Bob Evans Farms, Inc.

ISS QuickScore

GOVERNANCE

1

Scores indicate decile rank relative to index or region. A decile score of 1 indicates lower governance risk, while a 10 indicates higher governance risk.

Meeting Type: Proxy Contest
Meeting Date: 20 August 2014
Record Date: 3 July 2014
Meeting ID: 908764

NASDAQ: BOBE
Index: S&P 600
Sector: Restaurants
GICS: 25301040

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Key Takeaways

- Sandell Asset Management, a 7.6% shareholder, is seeking 8 of 12 board seats at this year's annual meeting.
- The incumbent board has nominated 10 candidates for 12 open seats, guaranteeing at least two dissident nominees will be elected.
- As the dissident has made a compelling case that change to the board is necessary to improve its oversight of operations, strategy, and asset and capital utilization, as well as its alignment with shareholders, votes on the GOLD dissident proxy card FOR dissident nominees Benham, Head, Osborne, and Elson are warranted.

More extensive analysis of this proxy contest is available to M&A Edge subscribers. Non-subscribers who would like to subscribe and/or receive the report should contact their ISS Sales Executive or their ISS Account Manager.

Agenda & Recommendations

Policy: United States

Incorporated: Delaware, USA

Item	Code	Proposal	Board Rec.	ISS Rec.
MANAGEMENT PROXY (WHITE CARD)				
1.1	M0299	Elect Director Steven A. Davis	FOR	DONOTVOTE
1.2	M0299	Elect Director Michael J. Gasser	FOR	DONOTVOTE
1.3	M0299	Elect Director Mary Kay Haben	FOR	DONOTVOTE
1.4	M0299	Elect Director E.W. (Bill) Ingram III	FOR	DONOTVOTE
1.5	M0299	Elect Director Cheryl L. Krueger	FOR	DONOTVOTE
1.6	M0299	Elect Director Kathleen S. Lane	FOR	DONOTVOTE
1.7	M0299	Elect Director Eileen A. Mallesch	FOR	DONOTVOTE
1.8	M0299	Elect Director Larry S. McWilliams	FOR	DONOTVOTE
1.9	M0299	Elect Director Kevin M. Sheehan	FOR	DONOTVOTE
1.10	M0299	Elect Director Paul S. Williams	FOR	DONOTVOTE
2	M0550	Advisory Vote to Ratify Named Executive Officers' Compensation	FOR	DONOTVOTE
3	M0608	Reduce Supermajority Vote Requirement to Amend Bylaws	FOR	DONOTVOTE
4	M0608	Reduce Supermajority Vote Requirement to Remove Directors	FOR	DONOTVOTE
5	M0608	Reduce Supermajority Vote Requirement to Amend Article Twelve Governing Director Removal	FOR	DONOTVOTE
6	M0620	Provide Right to Call Special Meeting	FOR	DONOTVOTE
7	M0101	Ratify Auditors	FOR	DONOTVOTE

Report Contents

Item	Code	Proposal	Diss Rec.	ISS Rec.
8	S0126	Repeal Any Provision of the Company's Bylaws That are Inconsistent with or Disadvantageous to the Election of the Director Nominees Nominated for Election by the Sandell Group	AGAINST	DONOTVOTE

Item	Code	Proposal	Diss Rec.	ISS Rec.
DISSIDENT PROXY (GOLD CARD)				
1.1	S0299	Elect Director Douglas N. Benham	FOR	FOR
1.2	S0299	Elect Director Charles M. Elson	FOR	FOR
1.3	S0299	Elect Director David W. Head	FOR	FOR
1.4	S0299	Elect Director C. Stephen Lynn	FOR	WITHHOLD
1.5	S0299	Elect Director Annelise T. Osborne	FOR	FOR
1.6	S0299	Elect Director Aron I. Schwartz	FOR	WITHHOLD
1.7	S0299	Elect Director Michael Weinstein	FOR	WITHHOLD
1.8	S0299	Elect Director Lee S. Wielansky	FOR	WITHHOLD
2	M0126	Approve Repeal of Bylaws	FOR	FOR
3	M0608	Reduce Supermajority Vote Requirement to Amend Bylaws	FOR	FOR
4	M0608	Reduce Supermajority Vote Requirement to Remove Directors	FOR	FOR
5	M0608	Reduce Supermajority Vote Requirement to Amend Article Twelve Governing Director Removal	FOR	FOR
6	M0620	Provide Right to Call Special Meeting	FOR	FOR
7	M0101	Ratify Auditors	FOR	FOR
8	M0550	Advisory Vote to Ratify Named Executive Officers' Compensation	AGAINST	FOR

Shaded areas indicate recommendations against board
▶ Items deserving attention due to contentious issues or controversy

ISS-Company Dialogue

Dates	Engaged with	Initiated By	Topic	Purpose/Outcome
29 July 2014	Sandell Asset Management (Dissident)	ISS	Proxy Contest	Understand dissident critique
31 July 2014	Board/Management	ISS	Proxy Contest	Understand management response

Note: ISS engages in ongoing dialogue with issuers in order to ask for additional information or clarification, but not to engage on behalf of its clients. Any draft review which may occur as part of this process is done for purposes of data verification only. All ISS recommendations are based solely upon publicly disclosed information.

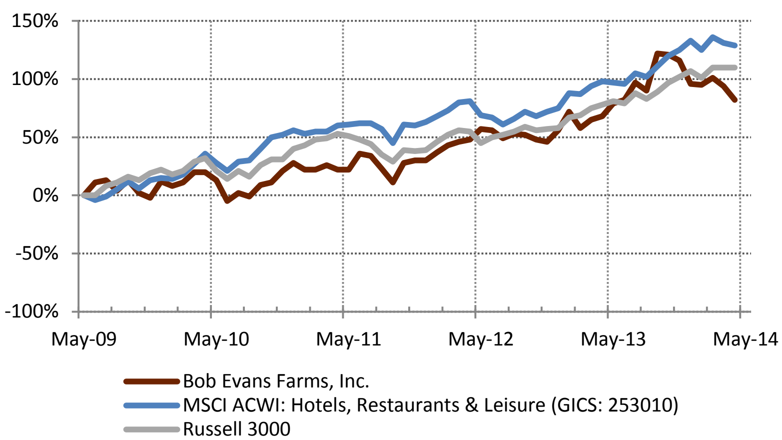
Material Company Updates

Item	Summary
Amendment of Bylaws	On Jan. 28, 2014, the board of directors amended the company's bylaws to, among other things: • allow amendments to the bylaws by a vote of holders of a majority of the company's outstanding common stock, except for specific provisions governing the procedure to call special meetings of shareholders, the constitution of a quorum at any shareholder meeting, procedures to remove a director from office and amendment of the bylaws, which provisions may be amended by a vote of the holders of 80 percent of the company's outstanding common stock. Previously, amendments to the company's bylaws required approval of at least 80 percent of the company's common stock; • eliminate the prohibition against director nominees entering into agreements providing for compensation, reimbursement, or indemnification from third parties in connection with service as a director of the company; • eliminate provisions providing that the board may call a special meeting, make a proposal at a special meeting, fill board vacancies and recommend removal of a director subject to a majority vote of shareholders only if approved by a majority of the continuing directors; and • eliminate provisions governing the procedure to set a record date for notice of an adjourned shareholder meeting.
Executive Updates	On Aug. 16, 2013, the position of executive vice president and chief restaurant operations officer was eliminated. Concurrently, Harvey Brownlee, who then held the position and was also a named executive officer of the company ("NEO"), left at that time. On the same date, the position of chief risk and compliance officer was eliminated. Richard B. Green, who then held the position, resigned as a NEO at such time. On Sept. 23, 2013, Sylvester J. Johnson, joined the company as senior vice president, chief accounting officer, and controller. Effective May 16, 2014, Paul F. DeSantis resigned as CFO, treasurer, and assistant secretary of the company. Consequently, T. Alan Ashworth was appointed as interim CFO and treasurer effective on the same date. On June 19, 2014, Mark E. Hood was appointed as CFO and principal financial officer of the company. Ashworth, who served as interim CFO and treasurer since May 16, 2014, retains the position of vice president corporate development and finance, and treasurer.
Board Updates	Effective March 3, 2014, director E. Gordon Gee accepted the full-time position of president of West Virginia University. Pursuant to the company's corporate governance principles, Gee tendered a letter of conditional resignation from the board due to the change in his position. The board accepted Gee's resignation effective on April 25, 2014. There were no disagreements between Gee and the company. Effective April 25, 2014, the board appointed Kathy S. Lane, Larry S. McWilliams, and Kevin Sheehan as members of the board. On the same date, directors Larry C. Corbin and G. Robert Lucas informed the board that they will retire and not seek re-nomination effective immediately prior to the 2014 annual meeting.

Financial Highlights

Company Description: Bob Evans Farms, Inc. operates as a full-service restaurant company in the United States. The company conducts its operations through Bob Evans Restaurants and BEF Foods segments. As of April 25, 2014, it owned and operated 561 Bob Evans Restaurants and licensed 2 Bob Evans Express locations.

STOCK PRICE PERFORMANCE



TOTAL SHAREHOLDER RETURNS

	1 Yr	3 Yr	5 Yr
Company TSR (%)	10.77	17.39	17.07
GICS 2530 TSR (%)	17.35	12.15	16.96
Russell 3000 TSR (%)	20.78	13.54	19.54

Source: Compustat. As of last day of company FY end month: 04/30/2014

COMPANY SNAPSHOT

Market Cap (M)	1,257.9
Closing Price	50.95
Annual Dividend	1.24
52-Week High	60.22
52-Week Low	43.19
Shares Outstanding (M)	24.69
Average daily trading volume (prior mo)*	538.34

As of July 3, 2014 (All currency in USD)
* Trading Volume in thousands of shares

FINANCIAL & OPERATIONAL PERFORMANCE

	Historical Performance (FY ending)					Compared to Peers (Compustat FY*) – **2013**				
All currency in USD	**4/2010**	**4/2011**	**4/2012**	**4/2013**	**4/2014**	**DIN**	**PZZA**	**SAFM**	**JACK**	**TXRH**
Earnings						DineEquity, Inc.	Papa John's Int'l, Inc.	Sanderson Farms, Inc.	Jack in the Box Inc.	Texas Roadhouse
Revenue (M)	1,727	1,677	1,652	1,609	1,329	640	1,439	2,683	1,490	1,423
Net Income (M)	77	54	73	-1	34	72	70	131	51	80
EBITDA (M)	194	176	188	184	131	247	141	270	231	169
EPS (USD)	2.29	1.79	2.45	-0.10	1.17	3.75	1.58	5.68	1.91	1.15
EPS Y/Y Growth (%)	N/A	-22	37	N/A	N/A	-45	20	142	34	13
Profitability										
Net Margin (%)	6	5	6	-3	2	17	7	8	8	8
EBITDA Margin (%)	11	11	11	11	10	39	10	10	16	12
Return on Equity (%)	11	8	11	-1	8	23	51	19	18	14
Return on Assets (%)	6	5	7	0	3	3	15	14	6	9
ROIC (%)	9	7	10	-1	8	4	22	19	10	13
Liquidity										
Debt/Assets	17	14	13	20	43	57	34	4	28	6
Debt/Equity	30	23	21	35	119	438	115	6	78	9
Cash Flows										
Operating (M)	153	156	153	144	168	128	101	253	199	174
Investing (M)	-49	-40	-74	-146	-178	7	-49	-54	-34	-111
Financing (M)	-117	-76	-101	-24	9	-93	-55	-141	-164	-49
Net Change (M)	-12	40	-22	-27	-1	41	-3	58	1	13
Valuation & Performance										
Price/Earnings	13.50	17.50	15.60	N/A	40.10	22.30	28.70	11.10	20.90	24.20
Annual TSR (%)	30.52	4.15	25.46	16.42	10.77	29.98	66.38	41.14	42.26	68.75

Source: Compustat. *Note: Compustat standardizes financial data and fiscal year designations to allow for accurate comparison across companies and industries. Compustat data may differ from companies' disclosed financials. See www.issgovernance.com/policy-gateway/company-financials-faq/ for more information.
Peers used in Financial Highlights represent closest industry peers drawn from those peers used in ISS' pay-for-performance analysis.

