

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 June 29, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number **1-16699**

OVERHILL FARMS, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

75-2590292

(IRS Employer
Identification Number)

2727 East Vernon Avenue
Vernon, California

(Address of principal executive offices)

90058

(Zip code)

(323) 582-9977

(Registrant's telephone number, including area code)

Not applicable

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Large accelerated filer accelerated filer

Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

As of August 7, 2008, there were 15,823,271 shares of the issuer's common stock, \$0.01 par value, outstanding.

OVERHILL FARMS, INC.
FORM 10-Q
QUARTER ENDED JUNE 29, 2008

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

OVERHILL FARMS, INC. CONDENSED BALANCE SHEETS

	June 29, 2008 <u>(Unaudited)</u>	September 30, 2007 <u></u>
Assets		
Current assets:		
Cash	\$ 4,715,104	\$ 1,325,868
Accounts receivable, net of allowance for doubtful accounts of \$27,760 and \$18,202 at June 29, 2008 and September 30, 2007, respectively	21,036,466	21,073,735
Inventories	17,374,638	18,097,043
Prepaid expenses and other	636,413	1,170,053
Deferred income taxes	985,642	960,764
Total current assets	<u>44,748,263</u>	<u>42,627,463</u>
Property and equipment, at cost:		
Fixtures and equipment	23,813,102	22,997,549
Leasehold improvements	10,225,348	10,254,496
Automotive equipment	50,854	50,854
	<u>34,089,304</u>	<u>33,302,899</u>
Less accumulated depreciation and amortization	<u>(15,511,225)</u>	<u>(13,685,015)</u>
Total property and equipment	<u>18,578,079</u>	<u>19,617,884</u>
Other assets:		
Excess of cost over value of net assets acquired	12,188,435	12,188,435
Deferred financing costs, net of accumulated amortization of \$318,500 and \$258,120 at June 29, 2008 and September 30, 2007, respectively	267,253	327,633
Other	2,286,057	1,389,006
Total other non-current assets	<u>14,741,745</u>	<u>13,905,074</u>
Total assets	<u>\$ 78,068,087</u>	<u>\$ 76,150,421</u>

The accompanying notes are an integral part
of these condensed financial statements.

OVERHILL FARMS, INC.
CONDENSED BALANCE SHEETS (continued)

Liabilities and Stockholders' Equity

	June 29, 2008 (Unaudited)	September 30, 2007
Current liabilities:		
Accounts payable	\$ 11,565,239	\$ 15,005,394
Accrued liabilities	3,525,219	2,981,658
Current maturities of long-term debt	2,522,569	2,492,702
Total current liabilities	17,613,027	\$ 20,479,754
Long-term accrued liabilities	392,413	353,515
Deferred tax liabilities	1,552,819	1,515,294
Long-term debt, less current maturities, net of unamortized debt discount of \$942,101 and \$1,186,234 at June 29, 2008 and September 30, 2007, respectively	37,731,220	41,382,832
Total liabilities	57,289,479	63,731,395
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 50,000,000 shares, 4.43 designated as Series A convertible preferred stock, 0 shares issued and outstanding	-	-
Common stock, \$0.01 par value, authorized 100,000,000 shares, issued and outstanding 15,823,271 and 15,620,271 shares at June 29, 2008 and September 30, 2007, respectively	158,233	156,203
Additional paid-in capital	11,559,044	11,116,989
Retained earnings	9,061,331	1,157,478
Accumulated other comprehensive loss	-	(11,644)
Total stockholders' equity	20,778,608	12,419,026
Total liabilities and stockholders' equity	\$ 78,068,087	\$ 76,150,421

The accompanying notes are an integral part
of these condensed financial statements.

OVERHILL FARMS, INC.
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Quarter Ended	
	June 29, 2008	July 1, 2007
Net revenues	\$ 62,422,674	\$ 53,079,823
Cost of sales	54,023,789	47,753,690
Gross profit	8,398,885	5,326,133
Selling, general and administrative expenses	2,223,424	2,321,578
Operating income	6,175,461	3,004,555
Interest expense:		
Interest expense	(736,251)	(1,065,887)
Amortization of deferred financing costs	(101,504)	(101,504)
Total interest expense	(837,755)	(1,167,391)
Other expense	(1,000)	-
Income before income tax expense	5,336,706	1,837,164
Income tax expense	2,182,714	736,519
Net income	\$ 3,153,992	\$ 1,100,645
Net income per share:		
Basic	\$ 0.20	\$ 0.07
Diluted	\$ 0.20	\$ 0.07
Shares used in computing net income per share:		
Basic	15,802,969	15,370,271
Diluted	16,059,963	15,890,819

The accompanying notes are an integral part
of these condensed financial statements.

OVERHILL FARMS, INC.
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Nine Months Ended	
	June 29, 2008	July 1, 2007
Net revenues	\$ 185,696,987	\$ 139,646,741
Cost of sales	162,887,725	124,603,716
Gross profit	22,809,262	15,043,025
Selling, general and administrative expenses	6,493,009	5,775,850
Operating income	16,316,253	9,267,175
Interest expense:		
Interest expense	(2,604,233)	(3,075,649)
Amortization of deferred financing costs	(304,512)	(290,425)
Total interest expense	(2,908,745)	(3,366,074)
Other expense	(12,414)	(6,643)
Income before income tax expense	13,395,094	5,894,458
Income tax expense	5,491,241	2,363,010
Net income	\$ 7,903,853	\$ 3,531,448
Net income per share:		
Basic	\$ 0.50	\$ 0.23
Diluted	\$ 0.50	\$ 0.22
Shares used in computing net income per share:		
Basic	15,721,404	15,308,393
Diluted	15,965,444	15,781,451

The accompanying notes are an integral part
of these condensed financial statements.

OVERHILL FARMS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended	
	June 29, 2008	July 1, 2007
Operating Activities:		
Net income	\$ 7,903,853	\$ 3,531,448
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,264,784	1,724,367
Amortization of deferred financing costs	304,512	290,425
Loss on asset disposals	64,029	19,640
Loss on recalled product	885,540	—
Provision for (recovery of) doubtful accounts	9,559	(65,305)
Deferred income taxes	12,647	380,362
Loss (gain) on sale of marketable securities	11,644	(9,932)
Changes in:		
Accounts receivable	(772,605)	(3,535,760)
Inventories	637,180	(5,134,880)
Prepaid expenses and other	(417,387)	605,800
Accounts payable	(3,440,155)	4,144,618
Accrued liabilities	543,561	327,976
	8,007,162	2,278,759
Net cash provided by operating activities		
Investing Activities:		
Additions to property and equipment	(1,250,107)	(6,349,522)
Proceeds from sale of property and equipment	—	10,238
Sale of marketable securities	53,976	65,557
	(1,196,131)	(6,273,727)
Net cash used in investing activities		

The accompanying notes are an integral part
of these condensed financial statements.

