J&J SNACK FOODS CORP
Form 10-Q
August 02, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the period ended June 30, 2018

or

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

Commission File Number: 0-14616

J & J SNACK FOODS CORP.

(Exact name of registrant as specified in its charter)

New Jersey 22-1935537

(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6000 Central Highway, Pennsauken, NJ 08109

(Address of principal executive offices)

Telephone (856) 665-9533

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

X Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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).

X Yes No

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

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

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

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

Yes X No

As July 26, 2018 there were 18,716,140 shares of the Registrant's Common Stock outstanding.

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

	June 30, 2018 (unaudited)	September 30, 2017
Assets		
Current assets		
Cash and cash equivalents	$ 95,628	$ 90,962
Marketable securities held to maturity	30,271	59,113
Accounts receivable, net	131,776	124,553
Inventories	116,194	103,268
Prepaid expenses and other	6,857	3,936
Total current assets	380,726	381,832
Property, plant and equipment, at cost		
Land	2,494	2,482
Buildings	26,582	26,741
Plant machinery and equipment	279,077	257,172
Marketing equipment	285,689	278,860
Transportation equipment	8,648	8,449
Office equipment	27,948	25,302
Improvements	38,657	38,003
Construction in progress	13,174	16,880
Total Property, plant and equipment, at cost	682,269	653,889
Less accumulated depreciation and amortization	445,001	426,308
Property, plant and equipment, net	237,268	227,581
Other assets		
Goodwill	102,511	102,511
Other intangible assets, net	58,646	61,272
Marketable securities held to maturity	103,548	60,908
Marketable securities available for sale	28,908	30,260
Other	2,625	2,864
Total other assets	296,238	257,815
Total Assets	$ 914,232	$ 867,228
Liabilities and Stockholders' Equity		
Current Liabilities		
Current obligations under capital leases	$ 336	$ 340
Accounts payable	79,489	72,729
Accrued insurance liability	11,929	10,558
Accrued liabilities	7,770	7,753
Accrued compensation expense	15,147	19,826

Dividends payable	8,415	7,838
Total current liabilities	123,086	119,044
Long-term obligations under capital leases	833	904
Deferred income taxes	50,228	62,705
Other long-term liabilities	2,010	2,253
Stockholders' Equity		
Preferred stock, $1 par value; authorized 10,000,000 shares; none issued	-	-
Common stock, no par value; authorized, 50,000,000 shares; issued and outstanding 18,697,000 and 18,705,000 respectively	23,047	17,382
Accumulated other comprehensive loss	(13,770)	(8,875)
Retained Earnings	728,798	673,815
Total stockholders' equity	738,075	682,322
Total Liabilities and Stockholders' Equity	$ 914,232	$ 867,228

The accompanying notes are an integral part of these statements.

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

	Three months ended		Nine months ended	
	June 30, 2018	June 24, 2017	June 30, 2018	June 24, 2017
Net Sales	$306,239	$295,415	$837,550	$767,498
Cost of goods sold(1)	211,764	200,651	592,518	534,022
Gross Profit	94,475	94,764	245,032	233,476
Operating expenses				
Marketing (2)	25,589	25,571	69,672	67,435
Distribution (3)	24,325	21,865	67,901	58,537
Administrative (4)	9,654	9,588	28,014	26,404
Other general expense (income)	38	(60)	(193)	(138)
Total operating expenses	59,606	56,964	165,394	152,238
Operating Income	34,869	37,800	79,638	81,238
Other income (expense)				
Investment income	1,705	1,422	4,687	3,824
Interest expense & other	(209)	(80)	267	(651)
Earnings before income taxes	36,365	39,142	84,592	84,411
Income taxes	10,236	13,838	4,381	29,580
NET EARNINGS	$26,129	$25,304	$80,211	$54,831
Earnings per diluted share	$1.39	$1.34	$4.27	$2.91
Weighted average number of diluted shares	18,822	18,846	18,801	18,818
Earnings per basic share	$1.40	$1.35	$4.29	$2.93

Weighted average number of basic shares	18,698	18,727	18,683	18,708

(1) Includes share-based compensation expense of $225 and $642 for the three months and nine months ended June 30, 2018, respectively and $192 and $529 for the three months and nine months ended June 24, 2017.

(2) Includes share-based compensation expense of $349 and $998 for the three months and nine months ended June 30, 2018, respectively and $277 and $763 for the three months and nine months ended June 24, 2017.

(3) Includes share-based compensation expense of $20 and $56 for the three months and nine months ended June 30, 2018,, respectively and $19 and $52 for the three months and nine months ended June 24, 2017.

(4) Includes share-based compensation expense of $412 and $1,178 for the three months and nine months ended June 30, 2018, respectively and $323 and $896 for the three months and nine months ended June 24, 2017.

The accompanying notes are an integral part of these statements.

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

	Three months ended		Nine months ended	
	June 30, 2018	June 24, 2017	June 30, 2018	June 24, 2017
Net Earnings	$26,129	$25,304	$80,211	$54,831
Foreign currency translation adjustments	(2,359)	1,095	(4,348)	1,885
Unrealized holding (loss) gain on marketable securities	(253)	204	(547)	699
Total Other Comprehensive (Loss) Income	(2,612)	1,299	(4,895)	2,584
Comprehensive Income	$23,517	$26,603	$75,316	$57,415

The accompanying notes are an integral part of these statements.

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

	Nine months ended	
	June 30, 2018	June 24, 2017
Operating activities:		
Net earnings	$80,211	$54,831
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation of property, plant and equipment	31,929	28,060
Amortization of intangibles and deferred costs	2,639	3,336
Share-based compensation	2,874	2,240
Deferred income taxes	(12,502)	(347)
Loss(gain)on sale and redemption of marketable securities	32	(13)
Other	(3)	712
Changes in assets and liabilities net of effects from purchase of companies		
Increase in accounts receivable	(7,530)	(23,385)
Increase in inventories	(13,020)	(12,154)
(Increase)decrease in prepaid expenses	(2,949)	10,035
Increase in accounts payable and accrued liabilities	3,606	20,023
Net cash provided by operating activities	85,287	83,338
Investing activities:		
Payment for purchases of companies, net of cash acquired	-	(42,058)
Purchases of property, plant and equipment	(43,344)	(57,151)
Purchases of marketable securities	(65,227)	(27,269)
Proceeds from redemption and sales of marketable securities	51,417	14,681
Proceeds from disposal of property, plant and equipment	1,895	1,385
Other	171	(404)
Net cash used in investing activities	(55,088)	(110,816)
Financing activities:		
Payments to repurchase common stock	(2,794)	(3,374)
Proceeds from issuance of stock	5,561	4,745
Payments on capitalized lease obligations	(278)	(273)
Payment of cash dividend	(24,652)	(22,992)
Net cash used in financing activities	(22,163)	(21,894)
Effect of exchange rate on cash and cash equivalents	(3,370)	1,334
Net increase (decrease) in cash and cash equivalents	4,666	(48,038)
Cash and cash equivalents at beginning of period	90,962	140,652
Cash and cash equivalents at end of period	$95,628	$92,614

The accompanying notes are an integral part of these statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 1 The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended September 30, 2017.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position and the results of operations and cash flows.

The results of operations for the nine months ended June 30, 2018 and June 24, 2017 are not necessarily indicative of results for the full year. Sales of our frozen beverages and frozen juices and ices are generally higher in the third and fourth quarters due to warmer weather.

While we believe that the disclosures presented are adequate to make the information not misleading, it is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2017.

Note 2 We recognize revenue from our products when the products are shipped to our customers. Repair and maintenance equipment service revenue is recorded when it is performed provided the customer terms are that the customer is to be charged on a time and material basis or on a straight-line basis over the term of the contract when the customer has signed a service contract. Revenue is recognized only where persuasive evidence of an arrangement exists, our price is fixed or determinable and collectability is reasonably assured. We record offsets to revenue for allowances, end-user pricing adjustments, trade spending, coupon redemption costs and returned product. Customers generally do not have the right to return product unless it is damaged or defective. We provide an allowance for doubtful receivables after taking into consideration historical experience and other factors. The allowance for doubtful receivables was $420,000 and $359,000 at June 30, 2018 and September 30, 2017, respectively.

