

**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 quarterly period ended January 23, 2009

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_

Commission file number 0-1667

**Bob Evans Farms, Inc.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation  
or organization)

31-4421866

(I.R.S. Employer  
Identification No.)

3776 South High Street Columbus, Ohio 43207

(Address of principal executive offices)  
(Zip Code)

(614) 491-2225

(Registrant's telephone number, including area code)

(Former name, former address and formal fiscal year, if changed since last report)

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

Yes  No

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

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

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

Yes  No

As of February 20, 2009, the registrant had issued 42,638,118 common shares, of which 30,697,487 were outstanding.

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**BOB EVANS FARMS, INC.**  
**PART I — FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**  
**CONSOLIDATED BALANCE SHEETS**

|  | (Dollars in thousands)    |                            |
|--|---------------------------|----------------------------|
|  | Jan. 23, 2009             | April 25, 2008             |
|  | Unaudited                 | Audited                    |
| <b>ASSETS</b>  |                           |                            |
| <i>Current assets</i>  |                           |                            |
| Cash and equivalents   | \$ 15,961                 | \$ 7,669                   |
| Accounts receivable  | 27,197                    | 19,951                     |
| Inventories  | 27,835                    | 31,345                     |
| Deferred income taxes  | 10,072                    | 10,072                     |
| Prepaid expenses   | 2,498                     | 1,267                      |
| Assets held for sale   | 0                         | 570                        |
| <b>Total Current Assets</b>  | <b>83,563</b>             | <b>70,874</b>              |
| <i>Property, plant and equipment</i>   | 1,614,395                 | 1,561,632                  |
| Less accumulated depreciation  | 610,316                   | 562,621                    |
| <b>Net Property, Plant and Equipment</b>   | <b>1,004,079</b>          | <b>999,011</b>             |
| <i>Other assets</i>  |                           |                            |
| Deposits and other   | 4,305                     | 4,187                      |
| Long-term investments  | 16,930                    | 20,278                     |
| Goodwill   | 1,567                     | 57,729                     |
| Other intangible assets  | 42,541                    | 54,957                     |
| <b>Total Other Assets</b>  | <b>65,343</b>             | <b>137,151</b>             |
|  | <b><u>\$1,152,985</u></b> | <b><u>\$ 1,207,036</u></b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                           |                            |
| <i>Current liabilities</i>   |                           |                            |
| Line of credit   | \$ 86,400                 | \$ 138,500                 |
| Current maturities of long-term debt   | 26,904                    | 26,904                     |
| Accounts payable   | 29,331                    | 30,013                     |
| Federal and state income taxes   | 9,804                     | 8,528                      |
| Accrued non-income taxes   | 19,218                    | 22,673                     |
| Accrued wages and related liabilities  | 26,438                    | 32,853                     |
| Self insurance   | 25,853                    | 22,777                     |
| Deferred revenue   | 20,234                    | 12,804                     |
| Other accrued expenses   | 27,855                    | 31,152                     |
| <b>Total Current Liabilities</b>   | <b>272,037</b>            | <b>326,204</b>             |
| <i>Long-term liabilities</i>   |                           |                            |
| Deferred compensation  | 20,991                    | 26,478                     |
| Federal and state income taxes   | 16,141                    | 16,542                     |
| Deferred income taxes  | 64,065                    | 69,684                     |
| Deferred rent  | 23,486                    | 22,407                     |
| Long-term debt   | 176,192                   | 133,096                    |
| <b>Total Long-Term Liabilities</b>   | <b>300,875</b>            | <b>268,207</b>             |
| <i>Stockholders' equity</i>  |                           |                            |
| Common stock, \$.01 par value; authorized 100,000,000 shares; issued 42,638,118 shares at January 23, 2009, and April 25, 2008   | 426                       | 426                        |
| Preferred stock, \$500 par value; authorized 1,200 shares; issued 0 shares at January 23, 2009, and 120 shares at April 25, 2008 | 0                         | 60                         |
| Capital in excess of par value   | 172,666                   | 169,087                    |
| Retained earnings  | 722,506                   | 757,952                    |
| Treasury stock, 11,939,858 at January 23, 2009, and 12,026,773 shares at April 25, 2008, at cost                                 | (315,525)                 | (314,900)                  |
| <b>Total Stockholders' Equity</b>  | <b>580,073</b>            | <b>612,625</b>             |
|  | <b><u>\$1,152,985</u></b> | <b><u>\$ 1,207,036</u></b> |

The accompanying notes are an integral part of the financial statements.

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**CONSOLIDATED STATEMENTS OF INCOME**  
**UNAUDITED**

|  | (Dollars in thousands, except per share amounts) |                  |                    |                  |
|--|--|------------------|--------------------|------------------|
|  | Three Months Ended                               |                  | Nine Months Ended  |                  |
|  | Jan. 23, 2009                                    | Jan. 25, 2008    | Jan. 23, 2009      | Jan. 25, 2008    |
| <b>Net Sales</b>                             | \$ 443,773                                       | \$ 449,702       | \$1,319,515        | \$1,300,581      |
| Cost of sales                                | 139,619  | 134,934          | 407,234            | 388,480          |
| Operating wage and fringe benefit expenses   | 147,999  | 150,506          | 451,081            | 453,774          |
| Other operating expenses                     | 69,971   | 71,091           | 214,735            | 209,891          |
| Selling, general and administrative expenses | 43,980   | 41,086           | 120,145            | 110,806          |
| Depreciation and amortization expense        | 20,676   | 19,353           | 60,990             | 57,409           |
| Goodwill and other intangibles impairment    | 67,962   | 0                | 67,962             | 0                |
| <b>Operating Income (Loss)</b>               | (46,434)   | 32,732           | (2,632)            | 80,221           |
| Net interest expense                         | 3,196  | 3,007            | 9,515              | 7,885            |
| <b>Income (Loss) Before Income Taxes</b>     | (49,630)   | 29,725           | (12,147)           | 72,336           |
| Provision for income taxes                   | 1,738  | 9,720            | 14,073             | 23,524           |
| <b>Net Income (Loss)</b>                     | <u>\$ (51,368)</u>                               | <u>\$ 20,005</u> | <u>\$ (26,220)</u> | <u>\$ 48,812</u> |
| <b>Earnings (Loss) Per Share — Basic</b>     | <u>\$ (1.67)</u>                                 | <u>\$ 0.62</u>   | <u>\$ (0.85)</u>   | <u>\$ 1.44</u>   |
| <b>Earnings (Loss) Per Share — Diluted</b>   | <u>\$ (1.67)</u>                                 | <u>\$ 0.61</u>   | <u>\$ (0.85)</u>   | <u>\$ 1.43</u>   |
| <b>Cash Dividends Paid Per Share</b>         | <u>\$ 0.16</u>                                   | <u>\$ 0.14</u>   | <u>\$ 0.44</u>     | <u>\$ 0.42</u>   |

The accompanying notes are an integral part of the financial statements.

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**UNAUDITED**

|   | (Dollars in thousands) |                 |
|---|------------------------|-----------------|
|   | Nine Months Ended      |                 |
|   | Jan. 23, 2009          | Jan. 25, 2008   |
| <b>Operating activities:</b>  |                        |                 |
| Net income (loss)   | \$ (26,220)            | \$ 48,812       |
| Adjustments to reconcile net income to net cash provided by operating activities: |                        |                 |
| Depreciation and amortization   | 60,990                 | 57,409          |
| Goodwill and other intangibles impairment   | 67,962                 | 0               |
| Loss (gain) on fixed assets   | 5,994                  | (1,843)         |
| Loss (gain) on long-term investments  | 5,228                  | (970)           |
| Deferred compensation   | (5,487)                | 2,593           |
| Compensation expense attributable to stock plans                                  | 5,589                  | 5,057           |
| Deferred income taxes   | (5,619)                | 0               |
| Deferred rent   | 1,079                  | 1,608           |
| Cash provided by (used for) current assets and current liabilities:               |                        |                 |
| Accounts receivable   | (7,246)                | (1,557)         |
| Inventories   | 3,510                  | (298)           |
| Prepaid expenses  | (1,231)                | (1,694)         |
| Accounts payable  | (682)                  | 921             |
| Federal and state income taxes  | 875                    | 575             |
| Accrued wages and related liabilities   | (6,415)                | (6,312)         |
| Self insurance  | 3,076                  | 2,894           |
| Accrued non-income taxes  | (3,455)                | (2,730)         |
| Deferred revenue  | 7,430                  | 647             |
| Other accrued expenses  | 989                    | 10,747          |
| <b>Net cash provided by operating activities</b>                                  | <b>106,367</b>         | <b>115,859</b>  |
| <b>Investing activities:</b>  |                        |                 |
| Purchase of property, plant and equipment   | (74,208)               | (92,681)        |
| Proceeds from sale of property, plant and equipment                               | 3,507                  | 9,537           |
| Purchase of long-term investments   | (2,045)                | (750)           |
| Other   | (145)                  | 229             |
| <b>Net cash used in investing activities</b>                                      | <b>(72,891)</b>        | <b>(83,665)</b> |
| <b>Financing activities:</b>  |                        |                 |
| Cash dividends paid   | (13,512)               | (14,422)        |
| (Payments) borrowings on lines of credit  | (52,100)               | 134,335         |
| Proceeds from debt issuance   | 70,000                 | 0               |
| Principal payments on long-term debt  | (26,904)               | (46,333)        |
| Purchase of treasury stock  | (5,374)                | (137,147)       |
| Proceeds from issuance of treasury stock  | 2,418                  | 7,110           |
| Excess tax benefits from stock-based compensation                                 | 288                    | 1,047           |
| <b>Net cash used in financing activities</b>                                      | <b>(25,184)</b>        | <b>(55,410)</b> |
| Increase (decrease) in cash and equivalents                                       | 8,292                  | (23,216)        |
| Cash and equivalents at the beginning of the period                               | 7,669                  | 29,287          |
| Cash and equivalents at the end of the period                                     | <u>\$ 15,961</u>       | <u>\$ 6,071</u> |

The accompanying notes are an integral part of the financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**UNAUDITED**

1. Unaudited Consolidated Financial Statements

The accompanying unaudited consolidated financial statements of Bob Evans Farms, Inc. (“Bob Evans”) and its subsidiaries (collectively, Bob Evans and its subsidiaries are referred to as the “Company,” “we,” “us” and “our”) are presented in accordance with the requirements of Form 10-Q and, consequently, do not include all of the disclosures normally required by generally accepted accounting principles, or those normally made in our Form 10-K filing. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of our financial position and results of operations have been included. The consolidated financial statements are not necessarily indicative of the results of operations for a full fiscal year. Except as described in this Form 10-Q, no significant changes have occurred in the disclosures made in Bob Evans’ Form 10-K for the fiscal year ended April 25, 2008 (refer to the Form 10-K for a summary of significant accounting policies followed in the preparation of the consolidated financial statements).

2. Earnings Per Share

Basic earnings per share computations are based on the weighted-average number of shares of common stock outstanding during the period presented. Diluted earnings per share calculations reflect the assumed exercise and conversion of employee stock options.

The numerator in calculating both basic and diluted earnings per share for each period is reported net income. The denominator is based on the following weighted-average number of common shares outstanding:

|                                  | (in thousands)     |               |                   |               |
|----------------------------------|--------------------|---------------|-------------------|---------------|
|                                  | Three Months Ended |               | Nine Months Ended |               |
|                                  | Jan. 23, 2009      | Jan. 25, 2008 | Jan. 23, 2009     | Jan. 25, 2008 |
| Basic                            | 30,724             | 32,468        | 30,758            | 33,823        |
| Effect of dilutive stock options | 0                  | 142           | 0                 | 281           |
| Diluted                          | <u>30,724</u>      | <u>32,610</u> | <u>30,758</u>     | <u>34,104</u> |

3. Stock-Based Compensation

Effective April 29, 2006, we adopted Statement of Financial Accounting Standards (“SFAS”) No. 123 (R), “*Share-Based Payment*,” using the modified-prospective transition method. Accordingly, stock-based compensation is measured based on the fair value of the award on the grant date, and is recognized over the vesting period of the award on a straight-line basis. Awards to retirement-eligible employees (as determined under the terms of the compensation plan under which the award is granted) are subject to immediate expensing in full upon grant. Total stock-based compensation expense of \$0.5 million and \$0.9 million for the third quarters of fiscal 2009 and 2008, respectively, and \$5.6 million and \$5.1 million for the first nine months of fiscal 2009 and 2008, respectively, is included in the Consolidated Statements of Income.

4. Industry Segments

Our business includes restaurant operations and the processing, distribution and sale of food products. The revenues from these segments include both sales to unaffiliated customers and intersegment sales, which are accounted for on a basis consistent with sales to unaffiliated customers. Intersegment sales and other intersegment transactions have been eliminated in the consolidated financial statements. Information on our operating segments is summarized as follows:

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|                                     | (dollars in thousands) |                   |                    |                    |
|-------------------------------------|------------------------|-------------------|--------------------|--------------------|
|                                     | Three Months Ended     |                   | Nine Months Ended  |                    |
|                                     | Jan. 23, 2009          | Jan. 25, 2008     | Jan. 23, 2009      | Jan. 25, 2008      |
| <b>Sales</b>                        |                        |                   |                    |                    |
| Restaurant operations               | \$ 359,190             | \$ 367,600        | \$1,084,563        | \$1,083,957        |
| Food products                       | 93,955                 | 92,440            | 262,179            | 245,916            |
|                                     | 453,145                | 460,040           | 1,346,742          | 1,329,873          |
| Intersegment sales of food products | (9,372)                | (10,338)          | (27,227)           | (29,292)           |
| Total                               | <u>\$ 443,773</u>      | <u>\$ 449,702</u> | <u>\$1,319,515</u> | <u>\$1,300,581</u> |
| <b>Operating income</b>             |                        |                   |                    |                    |
| Restaurant operations               | \$ (50,689)            | \$ 22,339         | \$ (13,759)        | \$ 60,278          |
| Food products                       | 4,255                  | 10,393            | 11,127             | 19,943             |
| Total                               | <u>\$ (46,434)</u>     | <u>\$ 32,732</u>  | <u>\$ (2,632)</u>  | <u>\$ 80,221</u>   |

### 5. New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 157, “*Fair Value Measurements*.” This statement clarifies the definition of fair value, establishes a framework for measuring fair value and expands the disclosures on fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 (our fiscal 2009) for financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis in the financial statements. The adoption of this statement did not have a material effect on our consolidated financial position or results of operations. We are currently assessing the impact on our consolidated financial statements of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, to be adopted in fiscal year 2010.

In February 2007, the FASB issued SFAS No. 159, “*The Fair Value Option for Financial Assets and Financial Liabilities*.” SFAS No. 159 provides reporting entities an option to measure eligible items at fair value at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007 (our fiscal 2009). The adoption of this statement did not have a material effect on our consolidated financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141(R), “*Business Combinations*,” effective for fiscal years beginning on or after December 15, 2008. This statement requires that the acquisition method of accounting be applied to a broader set of business combinations, amends the definition of a business combination, provides a definition of a business, requires an acquirer to recognize an acquired business at its fair value at the acquisition date, and requires the assets and liabilities assumed in a business combination to be measured and recognized at their fair values as of the acquisition date (with limited exceptions). We will adopt this statement in fiscal year 2010, and its effect on future periods will depend on the nature and significance of any acquisitions we subsequently make that are subject to the statement.