OVERHILL FARMS, INC.
CONDENSED STATEMENTS OF CASH FLOWS (continued)
(Unaudited)

	For the Nine Months Ended	
	June 29, 2008	July 1, 2007
Financing Activities:		
Borrowings under financing arrangements	1,000,000	12,000,000
Borrowings under equipment loans	—	692,660
Principal payments on debt	(4,500,000)	(9,860,238)
Principal payments on equipment loans	(156,535)	(105,728)
Principal payments on capital lease obligation	(209,345)	(213,742)
Debt discount	—	(132,344)
Deferred financing costs	—	(1,500)
Exercise of stock options, including tax benefit	444,085	307,429
Net cash (used in) provided by financing activities	<u>(3,421,795)</u>	<u>2,686,537</u>
Net increase (decrease) in cash	3,389,236	(1,308,431)
Cash at beginning of period	1,325,868	2,111,251
Cash at end of period	<u>\$ 4,715,104</u>	<u>\$ 802,820</u>
Supplemental Schedule of Cash Flow Information:		
Cash paid during the period for:		
Interest	\$ 2,394,084	\$ 3,076,857
Income taxes	\$ 4,569,000	\$ 1,879,000
Non-cash transactions:		
Capital lease obligation	\$ —	\$ 842,168

The accompanying notes are an integral part
of these condensed financial statements.

OVERHILL FARMS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
June 29, 2008
(Unaudited)

1. NATURE OF BUSINESS AND ORGANIZATIONAL MATTERS

Overhill Farms, Inc. (the Company or Overhill Farms) is a value-added manufacturer of quality frozen food products including entrées, plated meals, bulk-packed meal components, pastas, soups, sauces, poultry, meat and fish specialties, and organic and vegetarian offerings.

2. BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the quarter and nine months ended June 29, 2008 are not necessarily indicative of the results that may be expected for the year ending September 28, 2008 or for any other period. Certain prior period amounts have been reclassified to conform to the current period presentation.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The condensed balance sheet at September 30, 2007 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended September 30, 2007.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS 157 requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy (i.e., levels 1, 2, and 3, as defined). Additionally, companies are required to provide enhanced disclosure regarding instruments in the level 3 category, including a reconciliation of the beginning and ending balances separately for each major category of assets and liabilities. SFAS 157 will be effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company is currently evaluating the impact adoption may have on its financial condition or results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) ("SFAS 141(R)", "Business Combinations," which replaces FASB Statement 141. SFAS 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS 141(R) also modifies the recognition for preacquisition contingencies, such as environmental or legal issues, restructuring plans and acquired research and development value in purchase accounting. SFAS 141(R) amends SFAS No. 109, "Accounting for Income Taxes," to require the acquirer to recognize changes in the amount of its deferred tax benefits that are recognizable because of a business combination either in income from continuing operations in the period of the combination or directly in contributed capital, depending on the circumstances. SFAS 141(R) also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. SFAS 141(R) is effective on or after the beginning of the first annual reporting

period beginning on or after December 15, 2008. The Company is currently evaluating the impact adoption may have on its financial condition or results of operations relating to potential future acquisitions.

In December 2007, the FASB issued SFAS No. 160 (“SFAS 160”), “Accounting for Noncontrolling Interests,” which clarifies the classification of noncontrolling interests in consolidated statements of financial position and the accounting for and reporting of transactions between the reporting entity and holders of such noncontrolling interests. SFAS 160 will be effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact adoption may have on its financial condition or results of operations.

4. INVENTORIES

Inventories are summarized as follows:

	June 29, 2008	September 30, 2007
Raw ingredients	\$ 5,211,634	\$ 7,394,169
Finished product	10,002,704	8,316,681
Packaging	2,160,300	2,386,193
	<u>\$ 17,374,638</u>	<u>\$ 18,097,043</u>

5. LONG-TERM DEBT

Long-term debt of the Company as of June 29, 2008 and September 30, 2007 is summarized as follows:

	June 29, 2008	September 30, 2007
Tranche A Term Loans payable to GCF	\$ 24,489,762	\$ 25,489,762
Tranche B Term Loans payable to GCF	15,650,000	15,650,000
LIBOR revolving loans payable to GCF	-	2,500,000
Equipment loans	704,042	860,576
Capital lease	352,086	561,430
	<u>41,195,890</u>	<u>45,061,768</u>
Less current maturities	(2,522,569)	(2,492,702)
Less debt discount	(942,101)	(1,186,234)
	<u>\$ 37,731,220</u>	<u>\$ 41,382,832</u>

The Company executed a senior secured credit agreement with Guggenheim Corporate Funding, LLC (“GCF”) on April 17, 2006. Under the credit agreement, GCF acts as collateral agent, administrative agent, arranger and syndication agent in connection with loans made by various lenders, including affiliates of GCF. The facility was originally structured as a \$7.5 million non-amortizing revolving loan, a \$25.0 million amortizing Tranche A Term Loan and a \$15.0 million non-amortizing Tranche B Term Loan.

On March 9, 2007, the Company executed a second amendment to the senior secured credit agreement allowing for \$7.0 million of additional capital expenditures to facilitate new business by increasing plant capacity and improving line efficiency, to be funded by increases of \$3.5 million in each of the Tranche A and Tranche B Term Loans.

As of June 29, 2008, the facility with GCF, reflecting principal payments and the March 9, 2007 amendment, was a \$49.7 million senior secured credit facility maturing in May 2011, secured by a first priority lien on substantially all of the Company’s assets. As of June 29, 2008, the facility was structured as a \$7.5 million non-amortizing revolving loan, a \$26.5 million amortizing Tranche A Term Loan and a \$15.7 million non-amortizing Tranche B Term Loan. The facility bears interest, adjustable quarterly, at the London Inter Bank Offered Rate (“LIBOR”) plus the Applicable Margin for LIBOR loans or, at the Company’s option in the case of the revolving loans, an alternate base rate equal to the greater of the prime rate and the federal funds effective rate plus 0.50%, plus the Applicable Margin for Alternate Base Rate Loans, as follows:

	Total Debt to EBITDA Ratio for Last Twelve Months	Applicable Margin for Alternate Base Rate Loans	Applicable Margin for LIBOR Loans		
		Revolving Loan	Revolving Loan	Tranche A Term Loan	Tranche B Term Loan
Greater than	3.00:1.00	2.50%	3.50%	3.75%	6.25%
Greater than or equal to but less than or equal to	2.00:1.00 3.00:1.00	2.25%	3.25%	3.50%	6.00%
Less than	2.00:1.00	2.00%	3.00%	3.25%	5.75%

As of June 29, 2008, the Company's principal balances on the loans totaled \$40.2 million, consisting of \$24.5 million in Tranche A Term Loans and \$15.7 million in Tranche B Term Loans. At June 29, 2008, interest rates on the Tranche A Term Loans and Tranche B Term Loans were 5.9% and 8.4%, respectively. Over the term of the loan, the facility had been reduced by mandatory principal payments on the Tranche A Term Loan of \$4.0 million and voluntary principal payments on the Tranche B Term Loan of \$2.9 million. As of June 29, 2008, the Company had \$7.5 million available to borrow under the revolving loan, as the Company paid down the loan balance to zero during the quarter ended March 30, 2008.

