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 December 24, 2022

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 (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)

Telephone (856) 665-9533

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, no par value	JJSF	The NASDAQ Global Select Market

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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definition of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated filer ☒ Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

☐ Yes ☒ No

As of January 31, 2023 there were 19,229,330 shares of the Registrant’s Common Stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	December 24, 2022 (unaudited)	September 24, 2022
Assets		
Current assets		
Cash and cash equivalents	$ 54,866	$ 35,181
Marketable securities held to maturity	2,008	4,011
Accounts receivable, net	187,321	208,178
Inventories	182,642	180,473
Prepaid expenses and other	14,473	16,794
Total current assets	441,310	444,637
Property, plant and equipment, at cost		
Land	3,714	3,714
Buildings	34,232	34,232
Plant machinery and equipment	384,749	374,566
Marketing equipment	280,172	274,904
Transportation equipment	12,306	11,685
Office equipment	46,073	45,865
Improvements	49,544	49,331
Construction in progress	80,453	65,753
Total Property, plant and equipment, at cost	891,243	860,050
Less accumulated depreciation and amortization	537,873	524,683
Property, plant and equipment, net	353,370	335,367
Other assets		
Goodwill	184,420	184,420
Other intangible assets, net	190,027	191,732
Marketable securities available for sale	4,371	5,708
Operating lease right-of-use assets	50,063	51,137
Other	3,987	3,965
Total other assets	432,868	436,962
Total Assets	$ 1,227,548	$ 1,216,966
Liabilities and Stockholders' Equity		
Current Liabilities		
Current finance lease liabilities	$ 128	$ 124
Accounts payable	91,610	108,146
Accrued insurance liability	16,014	15,678
Accrued liabilities	9,642	9,214
Current operating lease liabilities	13,219	13,524
Accrued compensation expense	16,104	21,700
Dividends payable	13,461	13,453
Total current liabilities	160,178	181,839
Long-term debt	92,000	55,000
Noncurrent finance lease liabilities	303	254
Noncurrent operating lease liabilities	41,883	42,660
Deferred income taxes	69,873	70,407
Other long-term liabilities	3,575	3,637
Stockholders' Equity		
Preferred stock, $1 par value; authorized 10,000,000 shares; none issued	-	-
Common stock, no par value; authorized, 50,000,000 shares; issued and outstanding 19,229,000 and 19,219,000 respectively	96,550	94,026
Accumulated other comprehensive loss	(12,842)	(13,713)
Retained Earnings	776,028	782,856
Total stockholders' equity	859,736	863,169
Total Liabilities and Stockholders' Equity	$ 1,227,548	$ 1,216,966

The accompanying notes are an integral part of these statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(in thousands, except per share amounts)

	Three months ended	
	December 24, 2022	December 25, 2021
Net Sales	$ 351,343	$ 318,490
Cost of goods sold	260,488	239,115
Gross Profit	90,855	79,375
Operating expenses		
Marketing	23,699	20,907
Distribution	42,049	33,315
Administrative	16,391	10,369
Other general (income)	(612)	(61)
Total Operating Expenses	81,527	64,530
Operating Income	9,328	14,845
Other income (expense)		
Investment income	685	271
Interest expense	(1,049)	(18)
Earnings before income taxes	8,964	15,098
Income tax expense	2,331	4,007
NET EARNINGS	$ 6,633	$ 11,091
Earnings per diluted share	$ 0.34	$ 0.58
Weighted average number of diluted shares	19,274	19,153
Earnings per basic share	$ 0.35	$ 0.58
Weighted average number of basic shares	19,222	19,085

The accompanying notes are an integral part of these statements.

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

	Three months ended	
	December 24, 2022	**December 25, 2021**
Net Earnings	$ 6,633	$ 11,091
Foreign currency translation adjustments	871	(444)
Total Other Comprehensive Income (Loss)	871	(444)
Comprehensive Income	$ 7,504	$ 10,647

The accompanying notes are an integral part of these statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Accumulated Other Comprehensive	Retained	
	Shares	Amount	Loss	Earnings	Total
Balance as September 24, 2022	19,219	$ 94,026	$ (13,713)	$ 782,856	$ 863,169
Issuance of common stock upon exercise of stock options	10	1,285	-	-	1,285
Foreign currency translation adjustment	-	-	871	-	871
Dividends declared	-	-	-	(13,461)	(13,461)
Share-based compensation	-	1,239	-	-	1,239
Net earnings	-	-	-	6,633	6,633
Balance at December 24, 2022	19,229	$ 96,550	$ (12,842)	$ 776,028	$ 859,736

	Common Stock		Accumulated Other Comprehensive	Retained	
	Shares	Amount	Loss	Earnings	Total
Balance as September 25, 2021	19,084	$ 73,597	$ (13,383)	$ 785,440	$ 845,654
Issuance of common stock upon exercise of stock options	5	706	-	-	706
Foreign currency translation adjustment	-	-	(444)	-	(444)
Dividends declared	-	-	-	(12,092)	(12,092)
Share-based compensation	-	1,083	-	-	1,083
Net earnings	-	-	-	11,091	11,091
Balance at December 25, 2021	19,089	$ 75,386	$ (13,827)	$ 784,439	$ 845,998

The accompanying notes are an integral part of these statements.

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

	Three months ended	
	December 24, 2022	**December 25, 2021**
Operating activities:		
Net earnings	$ 6,633	$ 11,091
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation of fixed assets	13,476	11,923
Amortization of intangibles and deferred costs	1,705	588
Gains from disposals of property & equipment	(711)	(27)
Share-based compensation	1,239	1,083
Deferred income taxes	(526)	(529)
Loss on marketable securities	37	44
Other	(18)	(4)
Changes in assets and liabilities, net of effects from purchase of companies		
Decrease in accounts receivable	21,171	231
(Increase) in inventories	(2,284)	(9,958)
Decrease in prepaid expenses	2,343	719
(Decrease) in accounts payable and accrued liabilities	(21,655)	(9,707)
Net cash provided by operating activities	21,410	5,454
Investing activities:		
Purchases of property, plant and equipment	(30,910)	(16,100)
Proceeds from redemption and sales of marketable securities	3,300	7,200
Proceeds from disposal of property and equipment	729	231
Net cash used in investing activities	(26,881)	(8,669)
Financing activities:		
Proceeds from issuance of stock	1,285	706
Borrowings under credit facility	72,000	-
Repayment of borrowings under credit facility	(35,000)	-
Payments on finance lease obligations	(39)	(74)
Payment of cash dividends	(13,453)	(12,080)
Net cash provided by (used in) financing activities	24,793	(11,448)
Effect of exchange rates on cash and cash equivalents	363	(69)
Net increase (decrease) in cash and cash equivalents	19,685	(14,732)
Cash and cash equivalents at beginning of period	35,181	283,192
Cash and cash equivalents at end of period	$ 54,866	$ 268,460

The accompanying notes are an integral part of these statements.

Note 1 Basis of Presentation

The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended September 24, 2022.

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 Company's financial position and the results of operations and cash flows.

The results of operations for the three months ended December 24, 2022 and December 25, 2021 are not necessarily indicative of results for the full year. Sales of our frozen beverages and frozen novelties are generally higher in the fiscal 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 audited consolidated financial statements and the notes included in the Company's Annual Report on Form 10-K for the fiscal year ended September 24, 2022.

Note 2 Business Combinations

On June 21, 2022, J & J Snack Foods Corp. and its wholly-owned subsidiary, DD Acquisition Holdings, LLC, completed the acquisition of one hundred percent (100%) of the equity interests of Dippin' Dots Holding, L.L.C. ("Dippin' Dots") which, through its wholly-owned subsidiaries, owns and operates the Dippin' Dots and Doc Popcorn businesses. The purchase price was approximately $223.6 million, consisting entirely of cash, and may be modified for certain customary post-closing purchase price adjustments.

Dippin' Dots is a leading producer of flash-frozen beaded ice cream treats, and the acquisition will leverage synergies in entertainment and amusement locations, theaters, and convenience to continue to expand our business. The acquisition also includes the Doc Popcorn business operated by Dippin' Dots.

The financial results of Dippin' Dots have been included in our consolidated financial statements since the date of the acquisition. Sales and net earnings (loss) of Dippin' Dots were $13.4 million and ($0.7) million for the three months ended December 24, 2022. Dippin' Dots is reported as part of our Food Service segment.

Upon acquisition, the assets and liabilities of Dippin' Dots were adjusted to their respective fair values as of the closing date of the transaction, including the identifiable intangible assets acquired. In addition, the excess of the purchase price over the fair value of the net assets acquired has been recorded as goodwill. The fair value estimates used in valuing certain acquired assets and liabilities are based, in part, on inputs that are unobservable. For intangible assets, these include, but are not limited to, forecasted future cash flows, revenue growth rates, attrition rates and discount rates.

The purchase price allocation as of the date of acquisition was based on a preliminary valuation and is subject to revision as more detailed analyses are completed and additional information about the fair value of assets acquired and liabilities assumed becomes available.

In fiscal year 2022, we recorded measurement period adjustments to the estimated fair values initially recorded on June 21, 2022, which resulted in an increase to Property, plant, and equipment, net of $6.5 million, and reductions in Goodwill, Identifiable intangible assets, and Inventories of $4.0 million, $2.2 million, and $0.3 million, respectively. The measurement period adjustments were recorded to better reflect market participant assumptions about facts and circumstances existing as of the acquisition date and did not have a material impact on our consolidated statement of income for the year ended September 24, 2022. No measurement period adjustments were recorded in fiscal year 2023.

The major classes of assets and liabilities to which we have preliminarily allocated the purchase price were as follows:

Preliminary Dippin' Dots Purchase Price Allocation (1)

	Preliminary Value as of acquisition date (as previously reported as of June 25,2022)	Measurement Period Adjustment	As Adjusted
		(in thousands)	
Cash and cash equivalents	$ 2,259		$ 2,259
Accounts receivable, net	12,257		12,257
Inventories	8,812	(301)	8,511
Prepaid expenses and other	1,215		1,215
Property, plant and equipment, net	24,622	6,548	31,170
Intangible assets	120,400	(2,200)	118,200
Goodwill (2)	66,634	(4,047)	62,587
Operating lease right-of-use assets	3,514		3,514
Other noncurrent assets	243		243
Total assets acquired	239,956	-	239,956
Liabilities assumed:			
Current lease liabilities	619		619
Accounts payable	6,005		6,005
Other current liabilities	3,532		3,532
Noncurrent lease liabilities	2,954		2,954
Other noncurrent liabilities	3,285		3,285
Total liabilities acquired	16,395	-	16,395
Purchase price	$ 223,561	$ -	$ 223,561

(1) Due to the limited time since the date of the acquisition, the purchase price allocation remains preliminary.
(2) Goodwill was assigned to our Food Services segment and was primarily attributed to the assembled workforce of the acquired business and to our expectations of favorable growth opportunities in entertainment and amusement locations, theaters, and convenience based on increased synergies that are expected to be achieved from the integration of Dippin' Dots.

Acquired Intangible Assets

	Weighted average life (years)	(in thousands) June 21, 2022
Amortizable		
Trade name	indefinite	$ 76,900
Developed technology	10	22,900
Customer relationships	10	9,900
Franchise agreements	10	8,500
Total acquired intangible assets		$ 118,200

Dippin' Dots Results Included in the Company's Consolidated Results

	Three months ended December 24, 2022
	(in thousands)
Net sales	$ 13,378
Net earnings (loss)	$ (667)

Note 3 Revenue Recognition

We recognize revenue in accordance with ASC 606, “Revenue from Contracts with Customers.”

When Performance Obligations Are Satisfied

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account for revenue recognition. A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

The singular performance obligation of our customer contracts for product and machine sales is determined by each individual purchase order and the respective products ordered, with revenue being recognized at a point-in-time when the obligation under the terms of the agreement is satisfied and product control is transferred to our customer. Specifically, control transfers to our customers when the product is delivered to, installed or picked up by our customers based upon applicable shipping terms, as our customers can direct the use and obtain substantially all of the remaining benefits from the product at this point in time. The performance obligations in our customer contracts for product are generally satisfied within 30 days.

The singular performance obligation of our customer contracts for time and material repair and maintenance equipment service is the performance of the repair and maintenance with revenue being recognized at a point-in-time when the repair and maintenance is completed.