In May 2008, the FASB issued SFAS No. 162, “*The Hierarchy of Generally Accepted Accounting Principles*.” The effective date is 60 days following the SEC’s approval of the Public Company Accounting Oversight Board (the “PCAOB”) amendment to AU Section 411, “*The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*.” This statement identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. We do not expect this statement to have an effect on our consolidated financial position or results of operations.

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### 6. Taxes

Our effective income tax rate is evaluated each quarter. For the third quarter of fiscal 2009, our effective income tax rate reflects the impact of the \$56.2 million goodwill impairment charge (see Note 8), which is not tax deductible. The effective income tax rate for the quarter may or may not represent the expected annual effective tax rate for the entire fiscal year.

### 7. Long-Term Debt

In the second quarter of fiscal 2009, we completed a private placement of \$70 million in senior unsecured fixed-rated notes. The notes were issued pursuant to a Note Purchase Agreement dated July 28, 2008, as amended by the First Amendment to Note Purchase Agreement dated February 24, 2009 (the "2008 Note Purchase Agreement"). The 2008 notes were issued in two series. The \$40 million Series A senior notes bear interest at 6.39% and mature on July 28, 2014, with a mandatory prepayment of \$20 million due on July 28, 2012. The \$30 million Series B senior notes bear interest at 6.39% and mature on July 28, 2013.

The net proceeds from the notes were used to repay outstanding debt under existing bank credit facilities and to repay a portion of the outstanding senior notes we issued in 2004 in connection with our acquisition of SWH Corporation (d/b/a Mimi's Café). These notes were issued pursuant to a Note Purchase Agreement dated July 24, 2008, as modified by the Assumption Agreement dated as of December 31, 2008, and amended by the Second Amendment to Note Purchase Agreement dated February 24, 2009 (the "2004 Note Purchase Agreement").

The 2004 Note Purchase Agreement and the 2008 Note Purchase Agreement (collectively, the "Note Purchase Agreements") contain covenants customary for financings of this type that limit the ability of Bob Evans and its subsidiaries to incur liens on assets, merge or consolidate with other entities, transfer or sell a substantial part of their assets, substantially change the nature of their business, engage in sale and leaseback transactions, and enter into transactions with affiliates. The Note Purchase Agreements also include a prohibition, subject to certain limited exceptions, on the granting of collateral under Bob Evans' and/or its subsidiaries' credit facilities with their lenders unless such collateral is also granted to the note holders on an equal basis. Additionally, the Note Purchase Agreements contain certain financial covenants, including:

- the Company must at all times keep and maintain Consolidated Net Worth (as defined in the Note Purchase Agreements) at a minimum amount of \$480 million plus an amount equal to 25% of positive Consolidated Net Income (as defined in the Note Purchase Agreements) for each completed fiscal year calculated on a cumulative basis for such entire period;
- the Company must not permit, as measured at the end of any fiscal quarter, the ratio of Consolidated Indebtedness to Consolidated Capitalization (each as defined in the Note Purchase Agreements) to exceed 55%;
- the Company will not permit the ratio of Consolidated Income Available for Fixed Charges to Fixed Charges (each as defined in the Note Purchase Agreements), as measured at the end of any fiscal quarter, to be less than 1.50 to 1.

Additionally, pursuant to the 2008 Note Purchase Agreement, the Company must not permit Priority Indebtedness (as defined in the Agreement) to exceed 25% of Consolidated Net Worth (as defined in the 2008 Note Purchase Agreement).

Additionally, until October 23, 2009, and subject to the exceptions set forth below, Bob Evans' is prohibited from declaring, making or incurring any liability to declare or make any Restricted Payments (as defined in the Note Purchase Agreements), including: (1) dividends or other distributions or payments on its capital stock or other equity interests; (2) the redemption or acquisition of its capital stock or other equity interests or of warrants, rights or other options to purchase such stock or other equity interests (except when made solely in exchange for such stock or other equity interests or contemporaneously from the net proceeds of a sale of such stock or other equity interests); and (3) any repayment, redemption, repurchase or other acquisition of the principal of any Subordinated Debt (as defined in the Note Purchase Agreements) prior to the regularly scheduled maturity date thereof; provided, however, that the foregoing restrictions do not apply to: (a) dividends paid on Bob Evans' common stock on a pro rata basis in the ordinary course of business to all holders of common stock not to exceed \$0.16 per share per fiscal quarter; (b) distributions made pursuant to employment agreements, dividend reinvestment and stock purchase plans, stock option or equity plans or other benefit plans generally consistent with past practices; or (c) distributions made in connection with the exercise of stock options or the vesting of equity awards by management or employees.

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The Note Purchase Agreements also contain customary events of default, the occurrence of which will permit the holders of the notes to accelerate payment of the notes.

### 8. Goodwill and Other Intangibles Impairment

We are required to assess the carrying value of our goodwill and other intangible assets annually or whenever circumstances indicate that a decline in value may have occurred. Based on our consolidated stock valuation relative to our book value, a scaled-back development plan for Mimi's and continued declining same-store sales at Mimi's, we determined that indicators of potential impairment were present during the third quarter of fiscal 2009. As a result, during the third quarter of fiscal 2009, we performed interim impairment tests of goodwill and intangible assets with indefinite lives in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets."

The result of our impairment test of the unamortized Mimi's business trade name asset indicated that the asset has a fair value of \$34.0 million, compared to its carrying value of \$45.8 million. This resulted in a pre-tax impairment charge in the restaurant segment related to the business trade name of \$11.8 million, which is included in the "Goodwill and other intangibles impairment" line in the Consolidated Statements of Income. The fair value of the business trade name was estimated using the relief-from-royalty method, an income approach to valuation.

We also performed an interim test to determine if the carrying amount of goodwill was impaired. The results indicated that the carrying value of Mimi's goodwill of \$56.2 million was fully impaired. Therefore, we recorded a pre-tax goodwill impairment charge in the restaurant segment in the third quarter of fiscal 2009 for the entire \$56.2 million. The goodwill impairment is included in the "Goodwill and other intangibles impairment" line in the Consolidated Statements of Income. The fair value of the Mimi's reporting unit was estimated based on a discounted cash flow model using our business plans and projections for Mimi's as the basis for expected future cash flows. We believe the assumptions used for the impairment test are consistent with those that a market participant would use.

The change in the carrying amount of goodwill for the nine months ended January 23, 2009, is as follows:

| (in thousands)              | Restaurant Segment | Food Products Segment | Total           |
|-----------------------------|--------------------|-----------------------|-----------------|
| Balance at April 25, 2008   | \$ 56,162          | \$ 1,567              | \$ 57,729       |
| Impairment in third quarter | (56,162)           | 0                     | (56,162)        |
| Balance at January 23, 2009 | <u>\$ 0</u>        | <u>\$ 1,567</u>       | <u>\$ 1,567</u> |

### 9. Other Impairment

During the third quarter of fiscal 2009, we also reviewed Mimi's long-lived assets, such as property, plant and equipment and intangibles subject to amortization, for impairment in accordance with SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets." We identified certain Mimi's locations with negative cash flow, declining sales performance or other potential indicators of impairment. We then compared the fair value of these assets to their carrying value. Based on this analysis, we recorded \$6.4 million in pre-tax fixed asset impairment charges for six underperforming Mimi's locations, which represented the excess of the carrying value of the assets over their fair value. The fair value was determined based on projected future discounted cash flows for each location. In the third quarter of fiscal 2008, a pre-tax charge of \$3.7 million was recorded related to nine underperforming Bob Evans Restaurants, which were subsequently closed. The fixed-asset impairment charges are reflected in "Selling, general and administrative expenses" of the restaurant segment.

We also reviewed the Mimi's restaurant concept asset for impairment in the third quarter of fiscal 2009 in accordance with SFAS No. 144. This asset is being amortized over a 15-year life. The estimated fair value of the restaurant concept, calculated using a relief-from-royalty method, exceeded its carrying value (which was \$8.5 million at January 23, 2009) and therefore, no impairment charge was recorded.

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### 10. Gift Cards and Gift Certificates

We issue gift cards with no expiration dates or inactivity fees. Prior to fiscal 2006, Bob Evans Restaurants issued paper gift certificates, which also had no stated expiration dates. We recognize income from gift cards and gift certificates (collectively, "gift cards") when: (i) the gift card is redeemed by the customer; or (ii) the likelihood of the gift card being redeemed by the customer is remote and it is determined that there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions. This is referred to as "gift card breakage".

During the third quarter of fiscal 2008, we recognized \$6.6 million of net sales related to gift card breakage at Bob Evans Restaurants. The amount of gift card breakage recognized was based upon an analysis of historical redemption patterns and represented the portion of the remaining balance of gift cards for which the likelihood of redemption was remote. The third quarter of fiscal 2008 was the first period during which we recognized gift card breakage at Bob Evans Restaurants. Therefore, the amount recognized included breakage income related to gift cards sold since inception of our gift card program.

Since the third quarter of fiscal 2008, we have recorded breakage on a quarterly basis at Bob Evans Restaurants. To date, the quarterly amounts have not been material.

Mimi's has recognized ongoing gift card breakage on a quarterly basis since it was acquired by Bob Evans and such amounts have been insignificant.

### 11. Reclassifications

Certain prior year amounts have been reclassified to conform to the fiscal 2009 classification.

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**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

**Results of Operations**

**General Overview**

In this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), we use the terms "Bob Evans," "we," "us" and "our" to collectively refer to Bob Evans Farms, Inc., a Delaware corporation, and its subsidiaries. As of January 23, 2009, we owned and operated 710 full-service restaurants, including 569 Bob Evans Restaurants in 18 states and 141 Mimi's Cafés in 22 states. Bob Evans Restaurants are primarily located in the Midwest, mid-Atlantic and Southeast regions of the United States. Mimi's Cafés are primarily located in California and other western states. Revenue in the restaurant segment is recognized at the point of sale. We also produce and distribute fresh and fully cooked pork products and a variety of complementary homestyle convenience food items under the Bob Evans and Owens brand names. These food products are distributed primarily to warehouses and grocery stores in the East North Central, mid-Atlantic, Southern and Southwestern United States. Revenue, net of promotional discounts, in the food products segment is recognized when products are delivered to the retailer.

This MD&A contains a number of forward-looking statements. Words such as "expects," "goals," "plans," "projects," "believes," "intends," "continues," "anticipates," "may," and variations of such words and similar expressions are intended to identify such forward-looking statements. Any statements that refer to projections of our future financial performance, anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. These statements are based on our current expectations and could be affected by the uncertainties and risk factors described in our press releases and filings with the Securities and Exchange Commission. In particular, please refer to the risk factors discussed under the heading "Risk Factors" in Item 1A of our Annual Report on Form 10-K for the fiscal year ended April 25, 2008. It is impossible to predict or identify all such risk factors. Consequently, no one should consider any such list to be a complete set of all potential risks and uncertainties. There is also the risk that we may incorrectly analyze these risks or that the strategies developed by us to address them will be unsuccessful. Forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update any forward-looking statement to reflect circumstances or events that occur after the date on which the statement is made to reflect unanticipated events. Any further disclosures in our filings with the Securities and Exchange Commission should also be consulted. All subsequent written and oral forward-looking statements attributable to us, or any person acting on our behalf, are qualified by the cautionary statements in this section.

The following table reflects data for our third fiscal quarter ended January 23, 2009 ("Q3 2009"), compared to the prior year's third fiscal quarter ended January 25, 2008 ("Q3 2008"). The consolidated information is derived from the accompanying Consolidated Statements of Income. The table also includes data for our two industry segments — restaurant operations and food products. The ratios presented reflect the underlying dollar values expressed as a percentage of the applicable net sales amount.

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| (dollars in thousands)                  | Consolidated Results |           | Restaurant Segment |           | Food Products Segment |          |
|---|----------------------|-----------|--------------------|-----------|-----------------------|----------|
|   | Q3 2009              | Q3 2008   | Q3 2009            | Q3 2008   | Q3 2009               | Q3 2008  |
| Net sales                               | \$443,773            | \$449,702 | \$359,190          | \$367,600 | \$84,583              | \$82,102 |
| Operating income (loss)                 | \$ (46,434)          | \$ 32,732 | \$ (50,689)        | \$ 22,339 | \$ 4,255              | \$10,393 |
| Cost of sales                           | 31.5%                | 30.0%     | 25.1%              | 25.4%     | 58.6%                 | 50.6%    |
| Operating wages                         | 33.3%                | 33.5%     | 38.7%              | 38.6%     | 10.6%                 | 10.7%    |
| Other operating                         | 15.8%                | 15.8%     | 18.4%              | 18.3%     | 4.7%                  | 4.5%     |
| S,G&A                                   | 9.9%                 | 9.1%      | 7.8%               | 6.9%      | 18.7%                 | 19.0%    |
| Depr. & amort                           | 4.7%                 | 4.3%      | 5.2%               | 4.7%      | 2.4%                  | 2.5%     |
| Goodwill & other intangibles impairment | 15.3%                | 0         | 18.9%              | 0         | 0                     | 0        |
| Operating income (loss)                 | (10.5%)              | 7.3%      | (14.1%)            | 6.1%      | 5.0%                  | 12.7%    |

The third quarter results for fiscal 2009 and fiscal 2008 include the impact of the following:

- Consolidated and restaurant results for the third quarter of fiscal 2009 included a pre-tax charge of \$68.0 million related to the impairment of goodwill (\$56.2 million) and other intangible assets (\$11.8 million) for Mimi's that is reflected separately on the Consolidated Statements of Income.
- Consolidated and restaurant results for the third quarter of fiscal 2009 included pre-tax charges of \$0.8 million related to severance and retirement costs that are reflected in selling, general and administrative expenses ("S,G&A").
- Consolidated and restaurant results for the third quarters of fiscal 2009 and 2008 included net pre-tax gains of \$0.3 million and \$0.1 million, respectively, on asset disposals that are reflected in S,G&A.
- Consolidated and restaurant results for the third quarters of fiscal 2009 and 2008 included pre-tax charges of \$6.4 million and \$3.7 million, respectively, related to underperforming restaurants that are reflected in S,G&A.
- Consolidated and food products results for the third quarter of fiscal 2009 included a pre-tax charge of \$0.4 million for unusable spare parts. The charge is reflected in other operating expenses.
- Consolidated and restaurant results for the third quarter of fiscal 2008 included a pre-tax gain of \$6.6 million for unredeemed gift certificates and gift cards (known as "breakage"), which is reflected in net sales. Third quarter of fiscal 2008 was the first time we recorded breakage at Bob Evans Restaurants. Therefore, this amount represented breakage since the inception of our gift certificate and gift card programs at Bob Evans Restaurants.
- Consolidated and restaurant results for the third quarter of fiscal 2008 included a pre-tax charge of \$0.7 million related to a dispute settlement, which is reflected in S,G&A.