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Note 3 Depreciation of equipment and buildings is provided for by the straight-line method over the assets' estimated useful lives. Amortization of improvements is provided for by the straight-line method over the term of the lease or the assets' estimated useful lives, whichever is shorter. Licenses and rights, customer relationships and non-compete agreements arising from acquisitions are amortized by the straight-line method over periods ranging from 2 to 20 years. Depreciation expense was $10,569,000 and $9,629,000 for the three months ended June 30, 2018 and June 24, 2017, respectively, and $31,929,000 and $28,060,000 for the nine months ended June 30, 2018 and June 24, 2017, respectively.

Note 4 Basic earnings per common share (EPS) excludes dilution and is computed by dividing income available to common shareholders by the weighted average common shares outstanding during the period. Diluted EPS takes into consideration the potential dilution that could occur if securities (stock options) or other contracts to issue common stock were exercised and converted into common stock. Our calculation of EPS is as follows:

	Three Months Ended June 30, 2018		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Basic EPS			
Net Earnings available to common stockholders	$26,129	18,698	$ 1.40
Effect of Dilutive Securities			
Options	-	124	(0.01)
Diluted EPS			
Net Earnings available to common stockholders plus assumed conversions	$26,129	18,822	$ 1.39

1,000 anti-dilutive shares have been excluded in the computation of EPS for the three months ended June 30, 2018.

	Nine Months Ended June 30, 2018		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Basic EPS			

Net Earnings available to common stockholders	$80,211	18,683	$ 4.29
Effect of Dilutive Securities			
Options	-	118	(0.02)
Diluted EPS			
Net Earnings available to common stockholders plus assumed conversions	$80,211	18,801	$ 4.27

1,000 anti-dilutive shares have been excluded in the computation of EPS for the nine months ended June 30, 2018.

	Three Months Ended June 24, 2017		
	Income	Shares	Per Share
	(Numerator)	(Denominator)	Amount
	(in thousands, except per share amounts)		
Basic EPS			
Net Earnings available to common stockholders	$25,304	18,727	$ 1.35
Effect of Dilutive Securities			
Options	-	119	(0.01)
Diluted EPS			
Net Earnings available to common stockholders plus assumed conversions	$25,304	18,846	$ 1.34

500 anti-dilutive shares have been excluded in the computation of EPS for the three months ended June 24, 2017.

	Nine Months Ended June 24, 2017		
	Income	Shares	Per Share
	(Numerator)	(Denominator)	Amount
	(in thousands, except per share amounts)		
Basic EPS			
Net Earnings available to common stockholders	$54,831	18,708	$ 2.93
Effect of Dilutive Securities			
Options	-	110	(0.02)
Diluted EPS			
Net Earnings available to common stockholders plus assumed conversions	$54,831	18,818	$ 2.91

158,494 anti-dilutive shares have been excluded in the computation of EPS for the nine months ended June 24, 2017

Note 5 At June 30, 2018, the Company has three stock-based employee compensation plans. Share-based compensation expense (benefit) was recognized as follows:

	Three months ended		Nine months ended	
	June 30, 2018	June 24, 2017	June 30, 2018	June 24, 2017
Stock Options	$473	$(20)	$1,559	$(165)
Stock purchase plan	89	65	355	300
Stock issued to an outside director	16	14	48	42
Restricted stock issued to an employee	1	1	3	3
Total share-based compensation	$579	$60	$1,965	$180
The above compensation is net of tax benefits	$427	$751	$909	$2,060

The fair value of each option grant is estimated on the date of grant using the Black-Scholes options-pricing model with the following weighted average assumptions used for grants in fiscal 2018 first nine months: expected volatility of 16.8%; risk-free interest rate of 2.6%; dividend rate of 1.3% and expected lives of 5 years.

During the fiscal year 2018 nine month period, the Company granted 159,878 stock options. The weighted-average grant date fair value of these options was $23.67.

During the fiscal year 2017 nine month period, the Company granted 159,294 stock options. The weighted-average grant date fair value of these options was $18.85.

Expected volatility is based on the historical volatility of the price of our common shares over the past 50 months for 5 year options and 10 years for 10 year options. We use historical information to estimate expected life and forfeitures within the valuation model. The expected term of awards represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Compensation cost is recognized using a straight-line method over the vesting or service period and is net of estimated forfeitures.

Note 6 We account for our income taxes under the liability method. Under the liability method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. Deferred tax expense is the result of changes in deferred tax assets and liabilities.

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

The total amount of gross unrecognized tax benefits is $389,000 and $374,000 on June 30, 2018 and September 30, 2017, respectively, all of which would impact our effective tax rate over time, if recognized. We recognize interest and penalties related to uncertain tax positions as a part of the provision for income taxes. As of June 30, 2018, and September 30, 2017, respectively, the Company has $254,000 and $239,000 of accrued interest and penalties.

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

Net earnings for the nine months ended June 30, 2018 benefited from a $20.9 million, or $1.11 per diluted share, gain on the remeasurement of deferred tax liabilities and a $7.4 million, or $0.40 per diluted share, reduction in income taxes related primarily to the lower corporate tax rate enacted under the Tax Cuts and Jobs Act in December 2017. Net earnings for the nine months were impacted by a $1.2 million, or $.06 per diluted share, provision for the one time repatriation tax required under the new tax law. For the three months ended June 30, 2018, net earnings benefited by a $3.5 million, or $.18 per diluted share, reduction in income taxes primarily related to the lower corporate tax rate. Excluding the deferred tax gain and the one-time repatriation tax, our effective tax rate decreased to 28.1% from 35.4% in the prior year quarter and to 28.4% from 35.0% in prior year nine months reflecting the reduction in the federal statutory rate to 21% from 35% on January 1, 2018. Last year’s nine months’ effective tax rate benefited from an unusually high tax benefit on share based compensation of $2,060,000 which compares to this year’s nine month’s tax benefit of $909,000. We are presently estimating an effective tax rate of 28-29% for the last quarter of our fiscal year 2018 and 26-27% for our fiscal year 2019.

On December 22, 2017, the SEC issued guidance under Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (“SAB 118”) directing taxpayers to consider the impact of the U.S. legislation as “provisional” when it does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete its accounting for the change in tax law. In accordance with SAB 118, the estimated income tax net benefit of $3.5 million for the three months and $27.1 million for the nine months represents our best estimate based on interpretation of the U.S. legislation as we are still accumulating data to finalize the underlying calculations, or in certain cases, the U.S. Treasury is expected to issue further guidance on the application of certain provisions of the U.S. legislation. In accordance with SAB 118, the additional estimated income tax net benefit of $3.5 million for the three months and $27.1 million for the nine months are considered provisional and will be finalized before December 22, 2018.

Note 7

In May 2014 and in subsequent updates, the FASB issued guidance on revenue recognition which requires that we recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which we expect to be entitled in exchange for those goods or services. We have performed a review of the requirements of the new revenue standard and are in the process of reviewing customer contracts and applying the five-step model of this new guidance to each contract category we have identified and will compare the results to our current accounting practices. We plan to adopt this guidance on the first day of our fiscal 2019 year. We will apply the modified retrospective transition method, which would result in an adjustment to retained earnings for the cumulative effect, if any, of applying the standard to contracts in process as of the adoption date. Under this method, we would not restate the prior financial statements presented. Therefore, this guidance would require additional disclosures of the amount by which each financial statement line item is affected in the fiscal year 2019 reporting period. Our analysis indicates that the impact of this guidance on our consolidated financial statements will not be material.

In January 2016, the FASB issued guidance which requires an entity to measure equity investments at fair value with changes in fair value recognized in net income, to use the price that would be received by a seller when measuring the fair value of financial instruments for disclosure purposes, and which eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. Under present guidance, changes in fair value of equity investments are recognized in Stockholders' Equity. This guidance is effective for our fiscal year ended September 2019. Early adoption is not permitted. We do not anticipate that the adoption of this new guidance will have a material impact on our consolidated financial statements.