Initial proceeds from the GCF facility, received on or about May 16, 2006, were used to repay approximately \$44.5 million in existing debt and related fees and expenses in connection with the termination of the Company's former financing arrangements and to pay approximately \$1.6 million in fees and expenses relating to the new financing. Of these fees, \$942,000 is recorded as debt discount, net of accumulated amortization, on the accompanying balance sheet as of June 29, 2008. The Company recorded a pretax charge of approximately \$176,000 in connection with the termination of the former financing arrangements in the third quarter of fiscal year 2006. The Company paid GCF an additional \$132,000 in fees and expenses on March 9, 2007 related to the second amendment, which was recorded as a debt discount.

The GCF facility contains covenants whereby, among other things, the Company is required to maintain compliance with agreed levels of earnings before interest, taxes, depreciation and amortization, interest coverage, fixed charge coverage, leverage targets, annual capital expenditures and incremental indebtedness limits.

Mandatory prepayments under the facility are required based on excess cash flow, as defined in the agreement, and upon receipt of proceeds from a disposition or payment from a casualty or condemnation of the collateralized assets, and voluntary prepayments under the facility are generally permitted as provided in the agreement. The facility also contains customary restrictions on incurring indebtedness and liens, making investments, paying dividends and making loans or advances.

As of June 29, 2008, the Company was in compliance with the covenant requirements of the agreement with GCF. The Company believes it is probable that it will remain in compliance with all of those covenant requirements for the foreseeable future. However, if the Company fails to achieve certain revenue, expense and profitability levels, a violation of the financial covenants under its financing arrangements could result and interest rate increases and acceleration of maturity of the loans could occur, which could adversely affect its financial condition, results of operations and cash flows.

The Company entered into the following amortizing loans with Key Bank to finance the purchase of machinery used for manufacturing processes: a five-year loan in the principal amount of \$324,000 at a fixed interest rate of 7.5% on September 21, 2006, a five-year loan in the principal amount of \$217,000 at a fixed interest rate of 7.5% on November 27, 2006 and a four-year loan in the principal amount of \$476,000 at a fixed interest rate of 7.5% on January 9, 2007.

The Company amended its existing operating lease agreements with General Electric Capital Corporation on October 2, 2006. The amended lease resulted in a three-year capital lease in the principal amount of \$842,000 at a fixed interest rate

of 8.15%, with a \$1 bargain purchase option at the expiration of the lease. The assets acquired under this capital lease have an acquisition cost of \$912,000.

6. PER SHARE DATA

The following table sets forth the calculation of income per share ("EPS") for the periods presented:

	Quarter Ended	
	June 29, 2008	July 1, 2007
Basic EPS Computation:		
Numerator:		
Net income	\$ 3,153,992	\$ 1,100,645
Denominator:		
Weighted average common shares outstanding	15,802,969	15,370,271
Total shares	<u>15,802,969</u>	<u>15,370,271</u>
Basic EPS	<u>\$ 0.20</u>	<u>\$ 0.07</u>

Diluted EPS Computation:		
Numerator:		
Net income	\$ 3,153,992	\$ 1,100,645
Denominator:		
Weighted average common shares outstanding	15,802,969	15,370,271
Incremental shares from assumed exercise of stock options	256,994	520,548
Total shares	<u>16,059,963</u>	<u>15,890,819</u>
Diluted EPS	<u>\$ 0.20</u>	<u>\$ 0.07</u>

	Nine Months Ended	
	June 29, 2008	July 1, 2007
Basic EPS Computation:		
Numerator:		
Net income	\$ 7,903,853	\$ 3,531,448
Denominator:		
Weighted average common shares outstanding	15,721,404	15,308,393
Total shares	<u>15,721,404</u>	<u>15,308,393</u>
Basic EPS	<u>\$ 0.50</u>	<u>\$ 0.23</u>

Diluted EPS Computation:		
Numerator:		
Net income	\$ 7,903,853	\$ 3,531,448
Denominator:		
Weighted average common shares outstanding	15,721,404	15,308,393
Incremental shares from assumed conversion of preferred stock and exercise of stock options and warrants	244,040	473,058
Total shares	<u>15,965,444</u>	<u>15,781,451</u>
Diluted EPS	<u>\$ 0.50</u>	<u>\$ 0.22</u>

Additionally, during the quarter ended June 29, 2008, the Company issued 30,572 shares of common stock in connection with the exercise of employee stock options for total proceeds of approximately \$20,000. There was no exercise of employee stock options during the quarter ended July 1, 2007. During the nine months ended June 29, 2008 and July 1, 2007, the Company issued 203,000 and 103,000 shares, respectively, of common stock in connection with the exercise of employee stock options for total proceeds of approximately \$294,000 and \$84,000, respectively.

7. STOCK OPTIONS

In December 2004, the FASB issued SFAS No. 123(R), "Share-Based Payment" ("SFAS 123(R)"), which requires the Company to measure the cost of all employee stock-based compensation awards based on the grant date fair value of those awards and to record that cost as compensation expense over the period during which the employee is required to perform service in exchange for the award (generally over the vesting period of the award). Accordingly, with the adoption of SFAS 123(R), any future option awards will have an impact on the Company's results of operations, although awards will have no impact on the Company's overall financial position. The Company adopted SFAS 123(R) on October 3, 2005 utilizing the modified prospective method. The Company's adoption of SFAS 123(R) did not impact the Company's income before income tax expense, net income or basic and diluted earnings per share since no options were granted during the quarters and nine months ended June 29, 2008 and July 1, 2007, respectively, and all of the Company's outstanding options were fully vested at the date of adoption of this standard.

8. INCOME TAXES

The Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty of Income Taxes - An Interpretation of FASB Statement No. 109" ("FIN 48") on October 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"). This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure and transition. The total amount of unrecognized tax benefits as of the date of adoption was not material. The Company has substantially concluded all U.S. federal income tax matters for years through fiscal year 2004. As a result of the implementation of FIN 48, the Company recorded no increase in the liability for unrecognized tax benefits and the balance of unrecognized tax benefits was zero at June 29, 2008.

The Company has adopted the accounting policy that interest recognized in accordance with Paragraph 15 of FIN 48 and penalty recognized in accordance with Paragraph 16 of FIN 48 are classified as part of income taxes. The total amount of interest and penalty recognized in the statement of income was zero for the quarter and nine months ended June 29, 2008.

The Company does not anticipate any significant change within twelve months of this reporting date of its uncertain tax positions.

The effective tax rates were 41.0% and 40.1% for the first nine months of each of fiscal years 2008 and 2007, respectively, which is consistent with the statutory rate.

9. CONTINGENCIES

Legal Proceedings

The Company is involved in certain legal actions and claims arising in the ordinary course of business. Management believes that such contingencies will be resolved without materially and adversely affecting the Company's financial position, results of operations or cash flows.

Concentrations of Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of trade receivables. The Company performs on-going credit evaluations of its customers' financial condition and generally requires no collateral from its customers. The Company charges off uncollectible accounts at the point in time when no recovery is expected.