### Restaurant Segment Overview

The ongoing economic and industry-wide factors most relevant to our restaurant segment include: the economy, labor and fringe benefit expenses, commodity prices, energy prices, competition, consumer acceptance, restaurant openings and closings, governmental initiatives, food safety and weather. For the third quarter of fiscal 2009, the factors that had the greatest positive impact on our restaurant segment performance were an improvement in food costs and effective labor management. The factor that had the greatest negative impact was weak same-store sales at Bob Evans Restaurants and Mimi's.

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Third quarter fiscal 2009 same-store sales decreased 1.3% at Bob Evans Restaurants and decreased 6.8% at Mimi's compared to the corresponding period last year. Restaurant segment operating income decreased \$73.0 million in the third quarter of fiscal 2009 compared to the corresponding period last year. This comparison reflects \$74.9 million in net pre-tax charges in the third quarter this year compared to \$2.3 million in net pre-tax gains in the third quarter last year as disclosed in the general overview section above. We remain focused on improving same-store sales at Bob Evans Restaurants and Mimi's in a challenging economic environment. We are also continuing our efforts to control labor and food costs, which we believe have been effective in mitigating the impact of higher minimum wages at the federal level and in many of the states where we operate.

### **Food Products Segment Overview**

The ongoing economic and industry-wide factors most relevant to our food products segment include: sow costs and other commodity costs, transportation and energy costs, governmental initiatives, food safety and other risks such as the economy, weather and consumer acceptance. In the third quarter of fiscal 2009, net sales increased in the food products segment, but we experienced our first quarter of negative comparable pounds sold (principally sausage and refrigerated potatoes) in the last seven years. We believe this was primarily due to the fact that we increased some product prices and reduced the amount of promotional discounts we offered to retailers in an effort to protect our margins against higher raw material costs. Food products segment profitability was negatively impacted by a significant increase in sow costs in the third quarter compared to a year ago.

Food products segment net sales increased 3.0% in the third quarter of fiscal 2009 compared to the same period last year. The higher net sales were due to select price increases on key items and a decrease in promotional discounts, which are netted against sales.

Operating income in the food products segment decreased \$6.1 million, or 59.1%, in the third quarter of fiscal 2009 compared to the corresponding period last year. Sow costs represent the majority of food products segment cost of sales, and the volatile nature of sow costs greatly impacts the profitability of the segment. In the third quarter of fiscal 2009, average sow costs increased 59.1% compared with the corresponding period last year. The increase in sow costs, slightly offset by improved sow yields, resulted in an increase in cost of sales in the food products segment from 50.6% of net sales in the third quarter of fiscal 2008 to 58.6% of net sales in the third quarter of fiscal 2009.

In the food products segment, we are in the process of converting from a direct-store-delivery distribution system to a warehouse system, in response to retailers' needs. We expect 90% of our distribution to be on the warehouse model by the end of fiscal 2009. The conversion to a warehouse system initially results in some severance costs and higher slotting fees, but it is expected to result in a lower cost structure in the long-term.

### **Sales**

Consolidated net sales decreased 1.3% to \$443.8 million in the third quarter of fiscal 2009 compared to \$449.7 million in the corresponding period last year. The decrease was comprised of a sales decrease in the restaurant segment of \$8.4 million and a sales increase in the food products segment of \$2.5 million. Restaurant sales accounted for 80.9% of consolidated net sales in the third quarter of fiscal 2009. For the nine-month period ended January 23, 2009, consolidated net sales increased \$18.9 million, or 1.5%, compared to the corresponding period last year.

Restaurant sales decreased \$8.4 million, or 2.3%, in the third quarter of fiscal 2009 and increased \$0.6 million, or 0.1%, through nine months of fiscal 2009 compared to the corresponding periods last year. The sales decrease in the third quarter of fiscal 2009 was primarily due to the recognition of a \$6.6 million gain for unredeemed gift certificates and gift cards, known as "breakage," in the third quarter of fiscal 2008 (see Note 10). The remaining decrease in the third quarter of fiscal 2009 is a result of negative same-store sales at both of our restaurant concepts, partially offset by new restaurant openings at Mimi's. For the nine-month period, the sales increase is due to more restaurants in operation at Mimi's and a slight year-to-date same-store sales increase for Bob Evans Restaurants, partially offset by a year-to-date same-store sales decline at Mimi's, as well as the impact of the breakage recorded last year.

Bob Evans Restaurants experienced a same-store sales decrease of 1.3% in the third quarter of fiscal 2009, which included an average menu price increase of 3.3%. We are committed to the ongoing development of new homestyle products with a Bob Evans twist, operations excellence and compelling marketing to help regain positive same-store sales momentum. Through nine months of fiscal 2009, Bob Evans Restaurants experienced a same-store sales increase of 0.1%, including an average menu price increase of 3.0%.

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Mimi's experienced a same-store sales decrease of 6.8% in the third quarter of fiscal 2009, which included an average menu price increase of 2.7%. Through nine months of fiscal 2009, Mimi's experienced a same-store sales decrease of 7.2%, including an average menu price increase of 2.7%. We believe these results reflect the challenging environment in the casual dining sector, as well as pressures on consumer spending in certain key markets, such as California, Arizona, Florida and Nevada, which account for approximately 75% of Mimi's same-store sales. We are looking at a variety of initiatives to help re-energize same-store sales at Mimi's restaurants. See the "BEST Brand Builders" section for further discussion of these initiatives.

Same-store sales computations for a given year are based on net sales of stores that are open for at least two years prior to the start of that year. Sales of stores to be rebuilt are excluded for all periods in the computation when construction commences on the replacement building. Sales of closed stores are excluded for all periods in the computation.

The following chart summarizes the restaurant openings and closings during the last nine quarters for Bob Evans Restaurants and Mimi's Café:

### Bob Evans Restaurants:

|                         | Beginning | Opened | Closed | Ending |
|-------------------------|-----------|--------|--------|--------|
| <b>Fiscal 2009</b>      |           |        |        |        |
| 1 <sup>st</sup> quarter | 571       | 0      | 0      | 571    |
| 2 <sup>nd</sup> quarter | 571       | 0      | 1      | 570    |
| 3 <sup>rd</sup> quarter | 570       | 0      | 1      | 569    |
| <b>Fiscal 2008</b>      |           |        |        |        |
| 1 <sup>st</sup> quarter | 579       | 0      | 0      | 579    |
| 2 <sup>nd</sup> quarter | 579       | 0      | 0      | 579    |
| 3 <sup>rd</sup> quarter | 579       | 1      | 0      | 580    |
| 4 <sup>th</sup> quarter | 580       | 1      | 10     | 571    |

### Mimi's Café:

|                         | Beginning | Opened | Closed | Ending |
|-------------------------|-----------|--------|--------|--------|
| <b>Fiscal 2009</b>      |           |        |        |        |
| 1 <sup>st</sup> quarter | 132       | 3      | 0      | 135    |
| 2 <sup>nd</sup> quarter | 135       | 4      | 0      | 139    |
| 3 <sup>rd</sup> quarter | 139       | 2      | 0      | 141    |
| <b>Fiscal 2008</b>      |           |        |        |        |
| 1 <sup>st</sup> quarter | 115       | 1      | 0      | 116    |
| 2 <sup>nd</sup> quarter | 116       | 2      | 0      | 118    |
| 3 <sup>rd</sup> quarter | 118       | 8      | 0      | 126    |
| 4 <sup>th</sup> quarter | 126       | 6      | 0      | 132    |

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### Consolidated Restaurants:

|                         | Beginning | Opened | Closed | Ending |
|-------------------------|-----------|--------|--------|--------|
| <b>Fiscal 2009</b>      |           |        |        |        |
| 1 <sup>st</sup> quarter | 703       | 3      | 0      | 706    |
| 2 <sup>nd</sup> quarter | 706       | 4      | 1      | 709    |
| 3 <sup>rd</sup> quarter | 709       | 2      | 1      | 710    |
| <b>Fiscal 2008</b>      |           |        |        |        |
| 1 <sup>st</sup> quarter | 694       | 1      | 0      | 695    |
| 2 <sup>nd</sup> quarter | 695       | 2      | 0      | 697    |
| 3 <sup>rd</sup> quarter | 697       | 9      | 0      | 706    |
| 4 <sup>th</sup> quarter | 706       | 7      | 10     | 703    |

In the third quarter of fiscal 2009, we did not open any new Bob Evans Restaurants, compared to one new Bob Evans Restaurant opened in the third quarter of fiscal 2008. We opened two new Mimi's Cafés in the third quarter of fiscal 2009 compared to eight openings in the corresponding period a year ago. For fiscal 2009, we plan to build one new Bob Evans Restaurant and to rebuild four existing restaurants. At Mimi's, we opened 9 new restaurants through nine months of fiscal 2009 and expect to open 3 more in the fourth quarter of fiscal 2009, for a total of 12 new restaurants in fiscal 2009 compared to 17 openings in fiscal 2008.

The food products segment experienced a sales increase of \$2.5 million, or 3.0%, in the third quarter of fiscal 2009 and \$18.3 million, or 8.5%, through nine months of fiscal 2009 compared to the corresponding periods a year ago. In the third quarter of fiscal 2009, we experienced our first quarter of negative comparable pounds sold (down 6.0%) in the last seven years. We believe this was primarily due to the fact that we increased some product prices and reduced the amount of promotional discounts we offered to retailers in an effort to protect our margins against higher raw material costs. However, we still generated an increase in net sales in the third quarter of fiscal 2009, due primarily to select price increases on key items, lower promotional spending and lower returns and allowances (which are netted out of sales). The sales increase through nine-months of fiscal 2009 is due primarily to an increase in comparable pounds sold of 6.8%. Comparable pounds sold is calculated using the same products in both periods and excludes new products. We plan to continue our strategy of growing through successful product introductions and additional points of distribution. We are making progress in penetrating supercenter retail stores, which provides another high-volume sales channel for our food products. See the "BEST Brand Builders" section for further discussion of new products and distribution.

### Cost of Sales

Consolidated cost of sales (cost of materials) was 31.5% of sales in the third quarter of fiscal 2009 and 30.9% through nine months of fiscal 2009 compared to 30.0% and 29.9% of sales, respectively, in the corresponding periods a year ago.

In the third quarter of fiscal 2009, restaurant segment cost of sales (predominantly food cost) was 25.1% of sales (25.3% year-to-date) versus 25.4% of sales (25.5% year-to-date) in the corresponding periods last year. The prior year ratios benefited from the \$6.6 million gift card breakage reflected in fiscal 2008 third quarter net sales (see Note 10). The improvement in restaurant segment cost of sales as a percent of sales is attributable to decreasing commodity prices, a favorable shift in product mix and our purchasing initiatives. Part of the shift in product mix is attributable to Mimi's "Just Enough" menu, which features higher-margin items.

The food products segment cost of sales ratio was 58.6% of sales in the third quarter (56.5% year-to-date) versus 50.6% of sales (51.8% year-to-date) in the corresponding periods a year ago. The increase in the food products segment cost of sales ratio in the third quarter was due to a 59.1% increase in sow costs this quarter versus the same quarter last year. Sow costs averaged \$49.03 per hundredweight in the third quarter of fiscal 2009 compared to \$30.81 per hundredweight in the third quarter of fiscal 2008. The impact of higher sow costs on the food products cost of sales ratio was slightly offset by productivity initiatives in our manufacturing plants, which improved sow yields.

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### Operating Wage and Fringe Benefit Expenses

Consolidated operating wage and fringe benefit expenses (“operating wages”) were 33.3% of sales in the third quarter of fiscal 2009 and 34.2% of sales through nine months of fiscal 2009 compared to 33.5% and 34.9% of sales, respectively, in the corresponding periods last year. In the third quarter of fiscal 2009, the operating wage ratio increased slightly in the restaurant segment and decreased slightly in the food products segment when compared to the corresponding period last year.

In the restaurant segment, operating wages were 38.7% of sales in the third quarter and 39.2% of sales through nine months of fiscal 2009 compared to 38.6% and 39.6% of sales, respectively, in the corresponding periods last year. The prior year ratios benefited from the \$6.6 million gift card breakage reflected in fiscal 2008 third quarter net sales (see Note 10). Effective labor management at both of our restaurant concepts helped offset the negative leverage due to same-store sales declines at Bob Evans Restaurants in the third quarter and at Mimi’s in the third quarter and year-to-date, as well as the negative impact of minimum wage increases and higher health insurance claims. See the “BEST Brand Builders” section for further discussion of labor management.

In the food products segment, operating wages were 10.6% of sales in the third quarter and 11.2% of sales through nine months of fiscal 2009 compared to 10.7% and 11.4% of sales, respectively, in the corresponding periods last year. The slight decrease in the operating wage ratio was due to improved leverage as a result of increased sales, as discussed in the “Sales” section above, and productivity improvements in our manufacturing plants.

### Other Operating Expenses

More than 94% of other operating expenses (“operating expenses”) occurred in the restaurant segment in the third quarters of fiscal 2009 and fiscal 2008. The most significant components of operating expenses were utilities, restaurant marketing and advertising, restaurant supplies, repair and maintenance, rent, non-income taxes, and credit card processing fees. Consolidated operating expenses were 15.8% of sales in the third quarter and 16.3% of sales through nine months of fiscal 2009 compared to 15.8% and 16.1% of sales, respectively, in the corresponding periods last year.

In the restaurant segment, operating expenses were 18.4% of sales in the third quarter and 18.7% of sales through nine months of fiscal 2009 compared to 18.3% of sales in both of the corresponding periods last year. The slight third-quarter increase as a percent of sales was due to decreased leverage as a result of negative same-store sales, as well as the beneficial impact of the \$6.6 million gift card breakage recorded in the third quarter last year (see Note 10). Also in the third quarter of fiscal 2009, higher utility costs in the restaurant segment were offset by lower restaurant pre-opening expenses.

In the food products segment, the operating expense ratio was 4.7% of sales in the third quarter and 5.1% of sales through nine months of fiscal 2009 compared to 4.5% and 5.2% of sales, respectively, in the corresponding periods last year. The increase in the third quarter of fiscal 2009 was due to a \$0.4 million charge related to unusable spare parts.

