine months. Beverage sales alone were essentially unchanged at \$26,717,000 in the third quarter and increased 1%, or \$637,000 to \$61,757,000 for the nine months. Managed service revenue increased 30% to \$4,921,000 in the third quarter and 19% to \$12,934,000 in the nine months as we continue to emphasize growing this portion of our business.

#### CONSOLIDATED

Gross profit as a percentage of sales decreased almost two full percentage points to 36% this year from 37% in last year's quarter and was at 33% for both years' nine months. The decrease in the third quarter resulted primarily from increased sales of lower margin bakery products and the impact of higher group insurance and commodity costs. For the nine months, a lower level of allowances in our retail supermarket business and reduced depreciation of our frozen beverage dispensing machines offset the impact on the gross profit percentage from the increased level of bakery sales and the higher group insurance and commodity costs.

Total operating expenses increased \$2,453,000 in the third quarter and as a percentage of sales decreased to 24% from 26% in last year's same quarter. For the nine months, operating expenses increased \$7,427,000 but as a percentage of sales were 26% in both years. Marketing expenses decreased to 13% of sales in this year's third quarter and nine months from 14% in both periods last year. The percentage decreases were the result of lower spending throughout all of our businesses and the increased level of bakery sales. Distribution expenses increased about 1/2 of 1 percent of sales in the third quarter to 8% of sales primarily because of higher fuel costs and were at 8% for both years' nine months. Administrative expenses as a percent of sales decreased to 3% in the quarter from 4% last year and were 4% for the nine months in both years. Administrative expenses benefitted from lower legal expenses of approximately \$400,000 in this year's quarter compared to last year.

Operating income increased \$1,414,000 or 12% to \$13,571,000 in the third quarter and \$2,883,000 or 16% to \$21,473,000 in the nine months as a result of the aforementioned.

20

Operating income was impacted by approximately \$1,050,000 of higher group medical insurance costs in the first nine months of the year compared to last year; we expect these costs to continue to increase for the foreseeable future. The trend in commodity costs has overall been moderately unfavorable; for the quarter, our commodity costs were approximately \$600,000 higher than a year ago on a unit cost basis and about \$1.3 million higher for the nine months. Although the prices of eggs, shortening, butter and cheese have come down from their recent highs, the prices are still historically high and will continue to be a factor in our results. Flour prices have also begun to moderate although the market is still 5-10% higher than a year ago.

The effective income tax rate has been estimated at 36% for all periods reported.

Net earnings increased \$897,000 or 11% in the three month

period to \$8,705,000 and increased 16% or \$1,862,000 in the nine months this year from \$12,010,000 last year.

21

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in the Company's assessment of its sensitivity to market risk since its presentation set forth, in item 7a. "Quantitative and Qualitative Disclosures About Market Risk," in its 2003 annual report on Form 10-K filed with the SEC.

Item 4. Controls and Procedures

Quarterly evaluation of the Company's Disclosure and Internal Controls. The Company evaluated (i) the effectiveness of the design and operation of its disclosure controls and procedures (the "Disclosure Controls") as of the end of the period covered by this Form 10-Q and (ii) any changes in internal controls over financial reporting that occurred during the third quarter of its fiscal year. This evaluation ("Controls Evaluation") was done under the supervision and with the participation of management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO").

Limitations on the Effectiveness of Controls. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected. The Company conducts periodic evaluations of its internal controls to enhance, where necessary, its procedures and controls.

Conclusions. Based upon the Controls Evaluation, the CEO and CFO have concluded that the Disclosure Controls are effective in reaching a reasonable level of assurance that management is timely alerted to material information relating to the Company during the period when its periodic reports are being prepared. In accord with the U.S. Securities and Exchange Commission's requirements,

internal control over financial reporting (the "Internal Controls") to determine whether there have been any changes in Internal Controls that occurred during the quarter which have materially affected or which are reasonable likely to materially affect Internal Controls. Based on this evaluation, there have been no such changes in Internal Controls during the quarter covered by this report.

Item 5. Other Information

During the quarter ended June 26, 2004, our Board of Directors adopted changes to the Code of Ethics for Senior Officers. The Code of Ethics for Senior Officers is posted on our website, [www.jjsnack.com](http://www.jjsnack.com), and is attached hereto as Exhibit 14.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

14 Code of Ethics for Chief Executive and Senior Financial Officers

31.1 & Certification Pursuant to Section 302 of the  
31.2 Sarbanes-Oxley Act of 2002

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

b) Reports on Form 8-K - Report on Form 8-K was filed on  
April 26, 2004.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

J & J SNACK FOODS CORP.

Dated: September 9, 2004 /s/ Gerald B. Shreiber  
Gerald B. Shreiber  
President

Dated: September 9, 2004 /s/ Dennis G. Moore  
Dennis G. Moore  
Senior Vice President and  
Chief Financial Officer



## I. Introduction

This Code of Ethics for Senior Financial Officers (the "Code") applies to the Senior Officers of J & J Snack Foods Corp. (the "Company") and its subsidiaries. The term "Senior Officer", as used in this Code, means the Company's Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer, Controller and any other person performing similar functions, as well as other officers in charge of a principal business unit, division or function or who perform a policy making function, as provided by the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"). While this Code provides general guidance for appropriate conduct and avoidance of conflicts of interest, it does not supersede specific policies that are set forth in other Company policy statements.