The singular performance obligation of our customer repair and maintenance equipment service contracts is the performance of the repair and maintenance with revenue being recognized over the time the service is expected to be performed. Our customers are billed for service contracts in advance of performance and therefore we have contract liability on our balance sheet.

Significant Payment Terms

In general, within our customer contracts, the purchase order identifies the product, quantity, price, pick-up allowances, payment terms and final delivery terms. Although some payment terms may be more extended, presently the majority of our payment terms are 30 days. As a result, we have used the available practical expedient and, consequently, do not adjust our revenues for the effects of a significant financing component.

Shipping

All amounts billed to customers related to shipping and handling are classified as revenues; therefore, we recognize revenue for shipping and handling fees at the time the products are shipped or when services are performed. The cost of shipping products to the customer is recognized at the time the products are shipped to the customer and our policy is to classify them as Distribution expenses.

Variable Consideration

In addition to fixed contract consideration, our contracts include some form of variable consideration, including sales discounts, trade promotions and certain other sales and consumer incentives, including rebates and coupon redemptions. In general, variable consideration is treated as a reduction in revenue when the related revenue is recognized. Depending on the specific type of variable consideration, we use the most likely amount method to determine the variable consideration. We believe there will be no significant changes to our estimates of variable consideration when any related uncertainties are resolved with our customers. We review and update our estimates and related accruals of variable consideration each period based on historical experience. Our recorded liability for allowances, end-user pricing adjustments and trade spending was approximately $12.1 million at December 24, 2022 and $14.7 million at September 24, 2022.

Warranties & Returns

We provide all customers with a standard or assurance type warranty. Either stated or implied, we provide assurance the related products will comply with all agreed-upon specifications and other warranties provided under the law. No services beyond an assurance warranty are provided to our customers.

We do not grant a general right of return. However, customers may return defective or non-conforming products. Customer remedies may include either a cash refund or an exchange of the product. We do not estimate a right of return and related refund liability as returns of our products are rare.

Contract Balances

Our customers are billed for service contracts in advance of performance and therefore we have contract liability on our balance sheet as follows:

	Three months ended	
	December 24, 2022	**December 25, 2021**
	(in thousands)	
Beginning Balance	$ 4,926	$ 1,097
Additions to contract liability	1,390	1,199
Amounts recognized as revenue	(1,549)	(1,266)
Ending Balance	$ 4,767	$ 1,030

Disaggregation of Revenue

See Note 11 for disaggregation of our net sales by class of similar product and type of customer.

Allowance for Doubtful Receivables

The Company continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses. The allowance for doubtful accounts considers a number of factors including the age of receivable balances, the history of losses, expectations of future credit losses, and the customers' ability to pay off obligations. The allowance for doubtful receivables was $2.2 million on December 24, 2022 and September 24, 2022, respectively.

Note 4 Depreciation and Amortization Expense

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, customer relationships, franchise agreements, technology and non-compete agreements arising from acquisitions are amortized by the straight-line method over periods ranging from 2 to 20 years. Depreciation expense was $13.5 million and $11.9 million for the three months ended December 24, 2022 and December 25, 2021, respectively.

Note 5 Earnings per Share

Basic earnings per common share (EPS) excludes dilution and is computed by dividing income available to common shareholders by the weighted average common shares outstanding during the period. Diluted EPS takes into consideration the potential dilution that could occur if securities (stock options and restricted stock units ("RSU")'s) or other contracts to issue common stock were exercised and converted into common stock. Our calculation of EPS is as follows:

	Three months ended December 24, 2022		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Basic EPS			
Net Earnings available to common stockholders	$ 6,633	19,222	$ 0.35
Effect of Dilutive Securities			
RSU's and Options	-	52	(0.01)
Diluted EPS			
Net Earnings available to common stockholders plus assumed conversions	$ 6,633	19,274	$ 0.34

394,077 anti-dilutive shares have been excluded in the computation of EPS for the three months ended December 24, 2022.

	Three months ended December 25, 2021		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Basic EPS			
Net Earnings available to common stockholders	$ 11,091	19,085	$ 0.58
Effect of Dilutive Securities			
RSU's and Options	-	68	-
Diluted EPS			
Net Earnings available to common stockholders plus assumed conversions	$ 11,091	19,153	$ 0.58

318,172 anti-dilutive shares have been excluded in the computation of EPS for the three months ended December 25, 2021.

Note 6 Share-Based Compensation and Post-Retirement Benefits

At December 24, 2022, the Company has three stock-based employee compensation plans. Share-based compensation expense was recognized as follows:

	Three months ended	
	December 24, 2022	December 25, 2021
	(in thousands)	
Stock options	$ 620	$ 814
Stock purchase plan	227	60
Stock issued to an outside director	-	11
Service share units issued to employees	181	72
Performance share units issued to employees	72	39
Total share-based compensation	$ 1,100	$ 996
The above compensation is net of tax benefits	$ 139	$ 87

The fair value of each option grant is estimated on the date of grant using the Black-Scholes options-pricing model.

Expected volatility is based on the historical volatility of the price of our common shares over the past 51 months for 5-year options and 10 years for 10-year options. We use historical information to estimate expected life and forfeitures within the valuation model. The expected term of awards represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Compensation cost is recognized using a straight-line method over the vesting or service period and is net of estimated forfeitures.

The Company did not grant any stock options during the three months ended December 24, 2022 or during the three months ended December 25, 2021.

During the three months ended December 24, 2022, the Company issued 9,900 service share units ("RSU")'s. Each RSU entitles the awardee to one share of common stock upon vesting. During the three months ended December 25, 2021, the Company issued 8,873 service share units ("RSU")'s. The fair value of the RSU's was determined based upon the closing price of the Company's common stock on the date of grant.

During the three months ended December 24, 2022, the Company also issued 18,641 performance share units ("PSU")'s. Each PSU may result in the issuance of up to two shares of common stock upon vesting, dependent upon the level of achievement of the applicable Performance Goal. The fair value of the PSU's was determined based upon the closing price of the Company's common stock on the date of grant. Additionally, the Company applies a quarterly probability assessment in computing this non-cash compensation expense, and any change in estimate is reflected as a cumulative adjustment to expense in the quarter of the change. During the three months ended December 25, 2021, the Company issued 8,868 performance share units ("PSU")'s.

Note 7 Income Taxes

We account for our income taxes under the liability method. Under the liability method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. Deferred tax expense is the result of changes in deferred tax assets and liabilities.

Additionally, we recognize a liability for income taxes and associated penalties and interest for tax positions taken or expected to be taken in a tax return which are more likely than not to be overturned by taxing authorities ("uncertain tax positions"). We have not recognized a tax benefit in our financial statements for these uncertain tax positions.

The total amount of gross unrecognized tax benefits is $0.3 million on both December 24, 2022 and September 24, 2022, all of which would impact our effective tax rate over time, if recognized. We recognize interest and penalties related to uncertain tax positions as a part of the provision for income taxes. As of December 24, 2022 and September 24, 2022, the Company has $0.3 million of accrued interest and penalties, respectively.

In addition to our federal tax return and tax returns for Mexico and Canada, we file tax returns in all states that have a corporate income tax with virtually all open for examination for three to four years.

Our effective tax rate for the three months ended December 24, 2022 was 26%. Our effective tax rate was 27% in last fiscal year’s quarter.

Note 8 New Accounting Pronouncements and Policies

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments, which changes the impairment model used to measure credit losses for most financial assets. We are required to recognize an allowance that reflects the Company’s current estimate of credit losses expected to be incurred over the life of the financial asset, including trade receivables and held-to-maturity debt securities.

The Company adopted this guidance in the first quarter of Fiscal 2021 using the modified retrospective transition method. The adoption of ASU 2016-13 did not have a material impact on the Company’s Consolidated Financial Statements.

Note 9 Long-Term Debt

In December 2021, the Company entered into an amended and restated loan agreement (the “Credit Agreement”) with our existing banks which provided for up to a $50 million revolving credit facility repayable in December 2026.

Interest accrues, at the Company’s election, at (i) the BSBY Rate (as defined in the Credit Agreement) plus an applicable margin, based upon the Consolidated Net Leverage Ratio, as defined in the Credit Agreement, or (ii) the Alternate Base Rate (a rate based on the higher of (a) the prime rate announced from time-to-time by the Administrative Agent, (b) the Federal Reserve System’s federal funds rate, plus 0.50% or (c) the Daily BSBY Rate, plus an applicable margin. The Alternate Base Rate is defined in the Credit Agreement.

The Credit Agreement requires the Company to comply with various affirmative and negative covenants, including without limitation (i) covenants to maintain a minimum specified interest coverage ratio and maximum specified net leverage ratio, and (ii) subject to certain exceptions, covenants that prevent or restrict the Company’s ability to pay dividends, engage in certain mergers or acquisitions, make certain investments or loans, incur future indebtedness, alter its capital structure or line of business, prepay subordinated indebtedness, engage in certain transactions with affiliates, or amend its organizational documents. As of December 24, 2022, the Company is in compliance with all financial covenants terms of the Credit Agreement.

On June 21, 2022, the Company entered into an amendment to the Credit Agreement, the "Amended Credit Agreement" which provided for an incremental increase of $175 million in available borrowings. The Amended Credit Agreement also includes an option to increase the size of the revolving credit facility by up to an amount not to exceed in the aggregate the greater of $225 million or, $50 million plus the Consolidated EBITDA of the Borrowers, subject to the satisfaction of certain terms and conditions.

As of December 24, 2022, $92.0 million was outstanding under the Amended Credit Agreement with a weighted average interest rate of 4.84%. These borrowings have been classified as Long-Term Debt on the Company's Balance Sheet. As of December 24, 2022, the amount available under the Amended Credit Agreement was $123.2 million, after giving effect to the outstanding letters of credit. As of September 24, 2022, $55.0 million was outstanding under the Amended Credit Agreement. As of September 24, 2022, the amount available under the Amended Agreement was $160.2 million, after giving effect to the outstanding letters of credit.

Note 10 Inventory

Inventories consist of the following:

	December 24, 2022 (unaudited)	September 24 2022
	(in thousands)	
Finished goods	$ 86,459	$ 86,464
Raw materials	43,883	41,505
Packaging materials	17,033	16,637
Equipment parts and other	35,267	35,867
Total Inventories	$ 182,642	$ 180,473

Note 11 Segment Information

We principally sell our products to the food service and retail supermarket industries. Sales and results of our frozen beverages business are monitored separately from the balance of our food service business because of different distribution and capital requirements. We maintain separate and discrete financial information for the three operating segments mentioned below which is available to our Chief Operating Decision Maker.

Our reportable segments are Food Service, Retail Supermarkets and Frozen Beverages. All inter-segment net sales and expenses have been eliminated in computing net sales and operating income. These segments are described below.

Food Service

The primary products sold by the food service segment are soft pretzels, frozen novelties, churros, handheld products 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; casual dining restaurants, 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 or for take-away.

Retail Supermarkets

The primary products sold to the retail supermarket channel are soft pretzel products – including SUPERPRETZEL, frozen novelties including LUIGI’S Real Italian Ice, MINUTE MAID Juice Bars and Soft Frozen Lemonade, WHOLE FRUIT frozen fruit bars and sorbet, DOGSTERS, PHILLY SWIRL cups and sticks, ICEE Squeeze-Up Tubes and handheld products. Within the retail supermarket channel, our frozen and prepackaged products are purchased by the consumer for consumption at home.

Frozen Beverages

The Company markets frozen beverages primarily under the names ICEE, SLUSH PUPPIE and PARROT ICE which are sold primarily in the United States, Mexico and Canada. We also provide repair and maintenance service to customers for customers’ owned equipment.