Corporate Governance Profile

BOARD & COMMITTEE SUMMARY

	Independence	Members	Meetings
Full Board	90%	10	21
Audit	100%	6	19
Compensation	100%	4	8
Nominating	100%	4	7

Chairman classification	Insider
Separate chair/CEO	No
Independent lead director	Yes
Voting standard	Majority
Plurality carveout for contested elections	Yes
Resignation policy	Yes
Total director ownership (000 shares)	678
Total director ownership (%)	2.2
Percentage of directors owning stock	70.0%
Number of directors attending < 75% of meetings	0
Number of directors on excessive number of outside boards	0
Average director age	59 years
Average director tenure	8 years
% of women on board	40%

SHAREHOLDER RIGHTS SUMMARY

Controlled company	No
Classified board	No
Dual-class stock	No
Vote standard for mergers/acquisitions	Majority
Vote standard for charter/bylaw amendment	80
Shareholder right to call special meetings	Yes, 50.01%
Material restrictions on right to call special meetings	No
Shareholder right to act by written consent	Yes
Cumulative voting	No
Board authorized to issue blank-check preferred stock	No
Poison pill	No

Board Profile

Director Independence & Affiliations

EXECUTIVE DIRECTORS

On Ballot	Name	Affiliation	Independence Classification		Attend <75%	Gen-der	Age	Tenure	Term Ends	Outside		Key Committees			
			Company	ISS						Boards	CEO	Audit	Comp	Nom	Gov
✓	**Steven A. Davis**	CEO/Chair	Non-Independent	Insider		M	56	8	2015	2					

NON-EXECUTIVE DIRECTORS

On Ballot	Name	Affiliation	Independence Classification		Attend <75%	Gen-der	Age	Tenure	Term Ends	Outside		Key Committees			
			Company	ISS						Boards	CEO	Audit	Comp	Nom	Gov
✓	**Michael J. Gasser**	Lead Director	Independent	Independent Outsider		M	63	17	2015	1			**M**		
✓	**Mary Kay Haben**		Independent	Independent Outsider		F	58	2	2015	2		**M**			
✓	**E.W. (Bill) Ingram III**		Independent	Independent Outsider		M	63	16	2015	0		**M**			
✓	**Cheryl L. Krueger**		Independent	Independent Outsider		F	62	21	2015	0			**M**	**C**	**C**
✓	**Kathleen S. Lane**		Independent	Independent Outsider		F	57	0*	2015	1				**M**	**M**
✓	**Eileen A. Mallesch**		Independent	Independent Outsider		F	58	6	2015	1		**C F**	**M**		
✓	**Larry S. McWilliams**		Independent	Independent Outsider		M	58	0*	2015	1		**M**		**M**	**M**
✓	**Kevin M. Sheehan**		Independent	Independent Outsider		M	60	0*	2015	1	✓	**M**		**M**	**M**
✓	**Paul S. Williams**		Independent	Independent Outsider		M	54	7	2015	2		**M**	**C**		

M = Member | C = Chair | F = Financial Expert

*Indicates director not previously submitted to shareholders for election.

DISSIDENT NOMINEES

On Ballot	Name	Affiliation	Independence Classification		Attend <75%	Gen-der	Age	Tenure	Term Ends	Outside		Key Committees			
			Company	ISS						Boards	CEO	Audit	Comp	Nom	Gov
✓	**Douglas N. Benham**		N/D	Independent Outsider		M	57	0	2015	1					
✓	**Charles M. Elson**		N/D	Independent Outsider		M	54	0	2015	1					
✓	**David W. Head**		N/D	Independent Outsider		M	57	0	2015	1					
✓	**C. Stephen Lynn**		N/D	Independent Outsider		M	66	0	2015	1					
✓	**Annelise T. Osborne**		N/D	Independent Outsider		F	40	0	2015	0					
✓	**Aron I. Schwartz**		N/D	Independent Outsider		M	43	0	2015	0					
✓	**Michael Weinstein**		N/D	Independent Outsider		M	65	0	2015	0					
✓	**Lee S. Wielansky**		N/D	Independent Outsider		M	63	0	2015	3					

Director Notes

Michael J. Gasser	Since early 2009, the company has jointly owned and operated an aircraft with a subsidiary of Greif, Inc. ("Greif") for each company's use. In 2013, the parties sold the aircraft that had been jointly owned and jointly purchased a different aircraft. Michael J. Gasser is the non-employee chairman of the board of Greif. (Source: DEFC14A, 7/11/14, pp. 23, 29.)

Director Employment, Compensation & Ownership

Name	Primary Employment	Outside Boards	Total Compensation*	Shares Held	60-day Options	Total	Voting power (%)
Steven A. Davis	CEO, Chairman - Bob Evans Farms, Inc.	Walgreen Co., Marathon Petroleum Corporation	**	520,504	0	520,504	2.22
Michael J. Gasser	Retired	Greif, Inc.	205,623	48,157	1,663	49,820	<1
Mary Kay Haben	Retired	Equity Residential, The Hershey Company	191,248	4,412	0	4,412	<1
E.W. (Bill) Ingram III	Other		187,623	42,147	1,663	43,810	<1
Cheryl L. Krueger	Consultant		182,998	20,034	554	20,588	<1
Kathleen S. Lane	Retired	EarthLink Holdings Corp.	0	0	0	0	0.00
Eileen A. Mallesch	Retired	State Auto Financial Corporation	205,498	21,021	0	21,021	<1
Larry S. McWilliams	Consultant	Armstrong World Industries, Inc.	0	0	0	0	0.00
Kevin M. Sheehan	CEO, President - Norwegian Cruise Line Holdings Ltd.	New Media Investment Group Inc	0	0	0	0	0.00
Paul S. Williams	Consultant	State Auto Financial Corporation, Compass Minerals International, Inc.	202,998	18,471	0	18,471	<1

*Local market currency
**For executive director data, please refer to Executive Compensation Profile.

DISSIDENT NOMINEES

Name	Primary Employment	Outside Boards	Total Compensation*	Shares Held	60-day Options	Total	Voting power (%)
Douglas N. Benham	Consultant	American Residential Properties, Inc.	0	0	0	0	0.00
Charles M. Elson	Attorney/Counsel	HealthSouth Corporation	0	0	0	0	0.00
David W. Head	Other	Imvescor Restaurant Group Inc.	0	0	0	0	0.00
C. Stephen Lynn	Consultant	Krispy Kreme Doughnuts, Inc.	0	0	0	0	0.00
Annelise T. Osborne	Other		0	0	0	0	0.00
Aron I. Schwartz	Financial Services		0	0	0	0	0.00
Michael Weinstein	Consultant		0	0	0	0	0.00
Lee S. Wielansky	Real Estate Services	Acadia Realty Trust, Pulaski Financial Corp., Isle of Capri Casinos, Inc.	0	0	0	0	0.00

Compensation Profile

EXECUTIVE PAY OVERVIEW

Executive	Title	Base Salary	Change in Pension, Deferred Comp, All Other Comp	Bonus & non-equity incentives	Restricted stock	Option grant	Total
S. Davis	Chairman of the Board and Chief Executive Officer	808	273	68	2,225	0	3,373
R. Hicks	Former President, Bob Evans Farms, LLC (dba Bob Evans Restaurants)	433	89	28	542	0	1,092
J. Townsley	President, BEF Foods, Inc.	359	63	46	510	0	978
P. DeSantis	Former Chief Financial Officer, Treasurer and Assistant Secretary	382	37	0	421	0	840
J. Eulberg	Executive Vice President, Human Resources	288	81	29	331	0	729
Median CEO Pay	ISS Selected Peer Group	871	60	1,106	1,328	574	4,840
	Company Defined Peers	850	71	887	901	532	**4,421**

Source: ISS. Pay in $thousands. Total pay is sum of all reported pay elements, using ISS' Black-Scholes estimate for option grant-date values. Note: Median total pay will not equal sum of pay elements medians. Company-defined peers are as disclosed. More information on ISS' peer group methodology at www.issgovernance.com/policy-gateway/us-compensation-policy-guidance/.

OPTION VALUATION ASSUMPTIONS

For CEO's last FY Grant	Company	ISS
Volatility (%)*	N/A	N/A
Dividend Yield (%)*	N/A	N/A
Term (yrs)*	N/A	N/A
Risk-free Rate (%)*	N/A	N/A
Grant date fair value per option*	N/A	N/A
Grant Date Fair Value ($ in 000)**	N/A	N/A

*Source: Standard & Poor's Xpressfeed;**Source DEF14A (company value); ISS (ISS value); Difference between ISS and company grant date fair value %

CEO TALLY SHEET

CEO	S. Davis
CEO tenure at FYE:	8 years
Present value of all accumulated pension:	N/A
Value of CEO stock owned (excluding options):	$26,519,679
Potential Termination Payments	
Involuntary termination without cause:	$1,638,425
Termination after a change in control:	$10,206,036

Source: DEF14A

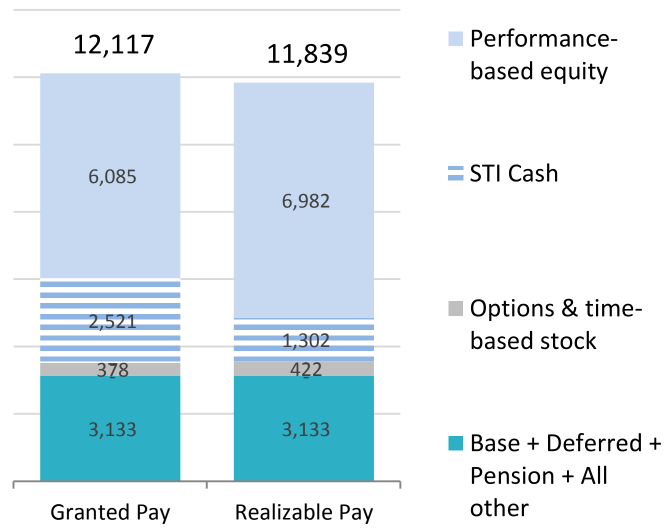
CEO PAY MULTIPLES

Compared to	Multiple
2nd highest active executive	3.09
Average active NEO	3.71
ISS peer median	0.70
Company peer median	0.76

Source: ISS

3-YEAR GRANTED VS. REALIZABLE CEO PAY

3 year TSR: 17.39%



Source: DEF14A and ISS ($ in thousands)

Granted pay equals the sum of, for all of the three prior fiscal years: (1) Salary, Change in Pension Value/Deferred Compensation and All Other Compensation as reported in the Summary Compensation Table (SCT), (2) paid Bonus, (3) target short-term cash incentives, (4) the target value of long-term cash incentives granted, and (5) the grant-date fair value of equity awards granted.

Realizable pay equals the sum of (1) and (2) above, (3) the sum of short-term cash incentives earned, (4) the earned (or target if not yet earned) value of any long-term cash awarded during the period, and (5) the fair value of all equity awarded (or earned, for performance shares where the performance period has ended) during the prior three fiscal years, all valued as of the most recent FY end date (end of the measurement period).

