BOB EVANS FARMS INC

FORM 10-Q
(Quarterly Report)

Filed 12/06/17 for the Period Ending 10/27/17

Address	8111 SMITH'S MILL ROAD NEW ALBANY, OH, 43054
Telephone	614-491-2225
CIK	0000033769
Symbol	BOBE
SIC Code	5812 - Retail-Eating Places
Industry	Restaurants & Bars
Sector	Consumer Cyclicals
Fiscal Year	04/24

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 October 27, 2017
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	**31-4421866**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

8111 Smith's Mill Road, New Albany, Ohio 43054
(Address of principal executive offices Zip Code)

(Registrant's telephone number, including area code) (614) 491-2225

Not Applicable
(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 has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 definition of "accelerated filer," "large accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

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

As of November 30, 2017 , the registrant had 20,049,863 shares of its common stock, $.01 par value, outstanding.

BOB EVANS FARMS, INC.
TABLE OF CONTENTS

PART I—FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
BOB EVANS FARMS, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except par value amount)

	Unaudited October 27, 2017	April 28, 2017
Assets		
Current Assets		
Cash and equivalents	$ 1,438	$ 210,886
Accounts receivable, net	41,782	28,071
Inventories	29,709	17,210
Federal and state income taxes receivable	15,155	2,895
Prepaid expenses and other current assets	6,268	6,833
Current assets held for sale	3,334	3,334
Total Current Assets	97,686	269,229
Property, plant and equipment	296,745	244,554
Less accumulated depreciation	133,386	113,814
Net Property, Plant and Equipment	163,359	130,740
Other Assets		
Deposits and other	1,896	2,118
Rabbi trust assets	23,346	22,353
Goodwill	99,829	19,634
Other intangible assets, net	35,167	39
Deferred income tax assets	5,291	5,131
Total Other Assets	165,529	49,275
Total Assets	$ 426,574	$ 449,244
Liabilities and Stockholders' Equity		
Current Liabilities		
Current debt payable	$ 1,588	$ 428
Accounts payable	24,004	13,424
Accrued property, plant and equipment purchases	1,353	1,283
Accrued non-income taxes	1,126	3,353
Accrued wages and related liabilities	5,933	16,404
Self-insurance reserves	4,829	7,878
Current taxes payable	1,483	27,954
Current reserve for uncertain tax provision	1,481	1,481
Other accrued expenses	18,160	17,905
Total Current Liabilities	59,957	90,110
Non-Current Liabilities		
Deferred compensation	17,125	17,277
Reserve for uncertain tax positions	2,595	1,795
Deferred income tax liabilities	18,655	50
Other non-current liabilities	29,552	6,097
Credit facility borrowings and other non-current debt	125,023	2,267
Total Non-Current Liabilities	192,950	27,486
Stockholders' Equity		
Common stock, $0.01 par value; authorized 100,000 shares; issued 42,638 shares at October 27, 2017, and April 28, 2017	426	426
Capital in excess of par value	258,025	260,619
Retained earnings	775,580	931,315
Treasury stock, 22,663 shares at October 27, 2017, and 22,842 shares at April 28, 2017, at cost	(860,364)	(860,712)
Total Stockholders' Equity	173,667	331,648
Total Liabilities and Stockholders' Equity	$ 426,574	$ 449,244

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

CONSOLIDATED STATEMENTS OF NET INCOME
UNAUDITED
(in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	October 27, 2017	October 28, 2016	October 27, 2017	October 28, 2016
Net Sales	$ 117,626	$ 96,158	$ 226,891	$ 182,099
Cost of goods sold	82,920	62,881	158,746	120,301
Gross Margin	34,706	33,277	68,145	61,798
Operating expenses:				
Advertising and marketing costs	5,313	3,543	8,377	6,782
Selling costs	4,257	4,099	8,690	7,813
Distribution costs	5,373	4,674	10,736	8,623
General and administrative costs	10,308	9,522	18,908	18,836
Amortization of intangible assets	936	39	1,837	78
Impairment, restructuring and other exit costs	5,876	16,168	5,876	16,168
Total operating expenses	32,063	38,045	54,424	58,300
Operating Income (Loss)	2,643	(4,768)	13,721	3,498
Net interest expense	1,015	1,335	1,475	2,822
Income (Loss) from Continuing Operations Before Income Taxes	1,628	(6,103)	12,246	676
(Benefit) Provision for income taxes	(622)	(1,969)	2,947	233
Income (Loss) from Continuing Operations	2,250	(4,134)	9,299	443
Income from Discontinued Operations, net of Income Taxes	—	4,352	—	8,938
Net Income	$ 2,250	$ 218	$ 9,299	$ 9,381
Earnings Per Share — Income (Loss) from Continuing Operations				
Basic	$ 0.11	$ (0.21)	$ 0.46	$ 0.02
Diluted	$ 0.11	$ (0.21)	$ 0.46	$ 0.02
Earnings Per Share — Income from Discontinued Operations				
Basic	$ —	$ 0.22	$ —	$ 0.45
Diluted	$ —	$ 0.22	$ —	$ 0.45
Earnings Per Share — Net Income				
Basic	$ 0.11	$ 0.01	$ 0.46	$ 0.47
Diluted	$ 0.11	$ 0.01	$ 0.46	$ 0.47
Cash Dividends Paid Per Share	$ 0.34	$ 0.34	$ 8.18	$ 0.68
Weighted Average Shares Outstanding				
Basic	20,188	19,825	20,166	19,807
Dilutive shares	33	139	35	175
Diluted	20,221	19,964	20,201	19,982

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED
(in thousands)

	Six Months Ended	
	October 27, 2017	October 28, 2016
Operating activities:		
Net income	$ 9,299	$ 9,381
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,989	35,218
Impairments	—	16,523
Gain on disposal of fixed assets	(35)	(1,664)
Gain on rabbi trust assets	(994)	(967)
Loss on deferred compensation	1,479	1,115
Share-based compensation	546	3,263
Accretion on long-term note receivable	—	(1,133)
Deferred income taxes	(1)	(5,903)
Amortization of deferred financing costs	154	720
Cash provided by (used for) assets and liabilities:		
Accounts receivable	(7,703)	(10,930)
Inventories	(9,283)	(8,338)
Prepaid expenses and other current assets	1,334	491
Accounts payable	8,356	4,110
Federal and state income taxes	(38,638)	(11,185)
Accrued wages and related liabilities	(10,900)	(6,941)
Self-insurance	(3,049)	(1,740)
Accrued non-income taxes	(2,227)	(1,450)
Deferred revenue	—	(2,096)
Other assets and liabilities	(2,482)	(7,060)
Net cash (used in) provided by operating activities	(39,155)	11,414
Investing activities:		
Acquisition of Pineland Farms Potato Company	(115,811)	—
Purchase of property, plant and equipment	(9,817)	(37,086)
Proceeds from sale of property, plant and equipment	11	10,688
Deposits and other	82	130
Net cash used in investing activities	(125,535)	(26,268)
Financing activities:		
Cash dividends paid	(163,013)	(13,452)
Gross proceeds from credit facility borrowings and other long-term debt	147,500	189,179
Gross repayments of credit facility borrowings and other long-term debt	(23,585)	(166,490)
Cash paid for taxes on share-based compensation	(5,660)	(667)
Excess tax benefits from share-based compensation	—	(1,729)
Net cash (used in) provided by financing activities	(44,758)	6,841
Net cash used in operations	(209,448)	(8,013)
Cash and equivalents at the beginning of the period	210,886	12,896
Cash and equivalents at the end of the period	$ 1,438	$ 4,883

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

BOB EVANS FARMS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Summary of Significant Accounting Policies

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 this Quarterly Report on Form 10-Q and, consequently, do not include all of the disclosures normally required by U.S. generally accepted accounting principles or those normally made in our Annual Report on 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. The information in this Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the fiscal year ended April 28, 2017 . Throughout the Unaudited Consolidated Financial Statements and Notes to the Consolidated Financial Statements, dollars are in thousands, except share and per-share amounts.

Pending Acquisition by Post Holdings, Inc.: On September 18, 2017 , the Company, Post Holdings, Inc., a Missouri corporation ("Post" or "Post Holdings"), and Haystack Corporation, a Delaware corporation and a wholly owned subsidiary of Post (“Merger Sub”), entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which Merger Sub will be merged with and into the Company (the "Merger"). As a result of the Merger, Merger Sub will cease to exist, and the Company will survive as a wholly owned subsidiary of Post. Upon the closing of the Merger, each share of the Company’s common stock, par value $0.01 per share (other than treasury stock and any shares of the Company’s common stock owned by the Company, Post, Merger Sub or any of their wholly owned subsidiaries, or any Company stockholder who properly demands statutory appraisal of such stockholder’s shares), will be converted into the right to receive an amount in cash equal to $77.00 without interest. Upon completion of the Merger, the Company’s common stock will no longer be publicly traded and will be delisted from the Nasdaq Global Select Market.

The pending Merger is expected to be completed during the first calendar quarter of 2018, and is subject to customary closing conditions, including adoption of the Merger by the Company’s stockholders.

The Merger Agreement contains certain termination rights for the Company and Post. Upon termination of the Merger Agreement, under specified circumstances, including if the Company terminates the Merger Agreement in order to accept a qualifying Proposal or if the Company's Board of Directors changes its recommendation in favor of the transaction, the Company may be required to pay Post a termination fee of $50,000 .

Description of Business : We produce and distribute a variety of complementary home-style, refrigerated side-dish convenience food items and pork sausage under the Bob Evans ®, Owens ®, Country Creek ® and Pineland ® brand names. These food products are available throughout the United States at grocery retailers. We also manufacture and sell similar products to food-service accounts, including Bob Evans Restaurants and other restaurants.

In the fourth quarter of fiscal 2017, we completed the sale of the Bob Evans Restaurants business (the "Restaurants Business") to Bob Evans Restaurants LLC, a Delaware limited liability company formed by affiliates of Golden Gate Capital Opportunity Fund, L.P. (the "Buyer") in accordance with the Asset Membership Interest Purchase Agreement entered into on January 24, 2017 (the "Restaurants Transaction"). For all periods presented in our Consolidated Statements of Net Income, all sales, costs, expenses, gains and income taxes attributable to our Restaurants Business as well as the Restaurants Transaction have been reported under the caption "Income from Discontinued Operations, Net of Income Taxes." See Note 3 for additional information.

On May 1, 2017, the Company completed its acquisition ("the Acquisition") of Pineland Farms Potato Company, Inc., a Maine corporation ("Pineland"). The Acquisition increases our side-dish production capacity and provides us with the capability to produce and sell diced and shredded potato products in both the retail and food-service channels. The Company purchased and acquired all of the equity interests of Pineland outstanding immediately prior to the closing. See Note 2 for additional information.

Income Statement Reclassifications: Historically, the cost of goods sold line in the Consolidated Statement of Net Income has primarily represented the cost of materials and has excluded depreciation expense, which was presented separately. In the first quarter of fiscal 2018, we changed the presentation of our Consolidated Statements of Net Income. The changes were made to conform the Consolidated Statements of Net Income to how management views the business subsequent to the divestiture of Bob Evans Restaurants and to better align with presentation that is consistent with our industry peers. The primary change was to classify all production costs, including production labor, depreciation and other plant operating costs, as costs of goods sold. These costs totaled $27,227 and $22,656 for the three months ended October 27, 2017 , and October 28, 2016 , respectively, and $52,751 and $42,062 for the six months ended October 27, 2017 , and October 28, 2016 , respectively. We also have changed our income statement presentation to separately present advertising, selling and distribution costs, consistent with how management views the business. These classification changes had no impact on reported operating income or net income, and prior period amounts have been reclassified to conform to the current presentation.

Revenue Recognition: Revenue is recognized when products are received by our customers. We engage in promotional (sales incentive / trade spend) programs in the form of "off-invoice" deductions, billbacks, cooperative advertising and coupons with our customers. Costs associated with these programs are classified as a reduction of gross sales in the period in which the sale occurs. Promotional spending for continuing operations, primarily comprised of off-invoice deductions and billbacks, was $23,377 and $19,330 for the three months ended October 27, 2017 , and October 28, 2016 , respectively, and $41,257 and $35,621 for the six months ended October 27, 2017 , and October 28, 2016 , respectively.