The Chief Operating Decision Maker for Food Service, Retail Supermarkets and Frozen Beverages reviews monthly detailed operating income statements and sales reports in order to assess performance and allocate resources to each individual segment. Sales and operating income are key variables monitored by the Chief Operating Decision Maker and management when determining each segment’s, and the Company’s, financial condition and operating performance. In addition, the Chief Operating Decision Maker reviews and evaluates 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 three reportable segments is as follows:

	Three months ended	
	December 24, 2022	December 25, 2021
	(unaudited) (in thousands)	
Sales to External Customers:		
Food Service		
Soft pretzels	$ 52,223	$ 50,421
Frozen novelties	21,765	8,457
Churros	25,757	19,489
Handhelds	23,572	18,495
Bakery	108,948	107,831
Other	6,032	7,039
Total Food Service	$ 238,297	$ 211,732
Retail Supermarket		
Soft pretzels	$ 14,485	$ 16,194
Frozen novelties	17,969	17,802
Biscuits	7,913	8,271
Handhelds	2,892	1,276
Coupon redemption	(176)	(896)
Other	(10)	48
Total Retail Supermarket	$ 43,073	$ 42,695
Frozen Beverages		
Beverages	$ 38,659	$ 33,763
Repair and maintenance service	23,827	22,011
Machines revenue	7,011	7,847
Other	476	442
Total Frozen Beverages	$ 69,973	$ 64,063
Consolidated Sales	$ 351,343	$ 318,490
Depreciation and Amortization:		
Food Service	$ 9,458	$ 6,669
Retail Supermarket	391	366
Frozen Beverages	5,332	5,476
Total Depreciation and Amortization	$ 15,181	$ 12,511
Operating Income :		
Food Service	$ 6,387	$ 9,001
Retail Supermarket	1,111	4,984
Frozen Beverages	1,830	860
Total Operating Income	$ 9,328	$ 14,845
Capital Expenditures:		
Food Service	$ 24,862	$ 10,233
Retail Supermarket	1,374	2,529
Frozen Beverages	4,674	3,338
Total Capital Expenditures	$ 30,910	$ 16,100
Assets:		
Food Service	$ 907,736	$ 794,819
Retail Supermarket	16,941	29,802
Frozen Beverages	302,871	287,285
Total Assets	$ 1,227,548	$ 1,111,906

Note 12 Goodwill and Intangible Assets

Our reportable segments are Food Service, Retail Supermarkets and Frozen Beverages.

The carrying amounts of acquired intangible assets for the Food Service, Retail Supermarkets and Frozen Beverages segments as of December 24, 2022 and September 24, 2022 are as follows:

	December 24, 2022		September 24, 2022	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(in thousands)			
FOOD SERVICE				
Indefinite lived intangible assets				
Trade names	$ 85,872	$ -	$ 85,872	$ -
Amortized intangible assets				
Non-compete agreements	-	-	670	670
Franchise agreements	8,500	425	8,500	212
Customer relationships	22,900	8,418	22,900	7,790
Technology	23,110	1,162	23,110	576
License and rights	1,690	1,502	1,690	1,481
TOTAL FOOD SERVICE	$ 142,072	$ 11,507	$ 142,742	$ 10,729
RETAIL SUPERMARKETS				
Indefinite lived intangible assets				
Trade names	$ 11,938	$ -	$ 11,938	$ -
Amortized Intangible Assets				
Trade names	-	-	649	649
Customer relationships	7,688	6,678	7,907	6,693
TOTAL RETAIL SUPERMARKETS	$ 19,626	$ 6,678	$ 20,494	$ 7,342
FROZEN BEVERAGES				
Indefinite lived intangible assets				
Trade names	$ 9,315	$ -	$ 9,315	$ -
Distribution rights	36,100	-	36,100	-
Amortized intangible assets				
Customer relationships	1,439	581	1,439	545
Licenses and rights	1,400	1,159	1,400	1,142
TOTAL FROZEN BEVERAGES	$ 48,254	$ 1,740	$ 48,254	$ 1,687
CONSOLIDATED	$ 209,952	$ 19,925	$ 211,490	$ 19,758

Amortizing intangible assets are being amortized by the straight-line method over periods ranging from 2 to 20 years and amortization expense is reflected throughout operating expenses. Aggregate amortization expense of intangible assets for the three months ended December 24, 2022 and December 25, 2021 was $1.7 million and $0.6 million, respectively.

Estimated amortization expense for the next five fiscal years is approximately $4.9 million in 2023 (excluding the three months ended December 24, 2022), $6.2 million in 2024, $5.6 million in 2025 and 2026, and $4.6 million in 2027.

The weighted amortization period of the intangible assets, in total, is 10.4 years. The weighted amortization period by intangible asset class is 10 years for Technology, 10 years for Customer relationships, 20 years for Licenses & rights, and 10 years for Franchise agreements.

Goodwill

The carrying amounts of goodwill for the Food Service, Retail Supermarket and Frozen Beverages segments are as follows:

	Food Service	Retail Supermarket	Frozen Beverages	Total
		(in thousands)		
December 24, 2022	$ 123,776	$ 4,146	$ 56,498	$ 184,420
September 24, 2022	$ 123,776	$ 4,146	$ 56,498	$ 184,420

Note 13 Investments

We have classified our investment securities as marketable securities held to maturity and available for sale. The FASB defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the FASB has established three levels of inputs that may be used to measure fair value:

Level 1 Observable input such as quoted prices in active markets for identical assets or liabilities;

Level 2 Observable inputs, other than Level 1 inputs in active markets, that are observable either directly or indirectly; and

Level 3 Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

Marketable securities held to maturity and available for sale consist primarily of investments in mutual funds, preferred stock and corporate bonds. The fair values of mutual funds are based on quoted market prices in active markets and are classified within Level 1 of the fair value hierarchy. The fair values of preferred stock, corporate bonds and certificates of deposit are based on quoted prices for identical or similar instruments in markets that are not active. As a result, preferred stock, corporate bonds and certificates of deposit are classified within Level 2 of the fair value hierarchy.

The amortized cost, unrealized gains and losses, and fair market values of our investment securities held to maturity at December 24, 2022 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
		(in thousands)		
Corporate Bonds	2,008	-	10	1,998
Total marketable securities held to maturity	$ 2,008	$ -	$ 10	$ 1,998

The amortized cost, unrealized gains and losses, and fair market values of our investment securities available for sale at December 24, 2022 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
		(in thousands)		
Mutual Funds	$ 3,588	$ -	$ 774	$ 2,814
Preferred Stock	1,519	38	-	1,557
Total marketable securities available for sale	$ 5,107	$ 38	$ 774	$ 4,371

The mutual funds seek current income with an emphasis on maintaining low volatility and overall moderate duration. The Fixed-to-Floating Perpetual Preferred Stock generate fixed income to call dates in 2025 and then income is based on a spread above LIBOR if the securities are not called. The mutual funds and Fixed-to-Floating Perpetual Preferred Stock do not have contractual maturities; however, we classify them as long-term assets as it is our intent to hold them for a period of over one year, although we may sell some or all of them depending on presently unanticipated needs for liquidity or market conditions. The corporate bonds generate fixed income with all remaining $2 million maturing within our fiscal year 2023. Our expectation is that we will hold the corporate bonds to their maturity dates and redeem them at our amortized cost.

The amortized cost, unrealized gains and losses, and fair market values of our investment securities held to maturity at September 24, 2022 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
		(in thousands)		
Corporate Bonds	4,011	-	21	3,990
Total marketable securities held to maturity	$ 4,011	$ -	$ 21	$ 3,990

The amortized cost, unrealized gains and losses, and fair market values of our investment securities available for sale at September 24, 2022 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
	(in thousands)			
Mutual Funds	$ 3,588	$ -	$ 742	$ 2,846
Preferred Stock	2,816	46	-	2,862
Total marketable securities available for sale	$ 6,404	$ 46	$ 742	$ 5,708

The amortized cost and fair value of the Company's held to maturity securities by contractual maturity at December 24, 2022 and September 24, 2022 are summarized as follows:

	December 24, 2022		September 24, 2022	
	Amortized Cost	Fair Market Value	Amortized Cost	Fair Market Value
	(in thousands)			
Due in one year or less	$ 2,008	$ 1,998	$ 4,011	$ 3,990
Due after one year through five years	-	-	-	-
Due after five years through ten years	-	-	-	-
Total held to maturity securities	$ 2,008	$ 1,998	$ 4,011	$ 3,990
Less current portion	2,008	1,998	4,011	3,990
Long term held to maturity securities	$ -	$ -	$ -	$ -

Proceeds from the redemption and sale of marketable securities were $3.3 million in the three months ended December 24, 2022, and $7.2 million in the three months ended December 25, 2021, respectively. Losses of $37,000 and $44,000 were recorded in the three months ended December 24, 2022 and December 25, 2021, respectively, which included unrealized losses on marketable securities of $39,000 and $5,000 in the three months ended December 24, 2022 and December 25, 2021, respectively. We use the specific identification method to determine the cost of securities sold.

Total marketable securities held to maturity as of December 24, 2022 with credit ratings of BBB/BB/B had an amortized cost basis totaling $2.0 million. This rating information was obtained on December 31, 2022.

Note 14 Accumulated Other Comprehensive Income (Loss)

Changes to the components of accumulated other comprehensive loss are as follows:

	Three months ended December 24, 2022 Foreign Currency Translation Adjustments (unaudited) (in thousands)
Beginning Balance	$ (13,713)
Other comprehensive income (loss)	871
Ending Balance	$ (12,842)

	Three months ended December 25, 2021 Foreign Currency Translation Adjustments (unaudited) (in thousands)
Beginning Balance	$ (13,383)
Other comprehensive income (loss)	(444)
Ending Balance	$ (13,827)

Note 15 Leases

General Lease Description

We have operating leases with initial noncancelable lease terms in excess of one year covering the rental of various facilities and equipment. Certain of these leases contain renewal options and some provide options to purchase during the lease term. Our operating leases include leases for real estate for some of our office and manufacturing facilities as well as manufacturing and non-manufacturing equipment used in our business. The remaining lease terms for these operating leases range from 1 month to 12 years.

We have finance leases with initial noncancelable lease terms in excess of one year covering the rental of various equipment. These leases are generally for manufacturing and non-manufacturing equipment used in our business. The remaining lease terms for these finance leases range from 1 year to 5 years.

Significant Assumptions and Judgments

Contract Contains a Lease
In evaluating our contracts to determine whether a contract is or contains a lease, we considered the following:

- Whether explicitly or implicitly identified assets have been deployed in the contract; and
- Whether we obtain substantially all of the economic benefits from the use of that underlying asset, and we can direct how and for what purpose the asset is used during the term of the contract.

Allocation of Consideration
In determining how to allocate consideration between lease and non-lease components in a contract that was deemed to contain a lease, we used judgment and consistent application of assumptions to reasonably allocate the consideration.

Options to Extend or Terminate Leases
We have leases which contain options to extend or terminate the leases. On a lease-by-lease basis, we have determined if the extension should be considered reasonably certain to be exercised and thus a right-of-use asset and a lease liability should be recorded.

Discount Rate
The discount rate for leases, if not explicitly stated in the lease, is the incremental borrowing rate, which is the rate of interest that we would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

We used the discount rate to calculate the present value of the lease liability at the date of adoption. In the development of the discount rate, we considered our incremental borrowing rate as provided by our lender which was based on cash collateral and credit risk specific to us, and our lease portfolio characteristics.

As of December 24, 2022, the weighted-average discount rate of our operating and finance leases was 3.4% and 3.2%, respectively. As of September 24, 2022, the weighted-average discount rate of our operating and finance leases was 3.3% and 3.2%, respectively.

Practical Expedients and Accounting Policy Elections

We elected the package of practical expedients that permits us not to reassess our prior conclusions about lease identification, lease classification and initial direct costs and made an accounting policy election to exclude short-term leases with an initial term of 12 months or less from our Consolidated Balance Sheets.

Amounts Recognized in the Financial Statements

The components of lease expense were as follows:

	Three months Ended December 24, 2022	Three months Ended December 25, 2021
Operating lease cost in Cost of goods sold and Operating Expenses	$ 3,972	$ 1,458
Finance lease cost:		
Amortization of assets in Cost of goods sold and Operating Expenses	$ 34	$ 72
Interest on lease liabilities in Interest expense & other	2	5
Total finance lease cost	$ 36	$ 77
Short-term lease cost in Cost of goods sold and Operating Expenses	-	-
Total net lease cost	$ 4,008	$ 1,535

Supplemental balance sheet information related to leases is as follows:

	December 24, 2022	September 24, 2022
Operating Leases		
Operating lease right-of-use assets	$ 50,063	$ 51,137
Current operating lease liabilities	$ 13,219	$ 13,524
Noncurrent operating lease liabilities	41,883	42,660
Total operating lease liabilities	$ 55,102	$ 56,184
Finance Leases		
Finance lease right-of-use assets in Property, plant and equipment, net	$ 395	$ 328
Current finance lease liabilities	$ 128	$ 124
Noncurrent finance lease liabilities	303	254
Total finance lease liabilities	$ 431	$ 378

Supplemental cash flow information related to leases is as follows:

	Three months Ended December 24, 2022	Three months Ended December 25, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 3,918	$ 1,534
Operating cash flows from finance leases	$ 2	$ 5
Financing cash flows from finance leases	$ 39	$ 74
Supplemental noncash information on lease liabilities arising from obtaining right-of-use assets	$ 2,676	$ 1,143
Supplemental noncash information on lease liabilities removed due to purchase of leased asset	$ -	$ -

As of December 24, 2022, the maturities of lease liabilities were as follows:

	Operating Leases	Finance Leases
Nine months ending September 30, 2023	$ 13,095	$ 142
2024	12,964	133
2025	9,488	73
2026	6,238	59
2027	5,256	52
Thereafter	15,546	-
Total minimum payments	62,587	397
Less amount representing interest	(7,485)	(28)
Present value of lease obligations	$ 55,102	$ 431

As of December 24, 2022 the weighted-average remaining term of our operating and finance leases was 5.8 years and 3.3 years, respectively. As of September 24, 2022, the weighted average remaining term of our operating and finance leases was 5.8 years and 3.3 years, respectively.