With the exception of exercised options, which are valued at intrinsic value at the date of exercise, all options are valued with the Black-Scholes model using assumptions as of the valuation date (grant date for grant pay, and most recent FY end date for realizable pay). More information at www.issgovernance.com/policy-gateway/us-compensation-policy-guidance/

Dilution & Burn Rate

DILUTION

	Dilution (%)
Bob Evans Farms, Inc.	8.59
Peer group median	11.01
Peer group weighted average	7.14
Peer group 75th percentile	15.54

Dilution is the sum of the total amount of shares available for grant and outstanding under options and other equity awards (vested and unvested) expressed as a percentage of total basic common shares outstanding as of the record date. The dilution figure typically excludes employee stock purchase plans (ESPPs) and 401(k) shares. The underlying information for the company is based on the company's equity compensation table in the most recent proxy statement or 10-K.

BURN RATE

	Non-Adjusted (%)	Adjusted (%)
1-year	0.74	1.84
3-year average	0.92	2.30

Burn rate equals the number of shares granted in each fiscal year, including stock options, restricted stock (units), actual performance shares delivered under the long-term incentive plan or earned deferred shares, to employees and directors divided by weighted average common shares outstanding. The adjusted burn rate places a premium on grants of full-value awards using a multiplier based on the company's annual volatility.

ISS QuickScore

As of Aug. 8, 2014

ISS GOVERNANCE QUICKSCORE PILLARS

Board	2
Subcategory & Impact:	
Board Composition	
Composition of Committees	
Board Practices	
Board Policies	
Related Party Transactions	

Compensation	3
Subcategory & Impact:	
Pay For Performance	
Non-Performance Based Pay	
Use Of Equity	
Equity Pay Risk Mitigation	
Communications & Disclosure	
Termination	
Controversies	

Shareholder Rights	1
Subcategory & Impact:	
One Share - One Vote	
Takeover Defenses	
Voting Issues	
Voting Formalities	

Audit	10
Subcategory & Impact:	
External Auditor	
Audit & Accounting Controversies (flag)	
Other Issues	

The total number of points in this subcategory is at the top of the possible range.
The total number of points in this subcategory is at the bottom of the possible range.
No Star or Flag: The total number of points in this subcategory is in the middle of the possible range.

ISS Governance QuickScore is derived from publicly disclosed data on the company's governance practices. Scores indicate decile rank relevant to index or region. While company practices that raise concerns in ISS Governance QuickScores are in many cases factors that weigh against the company in analyzing certain proposals, ISS recommendations are based on situational proposals and the related qualitative aspects of our review.

Scores are calculated at each pillar by summing the factor scores in that pillar. Not all factors and not all subcategories have equal weight, and not all factors or subcategories apply to all markets. For more information on ISS Governance QuickScore, visit http://www.issgovernance.com/governance-solutions/investment-tools-data/quickscore/. For questions, please contact: Quickscore@issgovernance.com.

Vote Results

ANNUAL MEETING 21 AUGUST 2013

Proposal	Board Rec	ISS Rec	Disclosed Result	Support Including Abstains (%)[1]	Support Excluding Abstains (%)[2]
1a Elect Director Larry C. Corbin	For	For	Majority	97.9	98.2
1b Elect Director Steven A. Davis	For	For	Majority	96.4	96.7
1c Elect Director Michael J. Gasser	For	For	Majority	97.7	98.0
1d Elect Director E. Gordon Gee	For	For	Majority	98.0	98.3
1e Elect Director E.W. (Bill) Ingram, III	For	For	Majority	87.0	87.3
1f Elect Director Mary Kay Haben	For	For	Majority	97.4	97.7
1g Elect Director Cheryl L. Krueger	For	For	Majority	97.7	97.9
1h Elect Director G. Robert Lucas	For	For	Majority	87.1	87.3
1i Elect Director Eileen A. Mallesch	For	For	Majority	85.7	85.9
1j Elect Director Paul S. Williams	For	For	Majority	98.2	98.5
2 Advisory Vote to Ratify Named Executive Officers' Compensation	For	For	Pass	96.9	97.6
3 Amend Omnibus Stock Plan	For	For	Pass	92.4	92.9
4 Ratify Auditors	For	For	Pass	96.1	96.5

Shaded results reflect a majority of votes cast FOR shareholder proposal or AGAINST management proposal or director election
[1]Support Including Abstains is defined as %FOR/(For + Against + Abstain), as expressed as a percentage.
[2]Support Excluding Abstains is defined as %FOR/(For + Against), as expressed as a percentage, provided if different from For + Against + Abstain.

Meeting Agenda & Proposals

Management Proxy (White Card)

Items 1-8 Management Card

DONOTVOTE

VOTE RECOMMENDATION

DO NOT VOTE on the management card.

BACKGROUND INFORMATION

Policies: Proxy Contests

Vote Requirement: The company has adopted a majority vote standard (of shares cast) for the election of directors with a plurality carve-out for contested elections, and has a director resignation policy in its bylaws/charter.

For analysis of these items, please see the dissident proxy section below.

Dissident Proxy (Gold Card)

Items 1.1-1.8. Elect Directors — SPLIT

VOTE RECOMMENDATION

As the dissident has made a compelling case that change to the board is necessary to improve its oversight of operations, strategy, and asset and capital utilization, as well as its alignment with shareholders, votes on the GOLD dissident proxy card FOR dissident nominees Benham, Head, Osborne, and Elson are warranted.

BACKGROUND INFORMATION

Policies: Proxy Contests--Voting for Director Nominees in Contested Elections

Vote Requirement: The company has adopted a majority vote standard (of shares cast) for the election of directors with a plurality carve-out for contested elections, and has a director resignation policy in its bylaws/charter.

Discussion

OVERVIEW

Bob Evans Farms is a full-service restaurant company that operates in two segments:

a) **Bob Evans Restaurants**, which includes 561 full-service restaurants in the Midwest, mid-Atlantic, and Southeastern United States, and

b) **BEF Foods,** which produces and distributes pork sausage and refrigerated side dishes through US grocery stores under the Bob Evans, Owens, and Country Creek brand names.

The restaurant business is the company's largest operating segment, which accounted for 71.2% of total revenue in FY2014.

Dissident Director Nominees

Sandell Asset Management, a 7.6% shareholder, seeks 8 of 12 board seats at this year's annual meeting. The dissident is an event-driven alternative asset management firm. It first filed its Schedule 13D at Bob Evans on Sept. 24, 2013.

Management Ballot & Voting Mechanics

The incumbent board has nominated 10 candidates for 12 open seats at this year's annual meeting. Due to the plurality vote standard, at least two dissident nominees will therefore be elected.

Though both sides engaged in settlement discussions, they could not reach a final agreement. The board offered the dissident 3 seats, including 2 dissident nominees on the Finance Committee, and offered to separate the Chairman and CEO positions. On July 7, 2014, however, the dissident issued a press release stating the proposal was unacceptable, and that it sought at least 5 seats, the resignation of 3 legacy board members, and the retention of a new independent financial advisor to review the company's strategic alternatives.

KEY DATES

Aug. 16, 2013	EVP and Chief Restaurant Operations Officer terminated
Sept. 23	New Chief Accounting Officer appointed
Sept. 24	Sandell files 13D, expresses concern over relative underperformance and publishes white paper analysis with plan to eliminate conglomerate discount through a spin-off, sale-leaseback, and self-tender offer.
Nov. 11	Sandell announces it may seek board representation via consent solicitation

Jan. 28, 2014	Board amends bylaws to eliminate supermajority requirement to call special meetings and dissident director compensation restrictions. Sandell withdraws pending lawsuit in the Delaware Court of Chancery that sought to restore this right.
Apr. 24	Sandell nominates 8 candidates to 2014 annual meeting
Apr. 25	3 BOBE directors resign, replaced by 3 new directors
Jun. 23	New CFO appointed
Aug. 20	Shareholder Meeting

DISSIDENT CRITIQUE

Sandell states that while it initially saw transactional opportunities to unlock the value associated with the company's unique assets, its subsequent extensive discussions with the company, its shareholders, and numerous industry and investment professionals, coupled with the company's consistently poor operating results, have revealed many other operational and cultural issues that need to be urgently addressed.

"Abysmal" Total Shareholder Return

The dissident is concerned by what it sees as dramatic and sustained long-term stock price underperformance versus other companies in the industry particularly Cracker Barrel, which the dissident considers to be its most comparable family dining peer. For example, over the past 10 years, Bob Evan's TSRs were 128.2 percentage points below Cracker Barrel and 53.8 percentage points below the median of its family and casual dining peers. The dissident believes that BOBE's exposure to the weather was not unique, and a margin analysis of BEF Foods demonstrates that escalating sow costs alone cannot be blamed for recent underperformance.

Poor Operating Results & Operational Concerns

The dissident is troubled by a number of operational shortfalls that led Bob Evans to generate "industry-worst" margins and caused it to miss EPS estimates in 14 out of the last 24 quarters. The dissident is also deeply skeptical of Bob Evan's "hockey stick" growth projections, given management's poor track record on earnings guidance, and focuses on a number of operating concerns that it believes management has failed to address.

Same store sales, for example, have been "consistently poor and declining." Since 2009, Bob Evans's one-year same store sales growth rate was negative in four out of the past five years. Over the last three years, same store sales growth averaged just 0.5%, ranking the firm as 8th of 9 competitors in the industry such as Texas Roadhouse [4.3%], Blooming Brands [3.3%], Red Robin (2.5%), Cracker Barrel [1.8%], and The Cheesecake Factory [1.6%]. The company also underperformed Cracker Barrel's sales growth every year since 2010, and posted lower same store sales growth in 11 of the past 12 months.

In addition to faltering revenue growth, the dissident lists a number of cost concerns such as "bloated corporate overhead" and "inordinately high SG&A expenses" that have impacted the bottom line. For example, the company's SG&A as a percentage of revenue was 13.7%, far in excess of the peer average of 8.2%. This is not a new phenomenon: SG&A as a percent of revenue has been more than 200 basis points above the peer median since at least FY2009. Much of this excess, the dissident asserts, is due to excessive levels of corporate staff, which at 1-to-1 ratio of corporate staff to total restaurants is too high and "is symptomatic of an office-based culture rather than a guest-focused culture."

Finally, the dissident voiced concerns with poor returns on invested capital, evidenced most recently by "disastrous results" and failure of the "Farm Fresh Refresh" (FFR) remodeling initiative. The dissident said that the $120 million remodeling project, which concluded in April 2014, has not generated the high single-digit to double-digit returns usually expected of an successful remodeling initiative, and has been unable to stem declining same store sales over the period.

Inability to Unlock Unrecognized Asset Value

BOBE has two unique assets: BEF Foods and its real estate portfolio. The dissident believes the board is not doing enough to unlock the unrecognized value of either one.

For BEF Foods, the company's packaged foods division, the dissident states that the segment generates very little synergies with the restaurant division, but caused a "two front war" that distracts management from its core restaurant focus.

Furthermore, the dissident believes Bob Evans suffers from a conglomerate discount, since the value of BEF Foods is not adequately reflected in BOBE's stock price. Packaged food companies have an average multiple of 3.0x higher than restaurant companies. Acquisitions in the packaged food industry are also very active at the moment, and recent acquisitions such as Tyson's purchase of Hillshire Brands (maker of Jimmy Dean sausages) are commanding multiples as high as 16.7x EBITDA (the average current EV/EBITDA multiples for the non-majority franchised large family and casual dining industry is 9.1x). The board should seriously consider a review of strategic alternatives for the BEF Foods asset to ensure its value is adequately and appropriately realized.

The dissident also believes that the company should pursue a sale leaseback for its real estate to unlock the value of its wholly-owned restaurants. BOBE owns 86% its restaurants, which is a higher percentage than all the other family and casual dining peers identified by Sandell. The dissident states that "the company’s repeated facile excuses for not unlocking real estate value are disingenuous and demonstrate a total lack of financial sophistication." The dissident received "highly-credible, unsolicited approaches from five different multi-billion dollar investment firms" for a sale-leaseback transaction that is worth $900 million valuation. Sandell believes that the real estate value of the company’s 480 wholly-owned restaurants alone could worth $38.30 per share, but the current stock price does not reflect the value of the real estate.