### Selling, General and Administrative Expenses

Consolidated S,G&A expenses were 9.9% of sales in the third quarter of fiscal 2009 and 9.1% of sales through nine months of fiscal 2009 compared to 9.1% and 8.5% of sales, respectively, in the corresponding periods last year. Impacting the third quarter and year-to-date S,G&A comparisons were the following items described in the general overview section earlier:

| (in thousands)                 | Three Months Ended |               | Nine Months Ended |               |
|--------------------------------|--------------------|---------------|-------------------|---------------|
|                                | Jan. 23, 2009      | Jan. 25, 2008 | Jan. 23, 2009     | Jan. 25, 2008 |
| Fixed-asset impairment charges | \$6,444            | \$3,659       | \$6,444           | \$3,659       |
| Dispute settlement charge      | 0                  | \$ 669        | \$ 675            | \$ 669        |
| Severance & retirement costs   | \$ 801             | 0             | \$ 801            | 0             |
| Gains on sale of real estate   | \$ 323             | \$ 77         | \$1,033           | \$2,116       |

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We adopted Statement of Financial Accounting Standards (“SFAS”) No. 123 (R), “*Share-Based Payment*,” in the first quarter of fiscal 2007. The most significant aspect of this accounting pronouncement was the requirement to expense the fair value of stock option grants. We significantly reduced the issuance of stock options and implemented a performance incentive plan that predominantly uses restricted stock, stock grants and cash awards. Pre-tax expense associated with stock options and the performance incentive plan was \$1.0 million in the third quarter of fiscal 2009 and \$6.8 million through nine months of fiscal 2009 compared to \$0.8 million and \$5.5 million, respectively, in the corresponding periods last year. Of the third quarter fiscal 2009 amount, \$0.8 million (\$5.3 million year-to-date) was recorded in the restaurant segment and \$0.2 million (\$1.5 million year-to-date) was recorded in the food products segment. Of the third quarter fiscal 2008 amount, \$0.6 million (\$4.2 million year-to-date) was recorded in the restaurant segment and \$0.2 million (\$1.3 million year-to-date) was recorded in the food products segment. Nearly all of this expense is reflected in S,G&A. We expect the expense associated with stock options and the performance incentive plan to approximate \$7.7 million for all of fiscal 2009 compared to \$6.3 million recorded for the full year in fiscal 2008.

### Goodwill and Other Intangibles Impairment

We are required for accounting purposes to assess the carrying value of our goodwill and other intangible assets annually or whenever circumstances indicate that a decline in value may have occurred. Based on our consolidated stock valuation relative to our book value, a scaled-back development plan and continued declining same-store sales at Mimi’s, we determined that indicators of potential impairment were present during the third quarter of fiscal 2009. As a result, we performed interim impairment tests of goodwill and intangible assets with indefinite lives in accordance with SFAS No. 142, “*Goodwill and Other Intangible Assets*.”

The result of our impairment test of the unamortized Mimi’s business trade name asset indicated that the asset had a fair value of \$34.0 million, compared to its carrying value of \$45.8 million. This resulted in a pre-tax impairment charge related to the business trade name of \$11.8 million in the restaurant segment in the third quarter of fiscal 2009. The fair value of the business trade name was estimated using the relief-from-royalty method, an income approach to valuation.

We also performed an interim test to determine if the carrying amount of goodwill was impaired. The results indicated that the carrying value of Mimi’s goodwill of \$56.2 million was fully impaired. Therefore, we recorded a pre-tax goodwill impairment charge in the restaurant segment in the third quarter of fiscal 2009 for the entire \$56.2 million. The fair value of the Mimi’s reporting unit was estimated based on a discounted cash flow model using our business plans and projections for Mimi’s as the basis for expected future cash flows. We believe the assumptions used for the impairment test are consistent with those that a market participant would use.

We also reviewed the Mimi’s restaurant concept asset for impairment in the third quarter of fiscal 2009 in accordance with SFAS No. 144, “*Accounting for Impairment or Disposal of Long-Lived Assets*.” This asset is being amortized over a 15-year life. The estimated fair value of the restaurant concept, calculated using a relief-from-royalty method, exceeded its carrying value (which was \$8.5 million at January 23, 2009) and therefore, no impairment charge has been recorded related to this asset.

### Interest

Net interest expense for the third quarter of fiscal 2009 and through nine months of fiscal 2009, compared to the corresponding periods last year, was as follows:

| (dollars in thousands)         | Three Months Ended |                 | Nine Months Ended |                 |
|--------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                | Jan. 23, 2009      | Jan. 25, 2008   | Jan. 23, 2009     | Jan. 25, 2008   |
| <b>Gross interest expense:</b> |                    |                 |                   |                 |
| Fixed-rate debt                | \$ 2,621           | \$ 1,635        | \$ 7,113          | \$ 5,671        |
| Variable-rate debt             | <u>596</u>         | <u>1,540</u>    | <u>2,535</u>      | <u>2,826</u>    |
|                                | 3,217              | 3,175           | 9,648             | 8,497           |
| <b>Gross interest income</b>   | <u>(21)</u>        | <u>(168)</u>    | <u>(133)</u>      | <u>(612)</u>    |
| Net interest expense           | <u>\$ 3,196</u>    | <u>\$ 3,007</u> | <u>\$ 9,515</u>   | <u>\$ 7,885</u> |

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The increase in interest expense is primarily the result of additional debt incurred in fiscal 2008 to fund our share repurchase program.

At January 23, 2009, our outstanding debt included \$86.4 million on our variable-rate revolving lines of credit and \$203.1 million on our fixed-rate unsecured senior notes. A change in market interest rates will not impact interest expense associated with our fixed-rate debt, but will impact our variable-rate debt. For example, a 1% increase in the benchmark rate used for our revolving line of credit would increase our annual interest expense by approximately \$0.9 million assuming the \$86.4 million outstanding at the end of the third quarter of fiscal 2009 was outstanding for the entire year.

At the beginning of the second quarter of fiscal 2009, we completed a private placement of \$70.0 million in senior unsecured fixed-rate notes. We used the proceeds to replace existing debt.

### **Taxes**

The combined federal and state income tax rates were (3.5)% in the third quarter of fiscal 2009 versus 32.7% a year ago. Our income tax provision in the third quarter of fiscal 2009 reflects the impact of the \$56.2 million goodwill impairment charge, which is not tax deductible. Excluding the goodwill impairment charge, we estimate that our effective tax rate would have been 26.6% in the third quarter of fiscal 2009 compared to 32.7% in the corresponding period a year ago. This year-over-year decrease is primarily due to the impact of federal tax credits, mainly work-opportunity and FICA tip credits, which have remained relatively consistent with prior periods despite the decrease in pre-tax income. We anticipate the annual effective tax rate for the entire year of fiscal 2009 to approximate 31.0%, excluding the effect of the nondeductible \$56.2 million goodwill impairment charge. We re-evaluate the combined federal and state income tax rates each quarter. Therefore, the current projected effective tax rate for the entire year may change.

### **Liquidity and Capital Resources**

Cash generated from operations and draws on our revolving lines of credit have been used as the main source of funds for working capital requirements and capital expenditures. Cash and equivalents totaled \$16.0 million at January 23, 2009. In the third quarter of fiscal 2009, total available bank lines of credit were reduced from \$180.0 million to \$165.0 million. The lines were increased to \$180.0 million in December 2007 as a temporary measure to provide additional credit until a \$70.0 million private placement of notes was completed. With the completion of the private placement in the second quarter of fiscal 2009 (see Note 7), the bank lines of credit were reduced to \$165.0 million in the third quarter of fiscal 2009. The bank lines of credit of \$165.0 million are available for liquidity needs, capital expansion and repurchases of Bob Evans common stock, and \$86.4 million was outstanding on these lines of credit at January 23, 2009. Draws on the lines of credit are limited by the amount (\$2.5 million at January 23, 2009) on certain of our standby letters-of-credit.

We repurchased 141,000 shares of our outstanding common stock in the third quarter of fiscal 2009 and 245,000 shares through nine months. We were originally authorized to repurchase up to three million total shares under the program in fiscal 2009. However, we have suspended our share repurchase program for the remainder of fiscal 2009 in an effort to conserve cash and maintain financial flexibility.

Capital expenditures consist of purchases of land for future restaurant sites, new and rebuilt restaurants, production plant improvements, purchases of new and replacement furniture and equipment, and ongoing remodeling programs. Capital expenditures were \$74.2 million through nine months of fiscal 2009 compared to \$92.7 million in the corresponding period last year. For fiscal 2009, we decreased the growth rate of Bob Evans Restaurants and Mimi's to approximately 1 and 12 new locations, respectively. Bob Evans Restaurants and Mimi's openings in fiscal 2008 were 2 and 17 new locations, respectively. We expect capital spending to approximate between \$90.0 and \$95.0 million for all of fiscal 2009, compared to the fiscal 2008 level of \$121.0 million. The decrease in capital needs is due to fewer Mimi's openings in fiscal 2009. We expect lower future capital expenditures for restaurant development in fiscal 2010 at both Bob Evans Restaurants and Mimi's.

At the beginning of the second quarter of fiscal 2009, we completed a private placement of \$70 million in senior unsecured fixed-rate notes. We used the proceeds to replace existing debt.

We believe that our cash flow from operations, as well as our existing bank lines of credit, will be sufficient to fund future capital expenditures, working capital requirements and debt repayments.

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### **BEST Brand Builders**

In 2007, we introduced an overall internal approach to managing the company, which we refer to as our BEST (Bob Evans Special Touch) Brand Builders, to unlock the national potential of our premium regional brands. In fiscal 2009, we are still focused on driving those same key objectives. The five Brand Builders are as follows:

- Win together as a team
- Consistently drive sales growth
- Improve margins with an eye on customer satisfaction
- Be the BEST at operations execution
- Increase returns on invested capital

Winning together as a team means getting everyone at our company strategically aligned and focused on the same common goals. One significant project that helps us win together as a team is Project BEST Way, which we rolled out in fiscal 2007. The goal of this program is to achieve efficiencies and productivities in all business units over the next few years. This is being accomplished through a variety of initiatives, including strategic menu pricing, implementing a new point-of-sale system at Bob Evans Restaurants, and new labor forecasting and scheduling programs at Bob Evans Restaurants and Mimi's. We also created Mimi's Project 2010, which consists of a cross-functional internal team focused on improving Mimi's sales and profitability over the next two to five years as part of a long-term strategic plan. Additionally, we consolidated all of our purchasing programs for the entire company into our supply chain department and have seen success with purchasing initiatives that allowed us to keep our cost of sales relatively flat in a difficult commodities environment.

One new example of winning together as a team is the realignment of our restaurant segment management structure to achieve a greater focus on top-line growth and bottom-line profitability. The realignment involves creation of a president/chief concept officer role at Bob Evans Restaurants and Mimi's. The chief concept officers will concentrate primarily on the overall growth and development of the brands, with particular focus on increasing sales, new restaurant development, and concept evolution. We also added a chief restaurant operations officer, who will concentrate on standardizing operations processes and procedures across both restaurant brands, as well as identifying additional opportunities for purchasing synergies by consolidating vendors and purchased items.

The second Brand Builder is to consistently drive sales growth. Our highest priority in the restaurant segment is to increase same-store sales. Bob Evans Restaurants experienced a decrease in same-store sales of 1.3% in the third quarter of fiscal 2009. We continue to concentrate on customer value initiatives, product development and innovation. For example, we recently introduced our new BoBurrito at a \$5.99 price point, available in both Meat Lovers and Western varieties. We currently offer 30 meals for \$5.99 or less. We have established an internal task force that is focused on utilizing local store marketing in our challenged markets at Bob Evans Restaurants. We are exploring different marketing programs to drive sales in these markets, with particular emphasis on a message of "unbelievable food at an unbeatable value."

Mimi's has experienced seven consecutive quarters of negative same-store sales in an extremely challenging casual dining environment. One of our primary strategies at Mimi's is to revitalize same-store sales, and we are currently focused on driving top-line performance with our right-size, right-price "Just Enough" menu. The "Just Enough" offerings have become our most popular lunch items and have been very successful at dinner as well. Additionally, we are reallocating existing funds to create a pool of marketing dollars to communicate the "All-Day Fresh Café" brand positioning using print and digital advertising. We also implemented suggestive sell training for our Mimi's servers to help drive average check, and we introduced new in-store merchandising to aid with suggestive selling and to promote carryout business. As Bob Evans has been successful in developing a pipeline of new products, Mimi's is in the process of adopting the same strategy for a steady stream of new products.

In our food products segment, we experienced our first quarter of negative comparable pounds sold in seven years, but still had an increase in net sales in the third quarter of fiscal 2009 due to new points of distribution added during the prior twelve months. We also continue to focus on new product development. Our refrigerated mashed potatoes and recently introduced side dishes have been extremely successful. During the second quarter of fiscal 2009, we introduced several new products including: family-size mashed potatoes, family-size macaroni and cheese, family-size sausage and gravy, slow-roasted chicken breast with gravy and smoked sausage in five varieties.

The third Brand Builder is to improve margins with an eye on customer satisfaction. We eliminated a total of 2.6 million labor hours from our restaurant segment during fiscal 2008, and we took an additional 900,000 hours out of our comparable store base during the third quarter of fiscal 2009. The reduction in hours was achieved while still maintaining our customer satisfaction scores at Bob Evans Restaurants because we have been able to better correlate our staffing needs with peak dining hours. We believe there is still an opportunity to further reduce labor costs in our restaurant segment without sacrificing speed of service or customer satisfaction.

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The new point-of-sale system is now in more than 80 Bob Evans Restaurants, and the rollout is expected to be complete by the end of fiscal 2010. We believe this new technology will help to simplify our order entry, achieve more precise labor scheduling, and compare our food costs with theoretical food costs. We believe these benefits are key to improving margins at Bob Evans Restaurants.

With the continued softening of sales at Mimi's, our efforts to improve profitability are taking on a greater sense of urgency. The primary focus for the entire Mimi's team is driving positive same-store sales and improving profitability. As mentioned previously, Mimi's Project 2010 is focused on a strategic plan to achieve those goals over the next two to five years. Mimi's, like Bob Evans Restaurants, made progress on managing labor costs during the third quarter, but we believe there remains further opportunity to reduce unproductive labor hours. Another one of our primary strategies at Mimi's is to re-engineer the cost structure to enable us to build brand awareness through traditional advertising and promotion without having a negative impact on margins. We have identified savings in five key areas to offset the incremental marketing expenses: procurement, operations, menu re-engineering, corporate general and administrative expenses, and pre-opening expenses.

Our food products margins suffered from higher-than-expected sow costs in the third quarter of fiscal 2009. We have increased sow yields and managed operating costs and promotional costs to combat the effects of high sow costs. This was necessary to protect our margins, despite the negative impact these tactics had on sales.

Our fourth Brand Builder is to be the BEST at operations execution. We believe that operations execution improves when employee turnover is decreased. We have made significant progress in this area, reducing Bob Evans Restaurant turnover from 120% in fiscal 2008 to less than 110% in the latest period. We believe Mimi's turnover remains one of the lowest in the industry at about 100%. We also believe the new point-of-sale system at Bob Evans Restaurants will be a helpful tool to attract and retain employees, as it is considerably easier to learn than the manual system we have been using.

At Mimi's, we implemented a national guest feedback system in the first quarter of fiscal 2009. The new system provides better insight regarding customer satisfaction which we believe will help us improve operations execution. We also developed a new to-go survey to provide us better insight on the satisfaction of our carryout customers, including feedback specific to each restaurant location.

Our fifth and final Brand Builder is to increase returns on invested capital. As we stated, we are not going to open large numbers of new Bob Evans Restaurants until projected returns improve. We are planning to build one new Bob Evans Restaurant in fiscal 2009 and we decreased the planned number of rebuilds to four in 2009 from eight in fiscal 2008. In addition, we reimaged 22 Bob Evans Restaurants to date in fiscal 2009 and expect to complete 3 more in the fourth quarter. We now plan to open 12 new Mimi's Cafés in fiscal 2009. In fiscal 2009, we remodeled four Mimi's restaurants to date and expect to complete six more in the fourth quarter. We expect lower future capital expenditures for restaurant development in fiscal 2010 at both Bob Evans Restaurants and Mimi's. We need to improve our restaurant-level economics for both restaurant brands to enable us to begin building restaurants again, as development is an important part of our long-term plan.