Note 16 Related Parties

We have related party expenses for distribution and shipping related costs with NFI Industries, Inc. Our director, Sidney R. Brown, is CEO and an owner of NFI Industries, Inc. In the three months ended December 24, 2022 and December 25, 2021, the Company paid NFI $14.3 million and $1.3 million, respectively. Of the amounts paid to NFI, the amount related to management services performed by NFI was $0.1

million in the three months ended December 24, 2022 and $0.1 million in the three months ended December 25, 2021. The remainder of the costs related to amounts that were passed through to the third-party distribution and shipping vendors that are being managed on the Company’s behalf by NFI. The agreements with NFI include terms that are consistent with those that we believe would have been negotiated at an arm’s length with an independent party. As of December 24, 2022 and September 24, 2022, our consolidated balance sheet included related party trade payables of approximately $4.0 million and $2.9 million, respectively.

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

Statements made in this Form 10-Q that are not historical or current facts are "forward-looking statements" made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act", that involve substantial risks or uncertainties. These statements often can be identified by the use of terms such as "may," "will," "expect," "believe," "anticipate," "estimate," "projects," "seek," "intend," "predict," "approximate," or "continue," or other similar references to future periods or the negative thereof. Statements addressing our future operating performance and statements addressing events and developments that we expect or anticipate will occur are also considered as forward-looking statements. We intend that such forward-looking statements be subject to the safe harbors for such statements. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Any forward-looking statements represent management's best judgment as to what may occur in the future. However, forward-looking statements are subject to risks, uncertainties, assumptions, and important factors beyond our control that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or projected. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events.

RESULTS OF OPERATIONS – Three months ended December 24, 2022

The following discussion provides a review of results for the three months ended December 24, 2022 as compared with the three months ended December 25, 2021.

Summary of Results	**Three months ended**		
	December 24, 2022	**December 25, 2021**	**% Change**
	(Unaudited) (in thousands)		
Net Sales	$ 351,343	$ 318,490	10.3%
Cost of goods sold	260,488	239,115	8.9%
Gross Profit	90,855	79,375	14.5%
Operating expenses			
Marketing	23,699	20,907	13.4%
Distribution	42,049	33,315	26.2%
Administrative	16,391	10,369	58.1%
Other general expense (income)	(612)	(61)	903.3%
Total Operating Expenses	81,527	64,530	26.3%
Operating Income	9,328	14,845	(37.2)%
Other income (expense)			
Investment income	685	271	152.8%
Interest (expense)	(1,049)	(18)	n.m.
Earnings before income taxes	8,964	15,098	(40.6)%
Income tax expense	2,331	4,007	(41.8)%
NET EARNINGS	$ 6,633	$ 11,091	(40.2)%

Comparisons as a Percentage of Net Sales	**Three months ended**		
	December 24, 2022	**December 25, 2021**	**Basis Pt Chg**
Gross profit	25.9%	24.9%	100
Marketing	6.7%	6.6%	10
Distribution	12.0%	10.5%	150
Administrative	4.7%	3.3%	140
Operating income	2.7%	4.7%	(200)
Earnings before income taxes	2.6%	4.7%	(210)
Net earnings	1.9%	3.5%	(160)

Net Sales

Net sales increased $32.9 million or 10.3% to $351.3 million for the three months ended December 24, 2022. Net sales in the period included $13.4 million of net sales from Dippin’ Dots. Organic sales growth was driven by growth across all three of the Company’s business segments, led by our core products including pretzels, churros, frozen novelties and frozen beverages.

Gross Profit

Gross Profit increased by $11.5 million, or 14.5%, to $90.9 million for the three months ended December 24, 2022. As a percentage of sales, gross profit increased from 24.9% to 25.9%. Key ingredients including flour, oils, eggs, meats, sugar and dairy continued to experience inflationary pressures compared with the same quarter last year, with average raw material costs up approximately 20%. Three pricing actions implemented in fiscal 2022, along with an improved mix, helped to offset the impact of the inflationary pressures noted above.

Operating Expenses

Operating Expenses increased $17.0 million, or 26.3%, to $81.5 million for the three months ended December 24, 2022. As a percentage of sales, operating expenses increased from 20.3% to 23.2%, primarily reflecting the ongoing inflationary pressures across distribution and administrative costs. As a percentage of sales, distribution expenses increased from 10.5% to 12.0%, reflecting inflationary pressures noted in fuel and outbound freight. As a percentage of sales, marketing expenses remained relatively flat, increasing slightly from 6.6% to 6.7%. As a percentage of sales, general and administrative expenses increased from 3.3% to 4.7% largely driven by the general and administrative expenses incurred by Dippin' Dots in the three months ended December 24, 2022.

Other Income and Expense

Investment income increased $0.4 million to $0.7 million for the three months ended December 24, 2022. The increase was primary due to the improving interest rate environment. Interest expense increased by $1.0 million for the three months ended December 24, 2022 due to the Company's outstanding borrowings on the Amended Credit Agreement.

Income Tax Expense

Income tax expense decreased by $1.7 million, or 41.8%, to $2.3 million for the three months ended December 24, 2022. This decrease was materially consistent with the overall 40.6% decrease in earnings before income taxes. The effective tax rate was 26.0% for the three months ended December 24, 2022 as compared with 26.5% in the prior year period.

Net Earnings

Net earnings decreased by $4.5 million, or 40.2%, to $6.6 million for the three months ended December 24, 2022, due to 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.

Business Segment Discussion

We operate in three segments: Food Service, Retail Supermarket, and Frozen Beverages. The following table is a summary of sales and operating income (loss), which is how we measure segment profit.

	Three months ended		
	December 24, 2022	December 25, 2021	% Change
	(in thousands)		
Net Sales			
Food Service	$ 238,297	$ 211,732	12.5%
Retail Supermarket	43,073	42,695	0.9%
Frozen Beverages	69,973	64,063	9.2%
Total Sales	$ 351,343	$ 318,490	10.3%

	Three months ended		
	December 24, 2022	December 25, 2021	% Change
	(in thousands)		
Operating Income			
Food Service	$ 6,387	$ 9,001	(29.0)%
Retail Supermarket	1,111	4,984	(77.7)%
Frozen Beverages	1,830	860	112.8%
Total Operating Income	$ 9,328	$ 14,845	(37.2)%

<u>Food Service Segment Results</u>

	Three months ended		
	December 24, 2022	December 25, 2021	% Change
	(in thousands)		
Food Service Sales			
Soft pretzels	$ 52,223	$ 50,421	3.6%
Frozen novelties	21,765	8,457	157.4%
Churros	25,757	19,489	32.2%
Handhelds	23,572	18,495	27.5%
Bakery	108,948	107,831	1.0%
Other	6,032	7,039	(14.3)%
Total Food Service Sales	$ 238,297	$ 211,732	12.5%
Food Service Operating Income	$ 6,387	$ 9,001	(29.0)%

Sales to food service customers increased $26.6 million, or 12.5%, to $238.3 million for the three months ended December 24, 2022, which included approximately $13.4 million in sales from Dippin’ Dots. Soft pretzels sales to food service increased 4% to $52.2 million. Frozen novelties sales increased 157% to $21.8 million, largely driven by Dippin’ Dots sales. Churro sales increased 32% to $25.8 million led by customer expansion and growing menu penetration, highlighted by the introduction of our Hola! Churros brand, as we achieved some of our slotting objectives with major distributors and gains at large regional quick service and fast casual restaurants. Sales of bakery products increase by 1% to $108.9 million. Sales of handhelds increased 28% to $23.6 million led by the continued success of a product developed for one of our larger wholesale club customers.

Sales of new products in the first twelve months since their introduction were minimal in the quarter. Price increases benefited revenues in the quarter, and more than offset some volume declines seen in certain product categories.

Operating income in our Food Service segment decreased $2.6 million in the quarter to $6.4 million, which reflected the significant increase in input, production and distribution costs.

Retail Supermarket Segment Results

	Three months ended		
	December 24, 2022	December 25, 2021	% Change
	(in thousands)		
Retail Supermarket Sales			
Soft pretzels	$ 14,485	$ 16,194	(10.6)%
Frozen novelties	17,969	17,802	0.9%
Biscuits	7,913	8,271	(4.3)%
Handhelds	2,892	1,276	126.6%
Coupon redemption	(176)	(896)	(80.4)%
Other	(10)	48	(120.8)%
Total Retail Supermarket Sales	$ 43,073	$ 42,695	0.9%
Retail Supermarket Operating Income	$ 1,111	$ 4,984	(77.7)%

Sales of products to retail customers increased $0.4 million, or 1%, to $43.1 million for the three months ended December 24, 2022. Soft pretzel sales declined 11% to $14.5 million, frozen novelties sales increase 1% to $18.0 million, biscuit sales declined 4% to $7.9 million, and handheld sales increased 127% to $2.9 million. Sales of new products in retail supermarkets were minimal in the quarter. Price increases benefited revenues in the quarter and helped to offset volume declines seen in certain product categories.

Operating income in our Retail Supermarkets segment decreased $3.9 million in the quarter to $1.1 million driven by higher cost of goods sold and distribution related expenses.

Frozen Beverages Segment Results

	Three months ended		
	December 24, 2022	December 25, 2021	% Change
	(in thousands)		
Frozen Beverages Sales			
Beverages	$ 38,659	$ 33,763	14.5%
Repair and maintenance service	23,827	22,011	8.3%
Machines revenue	7,011	7,847	(10.7)%
Other	476	442	7.7%
Total Frozen Beverages Sales	$ 69,973	$ 64,063	9.2%
Frozen Beverages Operating Income	$ 1,830	$ 860	112.8%

Frozen beverage and related product sales increased $5.9 million, or 9%, in the three months ended December 24, 2022. Beverage related sales increased 15% to $38.7 million. Gallon sales were up 2% for the three months led by continued improving trends in travel, sporting events, concerts and amusement parks. Sales remained strong even as volume at theaters declined in the quarter due to lower performing releases and weather-related impacts during the holiday season. Service revenue increased 8% to $23.8 million reflecting healthy maintenance call volumes. Machine revenue (primarily sales of frozen beverage machines) decreased 11% to $7.0 million due to the timing of customer installations between years.

Operating income in our Frozen Beverage segment increased $1.0 million in the quarter to $1.8 million as strong sales drove leverage across the business.

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, our current cash and cash equivalent balances and our investment securities is sufficient to satisfy our cash requirements over the next twelve months and beyond, as well as to fund future growth and expansion.

	Three months ended	
	December 24, 2022	December 25, 2021
	(in thousands)	
Cash flows from operating activities		
Net earnings	$ 6,633	$ 11,091
Non-cash items in net income:		
Depreciation of fixed assets	13,476	11,923
Amortization of intangibles and deferred costs	1,705	588
Gains from disposals of property & equipment	(711)	(27)
Share-based compensation	1,239	1,083
Deferred income taxes	(526)	(529)
Loss on marketable securities	37	44
Other	(18)	(4)
Changes in assets and liabilities, net of effects from purchase of companies	(425)	(18,715)
Net cash provided by operating activities	$ 21,410	$ 5,454

- The increase in depreciation of fixed assets over prior year period was largely due to prior year purchases of property plant and equipment, as well as depreciation expense related to assets acquired in the fiscal 2022 Dippin' Dots acquisition.

- The increase in amortization of intangibles and deferred costs over prior year period was related to intangible assets acquired in the fiscal 2022 Dippin' Dots acquisition.

- The $0.7 million gain from disposals of property & equipment in the three months ended December 24, 2022 primarily related to the sale of a building.