A significant portion of the Company's total net revenues during the first nine months of fiscal years 2008 and 2007 was derived from four customers. Jenny Craig, Inc., H. J. Heinz Company, Panda Restaurant Group, Inc. and Safeway Inc. accounted for approximately 25%, 18%, 16% and 12%, respectively, of the Company's total net revenues for the nine months ended June 29, 2008 and approximately 26%, 8%, 28% and 8%, respectively, of the Company's total net revenues for the nine months ended July 1, 2007. Receivables related to Jenny Craig, Inc., Panda Restaurant Group, Inc. (through its distributors), H. J. Heinz Company and Safeway Inc. accounted for approximately 26%, 15%, 14% and 14%, respectively, of the Company's total accounts receivable balance for the nine months ended June 29, 2008 and approximately 26%, 26%, 7% and 18%, respectively, of the Company's total accounts receivable balance for the nine months ended July 1, 2007.

Cash used primarily for working capital purposes is maintained in two accounts with one major financial institution. Account balances as of June 29, 2008 are in excess of the FDIC insurance limits. If the financial banking markets experience disruption, the Company may need to temporarily rely on other forms of liquidity, including borrowing under the Credit Agreement.

Concentration of Sources of Labor

The Company's total hourly and salaried workforce consisted of approximately 1,043 employees at June 29, 2008. Approximately 83% of the Company's employees are unionized with the United Food & Commercial Workers Union, Local 770 and are covered by a three-year collective bargaining agreement renewed effective March 1, 2008.

Liquidated Damages

On December 23, 2005, Levine Leichtman Capital Partners II, L.P. ("LLCP") resold to 15 institutional investors in a private transaction all of the 5,771,661 shares of the Company's common stock that LLCP owned of record as of that date ("Transferred Shares"). To facilitate LLCP's sale of the Transferred Shares, the Company made various representations and warranties as a party to a stock purchase agreement with LLCP and the investors. In addition, the Company entered into a registration rights agreement with the investors that required the Company to register for resale the Transferred Shares and to maintain the effectiveness of the registration statement for a maximum of 24 months following the closing date. The registration statement was declared effective by the Securities and Exchange Commission on April 13, 2006 and remained effective through December 23, 2007, the end of the required effectiveness period. Accordingly, the Company did not and will not incur any liquidated damages with respect to its registration obligations.

10. RELATED PARTY TRANSACTIONS

In connection with the spin-off from the Company's former parent, Overhill Corporation (now TreeCon Resources, Inc. ("TreeCon")), the Company received from Overhill Corporation a non-recourse promissory note in the principal amount of \$207,375 made on September 25, 2001 by James Rudis, the Company's President, Chief Executive Officer and Chairman of the Board, and a similar note in the principal amount of \$184,875 by William Shatley, who served as an officer of the former parent company and later served as an officer and director of the Company. These notes became due and payable on September 24, 2003. Mr. Rudis' note was collateralized solely by 276,500 shares of common stock of TreeCon. Mr. Shatley's note was collateralized solely by 246,500 shares of common stock of TreeCon. Based on the Company's assessment of the collectibility of these notes, including the value of the subject collateral, the Company assigned no value to the notes upon their receipt. During the quarter ended April 2, 2006, Mr. Rudis tendered to the Company the 276,500 shares of TreeCon common stock that had served as collateral for the note receivable. Mr. Shatley tendered to the Company the 246,500 shares of TreeCon common stock that had served as collateral for the note receivable during the quarter ended July 2, 2006.

During fiscal year 2006, LLCP was a principal stockholder and secured creditor of the Company. As described in Note 5, the Company repaid approximately \$44.5 million in existing debt and related fees expenses of LLCP and its affiliate, Pleasant Street Investors, LLC ("PSI") in connection with the termination of Company's financing arrangements

with them. In addition, as described in Note 9, on December 23, 2005, LLC resold to 15 institutional investors in a private transaction all of the 5,771,661 shares of the Company's common stock that it owned of record as of that date and the Company made various representations and warranties as a party to a stock purchase agreement with LLC and the investors. Also, on December 23, 2005, the Company, LLC and James Rudis entered into a Third Amendment to the Amended and Restated Investor Rights Agreement. This agreement was terminated in connection with the refinancing of the Company's indebtedness to LLC and PSI in May 2006.

In February 2004, the Company engaged Alexander Auerbach & Co., Inc. ("AAPR") to provide the Company with public relations and marketing services. AAPR provides public relations, media relations and communications marketing services to support the Company's sales activities. Alexander Auerbach, who is a director of the Company, is a stockholder, director and officer of AAPR. Fees paid to AAPR for services rendered under this engagement during the first nine months of fiscal years 2008 and 2007 were \$31,000 and \$26,000, respectively.

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

Forward-Looking Statements

The following discussion and analysis should be read in conjunction with our condensed financial statements and notes to condensed financial statements included elsewhere in this report. This report, and our condensed financial statements and notes to our condensed financial statements, contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which statements generally include the plans and objectives of management for future operations, including plans and objectives relating to our future economic performance and our current beliefs regarding revenues we might earn if we are successful in implementing our business strategies. The forward-looking statements are based on current expectations or beliefs. For this purpose, statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements include statements which are predictive in nature, which depend upon or refer to future events or conditions, or which include words such as "continue," "efforts," "expects," "anticipates," "intends," "plans," "believes," "estimates," "projects," "forecasts," "strategy," "will," "goal," "target," "prospects," "optimistic," "confident" or similar expressions. In addition, any statements concerning future financial performance (including future revenues, earnings or growth rates), on-going business strategies or prospects, and possible future company actions, which may be provided by management, are also forward-looking statements. We caution that these statements by their nature involve risks and uncertainties, and actual results may differ materially depending on a variety of important factors, including, among others:

- the impact of competitive products and pricing;
- fulfillment by suppliers of existing raw material contracts;
- market conditions that may affect the costs and/or availability of raw materials, fuels, energy, logistics and labor as well as the market for our products, including our customers' ability to pay and consumer demand;
- changes in our business environment, including actions of competitors and changes in customer preferences, as well as disruptions to our customers' businesses;
- seasonality in retail category;
- loss of key customers due to competitive environment or production being moved in-house by the customer;
- natural disasters that can impact, among other things, costs of fuel and raw materials;
- the occurrence of acts of terrorism or acts of war;
- changes in governmental laws and regulations, including income taxes;
- change in control due to takeover or other significant changes in ownership; and

- other factors as may be discussed in this report and other reports we file with the Securities and Exchange Commission (“Commission”), including those described in Item 1A of Part I of our annual report on Form 10-K for the fiscal year ended September 30, 2007 and any updates thereto.

We do not undertake to update, revise or correct any forward-looking statements, except as otherwise required by law.

Overview

We are a leading value-added manufacturer of high quality, prepared frozen food products for branded retail, private label, foodservice and airline customers. Our product line includes entrées, plated meals, bulk-packed meal components, pastas, soups, sauces, poultry, meat and fish specialties, and organic and vegetarian offerings. Our extensive research and development efforts, combined with our extensive catalogue of recipes and flexible manufacturing capabilities, provide customers with a one-stop solution for new product ideas, formulations and product manufacturing, as well as precise replication of existing recipes. Our capabilities allow customers to outsource product development, product manufacturing and packaging, thereby avoiding significant fixed-cost and variable investments in resources and equipment. Our customers include prominent nationally recognized names such as Jenny Craig, Inc., H. J. Heinz Company, American Airlines, Inc., Safeway Inc., Pinnacle Foods Group LLC and Panda Restaurant Group, Inc.