Cost of Goods Sold: Cost of goods sold includes the cost of raw materials, packaging materials, production labor and all other operating costs associated with our production facilities including depreciation. Prior to the income statement reclassification, cost of goods sold was comprised primarily of raw material and packaging material costs. Production labor was previously included in operating wages and fringe benefit expenses, production related operating expenses were included in other operating expenses and depreciation was presented separately on the Consolidated Statements of Net Income.

Advertising and Marketing Costs: Advertising and marketing costs are primarily comprised of media advertising and consumer research costs. Media advertising is expensed over the expected benefit period and is fully expensed in the fiscal year the media first airs. We expense all other advertising and marketing costs as incurred. Advertising and marketing expense from continuing operations was $5,313 and $3,543 in the three months ended October 27, 2017 , and October 28, 2016 , respectively, and $8,377 and $6,782 in the six months ended October 27, 2017 , and October 28, 2016 , respectively, and is recorded separately in the Consolidated Statements of Net Income. Prior to the changes in income statement presentation, advertising costs were included in other operating expenses and marketing costs were included in S,G&A.

Distribution Costs: Distribution costs primarily consist of expenditures related to shipping products to our customers and are expensed as incurred. Distribution costs were $5,373 and $4,674 for the three months ended October 27, 2017 , and October 28, 2016 , respectively, and $10,736 and $8,623 for the six months ended October 27, 2017 , and October 28, 2016 , respectively, and are recorded separately on the Consolidated Statements of Net Income. These costs were primarily presented as other operating expenses prior to the first quarter of fiscal 2018.

Selling Costs: Selling costs include compensation, travel and support costs for our sales organization as well as broker fees. Selling costs were $4,257 and $4,099 for the three months ended October 27, 2017 , and October 28, 2016 , respectively, and $8,690 and $7,813 for the six months ended October 27, 2017 , and October 28, 2016 , respectively, and are recorded separately on the Consolidated Statements of Net Income. These costs were previously classified in S,G&A.

Accounts Receivable: Accounts receivable represents amounts owed to us through our operating activities and are presented net of allowances for doubtful accounts and promotional incentives. Accounts receivable consist primarily of trade receivables from customer sales. We evaluate the collectability of our accounts receivable based on a combination of factors. In circumstances where we are aware of a specific customer’s inability to meet its financial obligations to us, we record a specific allowance for bad debts against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. In addition, we recognize allowances for bad debts based on the length of time receivables are past due with allowance percentages, based on our historical experiences, applied on a graduated scale relative to the age of the receivable amounts. If circumstances such as higher than expected bad debt experience or an unexpected material adverse change in a major customer’s ability to meet its financial obligations to us were to occur, the recoverability of amounts due to us could change by a material amount. We had allowances for doubtful accounts of $401 and $269 as of October 27, 2017 , and April 28, 2017 , respectively. Accounts receivable were reduced by $7,063 and $8,055 as of October 27, 2017 , and April 28, 2017 , respectively, related to promotional incentives that reduce what is owed to the Company from certain customers.

Inventories: We value inventories at the lower of net realizable value or average cost, which approximates a first-in first-out basis due to the perishable nature of that inventory. Inventory includes raw materials and supplies ($12,793 at October 27, 2017 , and $6,037 at April 28, 2017) and finished goods ($16,916 at October 27, 2017 , and $11,173 at April 28, 2017).

Property, Plant and Equipment: Property, plant and equipment is recorded at cost less accumulated depreciation. The straight-line depreciation method is used. Depreciation is calculated at rates adequate to amortize costs over the estimated useful lives of buildings and improvements (primarily 5 to 25 years) and machinery and equipment (primarily 3 to 10 years). Improvements to leased properties are depreciated over the shorter of their useful lives or the initial lease terms. Total depreciation expense from continuing operations was $6,607 and $5,684 in the three months ended October 27, 2017 , and

October 28, 2016 , respectively, and $13,152 and $10,779 in the six months ended October 27, 2017 , and October 28, 2016 , respectively. Net assets acquired from the acquisition of Pineland are recorded at the preliminary estimated fair value, net of estimated depreciation expense. See Note 2 for additional information.

We evaluate property, plant and equipment held and used in the business for impairment whenever events or changes in circumstance indicate that the carrying amount of a long-lived asset may not be recoverable. Impairment is determined by comparing the estimated fair value for the asset group to the carrying amount of its assets. If impairment exists, the amount of impairment is measured as the excess of the carrying amount over the estimated fair values of the assets.

Assets associated with our Richardson, Texas, location totaling $3,334 are classified as Current Assets Held for Sale in the Consolidated Balance Sheet as of October 27, 2017 and April 28, 2017 .

Goodwill: Goodwill, which represents the cost in excess of fair market value of net assets acquired was $99,829 and $19,634 as of October 27, 2017 and April 28, 2017 , respectively. The increase in goodwill of $80,195 from the prior year was acquired as part of our acquisition of Pineland. See Note 2 for additional information. The remaining goodwill balance was acquired as part of our fiscal 2013 acquisition of Kettle Creations.

Goodwill is not amortized, but rather is tested for impairment during the fourth quarter each year or on a more frequent basis when indicators of impairment exist. Goodwill and indefinite lived intangible asset impairment testing involves a comparison of the estimated fair value of reporting units to the respective carrying amount. If the estimated fair value exceeds the carrying amount, then no impairment exists. If the carrying amount exceeds the estimated fair value, then a second step is performed to determine the amount of impairment, if any. We perform our impairment test using a combination of income-based and market-based approaches. The income-based approach indicates the fair value of an asset or business based on the cash flows it can be expected to generate over its remaining useful life. Under the market-based approach, fair value is determined by comparing our reporting units to similar businesses or guideline companies whose securities are actively traded in public markets. There have been no impairments to our goodwill in the current or prior year.

Other Intangible Assets: The net book value of other intangible asset was $35,167 and $39 as of October 27, 2017 and April 28, 2017 , respectively. As part of the Pineland acquisition, we acquired identifiable intangible assets associated with the Pineland trade name and customer relationships. The Pineland trade name and customer relationships are being amortized on a straight-line basis over their estimated economic useful life of 20 years and 10 years , respectively.

We recorded $936 and $1,837 of amortization expense associated with intangible assets in the three months ended and six months ended October 27, 2017 , respectively. As of October 27, 2017 , other intangible assets were comprised of the following:

(in thousands)	October 27, 2017
Customer relationships	$ 33,193
Trademark	1,974
Total other intangible assets, net	$ 35,167

Earnings Per Share ("EPS"): Our basic EPS computation is based on the weighted-average number of shares of common stock outstanding during the period presented. Our diluted EPS calculation reflects the assumed vesting of restricted shares and market-based performance shares, the exercise and conversion of outstanding employee stock options and the settlement of share-based obligations recorded as liabilities on the Consolidated Balance Sheet, net of the impact of anti-dilutive shares. See Note 7 for more information.

The numerator in calculating both basic and diluted EPS for each period is reported net income. The denominator is based on the following weighted-average shares outstanding:

	Three Months Ended		Six Months Ended	
(in thousands)	October 27, 2017	October 28, 2016	October 27, 2017	October 28, 2016
Basic	20,188	19,825	20,166	19,807
Dilutive shares	33	139	35	175
Diluted	20,221	19,964	20,201	19,982

In the three months and six months ended October 27, 2017 , 38,722 and 33,952 shares, respectively, were excluded from the diluted EPS calculations because they were anti-dilutive. In the three months and six months ended October 28, 2016 , 337,218 and 326,605 shares, respectively, of common stock were excluded from the diluted EPS calculations because they were anti-dilutive.

Dividends: In both the three months ended October 27, 2017 , and October 28, 2016 , the Company paid dividends equal to $ 0.34 per share on our outstanding common stock. In the six months ended October 27, 2017 and October 28, 2016 , the Company paid dividends equal to $8.18 and $0.68 , respectively, per share on our outstanding common stock. Dividends paid during the first six months of fiscal 2018 include a special dividend of $7.50 per share, which represents the majority of net cash proceeds from the Restaurants Transaction, after income tax payments and the settlement of outstanding borrowings under our former credit agreement.

Individuals that hold awards for unvested and outstanding restricted stock units, performance share units and outstanding deferred stock awards are entitled to receive dividend equivalent rights equal to the per-share cash dividends paid on outstanding units. Dividend equivalent rights are forfeitable until the underlying share-units from which they were derived vest. Share-based dividend equivalents are recorded as a reduction to retained earnings, with an offsetting increase to capital in excess of par value. Refer to table below:

	Six Months Ended	
(in thousands)	October 27, 2017	October 28, 2016
Cash dividends paid to common stockholders	$ 163,013	$ 13,452
Dividend equivalent rights	2,021	253
Total dividends	$ 165,034	$ 13,705

Accrued Non-Income Taxes: Accrued non-income taxes primarily represent obligations for real estate and personal property taxes, as well as sales and use taxes. Accrued non-income taxes were $1,126 and $3,353 as of October 27, 2017 , and April 28, 2017 , respectively.

Self-Insurance Reserves: We record estimates for certain health, workers' compensation and general insurance costs that are self-insured programs. Self-insurance reserves include actuarial estimates of both claims filed, carried at their expected ultimate settlement value, and claims incurred but not yet reported. Our liability represents an estimate of the ultimate cost of claims incurred as of the balance sheet date. In the first quarter of fiscal 2018, we corrected the classification of self-insurance reserves. We recorded an adjustment on our April 28, 2017 , Consolidated Balance Sheet to classify $2,814 of our self-insurance reserves as non-current. Self-insurance reserves were $6,820 and $10,692 as of October 27, 2017 , and April 28, 2017 , respectively, of which $1,991 and $2,814 were classified as non-current liabilities.

Other Accrued Expenses: Other accrued expenses consisted of the following:

(in thousands)	October 27, 2017	April 28, 2017
Legal and professional fees	$ 7,485	$ 10,807
Accrued customer incentives	2,852	1,912
Accrued advertising	1,292	515
Accrued broker fees	1,112	945
Other	5,419	3,726
Total other accrued expenses	$ 18,160	$ 17,905

Other Non-Current Liabilities: Other non-current liabilities consisted of the following:

(in thousands)	October 27, 2017	April 28, 2017
Deferred rent	$ 1,430	$ 1,091
Contingent consideration (1)	24,059	—
Non-current deferred gain (2)	2,072	2,192
Self-insurance reserves	1,991	2,814
Total other non-current liabilities	$ 29,552	$ 6,097

(1) See Note 2 for additional information.

(2) In fiscal 2016, we entered into sale leaseback transactions for two of our production facilities. The transactions included 20 -year initial lease terms for each facility with additional renewal periods, as well as payment and performance guaranties. A gain of $ 2,305 on the sale of our Lima, Ohio, facility was deferred and is being recognized on a straight-line basis over the initial term of the lease.

Commitments and Contingencies: We occasionally use purchase commitment contracts to stabilize the potentially volatile pricing associated with certain commodity items.

We are self-insured for most casualty losses and employee health-care claims up to certain stop-loss limits per claimant. We have accounted for liabilities for casualty losses, including both reported claims and incurred, but not reported claims, based on information provided by independent actuaries. We have estimated our employee health-care claims liability through a review of incurred and paid claims history. The Company retained liabilities for health insurance and general liability claims associated with the Restaurants Business that were incurred prior to the closing of the Restaurants Transaction. We do not believe that our calculation of casualty losses and employee health-care claims liabilities would change materially under different conditions and/or different methods. However, due to the inherent volatility of actuarially determined casualty losses and employee health care claims, it is reasonably possible that we could experience changes in estimated losses, which could be material to net income.

New Accounting Pronouncements: In the normal course of business, management evaluates all new accounting pronouncements issued by the Financial Accounting Standard Board ("FASB"), the Securities and Exchange Commission ("SEC"), the Emerging Issues Task Force, the American Institute of Certified Public Accountants or any other authoritative accounting body to determine the potential impact they may have on the Company's consolidated financial statements.