- Cash flows associated with changes in assets and liabilities, net of effects from purchase of companies were a net slight outflow in the three months ended December 24, 2022, with a decrease in accounts receivable largely offset by a decrease in accounts payable and accrued liabilities. In the prior year period, the net $18.7 million cash outflow was largely attributable to increases in inventory and decreases in accounts payable and accrued liabilities.

	Three months ended	
	December 24, 2022	December 25, 2021
	(in thousands)	
Cash flows from investing activities		
Purchases of property, plant and equipment	(30,910)	(16,100)
Proceeds from redemption and sales of marketable securities	3,300	7,200
Proceeds from disposal of property and equipment	729	231
Net cash used in investing activities	$ (26,881)	$ (8,669)

- Purchases of property, plant and equipment include spending for production growth, in addition to acquiring new equipment, infrastructure replacements, and upgrades to maintain competitive standing and position us for future opportunities. The increase over prior year period was primarily due to increased spend for new lines at various plants aimed at increasing capacity.

- The decrease in proceeds from redemption and sales of marketable securities from prior year period was due to a strategic decision in prior years to no longer re-invest redeemed proceeds into marketable securities given the low interest rate environment that existed in those years.

	Three months ended	
	December 24, 2022	December 25, 2021
	(in thousands)	
Cash flows from financing activities		
Proceeds from issuance of stock	1,285	706
Borrowings under credit facility	72,000	-
Repayment of borrowings under credit facility	(35,000)	-
Payments on finance lease obligations	(39)	(74)
Payment of cash dividends	(13,453)	(12,080)
Net cash provided by (used in) financing activities	$ 24,793	$ (11,448)

- Borrowings under credit facility and repayment of borrowings under credit facility relate to the Company's cash draws and repayments made in the three months ended December 24, 2022 to primarily fund working capital needs and investments in additional production capacity in our plants.

- The increase in payment of cash dividends from prior year period was due to the raising of our quarterly dividend during fiscal 2022.

Liquidity

As of December 24, 2022, we had $54.9 million of Cash and Cash Equivalents, and $6.4 million of Marketable Securities.

In December 2021, the Company entered into an amended and restated loan agreement (the "Credit Agreement") with our existing banks which provided for up to a $50 million revolving credit facility repayable in December 2026.

Interest accrues, at the Company's election, at (i) the BSBY Rate (as defined in the Credit Agreement) plus an applicable margin, based upon the Consolidated Net Leverage Ratio, as defined in the Credit Agreement, or (ii) the Alternate Base Rate (a rate based on the higher of (a) the prime rate announced from time-to-time by the Administrative Agent, (b) the Federal Reserve System's federal funds rate, plus 0.50% or (c) the Daily BSBY Rate, plus an applicable margin. The Alternate Base Rate is defined in the Credit Agreement.

The Credit Agreement requires the Company to comply with various affirmative and negative covenants, including without limitation (i) covenants to maintain a minimum specified interest coverage ratio and maximum specified net leverage ratio, and (ii) subject to certain exceptions, covenants that prevent or restrict the Company’s ability to pay dividends, engage in certain mergers or acquisitions, make certain investments or loans, incur future indebtedness, alter its capital structure or line of business, prepay subordinated indebtedness, engage in certain transactions with affiliates, or amend its organizational documents. As of December 24, 2022, the Company is in compliance with all financial covenants of the Credit Agreement.

On June 21, 2022, the Company entered into an amendment to the Credit Agreement, the “Amended Credit Agreement” which provided for an incremental increase of $175 million in available borrowings. The Amended Credit Agreement also includes an option to increase the size of the revolving credit facility by up to an amount not to exceed in the aggregate the greater of $225 million or, $50 million plus the Consolidated EBITDA of the Borrowers, subject to the satisfaction of certain terms and conditions.

As of December 24, 2022, we had $92.0 million of outstanding borrowings drawn on the Amended Credit Agreement. As of September 24, 2022, we had $123.2 million of additional borrowing capacity, after giving effect to the $9.8 million of letters of credit outstanding.

Critical Accounting Estimates

We consider revenue recognition, allowance for doubtful receivables, valuation of goodwill, valuation of long-lived assets and other intangible assets, insurance reserves, income taxes, and business combinations to be critical accounting estimates. These policies are summarized in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended September 24, 2022. These critical accounting policies require us to make estimates and assumptions that affect the amounts reported in the consolidated condensed financial statements and accompanying notes.

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 our Annual Report on Form 10-K for the fiscal year ended September 24, 2022.

Item 4. Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer of the Company (its principal executive officer and principal financial officer, respectively) have concluded, based on their evaluation as of December 24, 2022, that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in the Company's internal control over financial reporting during the quarter ended December 24, 2022, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. During the fiscal third quarter of 2022, the Company completed the acquisition of Dippin' Dots. As permitted by SEC staff interpretive guidance that an assessment of a recently acquired business may be omitted from the scope of evaluation for a period of up to one year following the acquisition, management excluded Dippin' Dots from its interim evaluation of internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject, from time to time, to certain legal proceedings and claims that arise from our business. As of the date of this Quarterly Report on Form 10-Q, the Company does not expect that any such proceedings will have a material adverse effect on the Company's financial position or results of operations.

Item 1A. Risk Factors

For information on risk factors, please refer to "Risk Factors" in Part I, Item 1A of the Company's Form 10-K for the fiscal year ended

September 24, 2022. The risks identified in that report have not changed in any material respect.

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

In October 2022, we withheld 129 shares to cover taxes associated with the vesting of certain restricted stock units held by officers and employees. In November 2022, we withheld 760 shares to cover taxes associated with the vesting of certain restricted stock units held by officers and employees.

Item 6. Exhibits

Exhibit No.	
10.1	Form of Performance Share Unit
10.2	Form of Service Share Unit
31.1 & 31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1 & 32.2	Certification Pursuant to the 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.1	The following financial information from J&J Snack Foods Corp.'s Quarterly Report on Form 10-Q for the quarter ended December 24, 2022, formatted in iXBRL (Inline extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Earnings, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows and (v) the Notes to the Consolidated Financial Statements
104	Cover Page Interactive Data File (formatted as Inline XBRL and containing in Exhibit 101)

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: February 2, 2023	/s/ Dan Fachner Dan Fachner President and Chief Executive Officer (Principal Executive Officer)
Dated: February 2, 2023	/s/ Ken A. Plunk Ken A. Plunk, Senior Vice President and Chief Financial Officer (Principal Financial Officer) (Principal Accounting Officer)

Exhibit 10.1

J&J Snack Foods Corp.
Performance Share Unit Agreement

This Performance Share Unit Agreement (this "**Grant Agreement**") is made and entered into as of __________ (the "**Grant Date**") by and between J&J Snack Foods Corp., a New Jersey corporation (the "**Company**") and __________ (the "**Grantee**").

WHEREAS, the Company has adopted the J&J Snack Foods Corp. Amended and Restated Long-Term Incentive Plan (the "**Plan**") pursuant to which certain types of Performance Awards may be granted; and

WHEREAS, the Committee has determined that it is in the best interests of the Company and its shareholders to grant Performance Awards consisting as performance share units ("**PSUs**" or "**Performance Share Units**") provided for herein.

NOW, THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

1. Grant of Performance Share Units. Pursuant to Section 8 of the Plan, the Company hereby grants to the Grantee an Award for a target number of __________ Performance Share Units (the "**Target Award**"). Each PSU represents the right to receive one share of Common Stock, subject to the terms and conditions set forth in this Grant Agreement and the Plan. The number of PSUs that the Grantee actually earns (up to a maximum of __________) will be determined by the level of achievement of the Performance Goal(s) in accordance with Exhibit I attached hereto. Capitalized terms that are used but not defined herein have the meanings ascribed to them in the Plan.

2. Vesting Period and Performance Period. For purposes of this Grant Agreement, the term "Vesting Period" shall be the period commencing on __________and ending on __________, and the term "Performance Period," which is the period over which the Performance Goal(s) is/are measured within the Vesting Period, shall be the period commencing on __________and ending on __________.

3. Performance Goal(s). The number of PSUs earned by the Grantee for the Vesting Period (which will be rounded to the nearest whole PSU) will be based on the level of achievement of the Performance Goal in accordance with Exhibit I. All determinations of whether a Performance Goal has been achieved, the number of PSUs earned by the Grantee, and all other matters related to this Section 3 shall be made by the Committee in its sole discretion. Such determination shall be final, conclusive and binding on the Grantee, and on all other persons, to the maximum extent permitted by law.

4. Vesting of PSUs. The PSUs are subject to forfeiture until they vest. Except as otherwise provided herein, the PSUs will vest and become nonforfeitable upon completion of the Vesting Period (the "**Vesting Date**"), subject to (a) the achievement of the minimum threshold Performance Goal for payout set forth in Exhibit I attached hereto, and (b) the Grantee's continued employment from the Grant Date through the Vesting Date.

5. Termination of Employment; Change in Control.

5.1 Except as otherwise expressly provided in this Grant Agreement, any employment or similar agreement between the Company and the Grantee or the Plan, if the Grantee's employment terminates for any reason at any time before the Vesting Date, the Grantee's unvested PSUs shall be automatically forfeited upon such termination of employment and neither the Company nor any affiliate shall have any further obligations to the Grantee under this Grant Agreement.

5.2 Notwithstanding Section 5.1 and subject to any provision in the Plan or any employment agreement or similar agreement between the Company and the Grantee that provides for greater vesting entitlements (which, if applicable, shall control), if the Grantee's employment terminates during the Vesting Period as a result of the Grantee's death or Disability or due to a termination by the Company other than for Cause, the Grantee will vest in a pro rata amount calculated by multiplying the number of PSUs earned based on actual performance over the full Performance Period by a fraction, the numerator of which equals the number of days that the Grantee was employed during the Vesting Period and the denominator of which equals the total number of days in the Vesting Period. If, as of the date of such termination of employment, the Performance Period has not been completed, the prorated number of PSUs determined pursuant to this Section 5.2 will vest on the last day of the Performance Period. If, as of the date of such termination of employment, the Performance Period has been completed, the prorated number of PSUs determined pursuant to this Section 5.2 will vest on the date the Grantee's employment terminates.

5.3 Notwithstanding Section 5.1, Section 5.2 and subject to any provision in the Plan or any employment agreement or similar agreement between the Company and the Grantee that provides for greater vesting entitlements (which, if applicable, shall control), in the event of a Change in Control (as defined below), the PSUs shall be treated as follows:

(a) PSUs Continued or Assumed or Substituted by Surviving Entity.

(i) If the Company is the surviving entity (in which case the PSUs will continue) or if the Company is not the surviving entity, but the surviving entity (or a parent entity thereof) assumes this Award or substitutes this Award for another award relating to the stock of such surviving entity (or parent thereof), such award (the "**Continued, Assumed or Substituted Award**") shall remain subject to the terms of this Grant Agreement (including the vesting conditions based on continued employment); *provided*, *that* (1) if, as of the Change in Control, the Performance Period has not been completed, the Performance Goal(s) shall be deemed to have been satisfied at the "Target" level, (2) if, as of the Change in Control, the Performance Period has been completed, the Performance Goal(s) shall be deemed to have been satisfied at the performance level achieved based on actual performance through the date of the Change in Control (as determined by the Committee prior to the Change in Control), and (3) if on, or within eighteen (18) months following, the date of the Change in Control, the Grantee's employment is terminated by the Company or a parent or subsidiary thereof without Cause or by the Grantee for Good Reason, the Continued, Assumed or Substituted Award (if still outstanding on the date of termination) shall immediately become fully vested.

(ii) If the Company is not the surviving entity and the surviving entity (or a parent entity thereof) does not assume or substitute the Award, the Grantee shall be entitled to the benefits set forth in Section 5.3(a)(i) as of the date of the Change in Control, to the same extent as if the Grantee's employment had been terminated by the Company without Cause as of the date of the Change in Control; *provided*, that, to the extent the Award constitutes deferred compensation for purposes of Section 409A, if the settlement or other payment event resulting from the vesting of the Award would not be permitted by Section 409A of the Code, the Award shall vest pursuant to this Section 5.3(a)(ii), but the settlement or other payment event with respect to the Award shall not be accelerated and shall instead occur when it would have occurred had the Award been continued, assumed or substituted pursuant to Section 5.3(a)(i) (or on such earlier date as is permitted under Section 409A of the Code).