Our goal is to be a leading developer and manufacturer of value-added food products and provider of custom prepared frozen foods. We intend to create superior value for our stockholders by continuing to execute our growth and operating strategies, including:

- diversifying and expanding our customer base by focusing on sectors we believe have attractive growth characteristics, such as foodservice and retail;
- investing in and operating efficient production facilities;
- providing value-added ancillary support services to customers;
- offering a broad range of products to customers in multiple channels; and
- continuing to pursue growth through strategic acquisitions and investments.

Critical Accounting Policies

Management’s discussion and analysis of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. See Note 2 to the financial statements contained in our 2007 annual report on Form 10-K for the year ended September 30, 2007 for a summary of our significant accounting policies. Management believes the following critical accounting policies are related to our more significant estimates and assumptions used in the preparation of our financial statements.

Inventories. Inventories, which include material, labor and manufacturing overhead, are stated at the lower of cost, which approximates the first-in, first-out (“FIFO”) method, or market. We use a standard costing system to estimate our FIFO cost of inventory at the end of each reporting period. Historically, standard costs have been materially consistent with actual costs. We periodically review our inventory for excess items, and we establish a valuation reserve based upon the age of specific items in inventory and the expected recovery from the disposition of the items.

We establish a reserve for the estimated aged surplus, spoiled or damaged products and discontinued inventory items and components. We determine the amount of the reserve by analyzing inventory composition, expected usage, historical and projected sales information and other factors. Changes in sales volume due to unexpected economic or competitive conditions are among the factors that could result in material increases or decreases in the reserve.

Property and Equipment. The cost of property and equipment is depreciated over the estimated useful lives of the related assets, which range from three to ten years. Leasehold improvements to our Plant No. 1 in Vernon, California are

amortized over the lesser of the initial lease term plus one lease extension period, initially totaling 15 years, or the estimated useful lives of the assets. Other leasehold improvements are amortized over the lesser of the term of the related lease or the estimated useful lives of the assets. Depreciation is generally computed using the straight-line method.

We assess property and equipment for impairment whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable.

Expenditures for maintenance and repairs are charged to expense as incurred. The cost of materials purchased and labor expended in betterments and major renewals are capitalized. Costs and related accumulated depreciation of properties sold or otherwise retired are eliminated from the accounts, and gains or losses on disposals are included in operating income.

Excess of Cost Over Fair Value of Net Assets Acquired. We evaluate the excess of cost over fair value of net assets acquired (goodwill) at least annually for impairment in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." We have one reporting unit and estimate fair value based on a variety of market factors, including discounted cash flow analysis, market capitalization, and other market-based data. At June 29, 2008, we had goodwill of \$12.2 million. A deterioration of our operating results and the related cash flow effect could decrease the estimated fair value of our business and, thus, cause our goodwill to become impaired and cause us to record a charge against operations in an amount representing the impairment.

Income Taxes. We evaluate the need for a valuation allowance on our deferred tax assets based on whether we believe that it is more likely than not that all deferred tax assets will be realized. We consider future taxable income and on-going prudent and feasible tax planning strategies in assessing the need for valuation allowances. In the event we were to determine that we would not be able to realize all or part of our deferred tax assets, we would record an adjustment to the deferred tax asset and a charge to income at that time.

We adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty of Income Taxes - An Interpretation of FASB Statement No. 109" ("FIN 48") on October 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure and transition. We have also adopted the accounting policy that interest recognized in accordance with Paragraph 15 of FIN 48 and penalty recognized in accordance with Paragraph 16 of FIN 48 are classified as part of income taxes.

Concentrations of Credit Risk

Our financial instruments that are exposed to concentrations of credit risk consist primarily of trade receivables. We perform on-going credit evaluations of our customers' financial condition and generally require no collateral from our customers. A bankruptcy or other significant financial deterioration of any customers could impact their future ability to satisfy their receivables with us. Our allowance for doubtful accounts is calculated based primarily upon historical bad debt experience and current market conditions. For the nine months ended June 29, 2008 and July 1, 2007, our write-offs, net of recoveries, to the allowance for doubtful accounts were immaterial.

While we continue to diversify our customer list to reduce concentration risk, a significant portion of our total net revenues during the first nine months of fiscal years 2008 and 2007 was derived from four customers. Jenny Craig, Inc., H. J. Heinz Company, Panda Restaurant Group, Inc. and Safeway Inc. accounted for approximately 25%, 18%, 16% and 12%, respectively, of our total net revenues for the nine months ended June 29, 2008 and approximately 26%, 8%, 28% and 8%, respectively, of our total net revenues for the nine months ended July 1, 2007. Receivables related to Jenny Craig, Inc., Panda Restaurant Group, Inc. (through its distributors), H. J. Heinz Company and Safeway Inc. accounted for approximately 26%, 15%, 14% and 14%, respectively, of our total accounts receivable balance for the nine months ended June 29, 2008 and approximately 26%, 26%, 7% and 18%, respectively, of our total accounts receivable balance for the nine months ended July 1, 2007.

Cash used primarily for working capital purposes is maintained in two accounts with one major financial institution. Account balances as of June 29, 2008 are in excess of the FDIC insurance limits. If the financial banking markets

experience disruption, we may need to temporarily rely on other forms of liquidity, including borrowing under the Credit Agreement.

Results of Operations

While we operate as a single business unit, manufacturing various products on common production lines, revenues from similar customers are grouped into the following natural categories: retail, foodservice and airlines.

With our increased penetration into the grocery segment, we expect to see some increased seasonality in the retail category of our business. Traditionally, the summer months of June, July and August see slightly diminished frozen grocery sales. Sales volume may be highest in the winter periods (our second quarter) and lowest in the warmer months (our third and fourth quarters).

Quarter Ended June 29, 2008 Compared To Quarter Ended July 1, 2007

The quarters ended June 29, 2008 and July 1, 2007 were both 13-week periods.

Net Revenues. Total net revenues for the quarter ended June 29, 2008 increased \$9.3 million (17.5%) to \$62.4 million from \$53.1 million for the quarter ended July 1, 2007 due to increased volume and new products from new and existing customers as discussed below.

Retail net revenues increased \$15.0 million (45.0%) to \$48.3 million for the quarter ended June 29, 2008 from \$33.3 million for the quarter ended July 1, 2007 due to higher year-on-year sales to a major national-brand food company, which was launched during the second quarter of fiscal year 2007. In addition, there was a 30.5% increase in sales to Jenny Craig, Inc. versus the same quarter in the prior year. For the quarter ended June 29, 2008, the retail category as a percentage of net revenues increased to 77.4% from 62.7%.

During the quarter ended June 29, 2008, we entered into a five-year licensing agreement with Better Living Brands™ Alliance (“Alliance”) for the exclusive right to produce and sell frozen entrées under the Eating Right™ and O Organics™ brands. The mission of the Alliance is to provide health and wellness food and beverage solutions via its two proven multi-category lifestyle brands. We initially paid a one-time \$1.0 million licensing fee as well as a \$125,000 royalty fee prepayment. The agreement is renewable for two five-year terms. For the quarter ended June 29, 2008, amortization expense related to the licensing fee was \$34,000. We anticipate revenue from the licensing agreement to begin in fiscal year 2009.