In February 2016, the FASB issued guidance on lease accounting which requires that an entity recognize most leases on its balance sheet. The guidance retains a dual lease accounting model for purposes of income statement recognition, continuing the distinction between what are currently known as "capital" and "operating" leases for lessees. This guidance is effective for our fiscal year ended September 2020. While we continue to evaluate the effect of adopting this guidance on our consolidated financial statements and related disclosures, we expect our operating leases will be subject to the new standard. We will recognize right-of-use assets and operating lease liabilities on our consolidated balance sheets upon adoption, which will increase our total assets and liabilities. We anticipate that the impact of this guidance on our financial statements will be material.

Note 8 Inventories consist of the following:

	June 30, 2018	September 30, 2017
	(unaudited)	
	(in thousands)	
Finished goods	$54,183	$45,394
Raw Materials	25,082	22,682
Packaging materials	10,744	8,833
Equipment parts & other	26,185	26,359
Total Inventories	$116,194	$103,268

Note 9 We principally sell our products to the food service and retail supermarket industries. Sales and results of our frozen beverages business are monitored separately from the balance of our food service business because of different distribution and capital requirements. We maintain separate and discrete financial information for the three operating segments mentioned above which is available to our Chief Operating Decision Makers.

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

Food Service

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

Retail Supermarkets

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

Frozen Beverages

We sell frozen beverages and related products to the food service industry primarily under the names ICEE, SLUSH PUPPIE and PARROT ICE in the United States, Mexico and Canada. We also provide repair and maintenance service to customers for customers' owned equipment.

The Chief Operating Decision Maker for Food Service and Retail Supermarkets and the Chief Operating Decision Maker for Frozen Beverages monthly review detailed operating income statements and sales reports in order to assess performance and allocate resources to each individual segment. Sales and operating income are key variables monitored by the Chief Operating Decision Makers and management when determining each segment's and the company's financial condition and operating performance. In addition, the Chief Operating Decision Makers review and evaluate depreciation, capital spending and assets of each segment on a quarterly basis to monitor cash flow and asset needs of each segment. Information regarding the operations in these three reportable segments is as follows:

	Three months ended		Nine months ended	
	June 30, 2018	June 24, 2017	June 30, 2018	June 24, 2017
Sales to External Customers:				
Food Service				
Soft pretzels	$53,880	$45,069	$151,649	$129,556
Frozen juices and ices	12,825	16,281	29,448	33,453
Churros	16,739	17,536	46,603	46,693
Handhelds	9,974	8,574	30,667	24,155
Bakery	93,082	89,712	278,828	248,795
Other	5,201	5,938	16,235	14,833
Total Food Service	$191,701	$183,110	$553,430	$497,485
Retail Supermarket				
Soft pretzels	$7,332	$7,496	$27,925	$25,626
Frozen juices and ices	28,785	27,317	53,950	50,359
Handhelds	2,960	3,548	8,749	10,374
Coupon redemption	(1,278)	(1,092)	(2,647)	(3,246)
Other	733	873	1,715	2,260
Total Retail Supermarket	$38,532	$38,142	$89,692	$85,373
Frozen Beverages				
Beverages	$50,343	$48,714	$118,932	$108,812
Repair and maintenance service	19,693	18,549	58,005	54,327
Machines sales	5,644	6,496	16,652	20,547
Other	326	404	839	954
Total Frozen Beverages	$76,006	$74,163	$194,428	$184,640

Consolidated Sales	$306,239	$295,415	$837,550	$767,498
Depreciation and Amortization:				
Food Service	$6,237	$6,028	$19,376	$18,155
Retail Supermarket	332	221	980	859
Frozen Beverages	4,860	4,437	14,212	12,382
Total Depreciation and Amortization	$11,429	$10,686	$34,568	$31,396
Operating Income:				
Food Service	$19,663	$22,005	$54,098	$58,695
Retail Supermarket	3,203	4,890	8,295	8,390
Frozen Beverages	12,003	10,905	17,245	14,153
Total Operating Income	$34,869	$37,800	$79,638	$81,238
Capital Expenditures:				
Food Service	$10,172	$16,923	$25,872	$35,536
Retail Supermarket	273	15	376	228
Frozen Beverages	6,618	7,230	17,096	21,387
Total Capital Expenditures	$17,063	$24,168	$43,344	$57,151
Assets:				
Food Service	$672,861	$631,131	$672,861	$631,131
Retail Supermarket	24,215	25,212	24,215	25,212
Frozen Beverages	217,156	209,441	217,156	209,441
Total Assets	$914,232	$865,784	$914,232	$865,784

Note 10 Our three reporting units, which are also reportable segments, are Food Service, Retail Supermarkets and Frozen Beverages.

The carrying amounts of acquired intangible assets for the Food Service, Retail Supermarkets and Frozen Beverage segments as of June 30, 2018 and September 30, 2017 are as follows:

	June 30, 2018		**September 30, 2017**	
	Gross Carrying Amount	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
	(in thousands)			
FOOD SERVICE				
Indefinite lived intangible assets				
Trade Names	$16,628	$ -	$16,628	$ -
Amortized intangible assets				
Non compete agreements	980	462	980	263
Customer relationships	20,510	8,070	20,510	6,476
License and rights	1,690	1,122	1,690	1,058
TOTAL FOOD SERVICE	$39,808	$ 9,654	$39,808	$ 7,797
RETAIL SUPERMARKETS				
Indefinite lived intangible assets				
Trade Names	$6,557	$ -	$6,557	$ -
Amortized Intangible Assets				
Trade Names	649	227	649	130
Customer relationships	7,979	3,423	7,979	2,822
TOTAL RETAIL SUPERMARKETS	$15,185	$ 3,650	$15,185	$ 2,952
FROZEN BEVERAGES				
Indefinite lived intangible assets				
Trade Names	$9,315	$ -	$9,315	$ -
Distribution rights	6,900	-	6,900	-
Amortized intangible assets				
Customer relationships	257	69	257	50
Licenses and rights	1,400	846	1,400	794
TOTAL FROZEN BEVERAGES	$17,872	$ 915	$17,872	$ 844

CONSOLIDATED	$72,865	$ 14,219	$72,865	$ 11,593

Amortized intangible assets are being amortized by the straight-line method over periods ranging from 2 to 20 years and amortization expense is reflected throughout operating expenses. In last year's fiscal year, intangible assets of $6,957,000 were acquired in an ICEE distributor acquisition in our frozen beverage segment, intangible assets of $15,760,000 were acquired in the Hill & Valley acquisition in our food service segment and intangible assets of $576,000 were acquired in the Labriola Baking acquisition, also in our food service segment. Aggregate amortization expense of intangible assets for the three months ended June 30, 2018 and June 24, 2017 was $876,000 and $828,000, respectively and for the nine months ended June 30, 2018 and June 24, 2017 was $2,626,000 and $2,957,000, respectively.

Estimated amortization expense for the next five fiscal years is approximately $3,500,000 in 2018, $3,300,000 in 2019, $3,000,000 in 2020, $2,400,000 in 2021 and $2,300,000 in 2022. The weighted amortization period of the intangible assets is 10.8 years.

Goodwill

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

	Food Service	Retail Supermarket	Frozen Beverages	Total
	(in thousands)			
Balance at June 30, 2018	$61,665	$ 3,670	$ 37,176	$102,511
Balance at September 30, 2017	$61,665	$ 3,670	$ 37,176	$102,511

In last year's fiscal year, goodwill of $1,236,000 was acquired in an ICEE distributor acquisition in our frozen beverage segment, goodwill of $14,175,000 was acquired in the Hill & Valley acquisition in our food service segment and goodwill of $658,000 was acquired in our Labriola Baking acquisition, also in our food service segment.