In June 2008, we began an approximately \$16.0 million expansion at our Sulphur Springs, Texas, plant, which produces fully-cooked convenience items. The expansion is scheduled to be completed in the first quarter of fiscal 2010.

In the second quarter of 2009, our Board of Directors approved an increase in our quarterly cash dividend from \$0.14 to \$0.16 per share. Despite the challenges we are facing, we are confident in the overall financial position of our Company, which enabled us to implement this dividend increase. Finally, we repurchased 141,000 shares under our stock repurchase program in the third quarter of fiscal 2009. The Board had originally authorized the repurchase of up to three million shares for fiscal 2009. However, we have suspended our share repurchase program for the remainder of fiscal 2009. Our decision to scale back restaurant development next fiscal year and to temporarily suspend our share repurchase program reflects our desire to conserve cash and maintain financial flexibility.

In summary, we remain focused on the five BEST Brand Builders, and continue to implement them with a sense of urgency.

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### Business Outlook

Our operating performance for the third quarter of fiscal 2009 met our expectations, excluding the impact of the impairment charges discussed previously. We experienced negative same-store sales at Bob Evans Restaurants and Mimi's. The food products segment continued to experience sales growth, but profitability was severely affected by the significant increase in sow costs in the third quarter. Diluted earnings per share for the quarter decreased from \$0.61 a year ago to a loss of \$1.67 due to the \$51.4 million net loss in the third quarter of fiscal 2009, which was primarily the result of the impairment charges at Mimi's. As a result, we have reaffirmed adjusted operating income guidance, excluding special charges, of approximately \$91.0 to \$96.0 million for the remainder of fiscal 2009.

Due to the significant impact of the goodwill impairment charge on our effective tax rate, we are providing guidance for the remainder of fiscal 2009 in terms of adjusted operating income rather than earnings per share. We use adjusted operating income as a measure for comparing our performance to prior periods and competitors, and believe it is useful to investors because it provides investors and other interested parties a means to evaluate our performance relative to our past performance, without regard to unusual charges. Adjusted operating income is not a recognized term under generally accepted accounting principles ("GAAP"). The following is a reconciliation of fiscal 2009 estimated adjusted operating income to fiscal 2009 estimated operating income:

|   |                                 |
|---|---------------------------------|
| Fiscal 2009 estimated reported operating income | \$16.0 to 21.0 million          |
| Fiscal 2009 3Q goodwill impairment              | \$56.2 million                  |
| Fiscal 2009 3Q trade name impairment            | \$11.8 million                  |
| Fiscal 2009 3Q fixed asset impairment           | \$6.4 million                   |
| Fiscal 2009 3Q severance and retirement         | \$0.8 million                   |
| Fiscal 2009 3Q unusable spare parts             | \$0.4 million                   |
| Fiscal 2009 1Q legal settlement                 | \$0.7 million                   |
| Fiscal 2009 YTD gains on real estate sales      | \$(1.0 million)                 |
| Fiscal 2009 estimated adjusted operating income | <u>\$91.3 to \$96.3 million</u> |

We are now expecting consolidated net sales declines of 1.0% to 1.5% for the fourth quarter of fiscal 2009, as we anticipate weather-related same-store sales challenges in the restaurant segment. This estimate includes same-store sales in the negative 2.0% to 2.5% range for Bob Evans Restaurants and same-store sales in the negative 7.0% to 8.0% range for Mimi's in the fourth quarter of fiscal 2009. In the food products segment we are expecting overall sales growth of 3.0% for the fourth quarter of fiscal 2009.

We anticipate restaurant segment operating margins of approximately 5.0% for the fourth quarter of fiscal 2009, with continued improvements in cost of sales due to decreasing commodity prices, positive shifts in product mix and procurement initiatives. We expect continued pressure from minimum wage increases, partially offset by continued labor efficiencies in the restaurant segment.

In the food products segment, we expect operating margins of approximately 3.0% to 4.0% for the fourth quarter of fiscal 2009, which includes expected average sow costs of approximately \$50.00 to \$55.00 per hundredweight.

We anticipate depreciation and amortization of approximately \$81.0 million for the full 2009 fiscal year compared with \$77.1 million in fiscal 2008. We are projecting net interest expense of approximately \$13.0 million for all of fiscal 2009, up from \$11.0 million in fiscal 2008. Our effective tax rate will approximate 31.0% for all of fiscal 2009, excluding the \$56.2 million goodwill impairment charge that is not tax deductible, compared to 32.6% in fiscal 2008. We project average diluted shares outstanding to be 30.8 million for the year compared to 33.3 million in fiscal 2008.

Finally, we expect capital expenditures to approximate between \$90.0 and 95.0 million in fiscal 2009, which is significantly below our capital spending in fiscal 2008 of \$121.0 million. We expect to open 12 new Mimi's Cafés and 1 new Bob Evans Restaurant, and to further expand our food products distribution capability in fiscal 2009. In fiscal 2010, we do not expect to build any new Bob Evans Restaurants and plan to build only two new Mimi's Cafés.

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In general, we are cautious about the consumer environment for the remainder of fiscal 2009. As we move into our fourth fiscal quarter, we expect ongoing macroeconomic conditions to be challenging. We remain particularly concerned about Mimi's sales and profit trends, especially in parts of the country where adverse economic conditions have most severely impacted consumer spending, most notably in California, Florida, Arizona and Nevada.

Bob Evans Restaurants remain focused on driving labor efficiencies and food cost controls to maintain profitability, while the introduction of our new spring menu items is designed to bolster softening sales traffic. Mimi's continues to face a very difficult consumer dining environment created by increased labor and commodity costs, decreased consumer spending, especially in Mimi's key markets, and fierce competition. During the fourth quarter, Mimi's will focus efforts on controlling labor and commodity costs and developing new marketing initiatives to stem declining sales and promote awareness of the "Just Enough" menu. During the fourth quarter, the food products segment will continue to be challenged by higher than expected sow costs. The food products team will continue to drive sales and distribution growth and focus on controlling promotional spending to increase levels of profitability.

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### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We do not currently use derivative financial instruments for speculative or hedging purposes. We maintain our cash and cash equivalents in financial instruments with maturities of three months or less when purchased.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

With the participation of our management, including Bob Evans' principal executive officer and principal financial officer, our management has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, Bob Evans' principal executive officer and principal financial officer have concluded that:

- information required to be disclosed by Bob Evans in this Quarterly Report on Form 10-Q and other reports that Bob Evans files or submits under the Exchange Act would be accumulated and communicated to Bob Evans' management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure;
- information required to be disclosed by Bob Evans in this Quarterly Report on Form 10-Q and other reports that Bob Evans files or submits under the Exchange Act would be recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and
- Bob Evans' disclosure controls and procedures are effective as of the end of the period covered by this Quarterly Report on Form 10-Q to ensure that material information relating to Bob Evans and its consolidated subsidiaries is made known to them, particularly during the period in which the periodic reports of Bob Evans, including this Quarterly Report on Form 10-Q, are being prepared.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**PART II — OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS.**

Like many restaurant companies and retail employers, SWH Corporation, which does business as Mimi's Café, has been faced with allegations of purported class-wide wage and hour violations in California. The following is a brief description of the current California class action matter filed against SWH Corporation.

On October 28, 2008, a class action complaint entitled Leonard Flores v. SWH Corporation d/b/a Mimi's Cafe was filed in Orange County, California Superior Court. Mr. Flores was employed as an assistant manager of Mimi's until September 2006. Mimi's classifies assistant managers as exempt employees. Mr. Flores purports to represent a class of assistant managers who are allegedly similarly situated. The case involves claims that current and former assistant managers working in California from October 2004 to the present were misclassified by Mimi's as exempt. As a result, the complaint alleges that assistant managers were deprived of overtime pay, rest breaks, and meal periods as required for non-exempt employees under California wage and hour laws. The complaint seeks injunctive relief, equitable relief, unpaid benefits, penalties, interest, and attorneys' fees and costs. On February 25, 2008, the court held a status conference of the parties. The court set another status conference for April 22, 2009, at which time the court will schedule a date for the class certification motion to be briefed and heard. The parties will start engaging in discovery in the near future. No trial date has been set.

We believe Mimi's properly classifies its assistant managers as exempt employees under California law. We are evaluating the results of similar proceedings in California and are consulting with advisors with specialized expertise. An unfavorable verdict or a significant settlement could have a material adverse impact on our financial position and results of operations.

In addition to the class action lawsuit described above, we are involved with a number of pending legal proceedings incidental to our business. In the opinion of our management, these other proceedings are not expected to have a material adverse effect on our results of operations or financial condition individually or in the aggregate.

**ITEM 1A. RISK FACTORS.**

There have been no material changes from the risk factors disclosed in Part 1, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended April 25, 2008.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

In May 2008, the Board of Directors authorized a share repurchase program for fiscal 2009. The program authorizes Bob Evans to repurchase, through April 24, 2009, up to three million shares of its outstanding common stock. During the three fiscal months ended January 23, 2009, we purchased 141,200 shares under the share repurchase program. However, we have since suspended our share repurchase program for the remainder of fiscal 2009.

The following table provides information on Bob Evans purchases of its common stock during the three fiscal months ended January 23, 2009:

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| Period            | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs |
|-------------------|----------------------------------|------------------------------|--|--|
| 10/25/08-11/21/08 | 141,200                          | \$ 16.66                     | 141,200  | 2,754,668  |
| 11/22/08-12/26/08 | 0                                | \$ 0                         | 0  | 2,754,668  |
| 12/27/08-1/23/09  | 0                                | \$ 0                         | 0  | 2,754,668  |
| Total             | 141,200                          | \$ 16.66                     | 141,200  | 2,754,668  |

### **Restrictions on Payment of Dividends**

Bob Evans is a party to two Note Purchase Agreements (the “Note Purchase Agreements”) related to its private placement of senior unsecured fixed-rate notes in 2004 and 2008. The Note Purchase Agreements were amended on February 24, 2009. Pursuant to these amendments, until October 23, 2009, and subject to the exceptions set forth below, Bob Evans’ is prohibited from declaring, making or incurring any liability to declare or make any Restricted Payments (as defined in the Note Purchase Agreements), including: (1) dividends or other distributions or payments on its capital stock or other equity interests; (2) the redemption or acquisition of its capital stock or other equity interests or of warrants, rights or other options to purchase such stock or other equity interests (except when made solely in exchange for such stock or other equity interests or contemporaneously from the net proceeds of a sale of such stock or other equity interests); and (3) any repayment, redemption, repurchase or other acquisition of the principal of any Subordinated Debt (as defined in the Note Purchase Agreements) prior to the regularly scheduled maturity date thereof; provided, however, that the foregoing restrictions do not apply to: (a) dividends paid on Bob Evans’ common stock on a pro rata basis in the ordinary course of business to all holders of common stock not to exceed \$0.16 per share per fiscal quarter; (b) distributions made pursuant to employment agreements, dividend reinvestment and stock purchase plans, stock option or equity plans or other benefit plans generally consistent with past practices; or (c) distributions made in connection with the exercise of stock options or the vesting of equity awards by management or employees. For more information regarding Bob Evans’ senior unsecured fixed-rate notes, please refer to Note 7 to the Notes to the Consolidated Financial Statements located under Part I, Item 1. — Financial Statements of this Form 10-Q.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

Not Applicable

### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

Not Applicable

### **ITEM 5. OTHER INFORMATION.**

#### **Compensation Committee Action**

In June 2008, the Compensation Committee (the “Compensation Committee”) of Bob Evans’ Board of Directors established performance goals for Bob Evans’ 2009 fiscal year. As disclosed in the Compensation Discussion and Analysis contained in Bob Evans’ proxy statement related to the Annual Meeting of Stockholders held on September 8, 2008, the Compensation Committee established earnings per share as one of the performance goals for the named executives’ fiscal 2009 annual cash performance bonuses and equity awards under the performance incentive plan.

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When the Compensation Committee established the earnings per share performance goal in June, it discussed excluding from the calculation of earnings per share special charges that could arise during the course of fiscal 2009 related to: (1) mergers, acquisitions and divestitures; (2) impairment charges related to Mimi's Café; and (3) corporate restructuring. The Compensation Committee discussed excluding these items so that the earnings per share performance measure more accurately reflects Bob Evans' actual results of operations without the impact of special charges.

On February 26, 2009, the Compensation Committee considered a number of special charges that have arisen during the course of the Company's 2009 fiscal year and confirmed that the following special charges will be excluded from the calculation of earnings per share for purposes of fiscal 2009 performance goals:

- \$56.2 million in non-cash charges for the impairment of goodwill related to the acquisition of Mimi's Café;
- \$11.8 million in non-cash charges for the impairment of intangible assets (i.e., the Mimi's Café trade name) related to the acquisition of Mimi's Café;
- \$6.4 million in non-cash fixed-asset impairment charges for six underperforming Mimi's Café restaurants; and
- Various cash charges for severance payments and retirement costs. Fiscal year-to-date, these cash charges total approximately \$2.0 million.

### ***Retirement of Roger Williams***

On March 2, 2009, Bob Evans entered into a Retirement Agreement (the "Agreement") with Roger D. Williams in connection with his retirement from Bob Evans. Among other terms, the Agreement provides that Mr. Williams will receive a lump sum payment of \$758,069.76, less appropriate tax withholding amounts. This payment includes: (a) six months' base salary; (b) a week's worth of base salary for every two years of service; (c) a prorated portion of Mr. Williams' fiscal 2009 annual cash performance bonus based on performance as of the end of Bob Evans' third fiscal quarter; (d) the value of Mr. Williams' unused vacation; and (e) an amount equivalent to Bob Evans' contribution for six month's worth of coverage under Bob Evans' Retiree Health Insurance Plan. This amount was recorded in the third quarter of fiscal 2009. Mr. Williams' will also receive his accrued benefits and vested awards under Bob Evans' compensation plans and programs, as determined under the terms of each such plan and program.

In consideration of the payments and benefits to be received under the Agreement, Mr. Williams released any and all claims, demands and liabilities of any kind whatsoever which he may have against Bob Evans and its affiliates related to matters which occurred prior to the execution of the Agreement. Mr. Williams also agreed that he will not disclose any of Bob Evans' confidential information or trade secrets. For a period of one year, Mr. Williams is prohibited from (a) working for any business engaged in the development or operation of a family dining restaurant or the manufacture or sale of food products that are the same or similar to those currently manufactured or sold by Bob Evans and (b) soliciting or hiring Bob Evans' employees.

In accordance with the Age Discrimination in Employment Act, as amended, Mr. Williams may revoke the Agreement on or before March 9, 2009. If Mr. Williams revokes the Agreement, he will not receive the lump sum payment described above.