In May 2014, the FASB and the International Accounting Standards Board ("IASB") issued new joint guidance surrounding revenue recognition. Under US GAAP, this guidance is being introduced to the ASC as Topic 606, Revenue from Contracts with Customers ("Topic 606"), by Accounting Standards Update ("ASU") No. 2014-09. The new standard supersedes a majority of existing revenue recognition guidance under US GAAP, and requires companies to recognize revenue when it transfers goods or services to a customer in an amount that reflects the consideration to which a company expects to be entitled. Companies may need to use more judgment and make more estimates while recognizing revenue, which could result in additional disclosures to the financial statements. Topic 606 allows for either a "full retrospective" adoption or a "modified retrospective" adoption. The standard will become effective for us in fiscal 2019.

We are in the process of implementing the new standard, focusing on promotional arrangements with customers. We do not believe the implementation will be material to our current or historical financial statements. We are in the process of developing additional controls to ensure proper oversight of new customer relationships and promotional activity, as well as to ensure we meet all of the disclosure requirements associated with the new standard. We have not yet concluded which transition method we will elect, but anticipate we will use the modified retrospective approach.

In February 2016, the FASB issued ASU No. 2016-02, Leases. This guidance requires companies to put most leases on their balance sheets but recognize expenses on their income statements in a manner similar to today's accounting. The new standard also will result in enhanced quantitative and qualitative disclosures, including significant judgments made by management, to provide greater insight into the extent of revenue and expense recognized and expected to be recognized from existing leases. The standard requires modified retrospective adoption and will become effective for us beginning in fiscal 2020, with early adoption permitted. We are currently evaluating this standard, including the timing of adoption and the related impact on our consolidated financial statements.

In June 2016, FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses. ASU 2016-13 introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. It also modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The standard will become effective for us in our fiscal 2021. We do not expect this standard to have a material impact on the consolidated financial statements.

In August 2016, FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The guidance is to be applied using a retrospective transition method to each period presented. This standard will become effective for us in our fiscal 2019. We are currently evaluating the impact this standard will have on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment. ASU 2017-04 simplifies the accounting for goodwill impairments by eliminating Step 2 from the goodwill impairment test. Under the previous guidance an impairment of goodwill exists when the carrying amount of goodwill exceeds its implied fair value, whereas under the new guidance a goodwill impairment loss would be recognized if the carrying amount of the reporting unit exceeds its fair value, limited to the total amount of goodwill allocated to that reporting unit. The ASU is effective for annual and any interim impairment tests for periods beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We are currently evaluating the impact this standard will have on our consolidated financial statements.

2. Pineland Acquisition

On May 1, 2017, the Company completed the Acquisition. The Acquisition increases our side-dish production capacity and provides us with the capability to produce and sell diced and shredded potato products in both the retail and food-service channels. The Acquisition also diversifies our production capability by adding a second state-of-the-art potato processing facility with approximately 180 million pounds of annual capacity. Pineland also owns and operates a 900 -acre potato farm and is surrounded by an estimated 55,000 acres of annual potato production.

The Company purchased and acquired all of the equity interests of Pineland outstanding immediately prior to the closing. Net of working capital adjustments and cash acquired, the Company paid $115,811 in cash, and may be required to pay up to an additional $25,000 in cash as potential earn-out consideration, which is subject to the achievement of certain operating EBITDA performance milestones over a consecutive 12 -month period during the 24 months following the acquisition date. The following table summarizes the total preliminary purchase price allocated to the net assets acquired:

(in thousands)		
Cash paid	$	115,811
Preliminary fair value of contingent consideration		23,746
Total purchase price to allocate	$	139,557

The earn-out consideration arrangement requires the Company to pay a maximum of $25,000 to Pineland's former shareholders, if Pineland reaches certain EBITDA performance milestones over a consecutive 12 -month period during the 24 months following the acquisition date. The preliminary fair value of the earn-out consideration at the acquisition date was estimated to be $23,746 . We preliminarily estimated the fair value of the earn-out consideration using a probability-weighted discounted cash flow model. The key assumptions in the discounted cash flow model were Pineland forecasted revenues and profits over the 24 month period following the acquisition date. This fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in ASC 820. Subsequent adjustments to the fair value of the earn-out consideration will be recorded to the general and administrative expense line of the Consolidated Statements of Net Income. The earn-out vests at the maximum amount and becomes immediately due and payable in the event of a change in control.

The following table summarizes the estimated fair value of assets acquired and liabilities, on the acquisition date. We are in the process of reviewing a third party valuation of the assets acquired and liabilities assumed, including the earn-out consideration, and as a result the provisional measurements disclosed below are preliminary and subject to change.

(in thousands)	Acquisition date fair value	
Accounts receivable	$	6,008
Inventory		3,216
Other assets		944
Property, plant and equipment		35,915
Identifiable definite-lived intangible assets		36,965
Goodwill		80,195
Total identifiable assets acquired	$	163,243
Current liabilities assumed		5,081
Deferred tax liabilities	$	18,605

The identifiable intangible assets acquired include preliminary values of $34,940 associated with customer relationships that are being amortized over a 10 -year period, and $2,025 associated with trademarks that are being amortized over a 20 -year period. The trademarks were preliminarily valued using the relief-from-royalty method while the customer relationships were valued using the excess-earnings method. Key assumptions in the preliminary valuation of identifiable intangible assets included projected sales and profit margins, customer attrition rates and other third party benchmarking information. There are inherent uncertainties and management judgment required in these determinations.

The preliminary valuation of the Acquisition resulted in a purchase price that exceeded the estimated fair value of net assets acquired, which was allocated to goodwill. We believe the amount of goodwill relative to the fair value of consideration relates to several factors including potential synergies related to market opportunities for our product offerings, the potential to leverage our combined sales force to attract new customers and potential synergies that will result in cost reductions for the combined company. None of the goodwill is expected to be deductible for income tax purposes.

In the second quarter, we recorded adjustments to the acquisition fair value of certain assets and liabilities based on revisions to the preliminary third party valuation. The changes resulted in a $782 increase to property, plant and equipment, a $1,474 increase in identifiable intangible assets, a $786 increase in deferred tax liabilities, and a $1,470 decrease to goodwill. The impact of these changes to our Consolidated Statements of Net Income were immaterial.

We incurred $579 of integration costs during the six months ended October 27, 2017 , primarily related to legal and professional fees associated with the Acquisition. These expenses were recorded in the general and administrative expenses line of the Consolidated Statements of Net Income. The following table represents sales and operating income associated with the acquired Pineland business in the first six months of fiscal 2018:

(in thousands)	Six Months Ended October 27, 2017	
Net sales (excluding intercompany sales)	$	18,052
Operating income	$	2,869

Pro Forma Information

The following pro forma financial information presents our combined results of operations as if the Acquisition had occurred on April 30, 2016, the first day of fiscal 2017. The unaudited pro forma financial information is not necessarily indicative of what our condensed consolidated results of operations actually would have been had the Acquisition been completed on April 30, 2016. In addition, the unaudited pro forma financial information does not attempt to project the future results of operations of the combined company.

(in thousands)	Six Months Ended Q2 2017 Pro forma Results	
Revenue (excluding intercompany sales)	$	200,476
Operating income		4,210
Income before taxes		968
Provision for income taxes		339
Net income	$	629

3. Discontinued Operations

In the fourth quarter of fiscal 2017, we completed the sale of the Restaurants Business for an aggregate purchase price of $565,000 in cash. The Buyer also purchased our corporate headquarters as part of the transaction.

The Restaurants Transaction was effected by (i) the sale of the Restaurants Business assets by the Company's affiliates to the Buyer and (ii) the sale by the Company of fifty percent of the equity interest in a newly formed special purpose entity that holds specified intellectual property assets used by both the Restaurants Business and the Company's food production business. As part of the Restaurants Transaction the Company also conveyed to the Buyer the majority of working capital liabilities associated with the Restaurants Business, including outstanding payables, accrued wages, and other accrued current liabilities, other than debt.

The Company continues to supply the Restaurants Business with certain of its products under a multi-year supply agreement. Net sales to the Restaurants Business were $6,012 and $5,963 during the three months ended October 27, 2017 and October 28, 2016 , respectively, and $11,212 and $ 10,737 during the six months ended October 27, 2017 and October 28, 2016 . Sales to the Restaurants Business in the prior year were eliminated in consolidation. Additionally, pursuant to a transition services agreement entered into in connection with the Restaurants Transaction, the Company is supplying certain services, primarily information technology related, to the Restaurants Business, and the Company is receiving certain human resource, tax and accounting services from the Restaurants Business. These services will be provided at cost for a period up to 18 months, which can be further extended.

Results associated with the Restaurants Business in the prior year are classified as income from discontinued operations, net of income taxes, in our Consolidated Statements of Net Income. Prior year results have been recast to conform to the current presentation. Income from discontinued operations in the prior year was comprised of the following:

	Three Months Ended		Six Months Ended	
(in thousands)	October 27, 2017	October 28, 2016	October 27, 2017	October 28, 2016
Net sales	$ —	$ 219,805	$ —	$ 440,181
Costs of sales	—	56,007	—	111,243
Other operating expenses	—	157,562	—	317,269
Operating income from discontinued operations	$ —	$ 6,236	$ —	$ 11,669
Net interest expense (1)	—	406	—	812
Income from discontinued operations before income taxes	—	5,830	—	10,857
Provision for income taxes	—	1,478	—	1,919
Net income from discontinued operations	$ —	$ 4,352	$ —	$ 8,938

(1) Interest expense associated with the mortgage loan on our corporate headquarters facility, which was sold to the Buyer as part of the Restaurants Transaction, was allocated to discontinued operations.

Total operating and investing cash flows from discontinued operations were immaterial in the six months ended October 27, 2017 . Cash provided by operating activities from discontinued operations was $16,942 in the six months ended October 28, 2016 , while cash used in investing activities was $6,610 in the six months ended October 28, 2016 . Cash used in investing activities of discontinued operations in the six months ended October 28, 2016 , relates to $17,022 of capital expenditures and is net of proceeds from the sale of closed restaurant locations.

Lease Guarantee

As part of the Restaurants Transaction, the Buyer assumed all operating leases associated with the Restaurants Business, including leases for the 143 restaurant properties that were sold as part of a sale leaseback transaction in the fourth quarter of fiscal 2016. The Company and BEF Foods, Inc. continue to guarantee certain payment and performance obligations associated with the lease agreements for those restaurant properties (the "Guarantee"). In the event the Buyer fails to meet its payment and performance obligations under these lease agreements, the Company may be required to make rent and other payments to the landlord under the requirements of the Guarantee. Should the Company, as guarantor of the lease obligations, be required to make all lease payments due for the remaining term of the lease subsequent to October 27, 2017 , the maximum amount we may be required to pay is the annual rent amount, for the remainder of the lease term. The annual rent on these leases in the first year subsequent to the Restaurants Transaction is approximately $13,300 , and will increase up to 1.5% annually based on indexed inflation. The lease term extends for approximately 19 more years as of October 27, 2017 , and the Company would remain a guarantor of the leases in the event the leases are extended for a renewal period. In the event that the Company is obligated to make payments under the guarantor obligations, we believe the exposure is limited due to contractual protections and recourse available in the master lease agreements as well as the BER Sale Agreement, including a requirement of the landlord to mitigate damages by re-letting the properties in default. There have not been any events that would indicate that the Buyer will fail to continue to meet the obligations of the leases. As such, the fair value of the Guarantee is immaterial as of October 27, 2017 .

4. Long-Term Debt and Credit Arrangements

As of October 27, 2017 , long-term debt was comprised of $124,119 outstanding under our $300,000 revolving credit facility ("Credit Facility") and an interest-free loan of $1,000 , due 10 years from the date of borrowing, with imputed interest, which as a result is discounted to $904 . The remaining principal on our $3,000 Research and Development Investment Loan ("R&D Loan") was paid in full during the third quarter of fiscal year 2018. Refer to the table below:

(in thousands)		October 27, 2017		April 28, 2017
Credit Facility borrowings (1)	$	124,119	$	—
R&D Loan (2)		1,588		1,801
Interest-free loan (1)		904		894
Total borrowings		126,611		2,695
Less current debt payable (2)		(1,588)		(428)
Long-term debt	$	125,023	$	2,267

(1) The Credit Facility and Interest-free loan mature in fiscal 2022.
(2) The remaining principal on the R&D Loan was paid in full on November 17, 2017.