Note 11 We have classified our investment securities as marketable securities held to maturity and available for sale. The FASB defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the FASB has established three levels of inputs that may be used to measure fair value:

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

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

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

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

The amortized cost, unrealized gains and losses, and fair market values of our investment securities held to maturity at June 30, 2018 are summarized as follows:

	Amortized Cost (in thousands)	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Market Value**
Corporate Bonds	$126,939	$ 8	$ 1,600	$125,347
Certificates of Deposit	6,880	-	8	6,872
Total marketable securities held to maturity	$133,819	$ 8	$ 1,608	$132,219

The amortized cost, unrealized gains and losses, and fair market values of our investment securities available for sale at June 30, 2018 are summarized as follows:

	Amortized Cost (in thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Mutual Funds	$12,954	$ -	$ 385	$12,569
Preferred Stock	16,035	344	40	16,339
Total marketable securities available for sale	$28,989	$ 344	$ 425	$28,908

The mutual funds seek current income with an emphasis on maintaining low volatility and overall moderate duration. The Fixed-to-Floating Perpetual Preferred Stock generate fixed income to call dates in 2018, 2019 and 2025 and then income is based on a spread above LIBOR if the securities are not called. The mutual funds and Fixed-to-Floating Perpetual Preferred Stock do not have contractual maturities; however, we classify them as long term assets as it is our intent to hold them for a period of over one year, although we may sell some or all of them depending on presently unanticipated needs for liquidity or market conditions. The corporate bonds generate fixed income to maturity dates in 2018 through 2021, with $124 million maturing within 3 years. Our expectation is that we will hold the corporate bonds to their maturity dates and redeem them at our amortized cost.

The amortized cost, unrealized gains and losses, and fair market values of our investment securities held to maturity at September 30, 2017 are summarized as follows:

	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Market Value**
	(in thousands)			
Corporate Bonds	$114,101	$ 424	$ 155	$114,370
Certificates of Deposit	5,920	18	1	5,937
Total marketable securities held to maturity	$120,021	$ 442	$ 156	$120,307

The amortized cost, unrealized gains and losses, and fair market values of our investment securities available for sale at September 30, 2017 are summarized as follows:

	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Market Value**
	(in thousands)			
Mutual Funds	$13,003	$ 77	$ 240	$12,840
Preferred Stock	16,791	711	82	17,420
Total marketable securities available for sale	$29,794	$ 788	$ 322	$30,260

The amortized cost and fair value of the Company's held to maturity securities by contractual maturity at June 30, 2018 and September 30, 2017 are summarized as follows:

	June 30, 2018	**September 30, 2017**
	Fair	**Fair**

	Amortized Cost	Market Value	Amortized Cost	Market Value
	(in thousands)			
Due in one year or less	$30,271	$30,200	$59,113	$59,194
Due after one year through five years	103,548	102,019	60,908	61,113
Due after five years through ten years	-	-	-	-
Total held to maturity securities	$133,819	$132,219	$120,021	$120,307
Less current portion	30,271	30,200	59,113	59,194
Long term held to maturity securities	$103,548	$102,019	$60,908	$61,113

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Proceeds from the redemption and sale of marketable securities were $21,964,000 and $51,417,000 in the three and nine months ended June 30, 2018, and $9,577,000 and $14,681,000 in the three and nine months ended June 24, 2017, respectively. Losses of $35,000 and $32,000 were recorded in the three and nine months ended June 30, 2018, respectively and gains of $13,000 were recorded in the three and nine months ended June 24, 2017. We use the specific identification method to determine the cost of securities sold.

Note 12 Changes to the components of accumulated other comprehensive loss are as follows:

	Three Months Ended June 30, 2018 (unaudited) (in thousands)			Nine Months Ended June 30, 2018 (unaudited) (in thousands)		
	Foreign Currency Translation Adjustments	Unrealized Holding Gain (Loss) on Marketable Securities	Total	Foreign Currency Translation Adjustments	Unrealized Holding Gain (Loss) on Marketable Securities	Total
Beginning Balance	$(11,330)	$ 172	$(11,158)	$(9,341)	$ 466	$(8,875)
Other comprehensive loss before reclassifications	(2,359)	(328)	(2,687)	(4,348)	(622)	(4,970)
Amounts reclassified from accumulated other comprehensive income	-	75	75	-	75	75
Ending Balance	$(13,689)	$ (81)	$(13,770)	$(13,689)	$ (81)	$(13,770)

	Three Months Ended June 24, 2017 (unaudited) (in thousands)			Nine Months Ended June 24, 2017 (unaudited) (in thousands)		
	Foreign Currency Translation Adjustments	Unrealized Holding Gain on Marketable Securities	Total	Foreign Currency Translation Adjustments	Unrealized Holding Loss (Gain) on Marketable Securities	Total
Beginning Balance	$(12,296)	$ 166	$(12,130)	$(13,086)	$ (329)	$(13,415)
Other comprehensive income before reclassifications	1,095	204	1,299	1,885	699	2,584
Amounts reclassified from accumulated other comprehensive income	-	-	-	-		-
Ending Balance	$(11,201)	$ 370	$(10,831)	$(11,201)	$ 370	$(10,831)

Note 13 On December 30, 2016, we acquired Hill & Valley Inc., a premium bakery located in Rock Island, IL, for approximately $31 million. Hill & Valley, with sales of over $45 million annually, is a manufacturer of a variety of pre-baked cakes, cookies, pies, muffins and other desserts to retail in-store bakeries. Hill & Valley is a leading brand of Sugar Free and No Sugar Added pre-baked in-store bakery items. Additionally, Hill & Valley sustains strategic private labeling partnerships with retailers nationwide.

On May 22, 2017, we acquired an ICEE distributor doing business in Georgia and Tennessee for approximately $11 million.

On August 16, 2017, we acquired Labriola Baking Company, a bakery of breads and artisan soft pretzels located in Alsip, IL for approximately $6 million. Labriola Bakery, with sales of approximately $17 million annually, is a manufacturer of pre-baked breads, rolls and soft pretzels for retail in-store bakery and foodservice outlets nationwide.

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

Liquidity and Capital Resources

Our current cash and cash equivalents balances, investments and cash expected to be provided by future operations are our primary sources of liquidity. We believe that these sources, along with our borrowing capacity, are sufficient to fund future growth and expansion. See Note 11 to these financial statements for a discussion of our investment securities.

The Company's Board of Directors declared a regular quarterly cash dividend of $.45 per share of its common stock payable on July 5, 2018, to shareholders of record as of the close of business on June 14, 2018.

In our fiscal year ended September 30, 2017, we purchased and retired 142,665 shares of our common stock at a cost of $18,228,763. In the three and nine months ended June 30, 2018, we purchased and retired 20,604 shares of our common stock at a cost of $2,794,027. On August 4, 2017 the Company's Board of Directors authorized the purchase and retirement of 500,000 shares of the Company's common stock; 384,446 shares remain to be purchased under this authorization.

In the three months ended June 30, 2018 and June 24, 2017 fluctuations in the valuation of the Mexican and Canadian currencies and the resulting translation of the net assets of our Mexican and Canadian subsidiaries caused an increase of $2,359,000 in accumulated other comprehensive loss in the 2018 third quarter and a decrease of $1,095,000 in accumulated other comprehensive loss in the 2017 third quarter. In the nine-month period, fluctuations in the valuation of the Mexican and Canadian currencies and the resulting translation of the net assets of our Mexican and Canadian subsidiaries caused an increase of $4,348,000 in accumulated other comprehensive loss in the 2018 nine-month period and decrease of $1,885,000 in accumulated other comprehensive loss in the 2017 nine-month period.

Our general-purpose bank credit line which expires in November 2021 provides for up to a $50,000,000 revolving credit facility. The agreement contains restrictive covenants and requires commitment fees in accordance with standard banking practice. There were no outstanding balances under this facility at June 30, 2018.

Results of Operations

Net sales increased $10,824,000 or 4% to $306,239,000 for the three months and $70,052,000 or 9% to $837,550,000 for the nine months ended June 30, 2018 compared to the three and nine months ended June 24, 2017. Excluding first twelve months' sales from Hill & Valley, Inc., acquired in January 2017, an ICEE distributor located in the Southeast acquired in June 2017 and Labriola Bakery which was acquired in August 2017, sales for the three months increased $6,329,000 or 2% from last year and sales for the nine months increased $38,365,000, or 5% from last year.

FOOD SERVICE

Sales to food service customers increased $8,591,000 or 5% in the third quarter to $191,701,000 and increased $55,945,000 or 11% for the nine months. Excluding first twelve months' sales of Hill & Valley and Labriola, sales increased $4,596,000 or 3% for the third quarter and $26,161,000 or 5% for the nine months. Soft pretzel sales to the food service market increased 20% to $53,880,000 in the three months and 17% to $151,649,000 in the nine months and about 11% and 10% in the three and nine months without Labriola sales. In addition to Labriola sales, soft pretzel sales increased significantly due to increased distribution to restaurant chains and movie theatres and we had strong sales of our recently introduced BRAUHAUS pretzels.