The purpose of this Code is to deter wrongdoing, provide guidance to the Company's Senior Officers with regard to and to promote the following:

- . honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- . full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, the SEC and in other public communications made by the Company;
- . compliance with applicable governmental laws, rules and regulations;
- . prompt internal reporting to an appropriate person or persons identified in the Code of violations of the Code; and
- . accountability for adherence to the Code.

Each day, you are faced with making decisions that will affect the Company's business. You are obligated to comply with the Code guidelines and should avoid even the appearance of unethical or unprofessional behavior. To that end, you should seek advice from the Company's Compliance Officer when faced with a situation that may violate or give the appearance of violating the Code, Company policies, laws, rules or regulations. The Company's Compliance Officer is its Chief Financial Officer.

## II. Honest and Ethical Conduct

The Company expects and requires ethical behavior from the Senior Officers. You owe a duty of loyalty to the Company and you are expected to act in the best interests of the Company. Further, you must engage in and promote honest and ethical conduct, including handling actual or apparent conflicts of interest in an ethical manner and act with honesty and integrity.

## III. Conflicts of Interest

A conflict of interest exists when your personal

interests interfere with, or give the appearance of interfering with, the interests of the Company. In the best interests of the Company, you must avoid actual or apparent conflicts between your private interests and those of the Company, including obtaining improper personal benefits as a result of your position. In addition, you should not use corporate assets information or one's position for personal gain.

Conflicts of interest may manifest themselves in many ways and may reach farther than just the person employed by the Company. In fact, many conflicts arise as a result of situations involving your relative.

#### IV. Accuracy of Reporting

##### A. Generally

As a publicly traded Company, the Company has a duty to comply with federal and state laws and regulations with respect to accuracy in the information it reports to the SEC and communicate to the public. The Company's financial statements are relied upon both internally and externally by individuals making business or investment decisions. Accuracy and candor is critical to the financial health of the Company. Senior Officers must help to ensure that all of the Company's periodic reports and public statements contain full, fair, accurate, timely and understandable disclosures. Anyone who becomes aware of inaccuracies contained in the Company's reports and public statements, or material omissions from the Company's reports and public statements is required to immediately report such inconsistencies or omissions to the Chairman of the Company's Audit Committee. As a result, senior officers must act in good faith, responsibly with due care and diligence and without misrepresenting or omitting material facts or permitting independent judgment to be compromised.

##### B. Financial Reporting Obligations of Senior

#### Officers

As a Senior Officer, you are charged with the responsibility of ensuring that the financial statements, reports and other documents filed or submitted to the SEC as well as other public communications made by the Company (collectively, "SEC Reports and Public Documents") are accurate and fairly disclose the Company's assets, liabilities and other material transactions engaged in by the Company. You are responsible for the SEC Reports and Public Documents meeting the following requirements:

- . SEC Reports and Public Documents must, in reasonable detail, accurately and fairly reflect the transactions engaged in by the Company and acquisitions and dispositions of the Company's assets.
- . SEC Reports and Public Documents must not contain any untrue statement of material fact that would make the statements in the SEC Reports and Public Documents misleading.
- . Financial reports must be prepared in accordance with, or reconciled to, Generally Accepted Accounting Principles and applicable SEC rules, including the SEC accounting rules.
- . SEC Reports and Public Documents must contain full, fair, accurate, timely and understandable disclosure.

Furthermore, you are responsible for reporting any inaccuracies or mistakes in the SEC Reports and Public Documents to the President and the Chairman of the Audit Committee.

To the extent your responsibility deals with a portion of the Company's activities, your particular duties with respect to the above are limited to those matters in your areas of responsibility or other matters of which you have knowledge.

Finally, you are required to respect the confidentiality of information acquired in the course of the performance of your responsibilities.

V. Compliance with Laws, Rules and Regulations

The Company's continued and current success largely depends upon its reputation for engaging in its business in an ethical and legal manner. Therefore, all Senior Officers must comply with both the letter and spirit of federal, state and local laws, rules and regulations applicable to the Company's business.

VI. Responsibility for Reporting

The Company has established a reporting system that requires Senior Officers to report violations of any of the policies set forth in this Code. These mandatory reporting obligations apply whether or not the reporting person was personally involved in the alleged violation of the policies set forth in this Code.

Upon observing or learning of any violation of the policies set forth in this Code, Senior Officers must report the same by writing a letter describing the suspected violation with as much detail as possible and sending the letter to the Chairman of the Audit Committee.