The foregoing description of the terms of the Agreement is not complete and is qualified in its entirety by reference to the Agreement, a copy of which is attached as Exhibit 10.16 to this Quarterly Report on Form 10-Q and is incorporated herein by reference.

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### **ITEM 6. EXHIBITS.**

| <u>Exhibit No.</u> | <u>Description</u>  | <u>Location</u>   |
|--------------------|---|---|
| 4.1                | First Amendment, dated as of February 24, 2009, to Note Purchase Agreement, dated as of July 28, 2008, by and between Bob Evans Farms, Inc. and the Purchasers named therein  | Incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed March 2, 2009 (File No. 0-01667)      |
| 4.2                | Second Amendment, dated as of February 24, 2009, to Note Purchase Agreement, dated as of July 28, 2004, by and between Bob Evans Farms, Inc. and the Purchasers named therein | Incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed March 2, 2009 (File No. 0-01667)      |
| 10.1               | Master Grid Note from BEF Holding Co., Inc. to National City Bank dated December 24, 2008   | Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 31, 2008 (File No. 0-01667) |
| 10.2               | Master Grid Note from BEF REIT, Inc. to National City Bank dated December 24, 2008  | Incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed December 31, 2008 (File No. 0-01667) |
| 10.3               | Guarantee from Bob Evans Farms, Inc. to National City Bank dated December 24, 2008, guaranteeing obligations of BEF Holding Co., Inc.   | Incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed December 31, 2008 (File No. 0-01667) |
| 10.4               | Guarantee from Bob Evans Farms, Inc. to National City Bank dated December 24, 2008, guaranteeing obligations of BEF REIT, Inc.  | Incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed December 31, 2008 (File No. 0-01667) |
| 10.5               | First Amendment to Employment Agreement between Bob Evans Farms, Inc. and Steven A. Davis, dated December 24, 2008  | Incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed December 31, 2008 (File No. 0-01667) |
| 10.6               | Form of Amended and Restated Change in Control Agreement between Bob Evans Farms, Inc. and certain of its executive officers  | Incorporated herein by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed December 31, 2008 (File No. 0-01667) |
| 10.7               | Amended and Restated Change in Control Agreement between Bob Evans Farms, Inc. and Steven A. Davis, dated December 24, 2008   | Incorporated herein by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed December 31, 2008 (File No. 0-01667) |

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| Exhibit No. | Description  | Location  |
|-------------|--|---|
| 10.8        | Assumption Agreement dated as of December 31, 2008, by Bob Evans Farms, Inc., an Ohio corporation, under which it assumed the obligations of BEF Holding Co., Inc. under that certain Note Purchase Agreement dated July 28, 2008                              | Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed January 7, 2009 (File No. 0-01667) |
| 10.9        | Assumption Agreement dated as of December 31, 2008, by Bob Evans Farms, Inc., an Ohio corporation, under which it assumed the obligations of BEF Holding Co., Inc. under that certain Note Purchase Agreement dated July 28, 2004, as amended January 15, 2005 | Incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed January 7, 2009 (File No. 0-01667) |
| 10.10       | Consent and Assumption Agreement dated as of December 31, 2008, between Bob Evans Farms, Inc., an Ohio corporation, and JPMorgan Chase Bank, N.A.  | Incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed January 7, 2009 (File No. 0-01667) |
| 10.11       | First Amendment to the Bob Evans Farms, Inc. Second Amended and Restated 1992 Nonqualified Stock Option Plan effective November 18, 2008   | Filed herewith  |
| 10.12       | First Amendment to the Bob Evans Farms, Inc. Second Amended and Restated 1998 Stock Option and Incentive Plan effective November 18, 2008  | Filed herewith  |
| 10.13       | First Amendment to the Bob Evans Farms, Inc. Amended and Restated 2006 Equity and Cash Incentive Plan effective November 18, 2008  | Filed herewith  |
| 10.14       | First Amendment to the Bob Evans Farms, Inc. and Affiliates Third Amended and Restated Executive Deferral Program effective November 18, 2008  | Filed herewith  |
| 10.15       | Bob Evans Farms, Inc. Director Medical Reimbursement Program effective as of January 1, 2008   | Filed herewith  |
| 10.16       | Retirement Agreement, dated as of March 2, 2009, by and between Bob Evans Farms, Inc. and Roger D. Williams  | Filed herewith  |
| 21          | Subsidiaries of Bob Evans Farms, Inc.  | Incorporated herein by reference to Exhibit 21 to the Company's Current Report on Form 8-K filed January 7, 2009 (File No. 0-01667)   |
| 31.1        | Rule 13a-14(a)/15d-14(a) Certification (Principal Executive Officer)   | Filed herewith  |
| 31.2        | Rule 13a-14(a)/15d-14(a) Certification (Principal Financial Officer)   | Filed herewith  |
| 32.1        | Section 1350 Certification (Principal Executive Officer)   | Filed herewith  |
| 32.2        | Section 1350 Certification (Principal Financial Officer)   | Filed herewith  |

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**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.

**BOB EVANS FARMS, INC.**

By: /s/ Steven A. Davis  
Steven A. Davis  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

By: /s/ Donald J. Radkoski\*  
Donald J. Radkoski\*  
Chief Financial Officer  
(Principal Financial Officer)

March 4, 2009  
Date

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\* Donald J. Radkoski has been duly authorized to sign on behalf of the Registrant as its principal financial officer.

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INDEX TO EXHIBITS  
Quarterly Report on Form 10-Q  
Dated March 4, 2009  
Bob Evans Farms, Inc.

| Exhibit No. | Description  | Location  |
|-------------|--|---|
| 4.1         | First Amendment, dated as of February 24, 2009, to Note Purchase Agreement, dated as of July 28, 2008, by and between Bob Evans Farms, Inc. and the Purchasers named therein   | Incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed March 2, 2009 (File No. 0-01667)      |
| 4.2         | Second Amendment, dated as of February 24, 2009, to Note Purchase Agreement, dated as of July 28, 2004, by and between Bob Evans Farms, Inc. and the Purchasers named therein  | Incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed March 2, 2009 (File No. 0-01667)      |
| 10.1        | Master Grid Note from BEF Holding Co., Inc. to National City Bank dated December 24, 2008  | Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 31, 2008 (File No. 0-01667) |
| 10.2        | Master Grid Note from BEF REIT, Inc. to National City Bank dated December 24, 2008   | Incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed December 31, 2008 (File No. 0-01667) |
| 10.3        | Guarantee from Bob Evans Farms, Inc. to National City Bank dated December 24, 2008, guaranteeing obligations of BEF Holding Co., Inc.  | Incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed December 31, 2008 (File No. 0-01667) |
| 10.4        | Guarantee from Bob Evans Farms, Inc. to National City Bank dated December 24, 2008, guaranteeing obligations of BEF REIT, Inc.   | Incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed December 31, 2008 (File No. 0-01667) |
| 10.5        | First Amendment to Employment Agreement between Bob Evans Farms, Inc. and Steven A. Davis, dated December 24, 2008   | Incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed December 31, 2008 (File No. 0-01667) |
| 10.6        | Form of Amended and Restated Change in Control Agreement between Bob Evans Farms, Inc. and certain of its executive officers   | Incorporated herein by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed December 31, 2008 (File No. 0-01667) |
| 10.7        | Amended and Restated Change in Control Agreement between Bob Evans Farms, Inc. and Steven A. Davis, dated December 24, 2008  | Incorporated herein by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed December 31, 2008 (File No. 0-01667) |
| 10.8        | Assumption Agreement dated as of December 31, 2008, by Bob Evans Farms, Inc., an Ohio corporation, under which it assumed the obligations of BEF Holding Co., Inc. under that certain Note Purchase Agreement dated July 28, 2008                              | Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed January 7, 2009 (File No. 0-01667)   |
| 10.9        | Assumption Agreement dated as of December 31, 2008, by Bob Evans Farms, Inc., an Ohio corporation, under which it assumed the obligations of BEF Holding Co., Inc. under that certain Note Purchase Agreement dated July 28, 2004, as amended January 15, 2005 | Incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed January 7, 2009 (File No. 0-01667)   |
| 10.10       | Consent and Assumption Agreement dated as of December 31, 2008, between Bob Evans Farms, Inc., an Ohio corporation, and JPMorgan Chase Bank, N.A.  | Incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed January 7, 2009 (File No. 0-01667)   |
| 10.11       | First Amendment to the Bob Evans Farms, Inc. Second Amended and Restated 1992 Nonqualified Stock Option Plan effective November 18, 2008   | Filed herewith  |

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|-------|---|---|
| 10.12 | First Amendment to the Bob Evans Farms, Inc. Second Amended and Restated 1998 Stock Option and Incentive Plan effective November 18, 2008     | Filed herewith  |
| 10.13 | First Amendment to the Bob Evans Farms, Inc. Amended and Restated 2006 Equity and Cash Incentive Plan effective November 18, 2008             | Filed herewith  |
| 10.14 | First Amendment to the Bob Evans Farms, Inc. and Affiliates Third Amended and Restated Executive Deferral Program effective November 18, 2008 | Filed herewith  |
| 10.15 | Bob Evans Farms, Inc. Director Medical Reimbursement Program effective as of January 1, 2008  | Filed herewith  |
| 10.16 | Retirement Agreement, dated as of March 2, 2009, by and between Bob Evans Farms, Inc. and Roger D. Williams                                   | Filed herewith  |
| 21    | Subsidiaries of Bob Evans Farms, Inc.   | Incorporated herein by reference to Exhibit 21 to the Company's Current Report on Form 8-K filed January 7, 2009 (File No. 0-01667) |
| 31.1  | Rule 13a-14(a)/15d-14(a) Certification (Principal Executive Officer)  | Filed herewith  |
| 31.2  | Rule 13a-14(a)/15d-14(a) Certification (Principal Financial Officer)  | Filed herewith  |
| 32.1  | Section 1350 Certification (Principal Executive Officer)  | Filed herewith  |
| 32.2  | Section 1350 Certification (Principal Financial Officer)  | Filed herewith  |

**FIRST AMENDMENT TO THE  
BOB EVANS FARMS, INC.  
SECOND AMENDED AND RESTATED  
1992 NONQUALIFIED STOCK OPTION PLAN**

This First Amendment (this "Amendment") to the Bob Evans Farms, Inc. Second Amended and Restated 1992 Nonqualified Stock Option Plan (the "Plan") is effective as of November 18, 2008.

WHEREAS, Bob Evans Farms, Inc. (the "Company") previously adopted the Plan; and

WHEREAS, pursuant to Section 7.1 of the Plan, the Company desires to amend the Plan.

NOW, THEREFORE, the Plan is hereby amended as follows:

1. Section 3.2 of the Plan is hereby deleted in its entirety and the following is substituted therefor:

Adjustment in Shares. In the event of:

- (a) a merger or consolidation of the Company with another corporation as a result of which the Company is not the surviving corporation;
- (b) a transfer of all or substantially all of the assets of the Company to another corporation;
- (c) a recapitalization, reorganization or restructuring of the Company; or
- (d) a stock dividend payment, or a combination, split-up, or reclassification of, or substitution of other securities for, outstanding Common Shares,

The Committee shall take such action: (i) to provide that Participants to whom Stock Options were granted prior to the applicable event have rights in a proportionate number of Common Shares after the event as were covered by such outstanding Stock Options immediately prior to such event or to substitute property or other securities for Common Shares covered by any outstanding Stock Options at the time of the applicable event, and (ii) to adjust the aggregate number of Common Shares available under this Plan.

Any adjustment pursuant to this Section 3.2 in the number of Common Shares available under this Plan or in the number of Common Shares covered by existing Stock Options (both on an individual Stock Option basis and in the aggregate) shall be a whole number, and any fraction that may otherwise result as a result of the operation of this Section 3.2 shall be rounded to the nearest whole number.

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Notwithstanding the foregoing, an adjustment to a Non-Grandfathered Stock Option pursuant to this Section 3.2 shall be made only to the extent such adjustment complies, to the extent applicable, with Code Section 409A.

2. Section 8.5 of the Plan is hereby deleted in its entirety and the following is substituted therefor:

Limitation of Payment. Notwithstanding any provision of this Plan to the contrary and subject to the terms of any change in control agreement between the Participant and the Company, no Common Shares shall be distributed under this Plan which, when aggregated with other payments made to the Participant, would result in an excess parachute payment for which the Company would not receive a Federal income tax deduction by reason of Code Section 280G. Any forfeiture pursuant to this Section 8.5 shall be made in accordance with Code Section 409A and the Treasury Regulations promulgated thereunder.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed by its duly authorized officer effective as of the date set forth above.

BOB EVANS FARMS, INC.

/s/ Joe Eulberg

Printed Name: J. R. Eulberg

Its: Senior V.P. H.R.

**FIRST AMENDMENT TO THE  
BOB EVANS FARMS, INC.  
SECOND AMENDED AND RESTATED  
1998 STOCK OPTION AND INCENTIVE PLAN**

This First Amendment (this "Amendment") to the Second Amended and Restated Bob Evans Farms, Inc. 1998 Stock Option and Incentive Plan (the "Plan") is effective as of November 18, 2008.

WHEREAS, Bob Evans Farms, Inc. (the "Company") previously adopted the Plan; and

WHEREAS, pursuant to Section 17 of the Plan, the Company desires to amend the Plan.

NOW, THEREFORE, the Plan is hereby amended as follows:

1. Section 14 of the Plan is hereby deleted in its entirety and the following is substituted therefor:

**Taxes.** The Company shall be entitled to withhold the amount of any tax attributable to any amount payable or Common Shares deliverable under the Plan after giving the person entitled to receive such amount or Common Shares notice as far in advance as practicable.

Notwithstanding the foregoing, to the extent that the Company has a withholding obligation prior to the settlement of an Award, the Company shall withhold from other amounts owed to the Participant or require the Participant to remit to the Company an amount sufficient to satisfy any withholding obligation.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed by its duly authorized officer effective as of the date set forth above.

BOB EVANS FARMS, INC.

/s/ Joe Eulberg

Printed Name: J. R. Eulberg

Its: Senior V.P., H.R.

**FIRST AMENDMENT TO THE  
BOB EVANS FARMS, INC.  
AMENDED AND RESTATED  
2006 EQUITY AND CASH INCENTIVE PLAN**

This First Amendment (this “Amendment”) to the Bob Evans Farms, Inc. Amended and Restated 2006 Equity and Cash Incentive Plan (the “Plan”) is effective as of November 18, 2008.

WHEREAS, Bob Evans Farms, Inc. (the “Company”) previously adopted the Plan; and

WHEREAS, pursuant to Section 17.01 of the Plan, the Company desires to amend the Plan.