Frozen juices and ices sales decreased 21% to $12,825,000 in the three months and decreased 12% to $29,448,000 in the nine months due entirely to lower sales to warehouse club stores because of a loss of a promotion and because of reduced distribution.

Churro sales to food service customers were down 5% in the third quarter to $16,739,000 and were essentially unchanged at $46,603,000 in the nine months, with sales increases and decreases across our customer base but with particularly lower sales to one warehouse club store in the third quarter which last year had sales of a new product since discontinued.

Sales of bakery products increased $3,370,000 or 4% in the third quarter to $93,082,000 and increased $30,033,000 or 12% for the nine months. Excluding sales of Hill & Valley and Labriola, bakery sales were up 3% for the quarter and 4% for the year primarily due to increased sales to several customers.

Sales of handhelds increased $1,400,000 or 16% in the third quarter and $6,512,000 or 27% for the nine months with the increase in both periods coming primarily from sales to two customers. Sales of funnel cake decreased $535,000 or 10% in the quarter to $5,094,000 and increased $1,512,000 or 11% for the nine months to $15,435,000 as we continue to increase sales to school food service. Sales of a limited time only funnel cake sold for distribution into independent fast food restaurant chains were down approximately $350,000 in both periods compared to a year ago and lower sales to one fast food restaurant chain accounted for the balance of the decrease in this year's quarter's sales.

Sales of new products in the first twelve months since their introduction were approximately $4 million in this quarter and $17 million in the nine months. Price increases accounted for approximately $2.4 million of sales in the quarter and $6.0 million of sales in the nine months and net volume increases, including new product sales as defined above and Hill & Valley and Labriola sales, accounted for approximately $6 million of sales in the quarter and $50 million of sales in the nine months.

Operating income in our Food Service segment decreased from $22,005,000 to $19,663,000 in the third quarter and decreased from $58,695,000 to $54,098,000 in the nine months. Last year's operating income in the third quarter and nine months benefited from a $1.8 million gain on an insurance recovery related to product quality issues in our 2016 fiscal year which was recorded as a reduction of cost of goods sold. This year's quarter and nine months was impacted by approximately $1.3 million and $3.3 million, respectively, of higher distribution expenses primarily due to higher fuel costs and the recent implementation of the electronic logging device mandate. Additionally, lower sales of our MARY B's biscuits and related costs due to our recall in early January impacted our operating income by approximately $500,000 in the third quarter and $1.0 million in the nine months. Hill & Valley contributed improved operating income of $364,000 in the third quarter and $2.1 million in the nine months. For the third quarter and nine months, operating income in the balance of our food service business was impacted by generally higher costs for payroll and insurance, added personnel in the selling function, product mix changes and significantly lower volume concentrated in specific facilities and higher ingredients costs. Operating income in the first quarter was impacted by inefficiencies at our recently acquired Labriola production facility (compounded by the integration of products previously manufactured at other facilities) and shutdown costs of our Chambersburg facility; both of which had little impact beyond the first quarter.

RETAIL SUPERMARKETS

Sales of products to retail supermarkets increased $390,000 or 1% to $38,532,000 in the third quarter and increased $4,319,000 or 5% in the nine months. Soft pretzel sales for the third quarter were down 2% to $7,332,000 and up 9% to $27,925,000 for the nine months. The nine month increase was primarily due to sales of AUNTIE ANNE'S* soft pretzels under a license agreement entered into in 2017. Sales of frozen juices and ices increased $1,468,000 or 5% to $28,785,000 in the third quarter and were up $3,591,000 or 7% to $53,950,000 for the nine months primarily due to sales of SOUR PATCH KIDS** frozen novelties under a new license agreement. Handheld sales to retail supermarket customers decreased 17% to $2,960,000 in the third quarter and decreased 16% to $8,749,000 for the nine months as the sales of this product line in retail supermarkets continues their long term decline.

Sales of new products in the third quarter were approximately $3 million and were $7 million for the nine months. Price increases had no impact on sales in the quarter and nine months and net volume increases, including new product sales as defined above accounted for $390,000 of sales in the quarter and $4.3 million of sales in the nine months.

Operating income in our Retail Supermarkets segment was $3,203,000 in this year's third quarter compared to $4,890,000 in last year's quarter and was $8,295,000 in this year's nine months compared to $8,390,000 in last year's nine months. Contributions to the lower operating income in this year's quarter were lower sales of soft pretzels and LUIGI'S Real Italian Ice and increases in trade spending, coupon redemptions and distribution costs.

* AUNTIE ANNE'S is a registered trademark of Auntie Anne's LLC.

**SOUR PATCH KIDS is a registered trademark of Mondelez International Group

FROZEN BEVERAGES

Frozen beverage and related product sales increased 2% to $76,006,000 in the third quarter and increased 5% to $194,428,000 in the nine month period. Excluding sales of the acquired ICEE distributor, frozen beverages and related product sales were up about 2% for the third quarter and 4% for the nine month period. Beverage sales alone were up 3% to $50,343,000 in the third quarter and up 9% to $118,932,000 for the nine months. Without the acquired ICEE distributor, beverage sales alone were up about 2% for the quarter and 8% for the nine months. Gallon sales were up 7% for the third quarter and 7% for the nine months with higher sales to movie theatres and across our customer base. Service revenue increased 6% to $19,693,000 in the third quarter and 7% to $58,005,000 for the nine months with sales increases concentrated to several customers.

Sales of beverage machines, which tend to fluctuate from year to year while following no specific trend, were $5,644,000, a decrease of 13% for the quarter, and $16,652,000, a decrease of 19% for the nine month period.

Operating income in our Frozen Beverage segment increased to $12,003,000 in this year’s quarter and to $17,245,000 for this year’s nine months compared to $10,905,000 and $14,153,000 in last years’ quarter and nine months, respectively, as a result of higher beverage sales and service revenue.

CONSOLIDATED

Gross profit as a percentage of sales was 30.85% in the third quarter and 32.08% last year. Gross profit as a percentage of sales was 29.26% in the nine month period this year and 30.42% last year. Without the gain on insurance recovery of $1.8 million recorded in last year’s third quarter related to certain product quality issues in our 2016 fiscal year, gross profit as a percentage of sales would have been 31.48% in last year’s third quarter and 30.19% in the nine months last year. For the nine months, the decrease was caused by higher costs for payroll and insurance, inefficiencies in our recently acquired Labriola production facility (compounded by the integration of products previously manufactured at other facilities), product mix changes, significantly lower volume concentrated in specific facilities, lower sales of our MARY B’S biscuits and related costs due to our recall in early January, shutdown costs of our Chambersburg, PA production facility and higher ingredients costs. Of these, the inefficiencies at Labriola and shutdown costs of our Chambersburg facility had little impact in our third quarter.

Total operating expenses increased $2,642,000 in the third quarter and as a percentage of sales increased to 19.5% from 19.3% last year. For the nine months, operating expenses increased $13,156,000, and as a percentage of sales decreased from 19.8% to 19.7%. Marketing expenses decreased to 8.4% of sales in this year’s quarter from 8.7% last year primarily because of lower spending to support warehouse club store sales in our foodservice business and lower marketing expenses of the acquired Labriola business. Marketing expenses were 8.3% in this year’s nine months compared to 8.8% of sales in last year’s nine months primarily because of lower media spending in our retail supermarket business in the first six months of the year, lower spending to support warehouse club store sales in our foodservice business and lower marketing expenses of the acquired Hill & Valley and Labriola businesses. Distribution expenses were 7.9% of sales in the third quarter and 7.4% of sales in last year’s quarter and were 8.1% in this year’s nine months compared to 7.6% of sales in last year’s nine months. Distribution expenses have increased due to higher fuel costs and the recent implementation of the electronic logging device mandate. We expect distribution expenses to remain higher for at least the remainder of our 2018 fiscal year. Administrative expenses were 3.2% of sales in the third quarter compared to 3.2% of sales last year in the third quarter and were 3.3% in this year’s nine months compared to 3.4% of sales in last year’s nine months.

Operating income decreased $2,931,000 or 8% to $34,869,000 in the third quarter and decreased $1,600,000 or 2% to $79,638,000 in the nine months as a result of the aforementioned items.