(b) For the purposes of this Section 5.3, the Award shall be considered assumed or substituted for if immediately following the Change in Control the PSU is of substantially equal value, with the determination of such substantial equality of value being made by the Committee before the Change in Control.

5.4 For purposes of this Award, the term

(a) "**Cause**" means, unless such term (or word of like import) is expressly defined in a then-effective written agreement between the Grantee and the Company or any parent or subsidiary thereof, the Grantee's: (a) failure to perform duties (other than as a result of death or Disability) as are reasonably requested by the Company, provided such requested duties are not inconsistent with the duties of the Grantee's job position, after written notice and a 10-day opportunity to cure (if curable); (b) willful misconduct, gross negligence or reckless disregard of the Grantee's duties or of the interest or property of the Company or any parent or subsidiary thereof; (c) intentional disclosure to an unauthorized person of confidential information or trade secrets; (d) act of fraud against, misappropriation from, or dishonesty to the Company or any parent or subsidiary thereof or any other party or engaging in conduct that has, or could reasonably be expected to have, an adverse impact on the reputation or business of the Company or any parent or subsidiary thereof, or that results in Grantee's improper gain or personal enrichment to the detriment of the Company or any parent or subsidiary thereof; or (e) commission of a felony or a lesser crime involving dishonesty, fraud, theft, wrongful taking of property, embezzlement, bribery, forgery, extortion; or other crime involving moral turpitude.

(b) "**Change in Control**" means the occurrence of any of the following events:

(i) the acquisition by any person of beneficial interest of securities possessing more than 50% of the total combined voting power of the Company's then outstanding securities; *provided*, *however*, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (1) any acquisition by the Company; (2) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any parent or subsidiary thereof; or (3) any acquisition pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (ii) below;

(ii) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (each, a "**Corporate Transaction**"), in each case, unless, following such Corporate Transaction, (A) all or substantially all of the individuals and entities that had beneficial interest of the Company's outstanding securities immediately prior to such Corporate Transaction have beneficial interest, directly or indirectly, of more than 50% of the value of the then outstanding equity securities and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation or other entity resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the Company's then outstanding equity securities and the combined voting power of the then outstanding voting securities, (B) no person (excluding any employee benefit plan or related trust of the Company, or of any parent or subsidiary or any corporation or other entity resulting from such Corporate Transaction) beneficially owns, directly or indirectly, 50% or more of, respectively, the then outstanding shares of the corporation resulting from such Corporate Transaction or the combined voting power of the then outstanding voting securities of such corporation, except to the extent that such ownership of the Company existed prior to the Corporate Transaction and (C) at least a majority of the members of the board of directors of the corporation (or other governing board of a non-corporate entity) resulting from such Corporate Transaction were members of the Incumbent Board (as defined in Subsection (iii)) at the time of the execution of the initial agreement, or of the action of the Board, providing for such Corporate Transaction; or

(iii) individuals who, as of the date the Plan was adopted, constitute the Board (the "**Incumbent Board**") cease for any reason to constitute at least a majority of the Board; *provided*, *however*, that any individual becoming a director after the date the Award was granted whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least 2/3 of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board.

If the Award is determined to constitute "deferred compensation" under Section 409A of the Code, to the extent necessary to avoid incurring adverse tax consequences under Section 409A of the Code with respect to the Award, the foregoing events shall only be deemed to be a Change in Control for purposes of the Award to the extent such event qualifies as a "change in control event" for purposes of Section 409A of the Code.

(c) "**Good Reason**" means, with respect to the termination by a Grantee of the Grantee's employment, that such termination is for "Good Reason" as such term (or word of like import) is expressly defined in a then-effective written agreement between the Grantee and the Company or a parent or subsidiary thereof, or in the absence of such then-effective written agreement and definition, means the occurrence of any of the following events or conditions unless consented to by the Grantee: (i) a change in the Grantee's authority, responsibilities or duties that represents a material and substantial diminution in the Grantee's authority, responsibilities or duties; (ii) a material reduction in the Grantee's base salary, *provided*, *however*, that an across-the-board reduction in the salary level of substantially all other individuals in positions similar to the Grantee's by approximately the same percentage amount shall not constitute such a salary reduction; or (iii) a change of more than fifty (50) miles to the Grantee's primary place of employment that represents a material increase in the Grantee's commuting distance. Any such event or condition shall not constitute Good Reason unless (1) the Grantee provides the Company with written notice thereof no later than ninety (90) days following the initial occurrence of such event or condition, (2) the Company fails to remedy such event or condition within thirty (30) days after receipt of such notice and (3) the Grantee actually terminates Grantee's employment within thirty (30) days after the expiration of such remedial period.

6. <u>Payment of PSUs</u>. Payment in respect of the PSUs shall be made in shares of Common Stock and shall be issued to the Grantee (or deposited in the Grantee's brokerage account) as soon as practicable following the vesting date and in any event within sixty (60) days following the vesting date. The Company shall (a) issue and deliver to or on behalf of the Grantee the number of shares of Common Stock equal to the number of vested PSUs, and (b) record such issuance on the records of the Company or its transfer agents or registrars.

7. <u>Transferability</u>. Subject to any exceptions set forth in this Grant Agreement or the Plan, the PSUs or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Grantee, except by will or the laws of descent and distribution, and upon any such transfer by will or the laws of descent and distribution, the transferee shall hold such PSUs subject to all of the terms and conditions that were applicable to the Grantee immediately prior to such transfer.

8. <u>Rights as Shareholder; Dividend Equivalents</u>.

8.1 The Grantee shall not have any rights of a shareholder with respect to the shares of Common Stock underlying the PSUs, including, but not limited to, voting rights and the right to receive or accrue dividends or dividend equivalents unless and until Shares are issued in respect of vested PSUs.

8.2 The Grantee shall be credited with a right to compensation measured by dividends paid to stockholders with respect to shares of Common Stock ("**Dividend Equivalent Rights**") on the PSUs with respect to ordinary cash dividends paid by the Company if the record date for such dividends is within the period beginning on the Grant Date and ending on the date shares of Common Stock are issued in respect of vested PSUs. Any such Dividend Equivalent Rights shall be accumulated (without interest) and shall be subject to the same terms and conditions as are applicable to the PSUs to which the Dividend Equivalent Rights relate, including, without limitation, the restrictions on transfer, forfeiture, vesting and payment provisions. Any earned Dividend Equivalent Rights, if any, shall be paid in cash on the date shares of Common Stock are issued in respect of the vested PSUs to which the Dividend Equivalents relate.

8.3 Upon and following the vesting of the PSUs and the issuance of shares, the Grantee shall be the record owner of the shares of Common Stock underlying the PSUs unless and until such shares are sold or otherwise disposed of, and as record owner shall be entitled to all rights of a shareholder of the Company (including voting and dividend rights).

8.4 Before issuance of any shares of Common Stock in respect of vested PSUs, the PSUs will represent an unfunded and unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. This Grant Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust.

9. No Right to Continued Service. This Award is made in consideration of the services to be rendered by the Grantee to the Company. Neither the Plan nor this Grant Agreement shall confer upon the Grantee any right to be retained in any position, as an employee, consultant or director of the Company. Further, nothing in the Plan or this Grant Agreement shall be construed to limit the discretion of the Company to terminate the Grantee's employment at any time, with or without cause.

10. Adjustments. If any change is made to the outstanding Common Stock or the capital structure of the Company, if required, the PSUs shall be adjusted or terminated in any manner as contemplated by Section 17 of the Plan.

11. Tax Liability and Withholding.

11.1 The Grantee shall be required to pay to the Company, and the Company shall have the right to deduct from any compensation paid to the Grantee pursuant to the Plan, the amount of any required withholding taxes in respect of the PSUs and to take all such other action as the Committee deems necessary to satisfy all obligations for the payment of such withholding taxes. Unless the Committee determines otherwise, any federal, state, local or other tax withholding obligation shall be satisfied by withholding from the shares of Common Stock otherwise issuable or deliverable to the Grantee in respect of the PSUs that number of shares of Common Stock having a Fair Market Value equal to the withholding obligation; *provided*, *however*, that no shares of Common Stock shall be withheld with a value exceeding the maximum amount of tax required to be withheld by law; *provided*, *further*, that the Committee may determine to satisfy the Company's withholding obligations by permitting the Grantee to (a) tender a cash payment, (b) deliver to the Company previously owned and unencumbered shares of Common Stock or (c) any combination of the foregoing.

11.2 Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax, or other tax-related withholding ("**Tax-Related Items**"), the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and the Company (a) makes no representation or undertakings regarding the treatment of any Tax-Related Items in connection with the grant, vesting or settlement of the PSUs or the subsequent sale of any shares, and (b) does not commit to structure the PSUs to reduce or eliminate the Grantee's liability for Tax-Related Items.

12. Non-competition and Non-solicitation.

12.1 In consideration of the PSUs, the Grantee agrees and covenants not to:

(a) contribute his or her knowledge, directly or indirectly, in whole or in part, as an employee, officer, owner, manager, advisor, consultant, agent, partner, director, shareholder, volunteer, intern or in any other similar capacity to an entity engaged in the same or similar business as the Company and its affiliates, including but not limited to those engaged in the business of the manufacture, development, advertising, promotion, or sale of soft pretzels, churros, funnel cakes, frozen cookie dough, in-store bakery products, biscuits and/ or dumplings, frozen carbonated beverages or similar products (including both existing products as well as products known to the recipient, as a consequence of the recipient's employment with the Company or one of its subsidiaries, to be in development) for a period of one (1) year following the Grantee's termination of employment;

(b) directly or indirectly, solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Company or its affiliates for one (1) year following the Grantee's termination of employment; or

(c) directly or indirectly, solicit, contact (including, but not limited to, email, regular mail, express mail, telephone, fax, and instant message), attempt to contact or meet with the current, former or prospective customers of the Company or any of its affiliates for purposes of offering or accepting goods or services similar to or competitive with those offered by the Company or any of its affiliates for a period of one (1) year following the Grantee's termination of employment.

12.2 If the Grantee breaches any of the covenants set forth in Section 12.1:

(a) all unvested PSUs shall be immediately forfeited; and

(b) the Grantee hereby consents and agrees that the Company shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

13. Compliance with Law. The issuance and transfer of shares of Common Stock in connection with the PSUs shall be subject to compliance by the Company and the Grantee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's shares of Common Stock may be listed. No shares of Common Stock shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel.

14. Notices. Any notice required to be delivered to the Company under this Grant Agreement shall be in writing and addressed to the Secretary of the Company at the Company's principal corporate offices. Any notice required to be delivered to the Grantee under this Grant Agreement shall be in writing and addressed to the Grantee at the Grantee's address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.

15. Governing Law. This Grant Agreement will be construed and interpreted in accordance with the laws of the State of New Jersey without regard to conflict of law principles.

16. Interpretation. Any dispute regarding the interpretation of this Grant Agreement shall be submitted by the Grantee or the Company to the Committee for review. The resolution of such dispute by the Committee shall be final and binding on the Grantee and the Company.

17. PSUs Subject to Plan. This Grant Agreement is subject to the Plan as approved by the Company's shareholders. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

18. Successors and Assigns. The Company may assign any of its rights under this Grant Agreement. This Grant Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Grant Agreement will be binding upon the Grantee and the Grantee's beneficiaries, executors, administrators and the person(s) to whom the PSUs may be transferred by will or the laws of descent or distribution.

19. Severability. The invalidity or unenforceability of any provision of the Plan or this Grant Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Grant Agreement, and each provision of the Plan and this Grant Agreement shall be severable and enforceable to the extent permitted by law.

20. Discretionary Nature of Plan. The Plan is discretionary and may be amended, cancelled or terminated by the Company at any time, in its discretion. The grant of the PSUs in this Grant Agreement does not create any contractual right or other right to receive any PSUs or other awards in the future. Future awards, if any, will be at the sole discretion of the Company. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Grantee's employment with the Company.

21. Amendment. The Committee has the right to amend, alter, suspend, discontinue or cancel the PSUs, prospectively or retroactively; *provided, that*, (a) no such amendment shall adversely affect the Grantee's material rights under this Grant Agreement without the Grantee's consent and (b) no amendment may be made to this Grant Agreement and/or the terms governing this Award after a Change in Control without the Grantee's express written consent.