Credit Facility Borrowings

On April 28, 2017 , the Company entered into the Credit Facility, which established a syndicated secured revolving credit facility under which up to $ 300,000 will be available, with a letter of credit sub-facility of $ 20,000 , and an accordion option to increase the revolving credit commitment to $ 400,000 . All obligations under the Credit Facility are unconditionally guaranteed by the Company as well as certain wholly owned subsidiaries, and are secured by a first-priority security interest in certain property and assets of the Company, including accounts receivable, inventory, equipment, intellectual property and certain other assets, including stock pledges of certain material direct subsidiaries of the Company. The Credit Facility has a maturity date of April 28, 2022. We incurred financing costs of $1,542 associated with the Credit Facility, which are being amortized over the five -year term of the facility.

The primary purposes of the Credit Facility are for stand-by letters of credit in the ordinary course of business as well as working capital, capital expenditures, acquisitions, stock repurchases, dividends and other general corporate purposes.

Borrowings under the Credit Facility bear interest, at borrower's option, at a rate based on the Eurodollar Rate or the Base Rate, plus a margin based on the Consolidated Leverage Ratio, as detailed in the Credit Facility, ranging from 1.25% to 2.00% per annum for Eurodollar Rate, and ranging from 0.25% to 1.00% per annum for Base Rate. Base Rate means, for any day, a fluctuating per annum rate of interest equal to the highest of (i) the Federal Funds Rate, plus 0.50% , and (ii) Bank of America, N.A.'s "prime rate", and (iii) the Eurodollar Rate, plus 1.0% . As of October 27, 2017 , the margin on LIBOR-based loans was 1.50% per annum and the margin on Base Rate-based loans was 0.50% per annum. Commitment fees payable under the Credit Facility are also based on the Consolidated Leverage Ratio as defined in the Credit Facility and range from 0.20% per annum to 0.30% per annum of the average unused portion of the total lender commitments then in effect.

The terms of the Credit Facility provide for customary representations and warranties and affirmative covenants. The Credit Facility contains negative covenants usual and customary for a transaction of this nature. The Credit Agreement also contains financial covenants that require us to maintain a specified minimum coverage ratio of not less than 3.00 to 1.00, and a maximum leverage ratio that may not exceed 3.50 to 1.00. As of October 27, 2017 , we had $124,119 outstanding on the Credit Agreement, and we were in compliance with all covenants. A breach of any of these covenants could result in a default under our Credit Facility, in which case all amounts under the Credit Facility may become immediately due and payable, and all commitments under our Credit Facility to extend further credit may be terminated. The carrying value of our Credit Facility borrowings approximates its fair value due to the variable rate nature the debt instrument.

As of October 27, 2017 , we had outstanding letters of credit that totaled $4,414 , all of which were utilized as part of the total amount available under our Credit Facility. If certain conditions are met under these arrangements, we would be required to satisfy the obligations in cash. Due to the nature of these arrangements and based on historical experience and future expectations, we do not expect to make any significant payment outside of the terms set forth in these arrangements.

Our effective interest rate for the Credit Facility was 2.89% for the three months ended October 27, 2017 and 2.84% for the six months ended October 27, 2017 . Our effective interest rate on outstanding borrowings was 2.23% for the three months ended October 28, 2016 and 2.35% for the six months ended October 28, 2016 .

Net interest expense during the three months ended and six months ended October 27, 2017 and October 28, 2016 was comprised of the following:

(in thousands)	Three Months Ended October 27, 2017	Three Months Ended October 28, 2016	Six Months Ended October 27, 2017	Six Months Ended October 28, 2016
Interest expense:				
Variable-rate debt (1)	$ 939	$ 1,840	$ 1,385	$ 3,805
Fixed-rate debt (2)	91	304	184	700
Capitalized interest	(15)	(116)	(23)	(314)
Total interest expense on outstanding borrowings	1,015	2,028	1,546	4,191
Interest income:				
Accretion on note receivable (3)	—	(574)	—	(1,133)
Other	—	(119)	(71)	(236)
Total interest income	—	(693)	(71)	(1,369)
Net interest expense from continuing operations	$ 1,015	$ 1,335	$ 1,475	$ 2,822

(1) Primarily interest expense on our Credit Facility borrowings for the three and six months ended October 27, 2017 , and interest expense on our former credit agreement for the three and six months ended October 28, 2016 .
(2) Includes the amortization of debt issuance costs.
(3) Accretion on our $30,000 note receivable, obtained as part of the sale of Mimi's Café to Le Duff which was settled in the third quarter of fiscal 2017.

5. Income Taxes

The provision for income taxes is based on our current estimate of the annual effective income tax rate adjusted to reflect the impact of discrete items. The Company's effective income tax rate from continuing operations was a 38.2% benefit for the three months ended October 27, 2017 , as compared to 32.3% benefit for the corresponding period last year. The Company's effective income tax rate from continuing operations was a provision of 24.1% for the six months ended October 27, 2017 as compared to a provision of 34.5% for the corresponding period a year ago. The change in tax rate for the three and six months ended October 27, 2017 , as compared to the corresponding periods last year, was driven primarily by the impact of the discrete items booked during the quarter.

6. Restructuring and Severance Charges

In the second half of fiscal 2017, we incurred severance charges related to a reduction of personnel as part of the Company's overall strategic initiatives, including the sale of the Restaurants Business. Severance charges associated with employees who worked in shared service functions were recorded in the general and administrative line of the Consolidated Statements of Net Income, while charges associated with employees who supported the Restaurants Business were recorded in results from discontinued operations.

Liabilities associated with severance charges as of October 27, 2017 were $498 and are recorded in the accrued wages and related liabilities line of the Consolidated Balance Sheet. The majority of these liabilities are expected to be paid in fiscal 2018.

See tables below for detail of restructuring activity for the six months ended October 27, 2017 , and October 28, 2016 , respectively:

(in thousands)	Restructuring charges
Balance at April 28, 2017	$ 2,800
Restructuring and related severance charges incurred	—
Amounts paid	(1,974)
Adjustments	(328)
Balance at October 27, 2017	$ 498

(in thousands)	Restructuring charges
Balance at April 29, 2016	$ 2,698
Restructuring and related severance charges incurred (1)	807
Amounts paid	(2,333)
Adjustments	(42)
Balance at October 28, 2016	$ 1,130

(1) Restructuring charges of $807 were recorded in discontinued operations for the six months ended October 28, 2016 , related to charges incurred for closed restaurants.

7. Share-Based Compensation

The Stock Compensation Topic of the FASB ASC 718 ("ASC 718") requires that we measure the cost of employee services received in exchange for an equity award, such as stock options, restricted stock awards, restricted stock units and market-based performance share units, based on the estimated fair value of the award on the grant date. The cost is recognized in the income statement over the vesting period of the award on a straight-line basis. Compensation cost is recognized based on the grant date fair value estimated in accordance with ASC 718.

As of October 27, 2017 , there were equity awards outstanding under the Amended and Restated Bob Evans Farms, Inc. 2010 Equity and Cash Incentive Plan (the “2010 Plan”). The types of awards that may be granted under the 2010 Plan include: stock options, stock appreciation rights, restricted stock awards, restricted stock units ("RSUs"), cash incentive awards, performance share units ("PSUs"), and other awards. During the six months ended October 27, 2017 , the Company granted approximately 11,000 RSUs and 19,000 PSUs under the 2010 Plan. During the six months ended October 28, 2016 , the Company granted approximately 98,000 RSUs and 142,000 PSUs under the 2010 Plan. With the exception of awards granted to nonemployee directors, all awards granted prior to fiscal 2018 vested on April 28, 2017 .

The RSUs granted in fiscal 2018 vest ratably, over three years. The PSUs granted in fiscal 2018 have performance-based vesting conditions and are designed to vest at the end of a three -year performance period if the vesting conditions are achieved. Concurrent with the adoption of ASU 2016-09, Improvements to Employee Share-Based Compensation Accounting, the Company has elected to account for forfeitures of share-based awards when they occur.

Total share-based compensation expense associated with continuing operations, included within the general and administrative line on the Consolidated Statements of Net Income , was $249 and $904 for the three months ended October 27, 2017 , and October 28, 2016 , respectively, and $546 and $1,628 for the six months ended October 27, 2017 , and October 28, 2016 , respectively.

8. Other Compensation Plans

Defined Contribution Plan: We have a defined contribution 401(k) retirement savings plan that is available to substantially all employees who have at least 1,000 hours of service.

Nonqualified Deferred Compensation Plans: We have three nonqualified deferred compensation plans, the Bob Evans Executive Deferral Plans I and II (collectively referred to as “BEEDP”) and Bob Evans Directors’ Deferral Plan (“BEDDP”), which provide certain executives and Board of Directors members, respectively, the opportunity to defer a portion of their current year salary or stock compensation to future years. A third party manages the investments of employee deferrals. Expenses related to investment results of these deferrals are based on the change in quoted market prices of the underlying investments elected by plan participants, and are recorded within general and administrative expenses.

Obligations to participants who defer stock compensation through our deferral plans are satisfied only in Company stock. There is no change in the vesting term for stock awards that are deferred into these plans. Obligations related to these deferred stock awards are treated as "Plan A" instruments, as defined by ASC 710. These obligations are classified as equity instruments within the Capital in excess of par value line of the Consolidated Balance Sheets. No subsequent changes in fair value are recognized in the Consolidated Financial Statements for these instruments. Participants earn share-based dividend equivalents in an amount equal to the value of per-share dividends paid to common shareholders. These dividends accumulate into additional shares of common stock, and are recorded through retained earnings in the period in which dividends are paid. Vested, deferred shares are included in the denominator of basic and diluted EPS from continuing operations in accordance with ASC 260 - Earnings per Share. The dilutive impact of unvested, deferred stock awards is included in the denominator of our diluted EPS calculation from continuing operations.

Participants who defer cash compensation into our deferral plans have a range of investment options, one of which is Company stock. Obligations for participants who choose this investment election are satisfied only in shares of Company stock, while all other obligations are satisfied in cash. These share-based obligations are treated as "Plan B" instruments, as defined by ASC 710. These deferred compensation obligations are recorded as liabilities on the Consolidated Balance Sheets, in the deferred compensation line. We record compensation cost for subsequent changes in fair value of these obligations. Participants earn share-based dividend equivalents in an amount equal to the value of per-share dividends paid to common shareholders. These dividends accumulate into additional shares of common stock, and are recorded as compensation cost in the period in which the dividends are paid. At October 27, 2017 , our deferred compensation obligation included $892 of share based obligations, which represents approximately 12,000 shares. The dilutive impact of these shares is included in the denominator of our EPS calculation. Compensation cost (benefit) recognized on the adjustment of fair value for deferred awards was immaterial in the current and prior year.

Upon closing of the Merger with Post, all equity-based obligations in our deferred compensation plans will be converted into the right to receive an amount in cash equal to $77.00 without interest. Refer to Note 1 for additional information regarding the planned merger.

Supplemental Executive Retirement Plan: The Supplemental Executive Retirement Plan ("SERP") provides awards to a limited number of executives in the form of nonqualified deferred cash compensation. Gains and losses related to these benefits and the related investment results are recorded within the general and administrative costs caption in the Consolidated Statements of Net Income. The SERP is frozen and no further persons can be added , and funding was reduced to a nominal amount per year for the remaining participants.

Our deferred compensation liabilities as of October 27, 2017 , and April 28, 2017 , consisted of the following:

(in thousands)	October 27, 2017	April 28, 2017
Liability for deferred cash obligations in BEEDP and BEDDP Plans	$ 12,294	$ 13,986
Liability for deferred cash obligations in SERP Plan	5,696	5,830
Liability for deferred share-based obligations in BEEDP and BEDDP Plans	892	1,398
Other non-current compensation arrangements	93	110
Total deferred compensation liabilities	18,975	21,324
Less current portion [1]	(1,850)	(4,047)
Non-current deferred compensation liabilities	$ 17,125	$ 17,277

[1] Current portion of deferred compensation is included within the accrued wages and related liabilities line on the Consolidated Balance Sheets.