Investment income increased by $283,000 and $863,000 in the third quarter and nine months, respectively, resulting from higher amounts invested and higher interest rates.

Other income for this year’s nine months includes a $520,000 gain on a sale of property; other expense in last year’s quarter and nine months includes $53,000 and $567,000, respectively, of acquisition costs for the Hill & Valley and ICEE distributor purchases.

Net earnings increased $825,000, or 3%, in the current three month period to $26,129,000 and were $80,211,000 for the nine month period this year compared to $54,831,000 for the nine month period last year.

Net earnings for the nine months ended June 30, 2018 benefited from a $20.9 million, or $1.11 per diluted share, gain on the remeasurement of deferred tax liabilities and a $7.4 million, or $0.40 per diluted share, reduction in income taxes related primarily to the lower corporate tax rate enacted under the Tax Cuts and Jobs Act in December 2017. Net earnings for the nine months were impacted by a $1.2 million, or $.06 per diluted share, provision for the one time repatriation tax required under the new tax law. For the three months ended June 30, 2018, net earnings benefited by a $3.5 million, or $.18 per diluted share, reduction in income taxes primarily related to the lower corporate tax rate. Excluding the deferred tax gain and the one-time repatriation tax, our effective tax rate decreased to 28.1% from 35.4% in the prior year quarter and to 28.4% from 35.0% in prior year nine months reflecting the reduction in the federal statutory rate to 21% from 35% on January 1, 2018. Last year’s nine months’ effective tax rate benefited from an unusually high tax benefit on share based compensation of $2,060,000 which compares to this year’s nine month’s tax benefit of $909,000. We are presently estimating an effective tax rate of 28-29% for the last quarter of our fiscal year 2018 and 26-27% for our fiscal year 2019.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in the Company's assessment of its sensitivity to market risk since its presentation set forth, in item 7a. "Quantitative and Qualitative Disclosures About Market Risk," in its 2017 annual report on Form 10-K filed with the SEC.

Item 4. Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer of the Company (its principal executive officer and principal financial officer, respectively) have concluded, based on their evaluation as of June 30, 2018, that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in the Company's internal control over financial reporting during the quarter ended June 30, 2018, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 6. Exhibits

Exhibit No.		
31.1 & 31.2	&	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.5 & 99.6	&	Certification Pursuant to the 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.1		The following financial information from J&J Snack Foods Corp.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, formatted in XBRL (extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Earnings, (iii)Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows and (v) the Notes to the Consolidated Financial Statements

SIGNATURES

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

J & J SNACK FOODS CORP.

Dated: August 2, 2018	/s/ Gerald B. Shreiber Gerald B. Shreiber Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)
Dated: August 2, 2018	/s/ Dennis G. Moore Dennis G. Moore, Senior Vice President, Chief Financial Officer and Director (Principal Financial Officer) (Principal Accounting Officer)

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bed in Section 401(a) of the Internal Revenue Code, (2) is tax exempt under Section 501(a) of the Internal Revenue Code, and (3) that owns more than 10% of our stock could be required to treat a percentage of the dividends from us as UBTI if we are a pension-held REIT. We will not be a pension-held REIT unless (1) either (A) one pension trust owns more than 25% of the value of our stock, or (B) a group of pension trusts, each individually holding more than 10% of the value of our stock, collectively owns more than 50% of such stock; and (2) we would not have qualified as a REIT but for the fact that Section 856(h)(3) of the Internal Revenue Code provides that stock owned by such trusts shall be treated, for purposes of the requirement that not more than 50% of the value of the outstanding stock of a REIT is owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities), as owned by the beneficiaries of such trusts. Certain restrictions on ownership and transfer of our stock should generally prevent a tax-exempt entity from owning more than 10% of the value of our stock, or us from becoming a pension-held REIT.

Tax-exempt U.S. stockholders are urged to consult their tax advisors regarding the U.S. federal, state, local and foreign tax consequences of owning our stock.

Taxation of Non-U.S. Stockholders

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of our common stock applicable to non-U.S. stockholders of our common stock. For purposes of this summary, a non-U.S. stockholder is a beneficial owner of our common stock that is not a U.S. stockholder or an entity that is treated as a partnership for U.S. federal income tax purposes. The discussion is based on current law and is for general information only. It addresses only selective and not all aspects of U.S. federal income taxation.

Non-U.S. stockholders should consult their tax advisors concerning the U.S. federal estate consequences of ownership of our common stock.

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Ordinary Dividends

The portion of dividends received by non-U.S. stockholders payable out of our earnings and profits that are not attributable to gains from sales or exchanges of U.S. real property interests and which are not effectively connected with a U.S. trade or business of the non-U.S. stockholder will generally be subject to U.S. federal withholding tax at the rate of 30%, unless reduced or eliminated by an applicable income tax treaty. Under some treaties, however, lower rates generally applicable to dividends do not apply to dividends from REITs. In addition, any portion of the dividends paid to non-U.S. stockholders that are treated as excess inclusion income will not be eligible for exemption from the 30% withholding tax or a reduced treaty rate. As previously noted, we may engage in transactions that would result in a portion of our dividends being considered excess inclusion income, and accordingly, it is possible that a portion of our dividend income will not be eligible for exemption from the 30% withholding rate or a reduced treaty rate. In the case of a taxable stock dividend with respect to which any withholding tax is imposed on a non-U.S. stockholder, we may have to withhold or dispose of part of the shares otherwise distributable in such dividend and use such withheld shares or the proceeds of such disposition to satisfy the withholding tax imposed.

In general, non-U.S. stockholders will not be considered to be engaged in a U.S. trade or business solely as a result of their ownership of our stock. In cases where the dividend income from a non-U.S. stockholder s investment in our common stock is, or is treated as, effectively connected with the non-U.S. stockholder s conduct of a U.S. trade or business, the non-U.S. stockholder generally will be subject to U.S. federal income tax at graduated rates, in the same manner as U.S. stockholders are taxed with respect to such dividends, and may also be subject to the 30% branch profits tax on the income after the application of the income tax in the case of a non-U.S. stockholder that is a corporation.

Non-Dividend Distributions

Unless (A) our common stock constitutes a U.S. real property interest, or USRPI, or (B) either (1) the non-U.S. stockholder s investment in our common stock is effectively connected with a U.S. trade or business conducted by such non-U.S. stockholder (in which case the non-U.S. stockholder will be subject to the same treatment as U.S. stockholders with respect to such gain) or (2) the non-U.S. stockholder is a nonresident alien individual who was present in the U.S. for 183 days or more during the taxable year and has a tax home in the U.S. (in which case the non-U.S. stockholder will be subject to a 30% tax on the individual s net capital gain for the year), distributions by us which are not dividends out of our earnings and profits will not be subject to U.S. federal income tax. If it cannot be determined at the time at which a distribution is made whether or not the distribution will exceed current and accumulated earnings and profits, the distribution will be subject to withholding at the rate applicable to dividends. However, the non-U.S. stockholder may seek a refund from the IRS of any amounts withheld if it is subsequently determined that the distribution was, in fact, in excess of our current and accumulated earnings and profits.

If our common stock constitutes a USRPI, as described below, distributions by us in excess of the sum of our earnings and profits plus the non-U.S. stockholder s adjusted tax basis in our common stock will be taxed under the Foreign Investment in Real Property Tax Act of 1980, or FIRPTA, at the rate of tax, including any applicable capital gains rates, that would apply to a U.S. stockholder of the same type (*e.g.*, an individual or a corporation, as the case may be), and the collection of the tax will be enforced by a refundable withholding at a rate of 15% of the amount by which the distribution exceeds the stockholder s share of our earnings and profits. Non-U.S. stockholders that are treated as qualified foreign pension funds or that are non-U.S. publicly traded investment vehicles meeting certain requirements are exempt from the federal income and withholding taxes applicable under FIRPTA on such distributions by us.