NOW, THEREFORE, the Plan is hereby amended as follows:

1. Section 16.02 of the Plan is hereby deleted in its entirety and the following is substituted therefor:

**Effect of Code §280G.** Unless specified otherwise in the associated Award Agreement or in another written agreement between the Participant and the Company or a Related Entity, if the Company concludes that any payment or benefit due to a Participant under the Plan or any other payment or benefit due to the Participant from the Company or any other entity (collectively, the “Payor”) would be subject to the excise tax imposed by Code §4999:

[1] The Payor will consider the feasibility of offering substitute awards that would not constitute “parachute payments” under Code §280G and that would not generate penalties under Code §409A; and

[2] To the extent that a substitution is not feasible or that the payments and benefits due to the Participant still would be subject to the excise tax imposed by Code §4999, the Payor will reduce the payments and benefits due to the Participant under the Plan to the greater of \$00.00 or an amount that is \$1.00 less than the amount that otherwise would generate the excise tax under Code §4999. Any reduction pursuant to subsection 16.02[2] shall be made in accordance with Code §409A and the Treasury Regulations promulgated thereunder.

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IN WITNESS WHEREOF, the Company has caused this Amendment to be executed by its duly authorized officer effective as of the date set forth above.

BOB EVANS FARMS, INC.

/s/ Joe Eulberg

Printed Name: J. R. Eulberg

Its: Senior V.P., H.R.

**FIRST AMENDMENT TO THE  
BOB EVANS FARMS, INC. AND AFFILIATES  
THIRD AMENDED AND RESTATED  
EXECUTIVE DEFERRAL PROGRAM**

This First Amendment (this “Amendment”) to the Bob Evans Farms, Inc. and Affiliates Third Amended and Restated Executive Deferral Program (the “Plan”) is effective as of November 18, 2008.

WHEREAS, Bob Evans Farms, Inc. (the “Company”) previously adopted the Plan; and

WHEREAS, pursuant to Section 8.01 of the Plan, the Company desires to amend the Plan.

NOW, THEREFORE, the Plan is hereby amended as follows:

1. Section 6.01(a) of the Plan is hereby deleted in its entirety and the following is substituted therefor:

Pre-2008 Deferrals.

(i) In-Service Distribution Account. With respect to Pre-2008 Deferrals (and any earnings related thereto), the vested portion of each Sub-Account within a Member’s In-Service Distribution Account will be distributed in a lump sum within 60 days following the earliest of (A) the first day of the calendar year specified in the Member’s Deferral Election Form, (B) the Member’s death, (C) the date the Member becomes Disabled, or (D) the date the Member Separates from Service before reaching age 55.

(ii) Education Distribution Account. With respect to Pre-2008 Deferrals (and any earnings related thereto), the vested portion of each Sub-Account within a Member’s Education Distribution Account will be distributed (or begin to be distributed) within 60 days following the earliest of (A) the first day of the calendar year specified in the Member’s Deferral Election Form, (B) the Member’s death, (C) the date the Member becomes Disabled, or (D) the date the Member Separates from Service before reaching age 55. Each such Sub-Account, to the extent vested, will be distributed in five substantially equal annual installments; provided, however, that the Member may elect that such distribution be made in a lump sum in the year specified in the Member’s Deferral Election Form or in four or fewer substantially equal annual installments beginning in the year specified in such Deferral Election Form. Notwithstanding the foregoing, if a distribution of the Education Distribution Account is due to a Member’s death, Disability or Separation from Service before reaching age 55, such distribution shall be made in a lump sum.

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(iii) Retirement Distribution Account. With respect to Pre-2008 Deferrals (and earnings related thereto), the vested portion of each Sub-Account within a Member's Retirement Distribution Account will be distributed (or begin to be distributed) within 60 days following the earliest of (A) the first day of the calendar year specified in the Member's Deferral Election Form, (B) the Member's death, (C) the date the Member becomes Disabled, or (iv) the date the Member Separates from Service (regardless of the Member's age). Each such Sub-Account, to the extent vested, will be distributed in a lump sum or in substantially equal monthly, quarterly or annual installments for a period of no more than ten years as elected by the Member in the Member's Deferral Election Form. Notwithstanding the foregoing, if a distribution of the Retirement Distribution Account is due to a Member's death, Disability or Separation from Service before reaching age 55, such distribution shall be made in a lump sum.

(iv) Substantially Equal Installments. If a Member elects substantially equal annual installments under this Section 6.01(a), (A) the first distribution will equal the value of the vested portion of the applicable Sub-Account as of the most recent Valuation Date divided by the number of annual installments elected, and (B) each distribution thereafter will be made on the anniversary of the initial distribution date and will equal the balance of the vested portion of the applicable Sub-Account as of the most recent Valuation Date divided by the number of remaining annual installments. If a Member elects monthly or quarterly installments under Section 6.01(a)(iii), the amount of each distribution will be calculated as described in the preceding sentence; provided that such amount shall further be divided by twelve in the case of monthly installments or four in the case of quarterly installments.

2. Section 6.01(b) of the Plan is hereby deleted in its entirety and the following is substituted therefor:

Post-2008 Deferrals.

(i) Nonqualified Employee Deferral Account. With respect to Post-2008 Deferrals (and earnings related thereto), the Nonqualified Employee Deferral Account will be distributed (or begin to be distributed) within 60 days following the earliest to occur of (A) the first day of the calendar year specified in the Member's Deferral Election Form, (B) the Member's death, (C) the date of the Member's Disability or (D) the date of the Member's Separation from Service.

(A) In-Service Distributions. If a distribution under this Section 6.01(b)(i) is based on the first day of the calendar year specified in the Member's Deferral Election Form, such distribution shall be made in a lump sum or up to 10 substantially equal annual installments, as elected by the Member in the applicable Deferral Election Form. Notwithstanding the foregoing, if a Member elects annual installments under this subparagraph (A), but Separates from Service prior to receiving all of

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those annual installments, any remaining balance shall be paid in accordance with subparagraph (C) below.

(B) Distributions Upon Death or Disability. If a distribution under this Section 6.01(b)(i) is due to the Member's death or Disability, such distribution shall be made in a lump sum.

(C) Distributions Upon Separation from Service. If a distribution under this Section 6.01(b)(i) is due to the Member's Separation from Service, the Member has reached the Service Threshold and the present value of the Member's Accounts is at least \$25,000 as of the Valuation Date immediately preceding the Member's Separation from Service, then such distribution shall be made in a lump sum or up to 20 substantially equal annual installments, as elected by the Member in the applicable Deferral Election Form. If a distribution under this Section 6.01(b)(i) is due to the Member's Separation from Service under any other circumstances, such distribution shall be made in a lump sum.

Notwithstanding the foregoing, if a Member does not make a timely election relating to a distribution under this Section 6.01(b)(i), then such distribution shall be made in a lump sum.

(ii) Employer Nonqualified Matching Account and Discretionary Employer Contribution Account. With respect to Post-2008 Deferrals (and earnings related thereto), the vested portions of a Member's Employer Nonqualified Matching Account and Discretionary Employer Contribution Account will be distributed (or begin to be distributed) within 60 days following the earliest to occur of (A) the Member's death, (B) the date the Member becomes Disabled or (C) the date the Member Separates from Service. Distributions of amounts described in this Section 6.01(b)(ii) shall be made in accordance with subparagraphs (B) and (C) of this Section 6.01(b)(i).

(iii) Installments. If a Member has selected substantially equal annual installments under this Section 6.01(b), (A) the first distribution will equal the value of the vested portion of the applicable Account as of the most recent Valuation Date divided by the number of annual installments selected, and (B) each distribution thereafter will be made on the anniversary of the initial distribution date and will equal the balance of the vested portion of the applicable Account as of the most recent Valuation Date divided by the number of remaining annual installments.

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IN WITNESS WHEREOF, the Company has caused this Amendment to be executed by its duly authorized officer effective as of the date set forth above.

BOB EVANS FARMS, INC.

/s/ Joe Eulberg

Printed Name: J. R. Eulberg

Its: Senior V.P., H.R.

**BOB EVANS FARMS, INC.  
DIRECTOR MEDICAL REIMBURSEMENT PROGRAM**

The Director Medical Reimbursement Program (the "Program") maintained by Bob Evans Farms, Inc. (the "Company") is maintained for certain non-employee members of the Board of Directors of the Company (the "Board"), effective as of January 1, 2008.

**1. Participants**

The non-employee directors set forth on Exhibit A, attached hereto, made a part hereof and which may be amended from time to time by the Board in its sole discretion, are eligible to participate in the Program.

**2. Medical Reimbursement Payment**

Within 30 days following a participant's retirement from the Board (as defined below), such participant shall receive a single lump sum payment equal to the present value of the projected Company contributions in calendar year 2000 required to allow the participant to retain coverage under the Company's group health plan. The present value will be given 10% interest annually from calendar year 2000 to the date it is paid. Changes in plan design, medical inflation, assumptions, or other items after calendar year 1999 will not be included in the calculation. Such lump sum payment shall be determined by an actuary retained by the Company for such purpose.

For purposes of the Program, "retirement from the Board" shall mean a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h) from the Company and all persons with whom the Company would be considered a single employer under Sections 414(b) and (c) of the Internal Revenue Code of 1986, as amended (the "Code"). Notwithstanding the foregoing, if the participant's "retirement from the Board" is due to the participant's death, the payment described in this Section 2 shall be made to the participant's surviving spouse within 30 days following a participant's death; provided, however, that if no surviving spouse exists on the date of the participant's death, no payment shall be made under the Program.

**3. Termination and Amendment of Program**

The Board shall have the right, authority and power to alter, amend, modify, revoke or terminate the Program at any time and for any reason.

**4. No Rights**

Neither the Program nor any action taken under the Program shall be construed as providing any participant any right to continue to serve on the Board. Amounts payable under the Program are payable only from the general assets of the Company and the accrual of benefits under the Program shall constitute an unfunded, unsecured promise by the Company to pay such amounts. Nothing contained in the Program shall constitute a guaranty by the Company that the assets of the Company shall be sufficient to pay any benefits hereunder.

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**5. Section 409A of the Code**

It is intended that the Program comply with Section 409A of the Code and the Treasury Regulations promulgated thereunder and the Program will be interpreted, administered and operated accordingly. Nothing in the Program shall be construed as an entitlement to or guarantee of any particular tax treatment to any participant. Neither the Company nor the Board shall have any liability for a failure to comply with the requirements of Section 409A of the Code.

**6. Governing Law**

The Program shall be construed in accordance with and governed by the laws of the State of Ohio.

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**EXHIBIT A**

**PARTICIPANTS**

Daniel A. Fronk  
Cheryl L. Krueger  
G. Robert Lucas II

**RETIREMENT AGREEMENT**

This Retirement Agreement (this "Agreement") is made and entered into as of this 2nd day of March, 2009 by and between Bob Evans Farms, Inc., a Delaware corporation the "Company") and Roger D. Williams ("Employee").

WHEREAS, the parties acknowledge it is in their individual and mutual best interests to fully dispose of any and all claims between them arising out of Employee's employment with and retirement from the Company;

NOW, THEREFORE, in exchange for and in consideration of the following mutual covenants and promises, the undersigned parties, intending to be legally bound, hereby agree as follows:

1. Separation Date. Employee and the Company acknowledge and agree that the Employee's last day of employment with the Company was March 2, 2009 ("Separation Date").

2. Retirement Compensation. In consideration for Employee's (a) release of any and all claims Employee may have against the Company, if any, and (b) adherence to each of the terms and conditions of this Agreement, and provided that Employee has signed this Agreement and has not later revoked the Agreement as provided herein, the Parties agree that the Company shall make a lump sum payment to Employee in the amount of Seven Hundred Fifty-Eight Thousand Sixty-Nine Dollars and Seventy-Six Cents (\$758,069.76), less appropriate tax withholding amounts, representing:

- (i) an amount equivalent to six (6) months of salary;
- (ii) an amount equal to one (1) week of pay for every two (2) years of service;
- (iii) a prorated portion of Employee's annual cash bonus for the Company's 2009 fiscal year based on the achievement of Employee's bonus performance goals as of the end of the Company's third fiscal quarter;
- (iv) an amount equivalent to salary for ten (10) days of unused vacation; and
- (v) an amount equivalent to the Company's contribution for six (6) months worth of coverage under the Company's Retiree Health Insurance Plan. Such amount will be appropriately increased to account for the taxes Employee will be required to pay on this amount.

A check for such amount will be delivered to Employee within ten (10) days after this Agreement becomes irrevocable as set forth herein.

3. Other Benefits, Plans and Agreements. All other benefits and remuneration of any kind, including bonus plans, life insurance and long term disability insurance, company car and/or car and gas allowances, shall terminate effective on the Separation Date, except as provided for in this Agreement, and except for any accrued and vested rights Employee may have in any outstanding equity awards, the Company's 401(k) Retirement Plan, the Bob Evans Farms Third Amended and Restated Executive Deferral Program (the "BEEDP"), and the Bob

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Evans Farms, Inc. and Affiliates Third Amended and Restated Supplemental Executive Retirement Plan (the “SERP”). Employee acknowledges and agrees that the Company has paid Employee all wages, salary, benefits and other compensation (including any accrued but unpaid vacation pay) to which Employee is entitled and owed. Moreover, except as provided for in this Agreement, Employee shall not be entitled to receive any other compensation or benefits of any sort from the Company, its affiliates, or their respective officers, directors, employees, agents, insurance companies, attorneys, shareholders, or subsidiaries for, without limitation, salary, vacation, bonuses, stock, stock options, health care continuation coverage or any other compensation or benefits. Employee also understands and agrees that, by entering into this Agreement, any and all rights Employee had, have or may hereafter have, under any and all change in control agreements between Employee and the Company are hereby revoked, extinguished and released.

**4. Confidential Information.**

4.1 Without the written consent of the Company, Employee shall not use or divulge, furnish, disclose or make accessible (other than for the benefit of the Company and its affiliates) to any person or organization for use in any way any Confidential Information (as defined herein) of the Company or its affiliates.

4.2 As used in this Agreement, “Confidential Information” means any and all confidential or proprietary information of the Company and its affiliates, including without limitation: trade secrets (as defined by the laws of the State of Ohio); business plans; financial information; accounting data; employment or employee-related information; marketing plans and information; sales information (including sales records, plans and projections); pricing information; supplier and customer (current and prospective) information; product information (including new products, recipes, formulas and samples); information related to the siting of new or existing restaurants; information related to the design or construction of the Company’s restaurants or plants; manufacturing processes; hiring and recruitment information; all information relating to the Company’s goods and services; research and development information; legal information (including legal issues, cases and strategies) or other information, technology, data and materials, disclosed verbally or in writing by the Company and its affiliates to Employee. “Confidential Information” does not include information that is or becomes generally available to the public, other than through disclosure by Employee.

4.3 Employee acknowledges that any information shall be presumed to be Confidential Information if the Company takes or has taken measures designed to prevent it, in the ordinary course of business, from being available to persons other than those selected by the Company to have access thereto for limited purposes.

4.4 All information disclosed to Employee or to which Employee obtains or has obtained access to during the period of Employee’s employment, which Employee has a reasonable basis to believe to be Confidential Information, shall be presumed to be Confidential Information.

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4.5 Upon Employee's retirement from the Company, all records of Confidential Information, including, but not limited to, all notes, memos, plans, records, letters, reports or other tangible materials, including copies thereof in Employee's possession, and including any and all documents and copies thereof provided to Employee's attorney, whether prepared by Employee or by others, shall be left with, or delivered by Separation Date to the Company. Notwithstanding the foregoing, Employee may retain any and all documents relating to his compensation and benefits, including, but not limited to, documents relating to the health insurance plan, outstanding equity awards, the 401(k) Retirement Plan, the BEEDP, and the SERP.