The Rabbi Trust is intended to be used as a source of funds to match respective funding obligations in our nonqualified deferred compensation plans. Assets held by the Rabbi Trust are recorded on our Consolidated Balance Sheets, and include company-owned life insurance ("COLI") policies, short-term money market securities and Bob Evans common stock. The COLI policies held by the Rabbi Trust are recorded at cash surrender value on the Rabbi Trust Assets line of Consolidated Balance Sheets and totaled $23,346 and $22,353 as of October 27, 2017 , and April 28, 2017 , respectively. The cash receipts and payments related to the COLI proceeds are included in cash flows from continuing operating activities on the Consolidated Statements of Cash Flows and changes in the cash surrender value for these assets are reflected within the general and administrative costs line in the Consolidated Statements of Net Income.

The short-term securities held by the Rabbi Trust are recorded at their carrying value, which approximates fair value, on the prepaid expenses and other current assets line of the Consolidated Balance Sheets and totaled $378 and $984 as of October 27, 2017 , and April 28, 2017 , respectively. All assets held by the Rabbi Trust are restricted to their use as noted above.

9. Commitments and Contingencies

We are from time to time involved in ordinary and routine litigation, typically involving claims from customers, employees and others related to operational issues common to the food manufacturing industry, and incidental to our business. As part of the Restaurants Transaction, we also retained liability for claims associated with our Restaurant Business that occurred prior to closing. Management presently believes that the ultimate outcome of these proceedings, individually or in the aggregate, will not have a material adverse effect on our financial position, cash flows or results of operations.

10. Supplemental Cash Flow Information

Cash paid for income taxes and interest for the six months ended October 27, 2017 , and October 28, 2016 , is summarized below:

	Six Months Ended	
(in thousands)	October 27, 2017	October 28, 2016
Income taxes paid	$ 41,681	$ 21,263
Income taxes refunded	(99)	(318)
Income taxes paid, net	41,582	20,945
Interest paid	$ 982	$ 4,716

11. Subsequent Events

Dividend

On November 28, 2017 , the Board of Directors approved a quarterly cash dividend of $0.34 per share, payable on December 22, 2017 , to shareholders of record at the close of business on December 11, 2017 .

Litigation Related to the Merger

Following the announcement of the Merger, on or around October 31, 2017, two putative class action complaints were filed by purported stockholders of the Company in the United States District Courts for the District of Delaware and the Southern District of Ohio. The cases are captioned Miller v. Bob Evans Farms, Inc., et al., Case No. 1:17-CV-01538-VAC-CJB and Franchi v. Bob Evans Farms, Inc., et al., Case No. 2:17-CV-00961-MHW-CMV (the "Actions"). The Actions name as defendants the Company and the current and certain former members of the Company's board of directors, and one of the Actions also names as defendants Post and Merger Sub. The complaints allege, among other things, that the defendants violated Sections 14(a) and 20(a) of the Securities Exchange Act of 1934, as amended, and certain rules promulgated thereunder by omitting or misrepresenting certain allegedly material information in the preliminary proxy statement filed with the SEC by the Company on October 24, 2017, which information the plaintiffs argue is necessary for stockholders of the Company to make an informed decision whether to vote in favor of the Merger. The complaints seek, among other things, a declaratory judgment, preliminary or permanent injunctive relief against the stockholder vote on the Merger, unspecified damages, and an award of costs, fees, and disbursements. The Company believes that the claims asserted in the Actions are without merit. However, solely in order to alleviate the costs, risks and uncertainties inherent in litigation and to provide additional information to its stockholders, the Company and the other named defendants in the complaints entered into a memorandum of understanding with the plaintiffs on November 13, 2017 to resolve the individual claims asserted in the Actions, pursuant to which the Company included certain additional disclosures in the definitive proxy statement filed with the SEC by the Company on November 17, 2017.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND 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,” “Company,” “we,” “us” and “our” to collectively refer to Bob Evans Farms, Inc., a Delaware corporation, and its subsidiaries. This MD&A may contain forward-looking statements that set forth our expectations and anticipated results based on management’s plans and assumptions. These statements are often indicated by words such as “expects,” “anticipates,” “believes,” “estimates,” “intends” and “plans.” Actual results may differ materially from those predicted by the forward-looking statements because of various factors and possible events, including the assumptions, risks and uncertainties discussed herein, including those discussed in the section titled "Item 1A. Risk Factors." For more information, see "Forward Looking Statements" and "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended April 28, 2017.

We produce and distribute a variety of complementary home-style, refrigerated side-dish convenience food items and pork sausage under the Bob Evans ®, Owens, Country Creek ® and Pineland ® brand names. These food products are available throughout the United States. We also manufacture and sell similar products to food-service accounts, including Bob Evans Restaurants and other restaurants.

Pending Acquisition by Post Holdings, Inc.

On September 18, 2017, the Company, Post Holdings, Inc., a Missouri corporation (“Post”), and Haystack Corporation, a Delaware corporation and wholly owned subsidiary of Post (“Merger Sub”), entered into an Agreement and Plan of Merger (the “Merger Agreement”), pursuant to which Merger Sub will be merged with and into the Company (the “Merger”). As a result of the Merger, Merger Sub will cease to exist, and the Company will survive as a wholly owned subsidiary of Post. Upon the closing of the Merger, each share of the Company’s common stock, par value $0.01 per share (other than treasury stock and any shares of the Company’s common stock owned by the Company, Post, Merger Sub or any of their wholly owned subsidiaries, or any Company stockholder who properly demands statutory appraisal of such stockholder’s shares) will be converted into the right to receive an amount in cash equal to $77.00 without interest. Upon completion of the Merger, the Company’s common stock will no longer be publicly traded and will be delisted from the Nasdaq Global Select Market.

The pending Merger is expected to be completed during the first calendar quarter of 2018, and is subject to customary closing conditions, including adoption of the Merger by the Company’s stockholders.

Acquisition of Pineland Farms Potato Company, Inc.

On May 1, 2017, the Company completed the transaction to purchase Pineland Farms Potato Company, Inc., a Maine corporation ("Pineland"). The Company acquired all of the equity interests of Pineland outstanding immediately prior to the closing (the “Acquisition”), in exchange for $115.8 million in cash, after working capital adjustments, and up to an additional $25.0 million in cash as potential earn-out consideration, the payment of which is subject to the achievement of certain operating EBITDA performance milestones over consecutive 12-month periods during the 24 months following the acquisition date.

The Acquisition increases our side-dish production capacity and provides us the capability to produce and sell diced and shredded potato products in both the retail and food-service channels. The Acquisition also diversifies our production capability by adding a second state-of-the-art potato processing facility with approximately 180 million pounds of capacity, 50 million pounds of which came on-line in April 2017. Pineland also owns and operates a 900-acre potato farm and is surrounded by an estimated 55,000 acres of annual potato production. The production facility's close proximity to tens of thousands of acres of potato production is anticipated to reduce transportation costs. The Acquisition mitigates the required near-term capital spending for additional capacity to meet our expected sales growth targets in side-dish products.

Overview of results from continuing operations for the three months ended October 27, 2017 , compared to three months ended October 28, 2016

Net sales from continuing operations were $117.6 million in the second quarter of fiscal 2018 , an increase of $21.5 million or 22.3% as compared to the corresponding period last year. Gross margin increased 4.3% to $34.7 million in the second quarter of fiscal 2018 from $33.3 million in the corresponding period last year. Operating income was $2.6 million in the second quarter of fiscal 2018 , compared to a $4.8 million loss in the corresponding period last year. Results were favorably impacted by higher net sales, partially offset by lower margins driven by higher sow costs, increased trade spend and an increased mix of food service sales. Additionally, prior year results include a $16.0 million impairment charge related to a note receivable that was subsequently settled in the third quarter of fiscal 2017.

Pretax income from continuing operations in the second quarter of fiscal 2018 was $1.6 million as compared to a $6.1 million loss in the corresponding period last year. The effective tax rate was a 38.2% benefit in the current year as compared to a 32.3% benefit in the corresponding period last year. Earnings per diluted share from continuing operations were $0.11 as compared to a $0.21 loss in the corresponding period last year.

The table below reflects results for the three months ended October 27, 2017 , compared to the three months ended October 28, 2016 . The information is derived from the accompanying Consolidated Statements of Net Income. The ratios presented reflect the underlying dollar values expressed as a percentage of the applicable net sales amounts.

	Three Months Ended					
	Results from Continuing Operations					
(in thousands)	October 27, 2017			October 28, 2016		
Net Sales	$	117,626		$	96,158	
Cost of goods sold		82,920	70.5%		62,881	65.4 %
Gross Margin		34,706	29.5%		33,277	34.6 %
Advertising and marketing costs		5,313	4.5%		3,543	3.7 %
Selling costs		4,257	3.6%		4,099	4.3 %
Distribution costs		5,373	4.6%		4,674	4.9 %
General and administrative costs		10,308	8.8%		9,522	9.9 %
Amortization of intangible assets		936	0.8%		39	— %
Impairment, restructuring and other exit costs		5,876	5.0%		16,168	16.8 %
Total Operating Expenses	$	32,063	27.3%	$	38,045	39.6 %
Operating Income (Loss)	$	2,643	2.2%	$	(4,768)	(5.0)%

Sales

Net sales increased 22.3% to $117.6 million in the second quarter of fiscal 2018 as compared to $96.2 million in the corresponding period a year ago. The increase was partially driven by $9.5 million of sales from the Company's acquisition of the Pineland business, as well as $6.0 million of sales to Bob Evans Restaurants, which were eliminated in the prior year. The remaining increase was primarily driven by higher sales volumes, partially offset by higher trade spend, including increased promotional activity to maintain competitive pricing and higher slotting fees incurred to support distribution gains.

Pounds sold for the second quarter increased 48.2% while average net selling price per pound declined 17.4% compared to the corresponding period last year. The decrease in average net selling price reflects an increased mix of food service sales as result of both the Pineland acquisition and the inclusion of sales to Bob Evans Restaurants. Excluding Pineland sales and sales to Bob Evans Restaurants, pounds sold increased 11.4% while average net selling price per pound decreased 4.7%. Comparable volumes include a 15.9% increase in retail refrigerated side-dish products and a 4.5% increase in retail sausage. The following table summarizes pounds sold by category in the second quarter of fiscal 2018 and the corresponding period last year:

	Three Months Ended			
(in thousands)	October 27, 2017		October 28, 2016	
Category				
Refrigerated Sides (1)	37,889	46.2%	31,925	57.7%
Sausage	13,928	17.0%	13,332	24.1%
Food Service (1)	27,002	32.9%	6,508	11.8%
Frozen	1,905	2.3%	2,067	3.7%
Other	1,316	1.6%	1,535	2.7%
Total	82,040		55,367	

(1) Food service and refrigerated side volumes in the second quarter of fiscal 2018 include 14.2 million and 0.9 million pounds sold from the recently acquired Pineland business. Food service volumes in the second quarter of fiscal 2018 also include 5.2 million pounds sold to Bob Evans Restaurants which were eliminated in consolidation in the prior year.

The following table summarizes comparable sales dollars and volumes, respectively, in the first quarter of fiscal 2018 as compared to the corresponding period last year:

	Sales Dollars		Sales Volumes	
(in thousands)	Q2 2018	Q2 2017	Q2 2018	Q2 2017
Legacy Bob Evans Foods Sales	$ 102,145	$ 96,158	61,704	55,367
Sales to Bob Evans Restaurants	6,012	—	5,203	—
Pineland sales (excluding intercompany)	9,469	—	15,133	—
Total Net Sales	$ 117,626	$ 96,158	82,040	55,367

Cost of Goods Sold

Cost of goods sold from continuing operations was $82.9 million , or 70.5% of net sales, in the second quarter of fiscal 2018 , compared to $62.9 million , or 65.4% of net sales, in the corresponding period a year ago. The 510 basis points increase in cost of goods sold as a percentage of net sales was primarily driven by increased production costs associated with a new product launch, a higher mix of food service sales as a result of the acquisition of Pineland Farms, an increase in average sow prices and higher trade spend. Sow costs averaged $51.81 per hundredweight in the second quarter of fiscal 2018 , compared to $44.53 per hundredweight in the corresponding period last year.