22. Section 409A. This Grant Agreement is intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. Notwithstanding anything to the contrary, to the extent required to avoid adverse tax consequences under Section 409A of the Code, (a) a Grantee shall not be considered to have terminated employment and no payment or benefit shall be due to the Grantee under this Grant Agreement until the Grantee would be considered to have incurred a "separation from service" from the Company, parent or subsidiary thereof within the meaning of Section 409A of the Code and (b) if the Grantee is a "specified employee" (as defined in Section 409A of the Code), amounts that would otherwise be payable and benefits that would otherwise be provided due to the Grantee's separation from service under this Grant Agreement during the six-month period immediately following the Grantee's separation from service shall instead be paid or provided on the first business day after the date that is six months following the Grantee's separation from service (or, if earlier, on the date of the Grantee's death or such earlier date as may be permitted under Section 409A of the Code). Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Grant Agreement comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Grantee on account of non- compliance with Section 409A of the Code.

23. No Impact on Other Benefits. The value of the Grantee's PSUs is not part of his or her normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar employee benefit.

24. Counterparts. This Grant Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Grant Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

25. Electronic Delivery. The Company may deliver any documents related to the PSUs or the Plan by electronic means or request the Grantee's consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

26. Personal Data Authorization. The Grantee understands and acknowledges that the Company, parent and any subsidiary may hold certain personal information regarding the Grantee for the purpose of managing and administering the Plan, including the Grantee's name, home address, telephone number, date of birth, social security number, salary, nationality, job title, any shares of Common Stock or directorships held in the Company and details of all Awards canceled, exercised, vested, unvested or outstanding in the Grantee's favor ("**Data**"). The Grantee further understands and acknowledges that the Company, parent and any subsidiary will transfer Data among themselves as necessary for the purpose of implementation, administration and management of the Grantee's participation in the Plan and that the Company, parent and any subsidiary may each further transfer Data to any third party assisting the Company in the implementation, administration and management of the Plan. The Grantee understands and acknowledges that the recipients of Data may be located in the United States or elsewhere.

27. Acceptance. The Grantee hereby acknowledges receipt of a copy of the Plan and this Grant Agreement. The Grantee has read and understands the terms and provisions thereof, and accepts the PSUs subject to all of the terms and conditions of the Plan and this Grant Agreement. The Grantee acknowledges that there may be adverse tax consequences upon the vesting or settlement of the PSUs or disposition of the underlying shares and that the Grantee has been advised to consult a tax advisor prior to such vesting, settlement or disposition.

28. IN WITNESS WHEREOF, the parties hereto have executed this Grant Agreement as of the date first above written.

J & J SNACK FOODS CORP.
By: ______________________________
Name:
Title:

[NAME OF GRANTEE]
By: ______________________________

EXHIBIT 1

Vesting Period and Performance Period

The Vesting Period shall commence on __________ and end on ___________.

The Performance Period shall commence on __________ and end on ___________.

Performance Goal

The number of PSUs earned shall be determined by reference to the Company's cumulative Adjusted EBITDA (as defined below) over the Performance Period. The third year of the Vesting Period shall be based on continued employment with the Company.

For purposes of this Award, the term "**Adjusted EBITDA**" means the Company's cumulative earnings over the Performance Period before interest, taxes, depreciation and amortization, and before stock-based compensation, acquisition expenses and similar non-recurring items, adjusted, up or down, in the discretion of the Committee, to account for material unbudgeted and unanticipated items, including, without limitation, significant acquisitions or divestitures, costs associated with natural disasters, storms or pandemics, foreign exchange variations, capital markets transaction costs, and material transaction and litigation costs.

Award Range

Depending on the Company's cumulative Adjusted EBITDA during the Performance Period, if at least Threshold performance is achieved, the Grantee may earn between __% and __% of the Target Award. If less than Threshold performance is achieved, no portion of the Award shall be earned.

Determining PSUs Earned

Except as otherwise provided in the Plan or the Grant Agreement, the number of PSUs that will be eligible to vest, assuming the Grantee remains employed through the Vesting Period, shall be determined as follows:

Performance Level	**Award Payout (as % of Target PSUs)**	**Adjusted EBITDA**
Below Threshold		
Threshold		
Target		
Maximum		

Payouts between Threshold and Target and between Target and Maximum are determined by straight line interpolation based on actual performance.

Exhibit 10.2

J&J Snack Foods Corp.
Service Share Unit Agreement

This Service Share Unit Agreement (this "**Grant Agreement**") is made and entered into as of __________ (the "**Grant Date**") by and between J&J Snack Foods Corp., a New Jersey corporation (the "**Company**") and __________ (the "**Grantee**"). Capitalized terms that are used but not defined herein have the meaning ascribed to them in the Plan.

WHEREAS, the Company has adopted the J&J Snack Foods Corp. Amended and Restated Long-Term Incentive Plan (the "**Plan**") pursuant to which certain types of Awards may be granted; and

WHEREAS, the Committee has determined that it is in the best interests of the Company and its shareholders to grant Awards consisting as restricted stock units ("**Service Share Unit**") provided for herein.

NOW, THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

1. <u>Grant of Service Share Units</u>. Pursuant to Section 7 of the Plan, the Company hereby grants to the Grantee an Award of __________ Service Share Units (the "**Award**"). Each SERVICE SHARE UNIT represents the right to receive one share of Common Stock, subject to the terms and conditions set forth in this Grant Agreement and the Plan. The Service Share Units shall be credited to a separate account maintained for the Grantee on the books and records of the Company ("Account").

2. <u>Vesting of Service Share Units</u>. The Service Share Units are subject to forfeiture until they vest. Except as otherwise provided herein and in the Plan, and provided that the Grantee remains continuously employed with the Company from the Grant Date through the applicable vesting date, the Service Share Units will vest as to one third (1/3) of the total Award on (a) the first anniversary of the Grant Date and (b) on each of the next two anniversaries of the Grant Date.

3. <u>Termination of Employment; Change in Control</u>.

3.1 Except as otherwise expressly provided in this Grant Agreement, any employment or similar agreement between the Company and the Grantee or the Plan, if the Grantee's employment terminates for any reason at any time before all of his or her Service Share Units have vested, the Grantee's unvested Service Share Units shall be automatically forfeited upon such termination of employment and neither the Company nor any affiliate shall have any further obligations to the Grantee under this Grant Agreement.

3.2 Notwithstanding Section 3.1 and subject to any provision in the Plan or any employment agreement or similar agreement between the Company and the Grantee that provides for greater vesting entitlements (which, if applicable, shall control), if the Grantee's employment terminates during the period commencing on the Grant Date and ending on the final vesting date (the "**Vesting Period**") as a result of the Grantee's death or Disability or due to a termination by the Company other than for Cause, the Grantee will vest on the termination date in that number of Service Share Units, which, when combined with any Service Share Units under the Award that have already vested, equals the product of the total number of Service Share Units awarded pursuant to the Award, multiplied by a fraction, the numerator of which equals the number of days that the Grantee was employed during the Vesting Period and the denominator of which equals the total number of days in the Vesting Period.

3.3 Notwithstanding Section 3.1, Section 3.2 and subject to any provision in the Plan or any employment agreement or similar agreement between the Company and the Grantee that provides for greater vesting entitlements (which, if applicable, shall control), in the event of a Change in Control (as defined below), the Award shall be treated as follows:

(a) <u>Awards Continued or Assumed or Substituted by Surviving Entity</u>.

(i) If the Company is the surviving entity (in which case the Award will continue) or if the Company is not the surviving entity, but the surviving entity (or a parent entity thereof) assumes this Award or substitutes this Award for another award relating to the stock of such surviving entity (or parent thereof), such award (the "**Continued, Assumed or Substituted Award**") shall remain governed by the terms of this Grant Agreement; *provided*, *that* if on, or within eighteen (18) months following, the date of the Change in Control, the Grantee's employment is terminated by the Company or a parent or subsidiary thereof without Cause or by the Grantee for Good Reason, the Continued, Assumed or Substituted Award (if still outstanding on the date of termination) shall immediately become fully vested.

(ii) If the Company is not the surviving entity and the surviving entity (or a parent entity thereof) does not assume or substitute the Award, the Grantee shall be entitled to the benefits set forth in Section 5.3(a)(i) as of the date of the Change in Control, to the same extent as if the Grantee's employment had been terminated by the Company without Cause as of the date of the Change in Control; *provided*, *that*, to the extent the Award constitutes deferred compensation for purposes of Section 409A, if the settlement or other payment event resulting from the vesting of the Award would not be permitted by Section 409A of the Code, the Award shall vest pursuant to this Section 5.3(a)(ii), but the settlement or other payment event with respect to the Award shall not be accelerated and shall instead occur when it would have occurred had the Award been continued, assumed or substituted pursuant to Section 5.3(a)(i) (or on such earlier date as is permitted under Section 409A of the Code).

(b) For the purposes of this Section 5.3, the Award shall be considered assumed or substituted for if immediately following the Change in Control the Award is of substantially equal value, with the determination of such substantial equality of value being made by the Committee before the Change in Control.

3.4 For purposes of this Award, the term:

(a) "**Cause**" means, unless such term (or word of like import) is expressly defined in a then-effective written agreement between the Grantee and the Company or any parent or subsidiary thereof, the Grantee's: (a) failure to perform duties (other than as a result of death or Disability) as are reasonably requested by the Company, provided such requested duties are not inconsistent with the duties of the Grantee's job position, after written notice and a 10-day opportunity to cure (if curable); (b) willful misconduct, gross negligence or reckless disregard of the Grantee's duties or of the interest or property of the Company or any parent or subsidiary thereof; (c) intentional disclosure to an unauthorized person of confidential information or trade secrets; (d) act of fraud against, misappropriation from, or dishonesty to the Company or any parent or subsidiary thereof or any other party or engaging in conduct that has, or could reasonably be expected to have, an adverse impact on the reputation or business of the Company or any parent or subsidiary thereof, or that results in Grantee's improper gain or personal enrichment to the detriment of the Company or any parent or subsidiary thereof; or (e) commission of a felony or a lesser crime involving dishonesty, fraud, theft, wrongful taking of property, embezzlement, bribery, forgery, extortion; or other crime involving moral turpitude.

(b) "**Change in Control**" means the occurrence of any of the following events:

(i) the acquisition by any person of beneficial interest of securities possessing more than 50% of the total combined voting power of the Company's then outstanding securities; *provided*, *however*, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (1) any acquisition by the Company; (2) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any parent or subsidiary thereof; or (3) any acquisition pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (ii) below;

(ii) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (each, a "**Corporate Transaction**"), in each case, unless, following such Corporate Transaction, (A) all or substantially all of the individuals and entities that had beneficial interest of the Company's outstanding securities immediately prior to such Corporate Transaction have beneficial interest, directly or indirectly, of more than 50% of the value of the then outstanding equity securities and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation or other entity resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the Company's then outstanding equity securities and the combined voting power of the then outstanding voting securities, (B) no person (excluding any employee benefit plan or related trust of the Company, or of any parent or subsidiary or any corporation or other entity resulting from such Corporate Transaction) beneficially owns, directly or indirectly, 50% or more of, respectively, the then outstanding shares of the corporation resulting from such Corporate Transaction or the combined voting power of the then outstanding voting securities of such corporation, except to the extent that such ownership of the Company existed prior to the Corporate Transaction and (C) at least a majority of the members of the board of directors of the corporation (or other governing board of a non-corporate entity) resulting from such Corporate Transaction were members of the Incumbent Board (as defined in Subsection (iii)) at the time of the execution of the initial agreement, or of the action of the Board, providing for such Corporate Transaction; or

(iii) individuals who, as of the date the Plan was adopted, constitute the Board (the "**Incumbent Board**") cease for any reason to constitute at least a majority of the Board; *provided*, *however*, that any individual becoming a director after the date the Award was granted whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least 2/3 of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board.

If the Award is determined to constitute "deferred compensation" under Section 409A of the Code, to the extent necessary to avoid incurring adverse tax consequences under Section 409A of the Code with respect to the Award, the foregoing events shall only be deemed to be a Change in Control for purposes of the Award to the extent such event qualifies as a "change in control event" for purposes of Section 409A of the Code.