Capital Gain Dividends

Under FIRPTA, a distribution made by us to a non-U.S. stockholder, to the extent attributable to gains from dispositions of USRPIs held by us directly or through pass-through subsidiaries, or USRPI capital gains, will be considered effectively connected with a U.S. trade or business of the non-U.S. stockholder and will be subject to U.S. federal income tax at the rates applicable to U.S. stockholders, without regard to whether the distribution is designated as a capital gain dividend. In addition, we will be required to withhold tax equal to 35% of the amount of capital gain dividends to the extent the dividends constitute USRPI capital gains. Distributions subject to FIRPTA may also be subject to a 30% branch profits tax in the hands of a non-U.S. holder that is a corporation. However, the 35% withholding tax will not apply to any capital gain dividend (i) with respect to any class of our stock which is regularly traded on an established securities market located in the U.S. if the non-U.S. stockholder did not own more than 10% of such class of stock at any time during the one-year period ending on the date of such dividend or (ii) received by certain non-U.S. publicly traded investment vehicles meeting certain requirements. Instead, any capital gain dividend received by such a stockholder will be treated as a distribution subject to the rules discussed above under Taxation of Non-U.S. Stockholders Ordinary Dividends. Also, the branch profits tax will not apply to such a distribution. In addition, non-U.S. stockholders that are treated as qualified foreign pension funds are exempt from income and withholding taxes applicable under FIRPTA on distributions from us. We believe our common stock is, and will continue to be, regularly traded on an established securities market in the United States.

A distribution is not a USRPI capital gain if we held the underlying asset solely as a creditor, although the holding of a shared appreciation mortgage loan would not be solely as a creditor. Capital gain dividends received by a non-U.S. stockholder from a REIT that are not USRPI capital gains are generally not subject to U.S. federal income or withholding tax, unless either (1) the non-U.S. stockholder s investment in our common stock is effectively connected with a U.S. trade or business conducted by such non-U.S. stockholder (in which case the non-U.S. stockholder will be subject to the same treatment as U.S. stockholders with respect to such gain) or (2) the non-U.S. stockholder is a nonresident alien individual who was present in the U.S. for 183 days or more during the taxable year and has a tax home in the U.S. (in which case the non-U.S. stockholder will be subject to a 30% tax on the individual s net capital gain for the year).

Dispositions of Our Common Stock

Unless our common stock constitutes a USRPI, a sale of the stock by a non-U.S. stockholder generally will not be subject to U.S. federal income taxation under FIRPTA. Generally, with respect to any particular stockholder, our common stock will constitute a USRPI only if each of the following three statements is true:

(a) Fifty percent or more of our assets on any of certain testing dates during a prescribed testing period consist of interests in real property located within the United States, excluding for this purpose, interests in real property solely in a capacity as creditor;

(b) We are not a domestically-controlled qualified investment entity. A domestically-controlled qualified entity includes a REIT, less than 50% of value of which is held directly or indirectly by non-U.S. stockholders at all times during a specified testing period. For this purpose, effective beginning December 18, 2015, a REIT may generally presume that any class of the REIT s stock that is regularly traded, as defined by the applicable Treasury Regulations, on an established securities market is held by U.S. persons except in the case of holders of 5% or more such class of stock and except to the extent that the REIT has actual knowledge that such stock is held by non-U.S. persons. In addition, effective beginning December 18, 2015, certain look-through and presumption rules apply for this purpose to any stock of a REIT that is held by a RIC or another REIT. Although we believe that we are, and will continue to be, a domestically-controlled REIT, because our shares are publicly traded we cannot make any assurance that we will remain a domestically-controlled qualified investment entity; and

(c) Either (i) our common stock is not regularly traded, as defined by applicable Treasury regulations, on an established securities market; or (ii) our common stock is regularly traded on an established securities market and the selling non-U.S. stockholder has actually or constructively held over 5% of our outstanding common stock any time during the shorter of the five-year period ending on the date of the sale or the period such selling non-U.S. stockholder held our common stock.

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In addition, even if our common stock is treated as a USRPI, non-U.S. stockholders that are treated as qualified foreign pension funds or that are non-U.S. publicly traded investment vehicles meeting certain requirements are exempt from tax under FIRPTA on the sale of our common stock.

Specific wash sales rules applicable to sales of stock in a domestically-controlled qualified investment entity could result in gain recognition, taxable under FIRPTA, upon the sale of our common stock even if we are a domestically-controlled qualified investment entity. These rules would apply if a non-U.S. stockholder (a) disposes of our common stock within a 30-day period preceding the ex-dividend date of a distribution, any portion of which, but for the disposition, would have been taxable to such non-U.S. stockholder as gain from the sale or exchange of a USRPI, and (b) acquires, or enters into a contract or option to acquire, other shares of our common stock during the 61-day period that begins 30 days prior to such ex-dividend date.

If gain on the sale of our common stock were subject to taxation under FIRPTA, the non-U.S. stockholder would be subject to the same treatment as a U.S. stockholder with respect to such gain, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals, and the purchaser of the stock could be required to withhold 15% of the purchase price and remit such amount to the IRS.

Gain from the sale of our common stock that would not otherwise be subject to FIRPTA will nonetheless be taxable in the U.S. to a non-U.S. stockholder in two cases: (a) if the non-U.S. stockholder s investment in our common stock is effectively connected with a U.S. trade or business conducted by such non-U.S. stockholder, the non-U.S. stockholder will be subject to the same treatment as a U.S. stockholder with respect to such gain, or (b) if the non-U.S. stockholder is a nonresident alien individual who was present in the U.S. for 183 days or more during the taxable year and has a tax home in the U.S., the nonresident alien individual will be subject to a 30% tax on the individual s net capital gain.

Backup Withholding and Information Reporting

We will report to our U.S. stockholders and the IRS the amount of dividends paid during each calendar year and the amount of any tax withheld. Under the backup withholding rules, a U.S. stockholder may be subject to backup withholding with respect to dividends paid unless the holder comes within an exempt category and, when required, demonstrates this fact or provides a taxpayer identification number or social security number, certifies as to no loss of exemption from backup withholding and otherwise complies with applicable requirements of the backup withholding rules. A U.S. stockholder that does not provide his or her correct taxpayer identification number or social security number may also be subject to penalties imposed by the IRS. Backup withholding is not an additional tax. In addition, we may be required to withhold a portion of capital gain distribution to any U.S. stockholder who fails to certify their non-foreign status.

We must report annually to the IRS and to each non-U.S. stockholder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. stockholder resides under the provisions of an applicable income tax treaty. A non-U.S. stockholder may be subject to backup withholding unless applicable certification requirements are met.

Payment of the proceeds of a sale of our common stock within the U.S. is subject to both backup withholding and information reporting unless the beneficial owner certifies under penalties of perjury that it is a non-U.S. stockholder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a U.S. person) or the holder otherwise establishes an exemption. Payment of the proceeds of a sale of our common stock conducted through certain U.S. related financial intermediaries is subject to information reporting (but not backup withholding) unless the financial intermediary has documentary evidence in its records that the beneficial owner is a non-U.S. stockholder and specified conditions are met or an exemption is otherwise established.

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Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such holder s U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Foreign Accounts

Withholding taxes may be imposed on certain types of payments made to foreign financial institutions and certain other non-U.S. entities under certain circumstances. More specifically, the failure to comply with additional certification, information reporting and other specified requirements could result in withholding tax being imposed on payments of dividends and sales proceeds to U.S. stockholders (as defined above) who own shares of our common stock through foreign accounts or foreign intermediaries and to certain non-U.S. stockholders. The 30% withholding tax, pursuant to Treasury Regulations and IRS guidance, is generally imposed on payments occurring after June 30, 2014 with respect to dividends, and after December 31, 2018, with respect to gross proceeds from the sale or other disposition of, our common stock paid to a foreign financial institution or to a foreign entity other than a financial institution, unless (i) the foreign financial institution undertakes certain diligence and reporting obligations or (ii) the foreign entity that is not a financial institution either certifies it does not have any substantial United States owners or furnishes identifying information regarding each substantial United States owner. If the payee is a foreign financial institution, it must enter into an agreement with the U.S. Treasury Department requiring, among other things, that it undertake to identify accounts held by certain United States persons or United States-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these reporting and other requirements. Prospective investors should consult their tax advisors regarding this legislation.