Governance & Cultural Concerns: Need for "Profound Cultural Change"

The dissident believes that "the company requires a cultural-homecoming" and should return to its roots as "a small town sausage and eggs" company. The firm culture has deviated away from its original "farm fresh" roots and has "morphed into an HQ-centric, top-heavy organization." The dissident asserts that the $48.2 million BOBE headquarter and the $21.5 million corporate jet are "preposterous" corporate luxuries that could send signals to dishearten its modest income front line hourly staff and restaurant managers. The dissident further points out that a 49% interest in the corporate jet was purchased in 2009 by a subsidiary of Greif, Inc., a company that is chaired by BOBE's lead independent director Michael Gasser.

At the board level, the dissident believes that the board members are highly conflicted and the average tenure is too long. Prior to the dissident's involvement, the average tenure of the board was 14.3 years. These directors have long-standing relationships to each other and the CEO. The dissident asserts that "we do not believe that there was a single, genuinely independent member on this board of directors before our involvement," and that despite the addition of 3 new directors, the dissident continues to see no operational, financial, or strategic changes or changes in the governance structure.

The dissident points out multiple missteps under the board's oversight, including a failed acquisition, repeated weaknesses in internal controls, and entrenchment actions to impose an improper bylaw. The company delayed its earnings release due to weaknesses in internal controls and had to restate earnings 3 times in the last 2 years.

Dissident Plan

The dissident’s plan includes 4 main components:

- **Top-Line Improvement:** the dissident plans to revise brand position to focus on “fresh, home-style cooking from the farm” and improve customer experience, simplify and enhance menu, and optimize marketing effectiveness.
- **Bottom-Line Improvement**: the dissident plans to improve restaurant margins, reduce corporate overhead, reassess capital spending, and explore future franchise opportunities. Specifically, the dissident suggests the company adjust menu items and portion sizes and focus future investments on guest-facing employees rather than at the corporate level.

- **Realizing Value for Assets**: The dissident plans to assess the options for sale-leaseback of the company's real estate assets and strategic alternatives for BEF Foods. The dissident intends to retain a financial advisor to help conduct a strategic review of all options for BEF Foods, including a sale, a spin-off, or retention. The dissident believes that the recent M&A bidding war for packaged foods companies indicates favorable market timing for considering strategic alternatives. Also, the dissident believes the board should assess its real estate assets for a sale-leaseback, taking into account the equity costs and the asset depreciation. The dissident suggests that the existing real estate ownership structure may have created a "false perception that restaurant units are producing acceptable operating results due to the lack of inclusion of real estate capital costs".
- **Changing Corporate Culture**: The board should bring the company back to its "farm fresh" roots. The dissident plans to revise certain leadership-perks and push authority down the corporate structure to customer-facing staff. In addition, the dissident intends to separate the Chairman and CEO roles and establish director term limits.

To ensure the continuity and transition planning, the dissident plans to hire Reconstruction Partners, an experienced outside consultant, to offer services to the board if the management team proves unable or unwilling to work with the new directors.

MANAGEMENT RESPONSE

The board believes that it has transformed its business over the last several years, and has a clear plan to create continued, sustainable value as it emerges from its investment and transformation phase. The dissident, in contrast, has focused on financial engineering and provided a plan that is "short-sighted, unsustainable and not in the best interests of all stockholders."

Transformational Investment and Growth

Over the past three years, management invested in an extensive remodeling effort known as the "Farm Fresh Refresh", which was completed in April 2014. This remodeling effort expanded existing restaurant sales layers into to increase sales through catering, carryout and bakery products. It also introduced menu innovations to enhance off-premise sales, improve margins, and highlight products like soup-to-go through the new platform. Through the remodeling, the company was also able to enhance its labor management, carryout services, and new kitchen technology and equipment to launch differentiated products such as broasted chicken. So far, renovated stores generated improvements of 2.2% to 4.8% in incremental same-store sales in the first year.

The company places high expectations on the national roll out of the "broasted" chicken products. The board states that the company has tested the new broasted chicken in multiple locations in Cincinnati, OH. Early testing results show dramatic sales growth of same store sales at the selected locations, which could potentially drive high single digit to double digit same store sales growth.

In the BEF Foods segment, management has transformed BEF Foods, and intends to continue expanding : by selling BEF products to more retail stores (from 31,687 in 2014 to 40,000 in 2018) as well as adding average SKUs per store (from 11.3 in 2014 to 17.0 in 2018).

TSR and Operating Performance

The company states that since the current CEO Steve Davis took position in May 2006, BOBE has consistently outperformed Sandell's designated family and casual dining peers and performed generally in-line with BOBE's proxy peers. According to the company, the recent underperformance is largely attributable to the record sow price and unusually severe Midwest snow storms that impacted the company's third- and fourth- quarter performances. BOBE's TSR was 99% vs. 143% and 78% for the proxy peers and Sandell's family and casual dining peers. The company states that its annual dividend per share has doubled since FY2008 and the weighted average diluted shares decreased by 27% since FY2007 through $625 million of stock repurchase.

The company asserts that it employs a disciplined process to review its businesses and either grow, fix, or exit assets. The company re-evaluates business assets on a quarterly basis and has closed over $125 million assets since FY2006.

The company is in the process of implementing an Enterprise Resource Planning (ERP) tool that could enhance its business insights, IT systems, supply chain, payroll and HR, and financial controls. The board states that the system could generate profit margin through more efficient planning and reductions in inventory and better sharing of data source. The company lists that the ERP labor management function alone could save 60-70 basis points in labor costs, as well as savings around insourcing, supply chain, and food waste.

The company has set long-term earnings per share growth of 10-12% as a goal. The growth is said to be coming from 3.0%-3.5% and 6.0%-7.0% sales growth from restaurants and BEF Foods respectively, as well as operating margin improvements of 7.8% and 8.8% at the two segments.

Capital Structure and Critique of Dissident's Plan

The board believes that the focus of Sandell's proxy contest is on "financial engineering." The board states that Sandell has changed its positions between the date of its initial contact on Aug. 5, 2013 and the current stage of contest on Jul. 28, 2014. The dissident's 3 agenda items have shifted from spinning-off BEF Foods to strategic review of the options; from sale-leaseback of 100% of BOBE-owned restaurants to top-down analysis of the real estate assets; and from the repurchase of 19 million shares to no detailed discussions of the issue at the most recent presentation.

The board disagrees with certain dissident critiques:

- The separation of BEF Foods would lead to the divesture of the asset prior to reaping benefits of the company's transformational investments. Management asserts that the combination of restaurants and BEF foods offers significant intersegment synergies, including: brand and advertising synergies, product innovation between the two segments, supply chain savings by joint procurement, G&A leverage, and operational efficiencies via in-sourcing. The board further states that it evaluates the optimal strategy with respect to all its assets, including the BEF Foods business, should the opportunities for alternatives arise. The board believes that as the brand bears the Bob Evans name, an in-depth evaluation prior to the sale of the asset is warranted. The mismanagement of the separate asset that bears the company name could draw negative "halo" to the company's overall brand operations.
- The sale-leaseback of real estate would lose strategic control of assets while burdening BOBE with significant and escalating annual rents and increased leverage. The board believes that Sandell overlooked the increased rent expense, higher costs relative to other forms of financing, and other implications including tax expense, renegotiation of existing debt costs, loss of control, reduced flexibility.
- The share repurchase would affect the firm's leverage. BOBE points out that the company has already consistently returned $800 million of capital to its shareholders since FY2007. The company plans to repurchase a total of $225 million of stock in FY2014 and maintain 3 times target leverage going forward. The board believes that the use of sale-leaseback proceeds to repurchase stock would lead to 25% decline in adjusted EBITDA because of the $34 million of rent expense and 1.8 times leverage increase because of $425 million of status quo net debt at the end of 2014.

The board believes that a number of the dissident proposals are either lacking substance, misleading, or are already being implemented. For example, contrary to the dissident claims, the company already has in place franchise strategies and its menu is subject to continuous testing, review, and revision. The board asserts that certain dissident claims are not accurate. For example, in regards to the SG&A, Sandell does not adjust BOBE's SG&A for BEF transportation costs. The company's adjusted SG&A show that BOBE's SG&A as a percentage of sales is in line with its peers. In regards to the dissident's revenue-per-corporate employee calculation, the board asserts that the number of BOBE's corporate and shared services employees totaled 260, instead of 512 employees as claimed by the dissident.

Analysis

In analyzing proxy contests, ISS focuses on two central questions:

1. Have the dissidents made a compelling case that change is warranted?
2. If so, which nominees are more likely to effect the necessary change?

When the dissidents are seeking board control, ISS looks for a well-reasoned and detailed business plan (including the dissidents' strategic initiatives), a transition plan that describes how the change in control of the company will be effected, and where management continuity may be an issue, the identification of a qualified and credible new management team.

QUESTION #1 – HAVE THE DISSIDENTS MADE A COMPELLING CASE THAT CHANGE IS NECESSARY?

Total Shareholder Return (TSR)

Through September 23, 2013 – the last day of trading before the dissident's first 13D filing – BOBE outperformed the median of its restaurant peers and the S&P600 Restaurant Index for the trailing 3 year period (by 27.5 ppts and 32.4 ppts, respectively) and over the period since the current CEO took office (by 62.5 ppts and 89.1 ppts, respectively). Over the 5-year period ending on the same date, the company's TSR underperformed the restaurant index modestly (3.0 ppts), and the median of its peers by a slightly larger margin (14.9 ppts).

Since that unaffected date, however – a period of more than ten months at this point – the company's TSR has declined precipitously. Extending the same TSR analysis forward to August 4, 2014, the company's cumulative underperformance of both benchmarks has completely erased gains it took years to accumulate. Extending the 3-year TSR analysis – on which the company had solidly outperformed peers – to the present, BOBE has now underperformed the S&P600 Restaurant Index and the median of its restaurant peers by 36.8 and 19.3 ppts, respectively.

Extending the 5-year TSR analysis to the same August 4, 2014 date, the company's underperformance of the two benchmarks has slipped to 80.5 and 81.3 ppts, respectively. Over the entire period of the CEO's tenure, the company has now slightly underperformed the restaurant index (by 3.8 ppts), and its outperformance of the median of restaurant peers has fallen by almost half, to 47.1 ppts.

Operating Performance

The company launched its Farm Fresh Refresh program in 2011 to renovate all of its more than 500 restaurants, and completed the last of these renovations by FY2014. The expense for the program totaled $120 million, within which 76% was allocated to maintenance CAPEX and 24% to growth CAPEX (principally bakery).

The Refresh initiative did result in a same store sales "lift" of between 2.2 to 4.8 percentage points when compared to stores that had not been refreshed. On an absolute basis, however, it did not result in a durable increase in same store sales, particularly as those refreshed restaurants had been open for a longer period, suggesting that the "benefit" of the initiative was not growth, but avoided sales decrementality.

In fact, BOBE has been struggling with the declining same store sales for some time, posting declining same store sales in 5 of the past 8 years. This was particularly sharp in 2013: while a number of peers saw increases in same store sales that year, BOBE performance dropped sharply, ending 225 basis points below the Knapp Track family dining index (which tracks performance at both public and private family dining restaurants).

Expanding the analysis to include a wider variety of restaurants, however, reveals that the trend was overwhelmingly positive across the industry. In reality, BOBE's same store sales have not kept pace with the industry, even despite its recent renovations.