4.6 Employee agrees, unless compelled by legal process, not to discuss with any person or entity, including any current, future or former employees of the Company and its affiliates (collectively, "Company Employees"), their attorney(s) or other representatives, any information concerning: (a) the existing, former or potential claims of any Company Employees against the Company and/or any of its affiliates, and its or their past present or future stockholders, officers, directors, parents, subsidiaries, divisions, successors, assigns, employees, managers, members, agents or representatives (collectively, "Related Parties") or (b) any Confidential Information, including the business sensitive policies, personnel or business practices of Company and its Related Parties. If Employee is compelled to give testimony pursuant to legal process, Employee shall immediately notify the Company as soon as Employee becomes aware of such legal process pursuant to Section 21.

4.7 Employee understands and agrees that, even after his employment with the Company ends, he is still bound by the provisions of the Company's "Policy Statement Against Insider Trading," which provides, in relevant part, that:

This Policy Statement continues to apply to your transactions in our securities even after your service with us ends. If you are aware of material nonpublic information when your service with us ends, you may not trade in our securities until that information has become public or is no longer material.

5. Cooperation. Employee agrees to cooperate fully with the Company in its defense of any lawsuit filed over matters that occurred during the tenure of Employee's employment with the Company, and agrees to provide full and accurate information with respect to same. Employee further agrees not to counsel or otherwise assist any party in investigating, pursuing, prosecuting, or maintaining any claim, charge, or lawsuit against the Company or any of its Related Parties, and will not provide any information to any outside parties concerning the Company and its Related Parties, unless compelled to do so by valid subpoena or other court order, and in such case only after first notifying the Company in advance of such subpoena or court order.

6. Non-Competition. During the one-year (1) period following the Employee's Separation Date, Employee shall not, without the prior written consent of the Company, engage, either directly or indirectly, as a principal or for his own account or solely or jointly with others, or as a stockholder or equity owner of, or officer, director, employee or consultant of, any

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corporation or other entity that is engaged in any state within the United States of America (i) in the development or operation of “family dining” restaurants, including without limitation Cracker Barrel Old Country Store, Inc., Golden Corral Corporation, DineEquity, Inc., Friendly Ice Cream Corporation and Denny’s, Inc. or (ii) in the manufacture or sale of food products that are the same or similar to those food products manufactured or sold by the Company on the effective date of this Agreement, including fresh and frozen sausage products, refrigerated side dishes, and frozen convenience food items, including without limitation Sara Lee Corporation, Odom’s Tennessee Pride Sausage, Inc., and Reser’s Fine Foods, Inc. (each, a “Competing Business”); provided, that subsection (ii) of this Section 6 shall not apply to a Competing Business primarily engaged in the manufacture or sale of smoked sausage products and nothing herein shall prohibit the acquisition by Employee of an interest representing one percent (1%) or less of the outstanding shares of any publicly-traded corporation engaged in a Competing Business.

7. Agreement Not to Solicit Employees. Employee agrees that during the one-year (1) period following his retirement from the Company, he shall not, either directly or indirectly, on his own behalf or in the service or on behalf of others, solicit or divert, or attempt to solicit or divert any person then employed by the Company or any of its affiliates.

8. Agreement Not to Hire Certain Employees. Employee agrees that during the one-year (1) period following his retirement from the Company, he shall not, either directly or indirectly, on his own behalf or in the service or on behalf of others, hire or attempt to hire any person then employed by the Company or any of its affiliates as an officer, Area Director, Market Partner or Market Coach.

9. No Disparagement. Employee agrees that he shall not make or publish any statement (orally or in writing) that becomes or reasonably could be expected to become publicly known or otherwise impact the Company’s business, or instigate, assist or participate in the making or publication of any such statement, which would libel, slander or disparage (whether or not such disparagement legally constitutes libel or slander) the Company or any person affiliated with the Company, or the reputations of any of its past or present shareholders, officers, directors, agents, representatives and employees. Except as necessary to communicate to its Board of Directors and/or its officers the circumstances surrounding Employee’s retirement, the Company agrees that it shall not make or publish any statement (orally or in writing) that becomes or reasonably could be expected to become publicly known or otherwise impact Employee’s subsequent employment, business ventures, or reputation, or instigate, assist or participate in the making or publication of any such statement, which would libel, slander or disparage (whether or not such disparagement legally constitutes libel or slander) Employee.

10. Release of Claims.

10.1 In consideration of the receipt of the sums and covenants stated herein, Employee does hereby, on behalf of himself, his heirs, administrators, executors, agents, and assigns, forever release, requite, and discharge the Company and its Related Parties, from any and all charges, claims, demands, judgments, actions, causes of action, damages, expenses, costs, attorneys’ fees, and liabilities of any kind whatsoever, whether known or unknown, vested or

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contingent, in law, equity or otherwise, which Employee has ever had, now has, or may hereafter have against said Company and its Related Parties for or on account of any matter, cause or thing whatsoever which has occurred prior to the date Employee signed this Agreement, including, without limitation of the generality of the foregoing, any and all claims which are related to Employee's employment with the Company and the termination thereof, and any and all rights which Employee has or may have under the Age Discrimination in Employment Act, as amended; the Older Worker Benefit Protection Act; Title VII of the Civil Rights Act of 1964, as amended by the Equal Employment Opportunity Act of 1972; the Civil Rights Act of 1991; the Employee Retirement Income Security Act, 29 U.S.C. §1001 et seq.; 42 U.S.C. §1981; the Americans With Disabilities Act; Ohio Revised Code Sections 4101.17 and 4112.02 et seq. and other federal and state statutes which regulate employment; and the laws of contract, torts, and other subjects. Nothing contained herein shall be construed as a waiver or release of Employee's accrued and vested rights in the Company's 401(k) Retirement Plan, any outstanding equity awards, the BEEDP, or the SERP.

10.2 It is hereto agreed that this Agreement constitutes, among other things and except to the extent that rights are retained as noted above, a full and complete release of any and all claims which Employee may have against the Company and its Related Parties, upon or by reason of any matter or thing whatsoever which has occurred prior to the signature date of this Agreement, including without limitation all age discrimination claims under the Age Discrimination in Employment Act, as amended, and it is the intention of the parties hereto that this Agreement is and shall be a complete and absolute defense to anything released hereunder. Employee expressly and knowingly waives his rights to assert any claims against the Company and its Related Parties that are released hereunder, and covenants not to sue the Company and its Related Parties based upon any claims released hereunder.

11. No Acknowledgement of Liability. It is understood that this Agreement is, among other things, a compromise of disputed claims, and no party, by entering into this Agreement, acknowledges the validity of the other's claims or defenses, and the above-mentioned payments and covenants are not, and should not be construed as, an admission or acknowledgment by the Company or its Related Parties of any liability whatsoever to Employee or any other person or entity.

12. Remedies for Breach by Employee. Employee agrees that it would be difficult to compensate the Company fully for damages for any violation of the provisions of this Agreement, including without limitation the provisions of Sections 4, 6, 7 and 8. Employee agrees that any breach of this Agreement by Employee would cause the Company and/or its affiliates great and irreparable injury and damage, the actual amount of which cannot be reasonably or adequately compensated in damages in an action at law. Employee acknowledges that the Company shall, therefore, be entitled, in addition to any other remedies that it may have under this Agreement or at law, to receive injunctive and other equitable relief (including without limitation specific performance) to enforce any of the rights and privileges of the Company or any of the covenants or obligations of the Employee hereunder. In addition to any and all other remedies available to the Company, Employee agrees that the Company shall be entitled to recover from Employee liquidated damages in an amount no less than Seventy-Five Thousand, Eight Hundred Dollars (\$75,800.00) per breach of this Agreement. Nothing

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contained herein, and no exercise by the Company of any right or remedy, shall be construed as a waiver by the Company of any other rights or remedies that the Company may have. Further, if Employee can demonstrate that the Company breached the terms of this Agreement, the Company agrees to pay Employee for any damages proven and suffered as a result of such breach.

13. Employee's Acknowledgements.

13.1 Employee states and represents that he has carefully read this Agreement and knows the contents thereof, and that he has executed the same as his own free act and deed.

13.2 Employee acknowledges that he has been and is hereby advised in writing to consult with an attorney concerning this Agreement and that he had the opportunity to seek the advice of legal counsel in connection with the negotiation and execution of this Agreement. Employee further acknowledges that he has had the opportunity to ask questions about each and every provision of this Agreement and that he fully understands the effect of the provisions contained in this Agreement upon his legal rights. Employee acknowledges that he has been given at least 21 days to consider the terms of this Agreement before signing it, and that he may revoke his signature at any time before the expiration of seven (7) days after he signs and returns this Agreement. This Agreement does not take effect until eight (8) days after he signs it. If Employee intends to revoke his signature, he shall notify the Company pursuant to Section 21.

13.3 Employee agrees that he has: (i) received all compensation due him as a result of services performed for the Company with the receipt of his final paycheck; (ii) reported to the Company any and all work-related injuries incurred by Employee during his employment by the Company; and (iii) been properly provided any leave of absence due to his or a family member's health condition and has not been subjected to any improper treatment, conduct or actions due to a request for or taking such leave.

14. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Ohio. If any provision or provisions hereof shall at any time be found or declared invalid or unenforceable, such finding or declaration shall not impair the remaining provisions hereof, but the same shall remain valid and enforceable.

15. Successors and Assigns. Employee's obligations and agreements under this Agreement shall be binding on the Employee's heirs, executors, legal representatives and assigns and shall inure to the benefit of any successors and assigns of the Company. The Company's obligations and agreements under this Agreement shall be binding upon the Company's affiliates, divisions, successors, and assigns and shall inure to the benefit of Employee's heirs, executors, and assigns.

16. Entire Agreement; Amendment. This Agreement constitutes the entire agreement between the parties hereto in respect of the subject matter hereof and this Agreement supersedes all prior and contemporaneous agreements between the parties hereto in connection with the subject matter hereof, except as otherwise provided herein. No change, termination or attempted

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waiver of any of the provisions of this Agreement shall be binding on any party hereto unless in writing and signed by the party affected.

17. Waiver. The failure of any party hereto to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of any such provision, nor in any way to affect the validity of this Agreement or any part thereof or the right of any party thereof to enforce each and every such provision. No waiver or any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.

18. Interpretation. In this Agreement, (a) the word “including” means including without limiting the generality of any description preceding such term and (b) references to any agreement or plan means such agreement or plan as amended and modified and in effect from time to time in accordance with the terms of such agreement or plan.

19. Withholding Taxes. The Company may withhold from all compensation payable pursuant hereto all sums required to be withheld under all federal, state and city laws, or governmental regulation or ruling, with respect to payment of compensation, benefits or perquisites.

20. Severability. To the extent any provision of this Agreement shall be invalid or unenforceable, it shall be considered deleted and the remainder of such provision and of this Agreement shall be unaffected and shall continue in full force and effect. In furtherance and not in limitation of the foregoing, should the duration or geographical extent of, or business activities covered by any provision of this Agreement be in excess of that which is valid and enforceable under applicable law, then such provision shall be construed to cover only that duration, extent or activities which may validly and enforceably be covered. Employee acknowledges the uncertainty of the law in this respect and expressly stipulates that this Agreement shall be given the construction that renders the provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.

21. Notices. All notices or other communications required or permitted hereunder shall be in writing and shall be deemed given or delivered when delivered personally or four (4) days after being mailed by registered or certified mail, return receipt requested, or one (1) day after being sent by private overnight courier addressed as set forth below, or if sent by facsimile transmission, on the first business day after transmission provided that an original copy has been deposited in the U.S. mail:

If to Employee, to:

Roger D. Williams

\_\_\_\_\_  
\_\_\_\_\_  
Fax:

With a copy to:

[Name of Attorney]

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[Address]

Fax:

If to the Company, to:

Bob Evans Farms, Inc.  
3776 South High Street  
Columbus, OH 43207  
Attention: Legal Department  
Fax: (614) 409-2075

With copies to:  
Vorys, Sater, Seymour and Pease LLP  
52 East Gay Street  
Columbus, Ohio 43215  
Attention: Chris North  
Fax: (614) 719-4888

or to such other address as such party may indicate by a notice delivered to the other party hereto.

**EMPLOYEE ACKNOWLEDGES THAT HE HAS CAREFULLY READ AND FULLY UNDERSTANDS ALL THE PROVISIONS OF THIS RELEASE AND SETTLEMENT AGREEMENT, THAT HE HAS BEEN GIVEN AT LEAST TWENTY-ONE DAYS WITHIN WHICH TO CONSIDER SIGNING THIS AGREEMENT, THAT HE HAS BEEN ADVISED TO CONSULT WITH AN ATTORNEY, THAT HE MAY REVOKE THIS AGREEMENT WITHIN SEVEN DAYS AFTER HE SIGNS IT AND THAT HE KNOWINGLY AND VOLUNTARILY HAS ENTERED INTO THIS AGREEMENT IN EXCHANGE FOR VALUABLE CONSIDERATION, INCLUDING THE PAYMENTS IDENTIFIED IN PARAGRAPH 2 , TO WHICH HE WOULD NOT OTHERWISE BE ENTITLED ABSENT THIS AGREEMENT.**

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**Rule 13a-14(a)/15d-14(a) CERTIFICATION**

I, Steven A. Davis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bob Evans Farms, Inc.;
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 officer 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 control over financial reporting, or caused such internal control 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 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 officer 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 the registrant's Board of Directors:
  - 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 control over financial reporting.

Date: March 4, 2009

/s/ Steven A. Davis

Steven A. Davis  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

**Rule 13a-14(a)/15d-14(a) CERTIFICATION**

I, Donald J. Radkoski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bob Evans Farms, Inc.;
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 officer 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 control over financial reporting, or caused such internal control 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 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 officer 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 the registrant's Board of Directors:
  - 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 control over financial reporting.

Date: March 4, 2009

/s/ Donald J. Radkoski

Donald J. Radkoski  
Chief Financial Officer  
(Principal Financial Officer)

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**SECTION 1350 CERTIFICATION\***

In connection with the Quarterly Report of Bob Evans Farms, Inc. (the "Company") on Form 10-Q for the quarterly period ended January 23, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven A. Davis, Chairman and Chief Executive Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) 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.

Date: March 4, 2009

/s/ Steven A. Davis  
Steven A. Davis  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

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\* This certification is being furnished as required by Rule 13a-14(b) under the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except as otherwise stated in such filing.

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**SECTION 1350 CERTIFICATION\***

In connection with the Quarterly Report of Bob Evans Farms, Inc. (the "Company") on Form 10-Q for the quarterly period ended January 23, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald J. Radkoski, Chief Financial Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) 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.

Date: March 4, 2009

/s/ Donald J. Radkoski  
Donald J. Radkoski  
Chief Financial Officer  
(Principal Financial Officer)

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\* This certification is being furnished as required by Rule 13a-14(b) under the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except as otherwise stated in such filing.