State, Local and Foreign Taxes

We and our stockholders may be subject to state, local or foreign taxation in various jurisdictions, including those in which it or they transact business, own property or reside. The state, local or foreign tax treatment of our company and our stockholders may not conform to the U.S. federal income tax treatment discussed above. Any foreign taxes incurred by us would not pass through to stockholders as a credit against their U.S. federal income tax liability. Prospective stockholders should consult their tax advisors regarding the application and effect of state, local and foreign income and other tax laws on an investment in our company s common stock.

Legislative or Other Actions Affecting REITs

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. No assurance can be given as to whether, when, or in what form, U.S. federal income tax laws applicable to us and our stockholders may be enacted. Changes to the U.S. federal income tax laws and interpretations of U.S. federal income tax laws could adversely affect an investment in shares of our common stock.

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BOOK-ENTRY SECURITIES

We may issue the securities offered by means of this prospectus in whole or in part in book-entry form, meaning that beneficial owners of the securities will not receive certificates representing their ownership interests in the securities, except in the event the book-entry system for the securities is discontinued. If securities are issued in book entry form, they will be represented by one or more global securities that will be deposited with, or on behalf of, a depositary identified in the applicable prospectus supplement relating to the securities. The Depository Trust Company is expected to serve as depositary. Unless and until it is exchanged in whole or in part for the individual securities represented thereby, a global security may not be transferred except as a whole by the depositary for the global security to a nominee of such depositary or by a nominee of such depositary to such depositary or another nominee of such depositary or by the depositary or any nominee of such depositary to a successor depositary or a nominee of such successor. Global securities may be issued in either registered or bearer form and in either temporary or permanent form. The specific terms of the depositary arrangement with respect to a class or series of securities that differ from the terms described herein will be described in the applicable prospectus supplement.

Unless otherwise indicated in the applicable prospectus supplement, we anticipate that the following provisions will apply to depositary arrangements.

Upon the issuance of a global security, the depositary for the global security or its nominee will credit on its book-entry registration and transfer system the respective principal amounts of the individual securities represented by such global security to the accounts of persons that have accounts with such depositary, who are called participants. Such accounts shall be designated by the underwriters, dealers or agents with respect to the securities or by us if the securities are offered and sold directly by us. Ownership of beneficial interests in a global security will be limited to the depositary s participants or persons that may hold interests through such participants. Ownership of beneficial interests in the global security will be shown on, and the transfer of that ownership will be effected only through, records maintained by the applicable depositary or its nominee (with respect to beneficial interests of participants) and records of the participants (with respect to beneficial interests of persons who hold through participants). The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and laws may impair the ability to own, pledge or transfer beneficial interest in a global security.

So long as the depositary for a global security or its nominee is the registered owner of such global security, such depositary or nominee, as the case may be, will be considered the sole owner or holder of the securities represented by such global security for all purposes under the applicable instrument defining the rights of a holder of the securities. Except as provided below or in the applicable prospectus supplement, owners of beneficial interest in a global security will not be entitled to have any of the individual securities of the class or series represented by such global security registered in their names, will not receive or be entitled to receive physical delivery of any such securities in definitive form and will not be considered the owners or holders thereof under the applicable instrument defining the rights of the holders of the securities.

Payments of amounts payable with respect to individual securities represented by a global security registered in the name of a depositary or its nominee will be made to the depositary or its nominee, as the case may be, as the registered owner of the global security representing such securities. None of us, our officers and directors or any trustee, paying agent or security registrar for an individual class or series of securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global security for such securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

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We expect that the depositary for a class or series of securities offered by means of this prospectus or its nominee, upon receipt of any payment of principal, premium, interest, dividend or other amount in respect of a permanent global security representing any of such securities, will immediately credit its participants accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global security for such securities as shown on the records of such depositary or its nominee. We also expect that payments by participants to owners of beneficial interests in such global security held through such participants will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers in bearer form or registered in street name. Such payments will be the responsibility of such participants.

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LEGAL MATTERS

Certain legal matters will be passed upon for us by Clifford Chance US LLP. In addition, the description of U.S. federal income tax consequences contained in the section of the prospectus entitled U.S. Federal Income Tax Considerations is based on the opinion of Clifford Chance US LLP. If the validity of any securities is also passed upon by counsel for the underwriters of an offering of those securities, that counsel will be named in the prospectus supplement relating to that offering.

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EXPERTS

Ernst & Young LLP, independent registered public accounting firm, has audited our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016, and the effectiveness of our internal control over financial reporting as of December 31, 2016, as set forth in their reports, which are incorporated by reference in this prospectus and elsewhere in the registration statement. Our financial statements are incorporated by reference in reliance on Ernst & Young LLP s report, given on their authority as experts in accounting and auditing.

Deloitte & Touche LLP, an independent auditor, has audited the consolidated financial statements, included in our Annual Report on Form 10-K/A, for the years ended December 31, 2016 and 2015, of Buckeye Wind Energy Class B Holdings LLC and Subsidiaries, as set forth in their report, which is incorporated by reference in this prospectus and elsewhere in the registration statement. Such financial statements have been incorporated by reference in reliance upon the report of Deloitte & Touche LLP, given on their authority as experts in accounting and auditing.

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WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Exchange Act and, in accordance therewith, we file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information we file at the SEC s public reference room located at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public from commercial document retrieval services and at the website maintained by the SEC, containing reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, at *www.sec.gov*.

This prospectus is a part of a registration statement on Form S-3 that we have filed with the SEC under the Securities Act covering securities that may be offered under this prospectus. This prospectus does not contain all of the information set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. For further information concerning us and the securities, reference is made to the registration statement. Statements contained in this prospectus as to the contents of any contract or other documents are not necessarily complete, and in each instance, reference is made to the copy of such contract or documents filed as an exhibit to the registration statement, each such statement being qualified in all respects by such reference.

The SEC allows us to incorporate by reference information into this prospectus, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference herein is deemed to be part of this prospectus, except for any information superseded by information in this prospectus. This prospectus incorporates by reference the documents set forth below that we have previously filed with the SEC. These documents contain important information about us, our business and our finances.

Document	**Period**
Quarterly Report on Form 10-Q (File No. 001-35877)	Quarter ended June 30, 2017
Quarterly Report on Form 10-Q (File No. 001-35877)	Quarter ended March 31, 2017
Annual Report on Form 10-K/A (File No. 001-35877)	Year ended December 31, 2016
Annual Report on Form 10-K (File No. 001-35877)	Year ended December 31, 2016

Document	**Filed**
Current Report on Form 8-K (File No. 001-35877)	June 5, 2017
Current Report on Form 8-K (File No. 001-35877)	March 21, 2017
Current Report on Form 8-K (File No. 001-35877)	March 10, 2017
Current Report on Form 8-K (File No. 001-35877)	March 6, 2017

Document	**Filed**
Definitive Proxy Statement on Schedule 14A (only with respect to information contained in such Definitive Proxy Statement that is incorporated by reference into Part III of our Annual Report on Form 10-K for the year ended December 31, 2016) (File No. 001-35877)	April 10, 2017

Document	Filed
Registration Statement on Form 8-A (containing the description of shares of our common stock) (File No. 001-35877)	April 15, 2013

All documents that we file (but not those that we furnish) pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act on or after the date of this prospectus and prior to the termination of the offering of any of the

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securities covered under this prospectus shall be deemed to be incorporated by reference into this prospectus and will automatically update and supersede the information in this prospectus, the applicable prospectus supplement and any previously filed documents.

If you request, either orally or in writing, we will provide you with a copy of any or all documents that are incorporated by reference. Such documents will be provided to you free of charge, but will not contain any exhibits, unless those exhibits are incorporated by reference into the document. Requests should be addressed to us at 1906 Towne Centre Blvd, Suite 370, Annapolis, Maryland 21401, Attention: Hannon Armstrong Sustainable Infrastructure Capital, Inc., Investor Relations, or contact our offices at (410) 571-9860. The documents may also be accessed on our website at *www.hannonarmstrong.com*.

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$135,000,000

Hannon Armstrong Sustainable

Infrastructure Capital, Inc.

4.125% Convertible Senior Notes due 2022

PROSPECTUS SUPPLEMENT

Joint Book-Running Managers

Deutsche Bank Securities

BofA Merrill Lynch

J.P. Morgan

Co-Managers

Nomura

Oppenheimer & Co.

August 16, 2017