The company attributes the decline in same store sales largely to a sustained period of bad winter weather, and to a lesser degree to the business disruptions created by the remodeling program, each of which increased the number of lost sales days. But while the weather undeniably hurt BOBE's sales, it also affected all the other restaurants with snow zone presence—many of which nonetheless posted sales growth over the same period BOBE declined. Cracker Barrel, which also has a significant portion of its restaurants in the snow zone, showed net growth of 0.5% in the same 4 quarters, strongly suggesting that BOBE's operational issues extend beyond its exposure to bad weather.

Expense Management

At 11.6%, BOBE's SG&A as a percentage of sales is higher than some of its family and casual dining peers but lower than its packaged food peer average of 16.5%.

BOBE separately discloses its SG&A as a percentage of sales by segment. BEF Foods SG&A is higher than the SG&A for Bob Evans Restaurants, which appears to be in line with restaurant peers on an unadjusted basis. BEF Foods SG&A, however, is 2 percentage points higher than the average SG&A of the company's self-selected packaged food peers.

BEF Foods' profit margin is highly correlated with sow costs, which have risen sharply in recent years as Porcine Epidemic Diarrhea virus (PEDv) ravages sow farms. Going forward, sow costs may be expected to continue putting pressure on BOBE's business, particularly the BEF Foods segment.

Yet despite its significant exposure to the commodity, the company has not used derivatives products to hedge its exposure, arguing instead that "most commodity price aberrations are generally short-term in nature." The current "short-term" price fluctuation in sows has already lasted several years, driven by a phenomenon – a disease affecting up to half the US sow population, and which suppliers have thus far been unable to control – which sounds anything but "short term in nature."

Credibility of Management Guidance and Business Plan

The company has missed analyst EPS consensus in 14 out of its last 24 quarters. Yet despite these two significant adverse operating trends – declining same store sales which continued into the most recent quarter, and can no longer be explained by bad winter weather, and the scale and persistence of a livestock disease significantly reducing the supply, and driving up the cost, of a key input for the foods business – the company's most recent earnings guidance appears to be founded on aspirational performance in same store sales: a rapid improvement to "high single digit" growth by the second half of the year, despite negative growth in 1Q2015 and every quarter of the previous fiscal year, and a decline in average sow costs for the full year from 1Q2015 costs. The company is now guiding to a full year increase of 1.5% to 2.5% in same store sales in FY2015, following a (4.1)% actual decline in 4Q2014 and despite a decline of (2.5)% to (3.0)% in 1Q2015.

This remarkable turnaround in fortunes, the company emphasizes, will come from menu innovation, new sales layers, and operational innovation. In fact, however, most of the changes and innovations touted by the company have already been implemented, yet proven unable to increase same store sales.

Instead, in explaining its operating results, the company points to external factors. Where fiscal 2014 performance was disappointing primarily due to weather and the disruptions of the Farm Fresh Refresh initiative, disappointing 1Q2015 sales performance has been explained by the fact that "consumer confidence continues to be adversely impacted by ongoing macroeconomic headwinds."

Yet peers, despite being subjected to the same impacts of consumer confidence and macroeconomic headwinds, have not generally posted the same disappointing same store sales results. This dichotomy suggests that perhaps a managerial inclination to mitigate, rather than simply accept, these "headwinds" is part of an effective business strategy. Certainly it is one factor in building investor confidence in earnings guidance that is at odds with recent performance.

That BOBE, despite having just completed a major refresh of all its restaurants, continues to point to these external factors as the principal explanation for what is becoming long-term performance may, in turn, suggest that either management remains unable to identify any addressable root causes of its deteriorating performance or it is unwilling to discuss these issues with its investors, including in the guidance it provides.

The company's plan, currently, appears to rely on the new Broasted Chicken product it is rolling out to reinvigorate sales. Though still in the testing stage, the company believes that Broasted Chicken would "meaningfully differentiate it from its family dining peers, and has delivered significant sales increases in test markets."

Board Oversight and Governance Issues

The company has disclosed that it had ineffective internal control over financial reporting for the past two years, and has had to restate certain financial statements during this time period. Such issues could pose serious risks to shareholders, and indicate that the Audit Committee has failed to provide sufficient oversight over financial reporting. (See detailed discussion of these issues in the analysis of Item 7, "Ratify Auditors.")

At the 2011 annual meeting, 80.4% of outstanding shares (96.3% of all votes cast) voted to eliminate bylaw provisions requiring supermajority voting standards, replacing those standards with simple majority standards. The voting item was a binding proposal sponsored and recommended by the board itself

Three months later, the board unilaterally reinstated an 80% supermajority requirement for shareholders to amend its bylaws

In January 2014, the dissident filed suit seeking to have the board's re-adoption of the supermajority standard nullified. Subsequent to the dissidents' filing suit, on Jan. 28, 2014 the board again amended the bylaws to remove the supermajority provision it had just reinstated, and replace it with the simple majority voting standard the board itself had proposed, and shareholders had overwhelmingly approved, three years earlier.

Conclusion: Is Change Necessary?

The company's TSR performance versus peers and a relevant sector index, which was not significantly worrisome through last year, has since taken a sharp turn for the worse, strongly suggesting the market perceives the company's issues run much deeper than simply a spot of bad winter weather. In particular, this seems to reflect the emerging evidence of operating challenges that have continued even as the winter turned to spring, and the unavoidable reality that the company, despite rosy projections for the current fiscal year, has repeatedly failed over a sustained period to meet even the earnings projections of equity analysts.

Though it now is guiding investors to a sharp turnaround within the current fiscal year, the undeniable lack of meaningful returns from the remodel effort – which management now touts as an initiative to simply slow, not reverse, sales declines – suggests there is real reason for shareholders to be concerned over the company's strategic direction and operating performance. In fact, a quarter of the spending on the Farm Fresh Refresh initiative was, management points out, directed at growth: adding infrastructure for carry-out and bakery sales. Yet sales figures do not demonstrate a compelling return even on this strategy, let alone restaurant segment growth.

The company's most recent guidance for Q22015 also implies cost challenges beyond just sow prices, making it heavily reliant on what appears to be an aspirational growth rate for the rest of the fiscal year to reach even its recently amended sales forecast. Broasted Chicken, on which this hope currently appears to be pegged, may turn out to be a shrewd menu innovation if the early testing results are borne out across the entire restaurant footprint. But those figures – the rapid increase of Broasted Chicken as a percentage of meals sold – really only indicates it is a strong substitute for other menu items, not that it can drive the incremental traffic and sales the company's most recent guidance will require.

On the other hand, the company has already demonstrated to investors, across a test market of its entire restaurant footprint, two significant cautions on its outlook:

1. it has been unable to keep pace with industry peers who are also operating under similar economic and geographic headwinds but have generally seen same store sales increase, and
2. even spending $120 million on a refresh of all its stores, and the end of the bad winter weather on which it could blame fiscal 2014 results, could not stop, much less reverse, the decline in same store sales.

BEF Foods does seem to be growing, despite elevated costs (and the company's ongoing belief it need not hedge against future cost increases from a disease ravaging the supply of one of its key product ingredients). But even if the packaged food business is an engine for growth, the larger question – whose answer should be independent of whether it is a high-growth business relative to the restaurant segment – is whether it is being fully valued by the market in the current conglomerate structure – or whether a strategic alternative would provide greater value by applying a higher multiple to that same growth story.

In this context – whether the current business structure optimizes for shareholder value, rather than helps hide the weak performance of one segment behind the stronger growth of the other – shareholders should consider more broadly whether the board's track record on governance is entirely reassuring. In particular, the board's willingness to restore a supermajority vote standard – which an astonishing 80.4 percent of outstanding shares, voting on a proposal sponsored and recommended by the very same board, no less, had just agreed should be eliminated – suggests that meaningful boardroom change would be prudent.

In aggregate, the dissident has made a compelling case – based on the board's lack of responsiveness to long-term trends in operating weakness and underperformance; its willingness to accept external challenges beyond the reach of management as the root cause of poor performance even as evidence mounted that peers, facing similar external challenges, were successfully addressing them; and worrisome signals of a malleable sense of good corporate governance within the boardroom itself – that change at the board level is necessary.

The dissident has made a compelling case that change to the board is necessary to improve its oversight of operations, strategy, and asset and capital utilization, as well as its alignment with common shareholders.

QUESTION #2 - WHICH NOMINEES ARE MORE LIKELY TO ENACT THE NECESSARY CHANGE?

Nominees

The dissident has nominated eight candidates to the board:

Douglas N. Benham (57) has served as the President and CEO of DNB Advisors LLC, a restaurant industry consulting firm, from 2003-2004 and from 2006-Present. From 2004-2006 he served as the CEO and President of the quick-service restaurant Arby's Restaurant Group, Inc. Previously, Benham was the CFO of RTM Restaurant Group, the largest franchisee in the United States at the time, from 1989-2003. He is currently on the board of two public-REITS – American Residential Properties, Inc. and Global Income Trust, Inc., and served on the boards of the restaurant companies Sonic Corp. From 2009-2014 and O'Charley's from 2008-2012. He is also a certified public accountant.

Charles M. Elson (54) is the Edgar S. Woolard, Jr. Chair in Corporate Governance and the Director of the John L. Weinberg Center for Corporate Governance at the University of Delaware. He has served in both positions since 2000. He also serves on the Advisory Council of the National Association of Corporate Directors, and was a member of a number of commissions and panels led by that organization. He is also Of Counsel at the law firm Holland & Knight LLP, where he has served since 1995. Elson is currently a director of Healthsouth Corp., and was previously a director of Circon Corp., Sunbeam Corp., Nuevo Energy Company, the Investor Responsibility Research Center, Alderwoods Group, and AutoZone, Inc.

David W. Head (57) is the CEO and President of Primanti, Inc., a private-equity owned restaurant chain he joined in 2013. Prior to Primanti, he was the CEO of the restaurant chain O'Charley's Inc. from 2010-2012, CEO of the quick-service restaurant operator and franchisor Captain D's LLC from 2006-2010, and CEO of Romacorp Inc. from 2003-2006. He is on the board of Imvescor Restaurant Group Inc. and Dental One Partners, Inc.

C. Stephen Lynn (66) is the founder and managing partner of RP3 LLC, a consulting and M&A firm that focuses on franchising and restaurant chains. From 2007-2010 he was the CEO of Back Yard Burgers Inc., where he also served on the board from 2005-2012, including as Chairman from 2009-2012. Previously, Lynn was the Chairman of Cummings Inc. from 1999-2011, Chairman/CEO of Shoney's from 1995-1998, and CEO of Sonic Corp. from 1983-1995. He is currently a director of Krispy Kreme Doughnuts, Inc.

Annelise T. Osborne (40) is a Senior Credit Officer at Moody's Investors Service Inc., where she has worked since 2003. She is the team leader of the Commercial Mortgage Backed Securities surveillance group, and is a ratings committee chair. Previously, Osborne served as a Deputy Director and Senior Consultant at Jones Lang LaSalle and as an Associate at W.P. Carey.

Aron I. Schwartz (43) is a Managing Partner at the private equity firm ACON Investments LLC, which he joined in 2014. Previously he served as the founder of Constructivist Capital LLC and was a Managing Director at Avenue Capital Group, an asset manager that specialized in distressed debt, since 2012. From 1999-2011, he served in a number of roles at Fenway Partners, a middle market private equity firm based in New York, where he was a Managing Director. He is also a director at CĪON Investment Corp.

Michael Weinstein (65) IS THE Chairman of INOV8 Beverage Consulting Group, which he co-founded in 2012. Previously, he was the Chairman of INOV8 Beverage Company LLC, a marketer and developer of beverage products and concepts from 2006-2012. Prior positions include service as a consultant at Liquid Logic Consulting, the President of Global Innovation and Business Development at Cadbury Schweppes plc, and CEO of Snapple Beverage Group from 1997-2001. From 1981-1993, Weinstein served in a number of leadership roles including President and COO of A&W Brands Inc. He also served on the board of H.J. Heinz Company from 2006-2013 and Dr. Pepper Snapple Group Inc. from 2009-2012.