Also, during our fourth fiscal quarter, we plan to roll out another product line of 30 items for one of our retail customers. We expect to see some of the benefits from the new business in our fourth quarter, and anticipate realizing the full impact in the first quarter of fiscal year 2009.

Foodservice net revenues decreased \$5.5 million (37.7%) to \$9.1 million for the quarter ended June 29, 2008 from \$14.6 million for the quarter ended July 1, 2007 due to anticipated reduced volume from one customer and softness in the foodservice industry caused by a slowing economy. For the quarter ended June 29, 2008, the foodservice category as a percentage of net revenues decreased to 14.6% from 27.5%. However, we continue our sales efforts in this category and believe that foodservice represents a significant opportunity for us.

Airline net revenues decreased \$160,000 (3.1%) to \$5.0 million for the quarter ended June 29, 2008 from \$5.2 million for the quarter ended July 1, 2007 largely due to one airline account transitioning to a new supplier. For the quarter ended June 29, 2008, the airline category as a percentage of net revenues decreased to 8.0% from 9.8%.

Gross Profit. Gross profit increased \$3.1 million (58.5%) to \$8.4 million (13.5% of net revenues) for the quarter ended June 29, 2008 from \$5.3 million (10.0% of net revenues) for the quarter ended July 1, 2007. Gross profit, both in dollars and as a percentage of revenues, was higher due to increased sales along with on-going manufacturing improvements, increased efficiencies and yields, stronger financial reviews and controls and modest increases in sales prices to several customers offset partially by new product development costs. As previously disclosed, in order to maintain our gross profit margins we continue to analyze our lower margin accounts. In the third quarter of fiscal year 2008, we stopped producing for one retail customer that did not meet our profit objectives and going forward, we will continue to focus on higher margin business.

The food industry in general has experienced extremely high commodity, energy and logistics cost increases over the past year. We have responded to rising costs with forward buying of raw materials and price increases to several customers. We also have experienced increased sales to customers with cost-plus based contracts. We will continue to make efforts to negotiate price increases, which reflect increased costs.

Selling, General and Administrative Expenses. Selling, general and administrative (“SG&A”) expenses decreased \$98,000 (4.3%) to \$2.2 million (3.5% of net revenues) for the quarter ended June 29, 2008 from \$2.3 million (4.3% of net revenues) for the quarter ended July 1, 2007. The decrease in dollars was due to decreased Sarbanes Oxley consulting and professional service fees. SG&A expenses decreased as a percentage of net revenues because we were able to administer a greater volume of business with little increase in staffing.

Operating Income. Operating income increased \$3.2 million (106.7%) to \$6.2 million for the quarter ended June 29, 2008 from \$3.0 million for the quarter ended July 1, 2007. The increase in operating income was the result of increased net revenues and improvements in gross profit margins as noted above.

Total Interest Expense. Total interest expense, which consisted of various financing-related charges, decreased \$362,000 (30.2%) to \$838,000 for the quarter ended June 29, 2008 as compared to \$1.2 million for the quarter ended July 1, 2007. The decrease is due to lower overall interest rates and a reduction in our long-term debt balance.

Income Tax Expense. Income tax expense was \$2.2 million for the quarter ended June 29, 2008 as compared to \$737,000 for the quarter ended July 1, 2007. The effective tax rates were 40.9% for the quarter ended June 29, 2008 and 40.1% for the quarter ended July 1, 2007. The effective tax rates for the quarters ended June 29, 2008 and July 1, 2007 did not materially differ from the statutory rate.

Net Income. Net income for the quarter ended June 29, 2008 was \$3.2 million or \$0.20 per basic and diluted share compared to net income of \$1.1 million or \$0.07 per basic and diluted share for the quarter ended July 1, 2007.

Nine Months Ended June 29, 2008 Compared To Nine Months Ended July 1, 2007

The nine months ended June 29, 2008 and July 1, 2007 were both 39-week periods.

Net Revenues. Total net revenues increased \$46.1 million (33.0%) to \$185.7 million for the nine months ended June 29, 2008 from \$139.6 million for the nine months ended July 1, 2007 due to increased volume and new products from new and existing customers as discussed below.

Retail net revenues increased \$54.4 million (67.0%) to \$135.6 million for the nine months ended June 29, 2008 from \$81.2 million for the nine months ended July 1, 2007 largely due to higher year-on-year sales to a major national-brand food company and sales of 24 items to Safeway Inc., both of which were launched during the second quarter of fiscal year 2007. In addition, there was a 26.6% increase in sales to Jenny Craig, Inc. For the nine months ended June 29, 2008, the retail category as a percentage of net revenues increased to 73.0% from 58.2%.

Foodservice net revenues decreased \$9.7 million (21.9%) to \$34.5 million for the nine months ended June 29, 2008 from \$44.2 million for the nine months ended July 1, 2007 due to anticipated reduced volume from one customer and softness in the foodservice industry caused by a slowing economy. For the nine months ended June 29, 2008, the foodservice category as a percentage of net revenues decreased to 18.6% from 31.7%.

Airline net revenues increased \$1.3 million (9.1%) to \$15.6 million for the nine months ended June 29, 2008 from \$14.3 million for the nine months ended July 1, 2007 largely due to increases in passenger travel during the first nine months of the fiscal year. For the nine months ended June 29, 2008, the airline category as a percentage of net revenues decreased to 8.4% from 10.2%. Given record high fuel costs and airline initiatives to cut costs, going forward we expect a decrease in airline net revenues that we anticipate would be offset by an increase in retail net revenues.

Gross Profit. Gross profit increased \$7.8 million (52.0%) to \$22.8 million (12.3% of net revenues) for the nine months ended June 29, 2008 from \$15.0 million (10.7% of net revenues) for the nine months ended July 1, 2007. Gross profit, both in dollars and as a percentage of revenues, was higher due to increased sales along with on-going manufacturing improvements, increased efficiencies and yields, stronger financial reviews and controls and modest increases in sales prices to several customers offset slightly by costs incurred for new product development. In addition, in order to maintain

our gross profit margins, we continue to analyze our lower margin accounts and expect to move away from some of the accounts that do not meet our profit objectives towards higher margin business now available to us.

During the nine months ended June 29, 2008, we were notified by the U.S. Department of Agriculture of a recall of beef produced by the Hallmark/Westland Meat Packing Co. The recall was classified as Class II, meaning the risk of health and/or safety issues are remote. We purchased a small amount of raw beef directly from Hallmark/Westland during the fiscal year and manufactured it into finished goods that were eventually destroyed. We were subsequently informed that a larger amount of cooked beef was purchased from another vendor (a vendor mandated by a customer) that had originally purchased raw beef from Hallmark/Westland. As a result of this government mandated recall, we destroyed or approved destruction of approximately 70,000 cases of product resulting in a charge to cost of sales of approximately \$1.0 million during the nine months ended June 29, 2008. Gross profit margin was negatively affected by less than 1%. We believe that we have areas of recourse to recover all or part of the losses incurred relating to the recall. Any recovery will be recorded in subsequent periods.

