

SANFILIPPO JOHN B & SON INC
Form 10-Q
October 29, 2014
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 25, 2014

OR

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

Commission File Number 0-19681

JOHN B. SANFILIPPO & SON, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

36-2419677
(I.R.S. Employer
Identification No.)

1703 North Randall Road

Elgin, Illinois
(Address of Principal Executive Offices)

60123-7820
(Zip Code)

(847) 289-1800

(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

As of October 17, 2014, 8,468,705 shares of the Registrant's Common Stock, \$0.01 par value per share and 2,597,426 shares of the Registrant's Class A Common Stock, \$0.01 par value per share, were outstanding.

Table of Contents

JOHN B. SANFILIPPO & SON, INC.

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 25, 2014

INDEX

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements (Unaudited)</u>	
<u>Consolidated Statements of Comprehensive Income for the Quarter Ended September 25, 2014 and September 26, 2013</u>	3
<u>Consolidated Balance Sheets as of September 25, 2014, June 26, 2014 and September 26, 2013</u>	4
<u>Consolidated Statements of Cash Flows for the Quarter Ended September 25, 2014 and September 26, 2013</u>	6
<u>Notes to Consolidated Financial Statements</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	23
<u>Item 4. Controls and Procedures</u>	23
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	24
<u>Item 1A. Risk Factors</u>	24
<u>Item 6. Exhibits</u>	24
<u>SIGNATURE</u>	25

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****JOHN B. SANFILIPPO & SON, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited)

(Dollars in thousands, except per share amounts)

	For the Quarter Ended	
	September 25, 2014	September 26, 2013
Net sales	\$ 205,037	\$ 176,697
Cost of sales	174,353	147,328
Gross profit	30,684	29,369
Operating expenses:		
Selling expenses	11,072	9,899
Administrative expenses	7,599	7,142
Total operating expenses	18,671	17,041
Income from operations	12,013	12,328
Other expense:		
Interest expense including \$280 and \$286 to related parties	990	1,086
Rental and miscellaneous expense, net	1,910	513
Total other expense, net	2,900	1,599
Income before income taxes	9,113	10,729
Income tax expense	3,198	3,954
Net income	\$ 5,915	\$ 6,775
Other comprehensive income:		
Amortization of prior service cost and actuarial gain included in net periodic pension cost	239	222
Income tax expense related to pension adjustments	(96)	(89)
Other comprehensive income, net of tax:	143	133
Comprehensive income	\$ 6,058	\$ 6,908

Net income per common share-basic	\$	0.53	\$	0.62
Net income per common share-diluted	\$	0.53	\$	0.61

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

Table of Contents**JOHN B. SANFILIPPO & SON, INC.****CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(Dollars in thousands, except per share amounts)

	September 25, 2014	June 26, 2014	September 26, 2013
ASSETS			
CURRENT ASSETS:			
Cash	\$ 1,705	\$ 1,884	\$ 1,195
Accounts receivable, less allowances of \$3,282, \$3,210 and \$3,675	62,804	55,800	50,498
Inventories	171,439	182,830	158,066
Deferred income taxes	3,486	3,484	3,670
Prepaid expenses and other current assets	2,500	5,376	2,892
Assets held for sale			6,175
TOTAL CURRENT ASSETS	241,934	249,374	222,496
PROPERTY, PLANT AND EQUIPMENT:			
Land	9,285	9,285	9,285
Buildings	102,923	102,796	102,424
Machinery and equipment	172,419	170,694	166,164
Furniture and leasehold improvements	4,363	4,363	4,363
Vehicles	468	468	524
Construction in progress	5,838	2,901	3,697
	295,296	290,507	286,457
Less: Accumulated depreciation	184,278	181,684	174,889
	111,018	108,823	111,568
Rental investment property, less accumulated depreciation of \$7,460, \$7,262 and \$6,668	21,433	21,631	22,225
TOTAL PROPERTY, PLANT AND EQUIPMENT	132,451	130,454	133,793
Cash surrender value of officers' life insurance and other assets	8,713	8,811	8,752
Deferred income taxes	1,136	726	1,002
Intangible assets, net	4,704	5,246	7,218
TOTAL ASSETS	\$ 388,938	\$ 394,611	\$ 373,261