Lee S. Wielansky (63) is the Chairman and CEO of Midland Development Group, Inc., where he has served since 2003. He is also the CEO of Opportunistic Equities LLC, a distressed debt collector that specializes in renovating residencies for lease. He was the President and CEO of JDN Development Company, Inc. from 2000-2003 and previously was a Managing Director of Regency Centers Corp, a publicly traded REIT.

Wielandsky is a director and the Lead Independent Trustee of Acadia Realty Trust, and a director of Isle of Capri Casinos. He is also a Certified Commercial Investment Member.

The board has nominated 10 candidates to the 12-member board, which ensures at least two dissident nominees will be elected. The management nominees are:

Steven A. Davis (56) has been the Chairman and CEO of Bob Evans Farms since 2006. Prior to joining the company, he served in a number of senior management positions at Yum! Brands, including President of Long John Silver's and A&W American Food Restaurants from 2002 to 2006 and the SVP of Concept Development at Pizza Hut, Inc. from 2000-2002. He is also a director of Walgreen Co. and Marathon Petroleum Corp.

Michael J. Gasser (63) is the Executive Chairman of Greif Inc., an industrial packaging company, where he served as Chairman and CEO from 1994 to 2012. He has been a director at Bob Evans since 1997.

Mary Kay Haben (58) was the President of Wm. Wrigley Jr. Company's North America division from 2008-2011, where she previously served as a Managing Director and Group Vice President. Prior to Wrigley, she was an executive at Kraft Foods Inc. from 1979 to 2007. She current serves as a director of the apartment REIT Equity Residential and The Hershey Company.

E. W. (Bill) Ingram III (63) has served as the CEO of White Castle System, Inc., a quick-service hamburger chain, since 1972. He was also White Castle's President from 1972-2013.

Cheryl L. Krueger (62) is the CEO of Krueger + Co. LLC, a strategic business consulting firm that she founded in 2009 that helps companies develop marketing and sales strategies as well as evaluate product development pipelines, operations, logistics, and financial performance. Previously, she was the Founder, President, and CEO of Cheryl & Co., a manufacturer and retailer of gourmet foods and gifts, from 1981 to 2009.

Kathleen S. Lane (57) was the EVP and Chief Information Officer of TJX Companies Inc., a multi-national apparel retailer, from 2008-2013. Previously she served as the Group Chief Information Officer at the international electricity and gas utility National Grid plc from 2006-2008 and the Chief Information Officer of Gillette Company at Procter & Gamble from 2002-2006. She has over 30 years of IT experience in the consumer products, financial services, utilities and retail industries. Lane is also a director at Earthlink Holdings Corp.

Eileen Mallesch (58) was the Chief Financial Officer and SVP at Nationwide Property & Casualty Insurance from 2005 to 2009. Previously she served as the CFO at Genworth Life Insurance from 2003-2005 and CFO at General Electric Financial Employer Services Group from 2000-2003. She is also a director at State Auto Financial Corp.

Larry McWilliams (58) is the CO-CEO of Compass Marketing, where he has served since 2012. Previously he was the CEO of Keystone Foods LLC, a supplier of protein and distribution services to McDonalds, from 2011-2012. McWilliams was an SVP of Campbell Soup Company from 2001-2011 and served as President of a number of its divisions including Campbell International, Campbell USA, and Campbell Soup North America. He currently serves on the board of Armstrong World Industries.

Kevin M. Sheehan (60) has served as the CEO of Norwegian Cruise Lines since 2008. He was Norwegian Cruise Line's CFO from 2007-2010. Prior to joining the company, he was a consultant to Cerberus Capital Management from 2006-2007 and Clayton Dubilier & Rice from 2005-2006, as well as Chairman/CEO of Cendant Corp.'s Vehicle Services Division from 2003-2005. Sheehan serves on the boards of Norwegian Cruise Line and New Media Investment Group Inc.

Paul S. Williams (54) is a Managing Director of Major, Lindsey, and Africa, a legal executive search firm where he has worked since 2005. Prior to joining Major Lindsey, he was the Chief Legal Officer and EVP of Cardinal Health Inc., from 2001-2005. He currently serves on the board of State Auto Financial Corp. and Compass Minerals International, Inc.

Compensation Arrangement for Dissident Nominees

In addition to standard indemnification agreements, Sandell Asset Management has agreed to compensate each of its nominees a one-time payment of $10,000 in cash if he or she serves as a nominee until the annual meeting. Candidates will not receive any compensation from Sandell Asset Management for their service as directors if elected to the board.

Analysis

The dissident has made a compelling case that change to the board is necessary to improve its oversight of operations, strategy, and asset and capital utilization, as well as its alignment with common shareholders.

The company itself, as it points out in its soliciting materials, has already begun to introduce change by appointing several new directors not just in response to the proxy contest, but over the several years preceding it. Some of the most recently-appointed incumbent directors—particularly Haben, Lane, and McWilliams—appear to be credible nominees to drive the improved accountability and oversight the dissident has demonstrated the board needs. They are, moreover, unlikely to be emotionally bound to or defensive about past strategies and decisions this board embarked upon before these newer directors were added. At the same time, they add distinctive perspectives the dissident has not emphasized in selecting its nominees, and seem likely to contribute meaningfully to the robust discussions of strategy, opportunity, and risk management the next board will need.

However, as the dissidents have pointed out, there are significant issues within the current board where its functioning could be meaningfully improved.

The most glaringly obvious is the lack of any restaurant industry experience among the incumbent independent directors. It is strange, shareholders should note, that despite being alert enough to strengthen its appeal in preparation for this proxy contest by replacing three directors, the board– and particularly the Nominating committee—still apparently did not feel this experience gap was material. The dissident, by contrast, built its case for change by demonstrating how far a company can go awry when its board is inattentive to, and perhaps not fully knowledgeable about, what differentiates between success and failure in its operations and its industry.

It seems inordinately wise, then, to draw on some of the deep industry experience offered by nominees from the dissident slate. Benham and Head, with deep operating expertise but distinctive backgrounds, appear particularly well-suited.

Benham was both an operating executive, during his years with Arby's Restaurant Group, and a consultant to the restaurant industry. He has extensive experience in franchised restaurant models, which could serve as a potential avenue for growth, and has experience with sale/leaseback transactions such as that proposed by the dissident. Benham also serves as a director of public REITS, which suggests he would add a deeper understanding of how the restaurant business can prudently manage and allocate its real estate assets.

Head has extensive experience as an operating executive at several restaurant companies: Primantis, O'Charleys, Captain Ds, and RomaCorp. He would likely deepen the board's understanding of operating opportunities and its interpretation of what the business metrics are really saying. He also appears to have a strong conviction about key shareholder concerns, such as return on capital, as well as an operator's understanding of how and where the operations offer levers for optimizing those metrics. His experience as a manager, finally, appears to have instilled a useful attentiveness to not just the needs driving, but also the implications and consequences of, the cultural changes a reconstituted board will undoubtedly drive.

The potential to better structure the business itself so that it optimizes for shareholder value—as through a sale/leaseback arrangement, for example— rather than for managerial peace of mind, suggests Osborne's perspective would also be beneficial on a reconstituted board. Like Benham and Head, Osborne has experience with sale/leaseback transactions and business structures. Unlike the two industry executives, however, she also has experience as an external analyst of commercial real estate properties, a perspective likely uniquely valuable to a company with such extensive real estate holdings—and potentially opportunities—but which is also missing from the incumbent board. Both management and dissident agree the company's real estate is an attractive asset, but will require disciplined, objective analysis of how to optimize its value. Osborne's credit officer background would appear to provide a perspective uniquely well-suited to these discussions.

Finally, there is clear and compelling evidence the board could use a stronger sense of why corporate governance matters, and what distinguishes good corporate governance from empty formalism. The incumbent board's inexplicable decision in 2011 to reinstate supermajority voting standards which shareholders just three months earlier had overwhelmingly voted to eliminate is deeply troubling to begin with. That this action then stood for another three years, until the extraordinary pressure of a shareholder lawsuit and an impending proxy contest apparently persuaded the board to reconsider its actions, is more disconcerting still.

Elson, as a well-respected academic specializing in corporate governance issues, certainly has the credentials to lead the reconstituted board in realigning its perspective with shareholders. More to the point however, he also has direct, meaningful experience as a director of a number of public companies, and experience in the same challenges a reconstituted Bob Evans board would face. For both his academic background and his practical experience in these matters, Elson is likely be an important contributor to helping a reconstituted Bob Evans board reorient itself toward accountability to shareholders.

CONCLUSION AND VOTE RECOMMENDATION

As the dissident has made a compelling case that change to the board is necessary to improve its oversight of operations, strategy, and asset and capital utilization, as well as its alignment with shareholders, votes on the GOLD dissident proxy card FOR dissident nominees Benham, Head, Osborne, and Elson are warranted.

Item 2. Approve Repeal of Bylaws — FOR

VOTE RECOMMENDATION

A vote FOR this proposal, which is fairly standard in proxy contests, is warranted in order to ensure that the dissident nominees will be seated to the board if they receive the requisite shareholder support.

Vote Requirement: Majority of shares outstanding other than provisions set forth in Article VIII, in Article II, Sections 2.05 and 2.08 and in Article III, Section 3.13 of the bylaws, which require at least 80 percent of shares issued and outstanding (abstentions and broker non-votes count against)

Discussion

PROPOSAL

The Sandell Group is seeking shareholder approval of a resolution that would repeal any provision of the bylaws in effect at the time of the Annual Meeting that was not included in the bylaws publicly filed with the SEC on Jan. 28, 2014 and is inconsistent with or disadvantageous to the election of the director nominees nominated for election by the Sandell Group.

Specifically, the proposal reads:

> “RESOLVED, that any provision of the Bylaws of the Corporation as of the date of effectiveness of this resolution that was not included in the Amended and Restated Bylaws publicly filed with the Securities and Exchange Commission on January 28, 2014 and is inconsistent with or disadvantageous to the election of the nominees nominated by Castlerigg Global Equity Special Event Master Fund, Ltd. at the Corporation’s 2014 annual meeting of stockholders, be and hereby is repealed.”

BOARD'S RESPONSE

The board has not amended its bylaws since Jan. 28, 2014 and does not expect to adopt any amendments to the bylaws prior to the annual meeting.

The board argues that this proposal is vague and indeterminate. The board believes that the automatic repeal of a bylaw amendment that is duly adopted by the board could result in repealing one or more bylaws that is in the best interest of the company and its shareholders.

Analysis

CONCLUSION

This proposal is a standard item in proxy contests, intended to prevent an incumbent board from adopting last-minute bylaws which would prevent duly-elected dissident nominees from being seated after the election.

Given the narrow scope of this proposal, our support for the dissident nominees and their indication that, if elected, they will not be bound from reconsidering any amendment repealed as a result of this proposal, a vote FOR the proposed amendment is warranted.

Item 3. Reduce Supermajority Vote Requirement to Amend Bylaws — FOR

VOTE RECOMMENDATION

A vote FOR this proposal is warranted given that the reduction in the supermajority vote requirement enhances shareholder rights.

BACKGROUND INFORMATION

Policies: Supermajority Vote Requirements

Vote Requirement: At least 80 percent of shares outstanding (abstentions and broker non-votes count against)

Discussion

PROPOSAL

The board seeks shareholder approval to reduce the vote requirement necessary to amend the company's bylaws to a majority of outstanding shares from 80 percent of shares outstanding.