Selling, General and Administrative Expenses. SG&A expenses increased \$700,000 (12.1%) to \$6.5 million (3.5% of net revenues) for the nine months ended June 29, 2008 from \$5.8 million (4.2% of net revenues) for the nine months ended July 1, 2007. SG&A expenses increased during the first nine months of fiscal year 2008 due to brokerage fees from greater retail sales and higher professional fees. However, SG&A expenses decreased as a percentage of net revenues because we were able to administer a greater volume of business with little increase in staffing.

Operating Income. Operating income increased \$7.0 million (75.3%) to \$16.3 million for the nine months ended June 29, 2008 from \$9.3 million for the nine months ended July 1, 2007. The increase in operating income was the result of improvements in net revenues and gross profit margins as noted above.

Total Interest Expense. Total interest expense, which consisted of various financing-related charges, decreased \$500,000 (14.7%) to \$2.9 million for the nine months ended June 29, 2008 from \$3.4 million for nine months ended July 1, 2007. The decrease is due to reductions in our overall interest rates and in our long-term debt balance.

Income Tax Expense. Income tax expense was \$5.5 million for the nine months ended June 29, 2008 as compared to \$2.4 million for the nine months ended July 1, 2007. The effective tax rates were 41.0% for the nine months ended June 29, 2008 and 40.1% for the nine months ended July 1, 2007 and did not materially differ from the statutory rate.

Net Income. Net income for the nine months ended June 29, 2008 was \$7.9 million or \$0.50 per basic and diluted share compared to net income of \$3.5 million or \$0.23 per basic and \$0.22 per diluted share for the nine months ended July 1, 2007.

Liquidity and Capital Resources

During the nine months ended June 29, 2008, our operating activities provided cash of \$8.0 million compared to cash provided of \$2.3 million during the nine months ended July 1, 2007. Cash generated from operations before working capital changes for the first nine months of fiscal year 2008 was \$11.5 million. We used operating cash flows to finance working capital needs primarily as a result of a decrease in accounts payable of \$3.4 million during the first nine months of fiscal year 2008. Due to an increase in sales volume, accounts receivable increased by \$773,000. Inventory declined by \$637,000, which reflects the results of our efforts to increase inventory turns. Cash used by prepaid expenses and other assets was \$417,000 and related primarily to the Alliance licensing and royalty agreement discussed above. In addition, cash provided by accrued liabilities was \$544,000. As of June 29, 2008, we had working capital of \$27.1 million compared to working capital of \$22.1 million at fiscal year end on September 30, 2007. We were able to fund our growth in sales in the first nine months of fiscal year 2008 internally, without increasing our external debt, by executing the cash management procedures noted above.

Our investing activities, consisting primarily of capital expenditures and proceeds from the sale of marketable securities, resulted in a net use of cash of approximately \$1.2 million during the first nine months of fiscal year 2008 compared to \$6.3 million during the first nine months of fiscal year 2007. The decrease in cash used was due to prior year additions of property and equipment related to the expansion of the manufacturing capacity of our entrée plant to accommodate additional business opportunities, meet anticipated growth and improve operating efficiency. The additions to property and equipment were partially offset by \$54,000 in proceeds from the sale of marketable securities during the first nine months of fiscal year 2008 as compared to \$66,000 in the first nine months of fiscal year 2007. We anticipate

that cash generated from operating activities and borrowing availability under our existing credit facilities will fund revenue growth in the near term. To continue our current growth rate into fiscal year 2009, we will need additional capacity either through acquisition of another facility or another business within the next twelve months. We believe that funding will be available through debt facilities at competitive rates, available cash or equity funding for this future capacity.

Our financing activities resulted in a use of cash of \$3.4 million during the first nine months of fiscal year 2008 compared to cash provided by financing activities of \$2.7 million during the first nine months of fiscal year 2007. The net use of cash was due to principal payments on debt, equipment loans and our capital lease obligation of \$4.5 million, \$157,000 and \$209,000, respectively, as we paid down our revolving loan balance to zero during the second quarter of fiscal year 2008. The principal payments were offset by borrowings of \$1.0 million and receipt of \$444,000 from the exercise of employee stock options, including the related tax benefit.

Our continued accumulation of cash will be used for general corporate purposes, including working capital, acquisitions, retirement of debt and other business opportunities.

On March 9, 2007, we executed a second amendment to the senior secured credit agreement with Guggenheim Corporate Funding, LLC ("GCF") allowing for \$7.0 million of additional capital expenditures to facilitate new business by increasing plant capacity and improving line efficiency, to be funded by increases of \$3.5 million in each of the Tranche A and Tranche B Term Loans.

As of June 29, 2008, the facility with GCF, reflecting principal payments and the March 9, 2007 amendment, was a \$49.7 million senior secured credit facility maturing in May 2011, secured by a first priority lien on substantially all of our assets. As of June 29, 2008, the facility was structured as a \$7.5 million non-amortizing revolving loan, a \$26.5 million amortizing Tranche A Term Loan and a \$15.7 million non-amortizing Tranche B Term Loan. The facility bears interest, adjustable quarterly, at the London Inter Bank Offered Rate ("LIBOR") plus the Applicable Margin (listed below) for LIBOR loans or, at our option in the case of the revolving loans, an alternate base rate equal to the greater of the prime rate and the federal funds effective rate plus 0.50%, plus an applicable margin, as follows:

	Total Debt to EBITDA Ratio for Last Twelve Months	Applicable Margin for Alternate Base Rate Loans	Applicable Margin for LIBOR Loans		
		Revolving Loan	Revolving Loan	Tranche A Term Loan	Tranche B Term Loan
Greater than	3.00:1.00	2.50%	3.50%	3.75%	6.25%
Greater than or equal to but less than or equal to	2.00:1.00 3.00:1.00	2.25%	3.25%	3.50%	6.00%
Less than	2.00:1.00	2.00%	3.00%	3.25%	5.75%

As of June 29, 2008, our principal balances on the loans totaled \$40.2 million, consisting of \$24.5 million in Tranche A Term Loans and \$15.7 million in Tranche B Term Loans. At June 29, 2008, interest rates on the Tranche A Term Loans and Tranche B Term Loans were 5.9% and 8.4%, respectively. As of June 29, 2008, our total debt to EBITDA ratio for the last twelve months was less than 2.00:1.00 and therefore we qualified for the lowest applicable margin for the alternative base rate and LIBOR loans, which will be applicable to our borrowing beginning in the fourth quarter of fiscal year 2008. Over the term of the loan, the facility had been reduced by mandatory principal payments on the Tranche A Term Loan of \$4.0 million and voluntary principal payments on the Tranche B Term Loan of \$2.9 million. As of June 29, 2008, we had \$7.5 million available to borrow under the revolving loan, as we had paid down the loan balance to zero during the quarter ended March 30, 2008.