Operating Expenses

Total operating expenses in the second quarter of fiscal 2018 were $32.1 million , or 27.3% of net sales, as compared to $38.0 million , or 39.6% of net sales, in the corresponding period a year ago. Advertising and marketing costs increased by $1.8 million as part of an incremental investment to drive increased brand awareness and to increase households purchasing in the refrigerated side-dish category. Selling and distribution costs increased as compared to the prior year primarily due to the impact of higher sales volumes. General and administrative costs increased due to $1.4 million of IT separation costs incurred in the second quarter of fiscal 2018, partially offset by a reduction in wage and benefit costs associated with our restructuring programs in the prior year. The Company recorded $0.9 million of amortization expense on the definite-lived intangible assets acquired as part of the Pineland business acquisition (see Note 2 for additional information). Transaction costs of $5.9 million associated with the planned merger with Post were also recorded during the second quarter of fiscal 2018 (see Note 12 for additional information). Impairment charges of $16.0 million were recorded in the three months ended October 28, 2016, related to a note receivable that was subsequently settled in the third quarter of fiscal 2017.

Interest

Net interest expense in the second quarter of fiscal 2018 was $1.0 million , compared to $1.3 million in the corresponding period last year. The decrease in interest costs was the result of lower average borrowings.

Income Taxes

The provision for income taxes is based on our current estimate of the annual effective income tax rate adjusted to reflect the impact of discrete items. The Company's effective income tax rate on continuing operations in the second quarter of fiscal 2018 was a 38.2% benefit, compared to a 32.3% benefit in the corresponding period a year ago. The change in tax rate as compared to the corresponding period last year was primarily driven by the impact of discrete items recorded in the second quarter of fiscal 2018.

Results from Discontinued Operations

Results associated with the Restaurants Business are classified as income from discontinued operations, net of taxes, in our Consolidated Statements of Net Income, and were immaterial in the second quarter of fiscal 2018. Prior year results have been recast to conform to the current presentation. Below is a summary of results for the three months ended October 27, 2017 , compared to the three months ended October 28, 2016 :

	Three Months Ended	
	Results from Discontinued Operations	
(in thousands)	October 27, 2017	October 28, 2016
Income from discontinued operations before income taxes	$ —	$ 5,830
Provision for income taxes	—	1,478
Net income from discontinued operations	$ —	$ 4,352

Overview of results from continuing operations for the six months ended October 27, 2017 as compared to the six months ended October 28, 2016 .

Net sales from continuing operations were $226.9 million in the six months ended October 27, 2017 , an increase of $44.8 million as compared to the corresponding period last year. Operating income was $13.7 million in the six months ended October 27, 2017 , an increase of $10.2 million as compared to the corresponding period last year. Results were favorably impacted by higher sales and a $16.0 million impairment charge recorded in the prior year, partially offset by lower margins resulting from a higher mix of food service sales.

Pretax income in the six months ended October 27, 2017, was $12.2 million as compared to pretax income from continuing operations of $0.7 million in the corresponding period last year. The effective tax rate was 24.1% in the current year as compared to 34.5% in the corresponding period last year. Earnings per diluted share for continuing operations were $0.46 for the six months ended October 27, 2017 as compared to $0.02 in the corresponding period last year.

The table below reflects data for the six months ended October 27, 2017 , compared to the six months ended October 28, 2016 . The information is derived from the accompanying Consolidated Statements of Net Income. The ratios presented reflect the underlying dollar values expressed as a percentage of the applicable net sales amounts.

	Six Months Ended			
	Results from Continuing Operations			
(in thousands)	October 27, 2017		October 28, 2016	
Net Sales	$ 226,891		$ 182,099	
Cost of goods sold	158,746	70.0%	120,301	66.1%
Gross Margin	68,145	30.0%	61,798	33.9%
Advertising and marketing costs	8,377	3.7%	6,782	3.7%
Selling costs	8,690	3.8%	7,813	4.3%
Distribution costs	10,736	4.7%	8,623	4.8%
General and administrative costs	18,908	8.4%	18,836	10.3%
Amortization of intangible assets	1,837	0.8%	78	—%
Impairment, restructuring and other exit costs	5,876	2.6%	16,168	8.9%
Total Operating Expenses	54,424	24.0%	58,300	32.0%
Operating Income (Loss)	$ 13,721	6.0%	$ 3,498	1.9%

Sales

Net sales from continuing operations increased 24.6% to $226.9 million for the six months ended October 27, 2017 , compared to $182.1 million in the corresponding period last year. The increase was partially driven by $18.1 million of sales from the Company's recently acquired Pineland business, as well as $11.2 million of sales to Bob Evans Restaurants, which were eliminated in the prior year. The remaining increase was primarily driven by higher sales volumes partially offset by increased trade spend driven in part by higher slotting fees and increased marketing programs.

Pounds sold for the six months ended October 27, 2017 increased 50.6% while average net selling price per pound declined 17.2% compared to the corresponding period last year. The decrease in average net selling price reflects an increased mix of food service sales as result of both the Pineland acquisition and the inclusion of sales to Bob Evans Restaurants. Excluding Pineland sales and sales to Bob Evans Restaurants, pounds sold increased 13.0% while average net selling price per pound decreased 3.9%. Comparable volumes include a 16.9% increase in retail refrigerated side-dish products and an 8.3% increase in retail sausage.

The following chart summarizes pounds sold by category in the six months ended October 27, 2017 , and the corresponding period last year:

(in thousands)	Six Months Ended October 27, 2017		Six Months Ended October 28, 2016	
Category				
Refrigerated Sides (1)	69,959	44.9%	58,828	56.8%
Sausage	26,516	17.0%	24,473	23.6%
Food Service (1)	53,012	34.0%	12,597	12.2%
Frozen	3,803	2.4%	4,138	4.0%
Other	2,510	1.7%	3,448	3.4%
Total	155,800		103,484	

(1) Food service and refrigerated side volumes in the first six months of fiscal 2018 include 27.9 million and 1.2 million pounds sold from the recently acquired Pineland business. Food service volumes in the first six months of fiscal 2018 also include 9.9 million pounds sold to Bob Evans Restaurants.

The following table summarizes comparable sales dollars and volumes, respectively, in the first six months of fiscal 2018 as compared to the corresponding period last year:

	Six Months Ended			
	Sales Dollars		Sales Volumes	
(in thousands)	Q2 2018	Q2 2017	Q2 2018	Q2 2017
Legacy Bob Evans Foods Sales	$ 197,627	$ 182,099	116,867	103,484
Sales to Bob Evans Restaurants	11,212	—	9,850	—
Pineland sales (excluding intercompany)	18,052	—	29,083	—
Total Net Sales	$ 226,891	$ 182,099	155,800	103,484

Cost of Sales

Cost of sales from continuing operations was $158.7 million , or 70.0% of net sales, in the six months ended October 27, 2017 , compared to $120.3 million , or 66.1% of net sales, in the corresponding period a year ago. The 390 bps increase in cost of sales as a percentage of net sales was primarily driven by higher sow costs, increased production costs associated with new product launches and the increased mix of food service sales due to the Pineland acquisition. Sow costs averaged $53.63 per hundredweight in the six months ended October 27, 2017 , compared to $46.22 per hundredweight in the corresponding period last year.

Operating Expenses

Total operating expenses in the six months ended October 27, 2017 were $54.4 million , or 24.0% of net sales, as compared to $58.3 million , or 32.0% of net sales in the corresponding period a year ago. Selling and distribution costs increased as compared to the prior year due to the impact of higher sales volumes. Advertising and marketing costs increased by $1.6 million as part of an incremental investment to drive increased brand awareness and to increase households purchasing in the refrigerated side-dish category. General and administrative costs were flat as compared to the prior year, which included $1.8 million of integration and IT separation costs incurred in the first six months of fiscal 2018, offset by a reduction in wage and benefit costs associated with our restructuring programs in the prior year. The Company recorded $1.8 million of amortization expense on the definite-lived intangible assets acquired as part of the Pineland business acquisition (see Note 2 for additional information). Transaction costs of $5.9 million associated with the planned merger with Post were recorded during the six months ended October 27, 2017 (see Note 12 for additional information). Impairment charges of $16.0 million were recorded in the six months ended October 28, 2016, related to a note receivable that was subsequently settled in the third quarter of fiscal 2017.

Interest

Net interest expense for the six months ended October 27, 2017 was $1.5 million compared to $2.8 million in the corresponding period last year. The reduction in interest costs was primarily the result of lower average borrowings.

Income Taxes

The provision for income taxes is based on a current estimate of the annual effective income tax rate adjusted to reflect the impact of discrete items. The Company's effective income tax rate was 24.1% for the six months ended October 27, 2017 as compared to 34.5% for the corresponding period last year. The lower tax rate as compared to last year was driven primarily by the impact of discrete items recorded in the six months ended October 27, 2017 .

Results from Discontinued Operations

Results associated with the Restaurants Business are classified as income from discontinued operations, net of taxes, in our Consolidated Statements of Net Income, and were immaterial in the first six months of fiscal 2018. Prior year results have been recast to conform to the current presentation. Below is a summary of results for the six months ended October 27, 2017 , compared to the six months ended October 28, 2016 :

	Six Months Ended	
	Results from Discontinued Operations	
(in thousands)	October 27, 2017	October 28, 2016
Income from discontinued operations before income taxes	$ —	$ 10,857
Provision for income taxes	—	1,919
Income from discontinued operations	$ —	$ 8,938

Liquidity and Capital Resources

Our primary sources of liquidity are cash generated from operating activities and the borrowing capacity under the Credit Facility.

Historically, our working capital requirements have been minimal. This favorable working capital position resulted from the relatively short trade credit terms with our BEF Foods customers as well as most of our major suppliers and distributors; and the quick turnover of our inventories. We believe that our cash flow from operations, as well as the available borrowings under our Credit Facility, will be sufficient to fund working capital requirements, anticipated acquisitions, capital expenditures, working capital requirements, dividend payments and share repurchases.

Share Repurchase Program

On January 24, 2017, the Board of Directors increased the Company's existing share repurchase authorization to $100.0 million and extended the authorization through December 31, 2017. We did not repurchase any shares in the first six months of fiscal 2018.

Revolving Credit Facility

On April 28, 2017, we entered into the Credit Facility. As of October 27, 2017 , we had $124.1 million of outstanding borrowings under the Credit Facility. We believe our current leverage provides considerable flexibility to continue to grow and invest in the Company. Our leverage ratio is calculated as total outstanding borrowings over our trailing 12-month EBITDA, defined as earnings before interest, taxes, depreciation and amortization including stock compensation, adjusted for certain non-recurring items.

Our Credit Facility contains financial and other various affirmative and negative covenants that are typical for financings of this type. It requires us to maintain a specified minimum coverage ratio and maximum leverage ratio. A breach of any of these covenants could result in a default under the Credit Facility, in which case all amounts under our Credit Facility may become immediately due and payable, and all commitments under our Credit Facility to extend further credit, terminated. We were in compliance with all covenant requirements of the Credit Facility as of October 27, 2017 . See Note 4 for additional information.

Cash flows from operating activities

Net cash used in operating activities was $39.2 million in the first six months of fiscal 2018 . Consolidated net cash provided by operating activities was $11.4 million in the corresponding period last year, while net cash used in operating activities from continuing operations in the corresponding period last year was $5.5 million. The decrease in operating cash flows from continuing operations was driven primarily by tax payments, including the gain on sale of Bob Evans Restaurants, made in the first six months of fiscal 2018.

Cash flows from investing activities

Net cash used in investing activities was $125.5 million in the first six months of fiscal 2018 . Consolidated cash flows used in investing activities was $26.3 million in the corresponding period last year, while cash used in investing activities of continuing operations in the corresponding period last year $19.7 million. The change in investing cash flows from continuing operations was primarily due to the Pineland acquisition (see Note 2 for additional information). Capital expenditures from continuing operations were $9.8 million and $20.1 million in the first six months of fiscal 2018 and 2017, respectively. In the first six months of fiscal 2018 , capital expenditures primarily related to plant improvements and IT infrastructure projects, while in the corresponding period last year, capital expenditures primarily related to an additional refrigerated side-dish production line at our Lima, Ohio plant and the second phase of our ERP implementation.