BOARD'S RATIONALE

The board does not disclose any specific rationale for the proposal, but states that it believes that it is in the best interests of shareholders to amend any or all provision of the bylaws by a majority vote standard.

Analysis

OWNERSHIP STRUCTURE

The company's top five beneficial shareholders are as follows:

*Ownership – Common Stock**	*% of Class*
River Road Asset Management LLC	9.37
BlackRock Fund Advisors	7.60
Sandell Asset Management Corp.	6.87
Dimensional Fund Advisors LP	5.97
The Vanguard Group, Inc.	5.87

*See Equity Ownership Profile table below

Bob Evans Farms does not currently have a shareholder who owns a controlling stake in the company. Consequently, given the company's ownership structure, the reduction in vote requirement appears reasonable.

CONCLUSION

ISS maintains that a simple majority of voting shares should be sufficient to effect changes in a company's corporate governance. Requiring more than a simple majority may permit management to entrench itself by blocking amendments that are in shareholders' best interests.

In this case, approval of this proposal will enable shareholders to have a meaningful voice in various board and corporate transactions that impact their rights. The reduction in the voting requirement to a majority of shares outstanding from 80 percent of the outstanding shares is a step in the positive direction for the company and represents an enhancement in the company's corporate governance structure.

Item 4. Reduce Supermajority Vote Requirement to Remove Directors — FOR

VOTE RECOMMENDATION

A vote FOR this proposal is warranted given that the reduction in the supermajority vote requirement enhances shareholder rights.

BACKGROUND INFORMATION

Policies: Supermajority Vote Requirements

Vote Requirement: At least 80 percent of shares outstanding; however, if Item 3 is adopted by shareholders, then majority of shares outstanding (abstentions and broker non-votes count against)

Discussion

PROPOSAL

The board seeks shareholder approval to reduce the vote requirement necessary to amend the company's governing documents to allow for the removal of directors by a majority vote of the outstanding shares of the company. Currently, the charter and bylaws provide for the removal of directors with an affirmative vote from 80 percent of shares outstanding.

BOARD'S RATIONALE

The board does not disclose any specific rationale for the proposal, but states that it believes that it is in the best interests of shareholders to provide for the removal of directors by a majority vote standard.

Analysis

OWNERSHIP STRUCTURE

The company's top five beneficial shareholders are as follows:

Ownership – Common Stock*	***% of Class***
River Road Asset Management LLC	9.37
BlackRock Fund Advisors	7.60
Sandell Asset Management Corp.	6.87
Dimensional Fund Advisors LP	5.97
The Vanguard Group, Inc.	5.87

*See Equity Ownership Profile table below

Bob Evans Farms does not currently have a shareholder who owns a controlling stake in the company. Consequently, given the company's ownership structure, the reduction in vote requirement appears reasonable.

CONCLUSION

ISS maintains that a simple majority of voting shares should be sufficient to effect changes in a company's corporate governance. Requiring more than a simple majority may permit management to entrench itself by blocking amendments that are in shareholders' best interests.

In this case, approval of this proposal will enable shareholders to have a meaningful voice in various board and corporate transactions that impact their rights. The reduction in the voting requirement to a majority of shares outstanding from 80 percent of the outstanding shares is a step in the positive direction for the company and represents an enhancement in the company's corporate governance structure.

Item 5. Reduce Supermajority Vote Requirement to Amend Article Twelve Governing Director Removal

FOR

VOTE RECOMMENDATION

A vote FOR this proposal is warranted given that the reduction in the supermajority vote requirement enhances shareholder rights.

BACKGROUND INFORMATION

Policies: Supermajority Vote Requirements

Vote Requirement: Majority of shares outstanding (abstentions and broker non-votes count against)

Discussion

PROPOSAL

The board seeks shareholder approval to amend Article 13 to allow shareholders to reduce the vote requirement (in Article 12) necessary to amend the company's governing documents to a majority of shares outstanding from 80 percent of shares outstanding.

BOARD'S RATIONALE

The board does not disclose any specific rationale for the proposal, but states that it believes that it is in the best interests of shareholders to provide for the removal of directors by a majority vote standard.

Analysis

OWNERSHIP STRUCTURE

The company's top five beneficial shareholders are as follows:

*Ownership – Common Stock**	*% of Class*
River Road Asset Management LLC	9.37
BlackRock Fund Advisors	7.60
Sandell Asset Management Corp.	6.87
Dimensional Fund Advisors LP	5.97
The Vanguard Group, Inc.	5.87

*See Equity Ownership Profile table below

Bob Evans Farms does not currently have a shareholder who owns a controlling stake in the company. Consequently, given the company's ownership structure, the reduction in vote requirement appears reasonable.

CONCLUSION

ISS maintains that a simple majority of voting shares should be sufficient to effect changes in a company's corporate governance. Requiring more than a simple majority may permit management to entrench itself by blocking amendments that are in shareholders' best interests.

Item 6. Provide Right to Call Special Meeting — FOR

VOTE RECOMMENDATION

A vote FOR this proposal is warranted as the proposed 25 percent threshold for shareholders to call a special meeting represents an improvement over the current 50 percent threshold, yet would not allow any single shareholder to unilaterally call a special meeting.

Vote Requirement: At least 80 percent of shares outstanding, however, if Item 3 is adopted by shareholders, then majority of shares outstanding (abstentions and broker non-votes count against)

Discussion

PROPOSAL

The board seeks shareholder approval to reduce the required ownership threshold to call a special meeting from a majority of shares outstanding percent to 25 percent of shares outstanding.

BOARD'S RATIONALE

The board states that based on the current makeup of the investor base and the overall governance structure of the company, it believes that a 25 percent threshold provides an appropriate opportunity for shareholders to act outside of the context of an annual meeting while avoiding the time and expense of frequent, and potentially unnecessary, special meetings of shareholders.

Analysis

Most state corporation statutes allow shareholders to call a special meeting when they want to take action on certain matters that arise between regularly scheduled annual meetings. Most often, this right applies only if a shareholder or group of shareholders owns a specified percentage of the outstanding shares. The percentage of votes required to cause the company to call the meeting depends on the state statute, as does the company's ability to limit or deny a shareholders' right to call a special meeting altogether. Notably, Delaware, home to more than half of all U.S. publicly traded corporations, does not have a specific statute that grants this right, though it does allow companies to opt in to the statute.

Commonly, companies will set a threshold to call special meetings at 10 percent of outstanding common stock. According to an ISS analysis of Russell 3000 companies, 52 percent of such companies allow shareholders to call special meetings as of March 31, 2014. The breakdown of such companies is as follows:

Percent Threshold (%)	Percent of Selected Population
10	15.3
11 – 24	3.8
25 – 49	12.0
Majority+	19.7

In terms of day-to-day governance, shareholders may lack an important right, the ability to remove directors or initiate a shareholder resolution without having to wait for the next scheduled meeting, if they are unable to act at a special meeting of their calling. Shareholders could also be powerless to respond to a beneficial offer if the bidder cannot call a special meeting. The inability to call a special meeting and the resulting insulation of management could adversely affect corporate performance and shareholder returns.

OWNERSHIP STRUCTURE

The proposed threshold is set at 25 percent of the outstanding shares. The top five beneficial shareholders are as follows:

Ownership - Common Stock	% of Class
River Road Asset Management LLC	9.37
BlackRock Fund Advisors	7.60
Sandell Asset Management Corp.	6.87
Dimensional Fund Advisors LP	5.97
The Vanguard Group, Inc.	5.87

CONCLUSION

The 25 percent threshold represents an enhancement over the current 50 percent threshold. In addition, no one shareholder could unilaterally call a special meeting under the proposed threshold. As such, the proposed amendment represents an improvement in the company's governance structure, and shareholder support for this proposal is warranted.

Item 7. Ratify Auditors

FOR

VOTE RECOMMENDATION

A vote FOR this proposal to ratify the company's auditor is warranted.

BACKGROUND INFORMATION

Policies: Auditor Ratification

Vote Requirement: Majority of votes cast (abstentions count against; broker non-votes not counted)

Discussion

The board recommends that Ernst & Young LLP be approved as the company's independent accounting firm for the coming year.

Accountants	Ernst & Young LLP
Auditor Tenure	34 years
Audit Fees	$2,551,082
Audit-Related Fees	$33,228
Tax Compliance/Preparation*	$0
Other Fees	$205,693
Percentage of total fees attributable to non-audit ("other") fees	7.37%

*Only includes tax compliance/tax return preparation fees. If the proxy disclosure does not indicate the nature of the tax services and provides the fees associated with tax compliance/preparation, those fees will be categorized as "Other Fees."

INEFFECTIVE INTERNAL CONTROL OVER FINANCIAL REPORTING

In the company's Form 10-K for the year ended April 25, 2014, management noted that the company did not maintain effective internal control over financial reporting. Specifically, management concluded that there was a material weakness in internal controls over financial reporting related to accounting for deferred income taxes and property, plant, and equipment accounting.

In the Form 10-K for the year ended April 26, 2013, the company disclosed material weaknesses in internal controls related to deferred income taxes, property, plant, and equipment accounting, and review and oversight of complex transactions and infrequent events. The company states in the most recent Form 10-K that it has enhanced the controls related to review and oversight of complex transactions and infrequent events, thus eliminating that particular material weakness.

The company has taken efforts to remediate the other material weaknesses, stating that it has enhanced controls relating to the reconciliation of deferred income tax accounts and property, plant, and equipment accounting. However, the remediation efforts have not eliminated the material weaknesses. During the remediation efforts regarding deferred income tax accounts, the company identified further errors in current and deferred income tax accounts. The company believes that it has made significant progress in its remediation efforts of this material weakness, but was unable to test the operating effectiveness of the revised control processes as the enhanced processes have not been in place long enough to provide sufficient assurances to support the conclusion that the material weakness has been remediated. Likewise, the company states that it has completed remediation efforts regarding property, plant, and equipment accounting, but that revised processes have not been in place long enough to be sufficiently tested in order to provide sufficient support of the conclusion that the material weakness has been remediated.

RESTATEMENT

In the same Form 10-K noted above, the company concluded that its previously filed financial statements for the period ending and April 29, 2011, April 27, 2012 and April 26, 2013 would be restated based on errors identified in the current and deferred income tax and property, plant, and equipment accounts. The company has stated that the identified correction is immaterial to its individual prior period consolidated financial statements; however, the cumulative correction of the prior period error would be material to its latest consolidated statement of operations. As a result, the company restated retained earnings as of April 26, 2013, by the cumulative effect of the error of $14.1 million.

CURRENT AUDIT REPORT

The auditor's report contained in the annual report is unqualified, meaning that in the opinion of the auditor, the company's financial statements are fairly presented in accordance with generally accepted accounting principles.

Analysis

This request to ratify the auditor does not raise any exceptional issues, as the auditor is independent, non-audit fees are reasonable relative to audit and audit-related fees, and there is no reason to believe the auditor has rendered an inaccurate opinion or engaged in poor accounting practices.

Item 8. Advisory Vote to Ratify Named Executive Officers' Compensation

FOR

VOTE RECOMMENDATION

A vote FOR this proposal is warranted, as no significant concerns were found in reviewing the company's executive compensation practices at this time.