Initial proceeds from the GCF facility, received on or about May 16, 2006, were used to repay approximately \$44.5 million in existing debt and related fees and expenses in connection with the termination of our former financing

arrangements and to pay approximately \$1.6 million in fees and expenses relating to the new financing. Of these fees, \$942,000 is recorded as debt discount, net of accumulated amortization, on our balance sheet as of June 29, 2008. We recorded a pretax charge of approximately \$176,000 in connection with the termination of the former financing arrangements in the third quarter of fiscal year 2006. We paid GCF an additional \$132,000 in fees and expenses on March 9, 2007 related to the second amendment, which we recorded as a debt discount.

The GCF facility contains covenants whereby, among other things, we are required to maintain compliance with agreed levels of earnings before interest, taxes, depreciation and amortization, interest coverage, fixed charge coverage, leverage targets, annual capital expenditures and incremental indebtedness limits. Mandatory prepayments under the facility are required based on excess cash flow, as defined in the agreement, and upon receipt of proceeds from a disposition or payment from a casualty or condemnation of the collateralized assets, and voluntary prepayments under the facility are generally permitted as provided in the agreement. The facility also contains customary restrictions on incurring indebtedness and liens, making investments, paying dividends and making loans or advances.

As of June 29, 2008, we were in compliance with the covenant requirements of the agreement with GCF. We believe it is probable that we will remain in compliance with all of those covenant requirements for the foreseeable future. However, if we fail to achieve certain revenue, expense and profitability levels, a violation of the financial covenants under our financing arrangements could result and interest rate increases and acceleration of maturity of the loans could occur, which could adversely affect our financial condition, results of operations or cash flows.

We entered into the following amortizing loans with Key Bank to finance the purchase of machinery used for manufacturing processes: a five-year loan in the principal amount of \$324,000 at a fixed interest rate of 7.5% on September 21, 2006, a five-year loan in the principal amount of \$217,000 at a fixed interest rate of 7.5% on November 27, 2006 and a four-year loan in the principal amount of \$476,000 at a fixed interest rate of 7.5% on January 9, 2007.

We amended our existing operating lease agreements with General Electric Capital Corporation on October 2, 2006. The amended lease resulted in a three-year capital lease in the principal amount of \$842,000 at a fixed interest rate of 8.15%, with a \$1 bargain purchase option at the expiration of the lease. The assets acquired under this capital lease have an acquisition cost of \$912,000.

We believe that funds available to us from operations and existing capital resources will be adequate for our capital requirements for at least the next twelve months.

Following is a summary of our contractual obligations at June 29, 2008:

Contractual Obligations	Payments Due By Period				
	Total	Remainder of Fiscal Year 2008	2-3 Years	4-5 Years	More than 5 Years
Debt maturities	\$ 40,843,804	\$ 554,160	\$ 5,221,730	\$ 35,067,914	\$ –
Interest expense ⁽¹⁾	9,443,560	865,126	6,561,894	2,016,540	–
Capital lease obligation	352,086	72,664	279,422	–	–
Operating lease obligations ⁽²⁾	11,182,087	519,311	3,826,036	2,440,850	4,395,890
Other contractual obligations	1,025,366	186,502	838,864	–	–
Open purchase orders	22,709,259	13,729,081	8,980,178	–	–
Total contractual obligations	\$ 85,556,162	\$ 15,926,844	\$ 25,708,124	\$ 39,525,304	\$ 4,395,890

(1) Assumes only mandatory principal pay-downs and the use of LIBOR as of June 27, 2008 on the GCF debt and fixed rate interest payments on equipment loans and capital lease obligation.

(2) Includes real estate leases.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk – Obligations. We are subject to interest rate risk on variable interest rate obligations. A hypothetical 10.0% increase in average market interest rates would increase by approximately \$281,000 the annual interest expense on our debt outstanding as of June 29, 2008. We are also subject to interest rate risk on our fixed interest rate obligations. Based upon outstanding amounts of fixed rate obligations as of June 29, 2008, a hypothetical 10.0% decrease in average market interest rates would increase the fair value of outstanding fixed rate debt by approximately \$6,000.

Item 4. Controls and Procedures

Our Chief Executive Officer and Interim Chief Financial Officer (our principal executive officer and principal financial officer, respectively) have concluded, based on their evaluation as of June 29, 2008, that the design and operation of our “disclosure controls and procedures” (as defined in Rule 13a-15(e) under the Exchange Act) are effective at a reasonable assurance level to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission’s rules and forms, including to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Interim Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

During the quarter ended June 29, 2008, there were no changes in our “internal control over financial reporting” (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various lawsuits, claims and proceedings related to the conduct of our business. Management does not believe that the disposition of any pending claims is likely to have a material adverse effect our financial condition, results of operations, or cash flows.

Item 4. Submission of Matters to a Vote of Security Holders

We held our 2008 annual meeting of stockholders on June 3, 2008. There were 15,792,699 shares of our common stock outstanding and entitled to vote at the meeting. Each holder of record of our common stock on the record date was entitled to cast one vote per share on each proposal.

Five nominees were presented for election and elected to our board of directors at the meeting. The results of the vote for the election of directors were as follows:

<u>Nominee</u>	<u>For</u>	<u>Withheld</u>
James Rudis	11,033,492	250,766
Harold Estes	10,857,468	426,790
Geoffrey A. Gerard	10,855,710	428,548
Alexander Auerbach	10,060,583	1,223,675
Alexander Rodetis, Jr.	10,857,860	426,398

Item 6. Exhibits

<u>Number</u>	<u>Description</u>
31.1	Certification of Chief Executive Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (1)
31.2	Certification of Interim Chief Financial Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (1)
32	Certification of Chief Executive Officer and Interim Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (1)
<hr/>	
(1)	Attached hereto.

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.

**OVERHILL FARMS, INC.
(Registrant)**

Date: August 7, 2008

By: /s/ James Rudis
James Rudis
Chairman, President and
Chief Executive Officer

Date: August 7, 2008

By: /s/ Tracy E. Quinn
Tracy E. Quinn
Interim Chief Financial Officer

EXHIBITS ATTACHED TO THIS FORM 10-Q

<u>Number</u>	<u>Description</u>
31.1	Certification of Chief Executive Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Interim Chief Financial Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Interim Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Certification of Chief Executive Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James Rudis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Overhill Farms, Inc. (the “registrant”):
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(s) 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 (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) 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 (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 7, 2008

By: /s/ James Rudis
James Rudis
Chief Executive Officer
(principal executive officer)

Certification of Interim Chief Financial Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Tracy E. Quinn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Overhill Farms, Inc. (the “registrant”):
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(s) 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 (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) 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 (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 7, 2008

By: /s/ Tracy E. Quinn
Tracy E. Quinn
Interim Chief Financial Officer
(principal financial officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND INTERIM CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q of Overhill Farms, Inc. (the "Company") for the quarter ended June 29, 2008 (the "Report"), the undersigned hereby certify in their capacities as Chief Executive Officer and Interim Chief Financial Officer of the Company, respectively, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 7, 2008

By: /s/ James Rudis
James Rudis
Chief Executive Officer
(principal executive officer)

Dated: August 7, 2008

By: /s/ Tracy E. Quinn
Tracy E. Quinn
Interim Chief Financial Officer
(principal financial officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.