The reporting person is required to sign the letter, unless such complaint relates to matters covered by the Whistle-Blower Policy described below. The letter will be treated confidentially by the Company unless disclosure is required or deemed advisable by the Company in connection with any actual or potential governmental investigation or unless advised by the Company's outside counsel that disclosure would be in the interest of the Company. Anonymous letters and anonymous e-mail will not normally be investigated, unless the correspondence concerns questionable accounting or auditing matters covered by the Whistle-Blower Policy. All letters should contain as much specific detail as possible to allow the Company to conduct an investigation of the reported matter.

Once the Company receives notice of a suspected violation of this Code, the Company shall promptly begin an investigation. Such investigation shall be supervised by the Audit Committee with respect to Senior Officers. Once a violation is found to exist, such individual shall be subject to disciplinary action as described in Section XI of the Code.

Pursuant to the Company's Whistle-Blower Policy, the system of receipt, retention, and treatment of complaints regarding accounting, internal accounting controls or auditing matters that ensures the confidential and anonymous submission of concerns regarding questionable accounting or auditing matters is covered by a separate policy adopted by the Company. You can get a copy of such policy from the Company's Compliance Officer.

The Company will not condone any form of retribution upon any Senior Officer who uses the reporting system in good faith to report suspected wrongdoers, unless the individual reporting the violation is one of the violators. The Company will not tolerate any harassment or intimidation of any Senior Officer using the reporting system. The Company will also exercise disciplinary action against any Senior Officer who is found to have intimidated or harassed a person who has reported a suspected violation in good faith.

VII. Compliance; Administration

As a condition of employment and continued employment, each Senior Officer must accept the responsibility of complying with the foregoing policies and acknowledge his or her receipt of the Code by executing the Acknowledgement attached hereto. The Company will, at least annually, require each Senior Officer to complete and submit a certification in a form designated by the Company pertaining to compliance with the policies set forth in this Code; a copy of one such form is contained in this Code. The Company reserves the right to request any such Senior Officer to complete and submit such certification at any time or as frequently as the Company may deem advisable.

Any Senior Officer who violates any of these policies

is subject to disciplinary action including but not limited to suspension or termination of employment, and such other action, including legal action, as the Company believes to be appropriate under the circumstances. The Audit Committee will make the determination as to penalties applicable to Senior Officers for Code violations.

VIII. Amendments; Waiver

The Company reserves the right to amend, waive or alter the policies set forth in the Code at any time. Any amendment to the Code or waiver or implicit waiver of any provision of the Code for Senior Officers requires the approval of a majority of the Company's disinterested directors. Unless the SEC rules and regulations otherwise provide, amendments and waivers of any provision of the Code applicable to Senior Officers must be promptly disclosed in accordance with SEC regulations, including an explanation of why the waiver or implicit waiver was granted. Waivers include, among other things, the Company's failure to take action with respect to violations of Code provisions following the Company's receipt of notice of the violation.

Adopted: April 29, 2004.

ACKNOWLEDGEMENT

I hereby acknowledge receipt of the Code of Ethics for Senior Financial Officers (the "Code") of J & J Snack Foods Corp. I have read the Code and understand and acknowledge that I may be subject to disciplinary action including, but not limited to suspension, dismissal, or any other action, including legal action, by J & J Snack Foods Corp. in the event of my violation of the Code.

Date: \_\_\_\_\_

\_\_\_\_\_  
Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

CODE OF ETHICS FOR SENIOR FINANCIAL OFFICERS REPORTING FORM

The undersigned hereby certifies that he or she is not aware of any of the following:

1. Any violation of the Code of Ethics for Chief Executive Officer and Senior Financial Officers (the "Code") of J & J Snack Foods Corp. and its subsidiaries (collectively, the "Company") by the undersigned; or
2. Any violation of the Code by Company directors, officers or employees.

Date: \_\_\_\_\_

\_\_\_\_\_  
Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

.Violations reported under the Whistle-Blower Policy are not covered by this Form.  
Exhibit 31.1

CERTIFICATION PURSUANT TO  
SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002

I, Dennis G. Moore, certify that:

1. I have reviewed this report on Form 10-Q of J & J Snack Foods Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls and procedures for financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal controls and procedures for financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's third fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to

adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: September 9, 2004

/s/ Dennis G. Moore  
Dennis G. Moore  
Chief Financial Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO  
SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002

I, Gerald B. Shreiber, certify that:

1. I have reviewed this report on Form 10-Q of J & J Snack Foods Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls and procedures for financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal controls and procedures for financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's third fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: September 9, 2004

/s/ Gerald B. Shreiber  
Gerald B. Shreiber  
Chief Executive Officer

Exhibit 99.5

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), each of the undersigned officers of J & J Snack Foods Corp. (the "Company"), does hereby certify with respect to the Quarterly Report of the Company on Form 10-Q for the quarter ended June 26, 2004 (the "Report") that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 9, 2004

/s/ Dennis G. Moore  
Dennis G. Moore  
Chief Financial Officer

Dated: September 9, 2004

/s/ Gerald B. Shreiber  
Gerald B. Shreiber  
Chief Executive Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.