BACKGROUND INFORMATION

Policies: Advisory Votes on Executive Compensation

Vote Requirement: Majority of votes cast (abstentions and broker non-votes count against)

Executive Compensation Analysis

COMPONENTS OF PAY

($ in thousands)	CEO				CEO Peer Median	Other NEOS
	S. Davis		S. Davis	S. Davis		
	2014	**Change**	**2013**	**2012**	**2014**	**2014**
Base salary	808	2.9%	785	785	871	1,462
Deferred comp & pension	0		0	0	0	0
All other comp	273	7.0%	255	226	60	270
Bonus	0		0	0	0	0
Non-equity incentives	68	-86.6%	508	726	920	103
Restricted stock	2,225	-5.0%	2,341	1,897	1,328	1,803
Option grant	0		0	0	574	0
Total	**3,373**	**-13.3%**	**3,890**	**3,634**	**4,840**	**3,640**
% of Net Income	10.0%					10.8%
% of Revenue	0.3%					0.3%

Non-Performance-based Pay Elements – CEO

Key perquisites ($)	Personal aircraft use: 27,445; Auto: 16,779
Key tax gross-ups on perks ($)	Car Allowance Gross Up: 15,000
Value of accumulated NQDC ($)*	15,212,262
Present value of all pensions ($)	N/A
Years of actual plan service	N/A
Additional years credited service	N/A

*Non-qualified Deferred Compensation

Disclosed Benchmarking Targets

Base salary	35-65th percentile
Target short-term incentive	35-65th percentile
Target long-term incentive (equity)	35-65th percentile
Target total compensation	None Disclosed

Severance/Change-in-Control Arrangements (CEO unless noted)

Contractual severance arrangement	Individual Contract
Non-CIC estimated severance ($)	1,638,425

Change-in-Control Severance Arrangement

*Cash severance trigger**	Double trigger
Cash severance multiple	3 times
Cash severance basis	Base Salary + Most Recent Bonus
Treatment of equity	Vest only upon employment termination
*Excise tax gross-up**	No
Estimated CIC severance($)	10,206,036

*All NEOs considered

Compensation Committee Communication & Responsiveness

Disclosure of Metrics/Goals

Annual incentives	Yes
Long-term incentives	Yes

Pay Riskiness Discussion

Process discussed?	Yes
Material risks found?	No

Risk Mitigators

*Clawback policy**	Yes
CEO stock ownership guideline	5X
Stock holding period requirements	No stock holding period requirements disclosed

*Must apply to cash incentives and at least all NEOs.

Pledging/Hedging of Shares

Anti-hedging policy	Company has a robust policy
Anti-pledging policy	The proxy statement does not disclose a robust policy

Compensation Committee Responsiveness

MSOP vote results (F/F+A)	2013: 97.6%; 2012: 98.2%
Frequency approved by shareholders	Annual with 87.2% support
Frequency adopted by company	Annual (year of adoption: 2011)

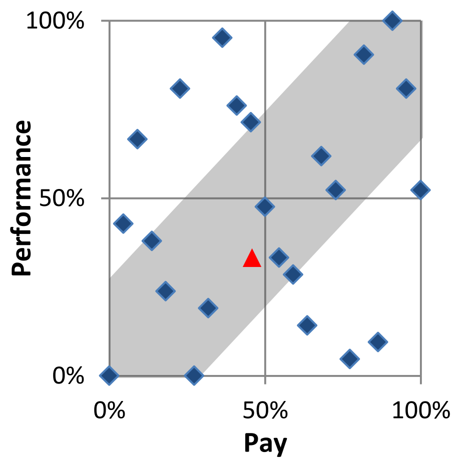
Repricing History

Repriced/exchanged underwater options last FY?	No

Pay for Performance Evaluation

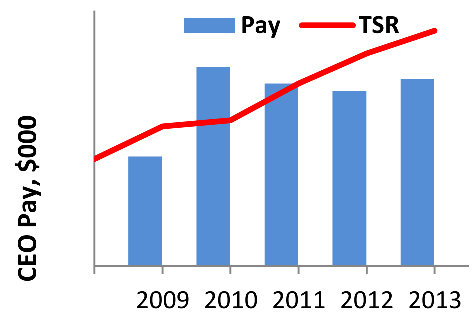
RELATIVE ALIGNMENT

The chart plots percentiles of the annualized 3-year performance and pay rankings for the company (▲) and ISS' derived peers (◆). The gray bar indicates pay and performance alignment.



ABSOLUTE ALIGNMENT

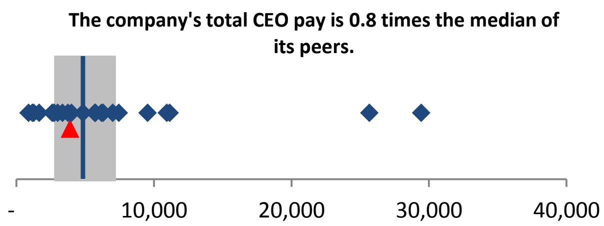
CEO granted pay trends versus value of a $100 investment made on the first day of the five-year period.



	2010	2011	2012	2013	2014
Pay($000)	4,136	3,795	3,634	3,890	3,373
Indexed TSR	130.52	135.94	170.56	198.56	219.94
CEO	Davis	Davis	Davis	Davis	Davis

MAGNITUDE OF PAY

Pay in $thousands. The gray band represents 25th to 75th percentile of CEO pay of ISS' selected peer group with the blue line representing the 50th percentile.



PAY-FOR-PERFORMANCE QUANTITATIVE SCREEN

Measure	Result	Level
Relative degree of alignment	-6	Better than **41**% of Companies*
Multiple of peer group median	0.80	Better than **67**% of Companies
Absolute alignment	7	Better than **69**% of Companies
Initial Quantitative Screen	Low Concern	

*Constituents of Russell 3000 index.

For more information on ISS' quantitative pay-for-performance measures, visit http://issgovernance.com/policy/USCompensation

Peer Groups

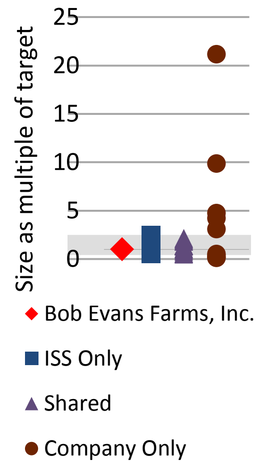
ISS AND COMPANY DISCLOSED PEER GROUPS

ISS-Selected Peers (7)	B&G Foods, Inc. Chipotle Mexican Grill, Inc. Lancaster Colony Corporation TreeHouse Foods, Inc.	CEC Entertainment, Inc. Jack in the Box Inc. Texas Roadhouse, Inc.
Shared Peers (16)	Biglari Holdings Inc. Brinker International, Inc. Cracker Barrel Old Country Store, Inc. Domino's Pizza, Inc. Papa John's International, Inc. Ruby Tuesday, Inc. Snyder's-Lance, Inc. The Hain Celestial Group, Inc.	BJ's Restaurants, Inc. Buffalo Wild Wings, Inc. DineEquity, Inc. Panera Bread Company Red Robin Gourmet Burgers, Inc. Sanderson Farms, Inc. The Cheesecake Factory Incorporated The Wendy's Company
Company-Disclosed Peers (9)	CARROLS RESTAURANT GROUP, INC. Denny's Corporation Frisch's Restaurants, Inc. McDonald's Corporation YUM! Brands, Inc.	Darden Restaurants, Inc. Famous Dave's of America, Inc. McCormick & Company, Incorporated The J. M. Smucker Company

The shaded area represents the overlap group of companies that are in both ISS' comparison group and the company's disclosed CEO compensation benchmarking peer group. More information on the ISS peer group methodology at www.issgovernance.com/policy/USCompensation

PEER GROUP SIZE ANALYSIS

Size (by revenue) of the ISS, company and overlap peer groups. Gray indicates 0.4- 2.5 times the company's revenue.



Short-Term Cash Incentives

STI Performance metrics/goals

Metric	Form	Weight	Threshold	Target	Maximum	Actual
EPS (Basic)	Absolute	30%	$2.10	$2.62	$3.14	$1.91
ROIC	Absolute	20%	6.4%	8.0%	9.6%	5.24%
Strategic plan initiatives	Absolute	20%	0%	100%	200%	40%
Total consolidated operating income	Absolute	20%	$94.480 million	$118.100 million	$141.720 million	$58,598,715

Total net sales	Absolute	10%	$1,337,088,000	$1,392,800,000	$1,448,512,000	$1,329,443,128

Other Short-Term Incentive Factors

*Discretionary bonus?**	No
CEO's last FY award ($)	67,953 (8% of base salary)
CEO's last FY award target	105% of base salary
Future performance metrics	EPS (Basic), Strategic plan initiatives, Total consolidated operating income, Total net sales

*Based on the Bonus column in the SCT; per SEC rules, amounts disclosed in this column were not based on pre-set goals.

Long-Term Incentives

CEO's last FY LTI target (%)	275%% of base salary			
NEOs' last FY award type(s)	Performance-based stock, Time-based stock			
Most recent performance metrics/goals	**Metric**	**Threshold**	**Target**	**Maximum**
	EPS (Basic)	$2.10	$2.62	$3.14
CEO's last FY long-term cash earned award($)	0			
CEO's last FY options granted (#)	None			
CEO's last FY stock granted(#)*	46,550			
*CEO equity pay mix (by value)**	Performance-based: 83.9%; Time-based: 16.1%			

*Performance shares, if any, are counted and valued at target.

Executive Summary

Evaluation Component	Level of Concern	Key Reasons
Non-Performance-Based Pay Elements	Low	
Peer Group Benchmarking	**Medium**	**Multiple Oversized Peers; Above-Median Benchmarking**
Severance/CIC Arrangements	Low	
Comp Committee Communication/Responsiveness	Low	
Pay for Performance Evaluation	Low	
***ISS Recommendation:* FOR**		

ANALYSIS

Peer Benchmarking Practices

The company employs peer benchmarking practices which may ratchet up executive compensation without a proper link to performance. Specifically, the company uses multiple peers that are significantly larger than Bob Evans in terms of revenues and the company may benchmark certain elements of compensation as high as the 65th percentile.

CONCLUSION

Shareholders may note that the dissident proxy card recommends that shareholders oppose this proposal; the dissidents believe that the company's NEOs have been "overcompensated in light of the Company’s long-term operational and financial underperformance." While we note the company's use of some out-sized peers and potential above-median benchmarking in the executive pay-setting process, ISS analysis does not find significant concerns regarding BOBE's overall practices and pay relative to performance at this time. As such, support for this proposal is warranted.

Equity Ownership Profile

Type	Votes per share	Issued
Common Stock	1.00	23,499,911

Ownership - Common Stock	Number of Shares	% of Class
River Road Asset Management LLC	2,314,136	9.37
BlackRock Fund Advisors	1,876,883	7.60
Sandell Asset Management Corp.	1,695,950	6.87
Dimensional Fund Advisors LP	1,473,488	5.97
The Vanguard Group, Inc.	1,448,545	5.87
Northern Trust Investments, Inc.	843,512	3.42
SSgA Funds Management, Inc.	830,407	3.36
Keeley Asset Management Corp.	661,000	2.68
NWQ Investment Management Co. LLC	621,585	2.52
Tocqueville Asset Management LP	547,980	2.22
DAVIS STEVEN A	478,316	1.94
Investment Counselors of Maryland LLC	453,900	1.84
Royce & Associates LLC	430,673	1.74
FrontFour Capital Group LLC	390,900	1.58
Deutsche Bank Investment Management, Inc.	339,316	1.37
General American Investors Co., Inc. (Mutual Fund Manager)	269,170	1.09
Norges Bank Investment Management	243,600	0.99
Ariel Investments LLC	216,838	0.88
Sandell Investment Services LLC	194,315	0.79
Mellon Capital Management Corp.	193,366	0.78

Additional Information

Meeting Location	8111 Smith's Mill Road New Albany, Ohio 43054
Meeting Time	8:00 a.m. Eastern Time
Shareholder Proposal Deadline	March 13, 2015
Solicitor (Management)	INNISFREE M&A Incorporated
Solicitor (Dissident)	Mackenzie Partners, Inc.
Security IDs	096761101(CUSIP)

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