Cash flows from financing activities

Cash used in financing activities was $44.8 million in the first six months of fiscal 2018 , as compared to cash provided by financing activities of $6.8 million in the corresponding period last year. The change in cash flows from financing activities was primarily due to the $163.0 million of cash dividends paid in the first six months of fiscal 2018 , equal to $8.18 per share, which included a special dividend of $7.50 per share paid on June 16, 2017, using the net proceeds from the Restaurants Transaction. The cash used to pay these dividends was partially offset by $124.1 million of borrowings on our Credit Facility. In the first six months of fiscal 2017, we paid cash dividends of $0.68 per share. While we expect to continue paying regular quarterly cash dividends, the declaration, amount and timing of future dividends are at the discretion of our Board of Directors and are limited by provisions in the Merger Agreement.

Contractual obligations

As part of the Restaurants Transaction, the Buyer assumed all operating leases associated with the Restaurants Business, including leases for 143 restaurant properties that were sold as part of a sale leaseback transaction in the fourth quarter of fiscal 2016. The Company and BEF Foods, Inc. continue to guarantee certain payment and performance obligations associated with the lease agreements for those restaurant properties. See Note 3 to the Consolidated Financial Statements for additional information.

Off-Balance Sheet Arrangements

As of October 27, 2017 , we have not entered into any “off-balance sheet” arrangements with unconsolidated entities or other persons, as that term is defined in rules issued by the SEC.

Critical Accounting Policies and Estimates

As discussed in Note 1 to our consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, the preparation of our consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of commitments and contingencies at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. We base these estimates and judgments on our historical experience and other factors we believe to be relevant, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The process of determining significant estimates is fact-specific and takes into account factors such as historical experience, current and expected economic conditions, product mix, and in some cases, actuarial and appraisal techniques. We routinely re-evaluate these significant factors and make adjustments where facts and circumstances dictate. Our critical accounting policies have not changed materially from those previously reported in our Annual Report on Form 10-K for the fiscal year ended April 28, 2017.

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.

Interest Rate Risk

At October 27, 2017 , our outstanding debt included $124.1 million outstanding under the Credit Facility, and $2.5 million of other outstanding long-term notes. A change in market interest rates will impact our Credit Facility when there is an outstanding balance. For example, a one percent increase in the benchmark rate used for our Credit Facility would increase our annual interest expense by approximately $1.3 million, assuming the $124.1 million outstanding at October 27, 2017 , was outstanding for the entire year.

Commodities Prices

We purchase certain commodities such as pork, produce and dairy products. These commodities are generally purchased based upon market prices established with suppliers. These purchase arrangements may contain contractual features that fix the price paid for certain commodities. We do not use financial instruments to hedge commodity prices, because these purchase arrangements help control the ultimate cost paid. Most commodity price aberrations are generally short-term in nature and for some commodities, such as sows, hedge instruments are not available.

ITEM 4. CONTROLS AND PROCEDURES

Changes in Internal Control Over Financial Reporting

There have been no material changes in our internal control over financial reporting (as defined in Rules 13a-15(f) under the Securities Exchange Act if 1934, as amended (the "Exchange Act") during the quarter ended October 27, 2017 , that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures

With the participation of our management, including Bob Evans’ principal executive officer and principal financial officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(c) under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon this evaluation, Bob Evans’ principal executive officer and principal financial officer have concluded our disclosure controls and procedures were effective.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are from time-to-time involved in ordinary and routine litigation, typically involving claims from customers, employees and others related to operational issues common to the food manufacturing industry, and incidental to our business. As part of the Restaurants Transaction, we also retained liability for claims associated with our Restaurant Business that occurred prior to closing. Management presently believes that the ultimate outcome of these proceedings, individually or in the aggregate, will not have a material adverse effect on our financial position, cash flows or results of operations.

Following the announcement of the Merger, on or around October 31, 2017, two putative class action complaints were filed by purported stockholders of the Company in the United States District Courts for the District of Delaware and the Southern District of Ohio. The cases are captioned Miller v. Bob Evans Farms, Inc., et al., Case No. 1:17-CV-01538-VAC-CJB and Franchi v. Bob Evans Farms, Inc., et al., Case No. 2:17-CV-00961-MHW-CMV (the "Actions"). The Actions name as defendants the Company and the current and certain former members of the Company's board of directors, and one of the Actions also names as defendants Post and Merger Sub. The complaints allege, among other things, that the defendants violated Sections 14(a) and 20(a) of the Securities Exchange Act of 1934, as amended, and certain rules promulgated thereunder by omitting or misrepresenting certain allegedly material information in the preliminary proxy statement filed with the SEC by the Company on October 24, 2017, which information the plaintiffs argue is necessary for stockholders of the Company to make an informed decision whether to vote in favor of the Merger. The complaints seek, among other things, a declaratory judgment, preliminary or permanent injunctive relief against the stockholder vote on the Merger, unspecified damages, and an award of costs, fees, and disbursements. The Company believes that the claims asserted in the Actions are without merit. However, solely in order to alleviate the costs, risks and uncertainties inherent in litigation and to provide additional information to its stockholders, the Company and the other named defendants in the complaints entered into a memorandum of understanding with the plaintiffs on November 13, 2017 to resolve the individual claims asserted in the Actions, pursuant to which the Company included certain additional disclosures in the definitive proxy statement filed with the SEC by the Company on November 17, 2017.

ITEM 1A. RISK FACTORS

Except as otherwise described herein 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 28, 2017 .

The pending Merger may not be completed on a timely basis, or at all, and the failure to complete the Merger could adversely affect our business, financial results and stock price.

We can provide no assurance that the pending Merger will be completed on a timely basis or at all. The Merger is subject to a number of conditions, including the adoption of the Merger Agreement by the Company's stockholders, which are not within our control. There can be no assurance as to when, or if, the conditions to closing of the Merger will be satisfied or waived or that other events will not intervene to delay the Merger or result in the termination of the Merger Agreement, including the failure to obtain Company stockholder approval.

Any failure to complete the Merger could have a negative impact on our business, financial results and stock price, as well as on our relationships with our customers, supplier and employees. In addition, if the Merger Agreement is terminated, in certain circumstances, we may be required to pay Post a termination fee of $50.0 million.

Our business and financial results could be adversely impacted during the pendency of the Merger, particularly if there is a delay in the completion of the Merger.

The pending Merger may cause disruption to our business or business relationships and create uncertainty surrounding our ongoing business operations, which could materially and adversely impact our business, results of operations and financial condition, regardless of whether the Merger is completed, including as a result of the following (all of which could be exacerbated by a delay in the completion of the Merger):

- the attention of our management may be directed to Merger-related considerations and may be diverted from the day-to-day operations of our business;
- our employees may experience uncertainty about their future roles with us, which may adversely affect our ability to hire, retain and motivate key personnel and other employees;

- customers, suppliers or other parties which we maintain business relationships may experience uncertainty prior to the closing of the Merger and seek alternative relationships with third parties or seek to terminate or renegotiate their relationships with us; and
- the Merger Agreement restricts us from engaging in certain actions without the consent of Post, which could prevent us from pursuing business opportunities that may arise prior to the completion of the Merger.

In addition, we have incurred, and will continue to incur, significant costs, expenses and fees for professional services and other transaction costs in connection with the pending Merger, and many of these fees and costs are payable by us regardless of whether or not the Merger is completed.

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

On November 19, 2015, the Board of Directors increased the authorization of our stock repurchase program to $250.0 million. The program authorizes the Company to repurchase its outstanding common stock pursuant to plans approved by the Board under SEC Rules 106-18 and 105-1, and in the open market or through privately negotiated transactions. In fiscal 2016 we repurchased approximately 3.9 million shares for $171.5 million. The repurchases were funded primarily through additional borrowings on our prior $650.0 million revolving credit agreement, cash from operations and the net proceeds from the sale leaseback transaction of 143 restaurant properties and two production facilities.

On January 24, 2017, the Board of Directors increased the Company's existing share repurchase authorization, which extends through December 31, 2017, to $100.0 million. We did not repurchase any shares in fiscal 2017 or in the first six months of fiscal 2018.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5. OTHER INFORMATION

Not Applicable

ITEM 6. EXHIBITS

Exhibit Number	Description	Location
2.1	Agreement and Plan of Merger, dated as of September 18, 2017, by and among Bob Evans Farms, Inc., Post Holdings, Inc. and Haystack Corporation.	Incorporated herein by reference to Exhibit 2.1 to Bob Evans Farms, Inc.'s Current Report on Form 8-K filed on September 19, 2017 (File No. 000-01667)
3.1	Amended and Restated Certificate of Incorporation of company reflecting amendments through Aug. 20, 2014. [This document represents the Company's Certificate of Incorporation in restated format incorporating all amendments. This compiled document has not been filed with the Delaware Secretary of State.]	Incorporated herein by reference to Exhibit 3.1 to Bob Evans Farms, Inc.'s Current Report on Form 8-K filed September 3, 2014 (File No. 000-01667)
3.2	Amended and Restated By-Laws of Bob Evans Farms, Inc. (Effective August 20, 2014)	Incorporated herein by reference to Exhibit 3.2 to Bob Evans Farms, Inc.'s Current Report on Form 8-K filed September 3, 2014 (File No. 000-01667)
10.1	First Amendment to Credit Agreement with Bank of America, N.A., dated as of August 10, 2017.	Filed herewith
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
101.INS	XBRL Instance Document	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101.PRE	XBRL Taxonomy Presentation Linkbase Document	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith

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.

Date: December 6, 2017	By:	/s/ J. Michael Townsley
		J. Michael Townsley President, Chief Executive Officer and Director (Principal Executive Officer)
Date: December 6, 2017	By:	/s/ Mark E. Hood
		Mark E. Hood Chief Financial Officer and Chief Administrative Officer (Principal Financial Officer and Principal Accounting Officer)

* Mr. Hood has been duly authorized to sign on behalf of the Registrant as its principal financial officer and its principal accounting officer.

Exhibit 10.1

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT dated as of July [__], 2017 (this " Agreement ") is entered into among BEF Foods, Inc., an Ohio corporation (the " Borrower "), the Guarantors party hereto, and Bank of America, N.A., as Administrative Agent and Swingline Lender. All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement (as defined below).

RECITALS

WHEREAS, the Borrower, the Guarantors, the Lenders, and Bank of America, N.A., as Administrative Agent, Swingline Lender and L/C Issuer, have entered into that certain Credit Agreement dated as of April 28, 2017 (as amended or otherwise modified from time to time, the " Credit Agreement ");

WHEREAS, the Administrative Agent and the Borrower intended for the Credit Agreement to include provisions pursuant to which the Borrower could enter into autoborrow agreements from time to time after the Closing Date to facilitate the automatic advance of Swingline Loans to the Borrower; and

WHEREAS, pursuant to clause (x) of the final proviso to Section 11.01 of the Credit Agreement, the Loan Parties and the Administrative Agent desire to amend the Credit Agreement as set forth herein to facilitate the use by the Borrower of autoborrow agreements in connection with Swingline Borrowings to be made under the Credit Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendments . The Credit Agreement is hereby amended as follows:

(a) The following defined term is hereby added to Section 1.01 of the Credit Agreement in appropriate alphabetical order to read as follows:

" Autoborrow Agreement " has the meaning specified in Section 2.04(b)(ii) .

(b) The definition of "Loan Documents" in Section 1.01 of the Credit Agreement is hereby amended to read as follows:

" Loan Documents " means, collectively, this Agreement, each Note, the Guaranty, each Collateral Document, the Fee Letter, each Issuer Document, each Joinder Agreement, each agreement creating or perfecting rights in Cash Collateral pursuant to the provisions of Section 2.14 , each Autoborrow Agreement, and each other agreement, instrument or document designated by its terms as a "Loan Document" (but specifically excluding any Secured Hedge Agreement or any Secured Cash Management Agreement).