(c) "**Good Reason**" means, with respect to the termination by a Grantee of the Grantee's employment, that such termination is for "Good Reason" as such term (or word of like import) is expressly defined in a then-effective written agreement between the Grantee and the Company or a parent or subsidiary thereof, or in the absence of such then-effective written agreement and definition, means the occurrence of any of the following events or conditions unless consented to by the Grantee: (i) a change in the Grantee's authority, responsibilities or duties that represents a material and substantial diminution in the Grantee's authority, responsibilities or duties; (ii) a material reduction in the Grantee's base salary, *provided*, *however*, that an across-the-board reduction in the salary level of substantially all other individuals in positions similar to the Grantee's by approximately the same percentage amount shall not constitute such a salary reduction; or (iii) a change of more than fifty (50) miles to the Grantee's primary place of employment that represents a material increase in the Grantee's commuting distance. Any such event or condition shall not constitute Good Reason unless (1) the Grantee provides the Company with written notice thereof no later than ninety (90) days following the initial occurrence of such event or condition, (2) the Company fails to remedy such event or condition within thirty (30) days after receipt of such notice and (3) the Grantee actually terminates Grantee's employment within thirty (30) days after the expiration of such remedial period.

4. Payment of Service Share Units. Payment in respect of the Service Share Units shall be made in shares of Common Stock and shall be issued to the Grantee (or deposited in the Grantee's brokerage account) as soon as practicable following the vesting date and in any event within sixty (60) days following the vesting date. The Company shall (a) issue and deliver to or on behalf of the Grantee the number of shares of Common Stock equal to the number of vested Service Share Units, and (b) record such issuance on the records of the Company or its transfer agents or registrars.

5. Transferability. Subject to any exceptions set forth in this Grant Agreement or the Plan, the Service Share Units or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Grantee, except by will or the laws of descent and distribution, and upon any such transfer by will or the laws of descent and distribution, the transferee shall hold such Service Share Units subject to all of the terms and conditions that were applicable to the Grantee immediately prior to such transfer.

6. Rights as Shareholder; Dividend Equivalents.

6.1 The Grantee shall not have any rights of a shareholder with respect to the shares of Common Stock underlying the Service Share Units, including, but not limited to, voting rights and the right to receive or accrue dividends or dividend equivalents unless and until shares of Common Stock are issued in respect of vested Service Share Units.

6.2 The Grantee shall be credited with a right to compensation measured by dividends paid to stockholders with respect to shares of Common Stock ("**Dividend Equivalent Rights**") on the Service Share Units with respect to ordinary cash dividends paid by the Company if the record date for such dividends is within the period beginning on the Grant Date and ending on the date shares of Common Stock are issued in respect of vested Service Share Units. Any such Dividend Equivalent Rights shall be accumulated (without interest) and shall be subject to the same terms and conditions as are applicable to the Service Share Units to which the Dividend Equivalent Rights relate, including, without limitation, the restrictions on transfer, forfeiture, vesting and payment provisions. Any earned Dividend Equivalent Rights, if any, shall be paid in cash on the date shares of Common Stock are issued in respect of the vested Service Share Units to which the Dividend Equivalents relate.

6.3 Upon and following the vesting of the Service Share Units and the issuance of shares, the Grantee shall be the record owner of the shares of Common Stock underlying the Service Share Units unless and until such shares are sold or otherwise disposed of, and as record owner shall be entitled to all rights of a shareholder of the Company (including voting and dividend rights).

6.4 Before issuance of any shares of Common Stock in respect of vested Service Share Units, the Service Share Units will represent an unfunded and unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. This Grant Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust.

7. No Right to Continued Service. This Award is made in consideration of the services to be rendered by the Grantee to the Company. Neither the Plan nor this Grant Agreement shall confer upon the Grantee any right to be retained in any position, as an employee, consultant or director of the Company. Further, nothing in the Plan or this Grant Agreement shall be construed to limit the discretion of the Company to terminate the Grantee's employment at any time, with or without cause.

8. Adjustments. If any change is made to the outstanding Common Stock or the capital structure of the Company, if required, the Service Share Units shall be adjusted or terminated in any manner as contemplated by Section 17 of the Plan.

9. Tax Liability and Withholding.

9.1 The Grantee shall be required to pay to the Company, and the Company shall have the right to deduct from any compensation paid to the Grantee pursuant to the Plan, the amount of any required withholding taxes in respect of the Service Share Units and to take all such other action as the Committee deems necessary to satisfy all obligations for the payment of such withholding taxes. Unless the Committee determines otherwise, any federal, state, local or other tax withholding obligation shall be satisfied by withholding from the shares of Common Stock otherwise issuable or deliverable to the Grantee in respect of the Service Share Units that number of shares of Common Stock having a Fair Market Value equal to the withholding obligation; *provided*, *however*, that no shares of Common Stock shall be withheld with a value exceeding the maximum amount of tax required to be withheld by law; *provided*, *further*, that the Committee may determine to satisfy the Company's withholding obligations by permitting the Grantee to (a) tender a cash payment, (b) deliver to the Company previously owned and unencumbered shares of Common Stock or (c) any combination of the foregoing.

9.2 Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax, or other tax-related withholding ("**Tax-Related Items**"), the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and the Company (a) makes no representation or undertakings regarding the treatment of any Tax-Related Items in connection with the grant, vesting or settlement of the Service Share Units or the subsequent sale of any shares, and (b) does not commit to structure the Service Share Units to reduce or eliminate the Grantee's liability for Tax-Related Items.

10. Non-competition and Non-solicitation.

10.1 In consideration of the Service Share Units, the Grantee agrees and covenants not to:

(a) contribute his or her knowledge, directly or indirectly, in whole or in part, as an employee, officer, owner, manager, advisor, consultant, agent, partner, director, shareholder, volunteer, intern or in any other similar capacity to an entity engaged in the same or similar business as the Company and its affiliates, including but not limited to those engaged in the business of the manufacture, development, advertising, promotion, or sale of soft pretzels, churros, funnel cakes, frozen cookie dough, in-store bakery products, biscuits and/ or dumplings, frozen carbonated beverages or similar products (including both existing products as well as products known to the recipient, as a consequence of the recipient's employment with the Company or one of its subsidiaries, to be in development) for a period of one (1) year following the Grantee's termination of employment;

(b) directly or indirectly, solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Company or its affiliates for one (1) year following the Grantee's termination of employment; or

(c) directly or indirectly, solicit, contact (including, but not limited to, email, regular mail, express mail, telephone, fax, and instant message), attempt to contact or meet with the current, former or prospective customers of the Company or any of its affiliates for purposes of offering or accepting goods or services similar to or competitive with those offered by the Company or any of its affiliates for a period of one (1) year following the Grantee's termination of employment.

10.2 If the Grantee breaches any of the covenants set forth in Section 10.1:

(a) all unvested Service Share Units shall be immediately forfeited; and

(b) the Grantee hereby consents and agrees that the Company shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

11. Compliance with Law. The issuance and transfer of shares of Common Stock in connection with the Service Share Units shall be subject to compliance by the Company and the Grantee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's shares of Common Stock may be listed. No shares of Common Stock shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel.

12. Notices. Any notice required to be delivered to the Company under this Grant Agreement shall be in writing and addressed to the Secretary of the Company at the Company's principal corporate offices. Any notice required to be delivered to the Grantee under this Grant Agreement shall be in writing and addressed to the Grantee at the Grantee's address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.

13. Governing Law. This Grant Agreement will be construed and interpreted in accordance with the laws of the State of New Jersey without regard to conflict of law principles.

14. Interpretation. Any dispute regarding the interpretation of this Grant Agreement shall be submitted by the Grantee or the Company to the Committee for review. The resolution of such dispute by the Committee shall be final and binding on the Grantee and the Company.

15. Service Share Units Subject to Plan. This Grant Agreement is subject to the Plan as approved by the Company's shareholders. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

16. Successors and Assigns. The Company may assign any of its rights under this Grant Agreement. This Grant Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Grant Agreement will be binding upon the Grantee and the Grantee's beneficiaries, executors, administrators and the person(s) to whom the Service Share Units may be transferred by will or the laws of descent or distribution.

17. Severability. The invalidity or unenforceability of any provision of the Plan or this Grant Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Grant Agreement, and each provision of the Plan and this Grant Agreement shall be severable and enforceable to the extent permitted by law.

18. Discretionary Nature of Plan. The Plan is discretionary and may be amended, cancelled or terminated by the Company at any time, in its discretion. The grant of the Service Share Units in this Grant Agreement does not create any contractual right or other right to receive any Service Share Units or other awards in the future. Future awards, if any, will be at the sole discretion of the Company. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Grantee's employment with the Company.

19. Amendment. The Committee has the right to amend, alter, suspend, discontinue or cancel the Service Share Units, prospectively or retroactively; *provided, that,* (a) no such amendment shall adversely affect the Grantee's material rights under this Grant Agreement without the Grantee's consent and (b) no amendment may be made to this Grant Agreement and/or the terms governing this Award after a Change in Control without the Grantee's express written consent.

20. Section 409A. This Grant Agreement is intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. Notwithstanding anything to the contrary, to the extent required to avoid adverse tax consequences under Section 409A of the Code, (a) a Grantee shall not be considered to have terminated employment and no payment or benefit shall be due to the Grantee under this Grant Agreement until the Grantee would be considered to have incurred a "separation from service" from the Company, parent or subsidiary thereof within the meaning of Section 409A of the Code and (b) if the Grantee is a "specified employee" (as defined in Section 409A of the Code), amounts that would otherwise be payable and benefits that would otherwise be provided due to the Grantee's separation from service under this Grant Agreement during the six-month period immediately following the Grantee's separation from service shall instead be paid or provided on the first business day after the date that is six months following the Grantee's separation from service (or, if earlier, on the date of the Grantee's death or such earlier date as may be permitted under Section 409A of the Code). Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Grant Agreement comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Grantee on account of non- compliance with Section 409A of the Code.

21. No Impact on Other Benefits. The value of the Grantee's Service Share Units is not part of his or her normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar employee benefit.

22. Counterparts. This Grant Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Grant Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

23. Electronic Delivery. The Company may deliver any documents related to the Service Share Units or the Plan by electronic means or request the Grantee's consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

24. Personal Data Authorization. The Grantee understands and acknowledges that the Company, parent and any subsidiary may hold certain personal information regarding the Grantee for the purpose of managing and administering the Plan, including the Grantee's name, home address, telephone number, date of birth, social security number, salary, nationality, job title, any shares of Common Stock or directorships held in the Company and details of all Awards canceled, exercised, vested, unvested or outstanding in the Grantee's favor ("**Data**"). The Grantee further understands and acknowledges that the Company, parent and any subsidiary will transfer Data among themselves as necessary for the purpose of implementation, administration and management of the Grantee's participation in the Plan and that the Company, parent and any subsidiary may each further transfer Data to any third party assisting the Company in the implementation, administration and management of the Plan. The Grantee understands and acknowledges that the recipients of Data may be located in the United States or elsewhere.

25. Acceptance. The Grantee hereby acknowledges receipt of a copy of the Plan and this Grant Agreement. The Grantee has read and understands the terms and provisions thereof, and accepts the Service Share Units subject to all of the terms and conditions of the Plan and this Grant Agreement. The Grantee acknowledges that there may be adverse tax consequences upon the vesting or settlement of the Service Share Units or disposition of the underlying shares and that the Grantee has been advised to consult a tax advisor prior to such vesting, settlement or disposition.

26. IN WITNESS WHEREOF, the parties hereto have executed this Grant Agreement as of the date first above written.

J & J SNACK FOODS CORP.
By: ______________________________
Name:
Title:

[NAME OF GRANTEE]
By: ______________________________

Exhibit 31.1

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

I, Dan Fachner, certify that:

1. I have reviewed this Quarterly 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 control over 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 over 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 most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) 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: February 2, 2023

/s/ Dan Fachner
Dan Fachner
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, Ken A. Plunk, certify that:

1. I have reviewed this Quarterly 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 control over 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 over 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 most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) 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: February 2, 2023

/s/ Ken A. Plunk
Ken A. Plunk, Senior Vice
President and Chief Financial Officer
(Principal Financial Officer)
(Principal Accounting Officer)

Exhibit 32.1

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, to the best of their knowledge, with respect to the Quarterly Report of the Company on Form 10-Q for the quarter ended December 24, 2022 (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: February 2, 2023

/s/ Dan Fachner
Dan Fachner
President and Chief Executive Officer
(Principal 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.

Exhibit 32.2

**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, to the best of their knowledge, with respect to the Quarterly Report of the Company on Form 10-Q for the quarter ended December 24, 2022 (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: February 2, 2023

/s/ Ken A. Plunk
Ken A. Plunk, Senior Vice
President and Chief Financial Officer
(Principal Financial Officer)
(Principal Accounting 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.