(c) The definition of "Request for Credit Extension" in Section 1.01 of the Credit Agreement is hereby amended to read as follows:

" Request for Credit Extension " means (a) with respect to a Borrowing, conversion or continuation of Revolving Loans, a Loan Notice, (b) with respect to an L/C Credit Extension, a Letter of Credit Application, and (c) with respect to a Swingline Loan, at any time an Autoborrow Agreement is not in effect, a Swingline Loan Notice.

(d) Section 2.04(a) of the Credit Agreement is hereby amended to read as follows:

(a) The Swingline. Subject to the terms and conditions set forth herein and subject to the terms of any Autoborrow Agreement, the Swingline Lender, in reliance upon the agreements of the other Lenders set forth in this Section, shall make loans to the Borrower (each such loan, a "Swingline Loan"). Each such Swingline Loan may be made, subject to the terms and conditions set forth herein and in any Autoborrow Agreement then in effect, to the Borrower, in Dollars, from time to time on any Business Day during the Availability Period in an aggregate amount not to exceed at any time outstanding the amount of the Swingline Sublimit, notwithstanding the fact that such Swingline Loans, when aggregated with the Applicable Percentage of the Outstanding Amount of Revolving Loans and L/C Obligations of the Lender acting as Swingline Lender, may exceed the amount of such Lender's Commitment; provided, that, (i) after giving effect to any Swingline Loan, (A) the Total Revolving Outstandings shall not exceed the Aggregate Commitments at such time, and (B) the Revolving Exposure of any Lender at such time shall not exceed such Lender's Commitment, (ii) the Borrower shall not use the proceeds of any Swingline Loan to refinance any outstanding Swingline Loan, and (iii) the Swingline Lender shall not be under any obligation to make any Swingline Loan if it shall determine (which determination shall be conclusive and binding absent manifest error) that it has, or by such Credit Extension may have, Fronting Exposure. Within the foregoing limits, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.04, prepay under Section 2.05, and reborrow under this Section 2.04. Each Swingline Loan shall bear interest only at a rate based on the Base Rate plus the Applicable Rate; provided, that, if an Autoborrow Agreement is in effect, the Swingline Lender may, at its discretion, provide for an alternate rate of interest on Swingline Loans under such Autoborrow Agreement with respect to any Swingline Loans for which the Swingline Lender has not requested that the Lenders fund Revolving Loans to refinance, or to purchase and fund risk participations in, such Swingline Loans pursuant to Section 2.04(c). Immediately upon the making of a Swingline Loan, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Swingline Lender a risk participation in such Swingline Loan in an amount equal to the product of such Lender's Applicable Percentage times the amount of such Swingline Loan.

(e) Section 2.04(b) of the Credit Agreement is hereby amended to read as follows:

(b) Borrowing Procedures.

(i) At any time an Autoborrow Agreement is not in effect, each Swingline Borrowing shall be made upon the Borrower's irrevocable notice to the Swingline Lender and the Administrative Agent, which may be given by telephone or a Swingline Loan Notice; provided, that, any telephonic notice must be confirmed immediately by delivery to the Swingline Lender and the Administrative Agent of a Swingline Loan Notice. Each such Swingline Loan Notice must be received by the Swingline Lender and the Administrative Agent not later than 1:00 p.m. on the requested borrowing date, and shall specify (i) the amount to be borrowed, which shall be a minimum of $100,000, and (ii) the requested date of the Swingline Borrowing (which shall be a Business Day). Promptly after receipt by the Swingline Lender of any Swingline Loan Notice, the Swingline Lender will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has also received such Swingline Loan Notice and, if not, the Swingline Lender will notify the Administrative Agent (by telephone or in writing) of the contents thereof. Unless the Swingline Lender has received notice (by telephone or in writing) from the Administrative Agent (including at the request of any Lender) prior to 2:00 p.m. on the date of the proposed Swingline Borrowing (A) directing the Swingline Lender not to make such Swingline Loan as a result of the limitations set forth in the first proviso to the second sentence of Section 2.04(a), or (B) that one or more of the applicable conditions specified in Article IV is not then satisfied, then, subject to the terms and conditions hereof, the Swingline Lender may make the amount of its Swingline Loan available to the Borrower at its office by crediting the account of the Borrower on the books of the Swingline Lender in immediately available funds.

(ii) In order to facilitate the borrowing of Swingline Loans, the Borrower and the Swingline Lender may mutually agree to, and are hereby authorized to, enter into an autoborrow agreement in form and substance satisfactory to the Administrative Agent and the Swingline Lender (each, an " Autoborrow Agreement ") providing for the automatic advance by the Swingline Lender of Swingline Loans under the conditions set forth in such Autoborrow Agreement, which shall be in addition to the conditions set forth herein. At any time an Autoborrow Agreement is in effect, the requirements for Swingline Borrowings set forth in Section 2.04(b)(i) shall not apply, and all Swingline Borrowings shall be made in accordance with such Autoborrow Agreement; provided , that , any automatic advance made by Bank of America in reliance of such Autoborrow Agreement shall be deemed a Swingline Loan as of the time such automatic advance is made notwithstanding any provision in such Autoborrow Agreement to the contrary. For purposes of determining the Total Revolving Outstandings at any time during which an Autoborrow Agreement is in effect, the Outstanding Amount of all Swingline Loans shall be deemed to be the amount of the Swingline Sublimit. For purposes of any Swingline Borrowing pursuant to an Autoborrow Agreement, all references to Bank of America in such Autoborrow Agreement shall be deemed to be a reference to Bank of America, in its capacity as Swingline Lender hereunder.

(f) The first sentence of Section 2.05(a)(ii) of the Credit Agreement is hereby amended to read as follows:

At any time an Autoborrow Agreement is not in effect, the Borrower may, upon notice to the Swingline Lender pursuant to delivery to the Swingline Lender of a Notice of Loan Prepayment (with a copy to the Administrative Agent), at any time or from time to time, voluntarily prepay Swingline Loans in whole or in part without premium or penalty; provided , that , unless otherwise agreed by the Swingline Lender, (A) such notice must be received by the Swingline Lender and the Administrative Agent not later than 1:00 p.m. on the date of the prepayment, and (B) any such prepayment shall be in a minimum principal amount of $100,000 or a whole multiple of $100,000 in excess hereof (or, if less, the entire principal thereof then outstanding).

(g) Section 2.07(b) of the Credit Agreement is hereby amended to read as follows:

(b) Swingline Loans . At any time an Autoborrow Agreement is in effect, the Swingline Loans shall be repaid in accordance with the terms of such Autoborrow Agreement. At any time an Autoborrow Agreement is not in effect, the Borrower shall repay each Swingline Loan on the earlier to occur of (i) the date ten (10) Business Days after such Swingline Loan is made, and (ii) the Maturity Date.

(h) Clause (iii) in the first sentence of Section 2.08(a) of the Credit Agreement is hereby amended to read as follows:

(iii) each Swingline Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate for Revolving Loans, or, if an Autoborrow Agreement is in effect, at a rate per annum provided by the Swingline Lender.

(i) Section 4.02(c) of the Credit Agreement is hereby amended to read as follows:

(c) Request for Credit Extension . The Administrative Agent and, if applicable, the L/C Issuer or the Swingline Lender (if no Autoborrow Agreement is then in effect), shall have received a Request for Credit Extension in accordance with the requirements hereof.

(j) The last paragraph in Section 4.02 of the Credit Agreement is hereby amended to read as follows:

Each Request for Credit Extension submitted by the Borrower and each Swingline Borrowing pursuant to an Autoborrow Agreement shall be deemed to be a representation and warranty that the conditions specified in Sections 4.02(a) , (b) and, if applicable, (d) have been satisfied on and as of the date of the applicable Credit Extension.

(k) The final proviso to Section 11.01 of the Credit Agreement is hereby amended to (i) delete the "and" at the end of clause (x) thereof, (ii) replace the "." at the end of clause (xi) thereof with a "; and" , and (iii) add a new clause (xii) after clause (xi) thereof to read as follows:

(xii) any Autoborrow Agreement and any fee letters executed in connection therewith may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto.

2. Condition Precedent . This Agreement shall be effective upon receipt by the Administrative Agent of counterparts of this Agreement duly executed by the Borrower, the Guarantors, the Administrative Agent and the Swingline Lender.

3. Miscellaneous .

(a) The Credit Agreement, and the obligations of the Loan Parties thereunder and under the other Loan Documents, are hereby ratified and confirmed and shall remain in full force and effect according to their terms. This Agreement shall constitute a Loan Document.

(b) Each Guarantor (i) acknowledges and consents to all of the terms and conditions of this Agreement, (ii) affirms all of its obligations under the Loan Documents and (iii) agrees that this Agreement and all documents executed in connection herewith do not operate to reduce or discharge its obligations under the Credit Agreement or the other Loan Documents.

(c) Each Loan Party hereby represent and warrant as follows: (i) such Loan Party has taken all necessary corporate or other organizational action to authorize the execution, delivery and performance of this Agreement; (ii) this Agreement has been duly and validly executed and delivered by such Loan Party and constitutes a legal, valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (whether enforcement is sought by proceedings in equity or at law); and (iii) no consent, approval, exemption, order or authorization of, or registration or filing with, any Governmental Authority or any other Person is required by any Law or any agreement in connection with the execution, delivery or performance by, or enforcement against, such Loan Party of this Agreement.

(d) The Loan Parties represent and warrant that (i) after giving effect to this Agreement, the representations and warranties of the Borrower and each other Loan Party contained in the Credit Agreement or any other Loan Document, or which are contained in any document furnished at any time under or in connection therewith, are true and correct in all material respects (and in all respects if any such representation or warranty is already qualified by materiality or reference to Material Adverse Effect) on and as of the date of this Agreement, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct in all material respects (and in all respects if any such representation or warranty is already qualified by materiality or reference to Material Adverse Effect) as of such earlier date, and except that for purposes of this Section 3(d) , the representations and warranties contained in Sections 5.05(a), (b) and (d) of the Credit Agreement shall be deemed to refer to the most recent statements furnished pursuant to Section 6.01(a), (b) or (c), respectively, of the Credit Agreement, and (ii) after giving effect to this Agreement, no event has occurred and is continuing which constitutes a Default or an Event of Default.

(e) This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic imaging means (e.g. “pdf” or “tif”) shall be effective as delivery of a manually executed counterpart of this Agreement.

(f) **THIS AGREEMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING HERETO, AND THE TRANSACTIONS CONTEMPLATED HEREBY, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.**

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

BORROWER : BEF FOODS, INC.,
an Ohio corporation

By:
Name:
Title:

GUARANTORS : BOB EVANS FARMS, INC.,
a Delaware corporation

By:
Name:
Title:

BOB EVANS FARMS, LLC,
an Ohio limited liability company

By:
Name:
Title:

BOB EVANS HOLDING, INC.,
an Ohio corporation

By:
Name:
Title:

BOB EVANS TRANSPORTATION COMPANY, LLC,
an Ohio limited liability company

By:
Name:
Title:

BEF MANAGEMENT, INC.,
an Ohio corporation

By:
Name:
Title:

ADMINISTRATIVE AGENT: BANK OF AMERICA, N.A.,
as Administrative Agent

By:
Name:
Title:

SWINGLINE LENDER: BANK OF AMERICA, N.A.,
as the Swingline Lender

By:
Name:
Title:

Exhibit 31.1

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

I, J. Michael Townsley, 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: December 6, 2017

/s/ J. Michael Townsely

J. Michael Townsley

President and Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

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

I, Mark E. Hood, 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: December 6, 2017

/s/ Mark E. Hood

Mark E. Hood
Chief Financial Officer and Chief Administrative Officer
(Principal Financial Officer)

Exhibit 32.1

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 October 27, 2017 , as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, J. Michael Townsley, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, 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) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 6, 2017

/s/ J. Michael Townsley
J. Michael Townsley

President and Chief Executive Officer
(Principal Executive Officer)

* 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.

Exhibit 32.2

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 October 27, 2017 , as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mark E. Hood, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, 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) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 6, 2017

/s/ Mark E. Hood

Mark E. Hood
Chief Financial Officer and Chief Administrative Officer
(Principal Financial Officer)

* 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.