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

Table of Contents**JOHN B. SANFILIPPO & SON, INC.****CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(Dollars in thousands, except per share amounts)

	September 25, 2014	June 26, 2014	September 26, 2013
LIABILITIES & STOCKHOLDERS EQUITY			
CURRENT LIABILITIES:			
Revolving credit facility borrowings	\$ 19,796	\$ 40,542	\$ 27,842
Current maturities of long-term debt, including related party debt of \$355, \$348 and \$328	3,355	3,349	8,539
Accounts payable, including related party payables of \$348, \$232 and \$178	59,916	44,907	44,502
Book overdraft	802	2,414	1,914
Accrued payroll and related benefits	7,138	13,099	6,035
Other accrued expenses	8,753	7,920	8,679
Income taxes payable	827		2,797
TOTAL CURRENT LIABILITIES	100,587	112,231	100,308
LONG-TERM LIABILITIES:			
Long-term debt, less current maturities, including related party debt of \$11,825 \$11,916 and \$12,180	34,825	35,666	32,980
Retirement plan	14,466	14,372	12,692
Other	5,581	5,515	4,767
TOTAL LONG-TERM LIABILITIES	54,872	55,553	50,439
TOTAL LIABILITIES	155,459	167,784	150,747
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS EQUITY:			
Class A Common Stock, convertible to Common Stock on a per share basis, cumulative voting rights of ten votes per share, \$.01 par value; 10,000,000 shares authorized, 2,597,426 shares issued and outstanding	26	26	26
Common Stock, non-cumulative voting rights of one vote per share, \$.01 par value; 17,000,000 shares authorized, 8,586,605, 8,569,105 and 8,454,909 shares issued	85	85	84
Capital in excess of par value	108,899	108,305	106,434
Retained earnings	129,033	123,118	120,205
Accumulated other comprehensive loss	(3,360)	(3,503)	(3,031)

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Treasury stock, at cost; 117,900 shares of Common Stock	(1,204)	(1,204)	(1,204)
TOTAL STOCKHOLDERS EQUITY	233,479	226,827	222,514
TOTAL LIABILITIES & STOCKHOLDERS EQUITY	\$ 388,938	\$ 394,611	\$ 373,261

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

Table of Contents**JOHN B. SANFILIPPO & SON, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

(Dollars in thousands)

	For the Quarter Ended	
	September 25,	September 26,
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 5,915	\$ 6,775
Depreciation and amortization	3,948	4,001
Loss on disposition of properties, net	5	67
Deferred income tax expense	(412)	(122)
Stock-based compensation expense	271	216
Change in assets and liabilities:		
Accounts receivable, net	(6,956)	(989)
Inventories	11,391	640
Prepaid expenses and other current assets	267	1,011
Accounts payable	14,770	466
Accrued expenses	(5,128)	(8,723)
Income taxes payable	3,436	3,737
Other long-term liabilities	66	405
Other, net	284	(82)
Net cash provided by operating activities	27,857	7,402
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(5,217)	(3,062)
Other	50	(55)
Net cash used in investing activities	(5,167)	(3,117)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under revolving credit facility	71,620	64,731
Repayments of revolving credit borrowings	(92,366)	(68,756)
Principal payments on long-term debt	(835)	(836)
(Decrease) increase in book overdraft	(1,612)	862
Issuance of Common Stock under equity award plans	314	27
Tax benefit of equity award exercises	10	48
Net cash used in financing activities	(22,869)	(3,924)
NET (DECREASE) INCREASE IN CASH	(179)	361

Cash, beginning of period	1,884	834
Cash, end of period	\$ 1,705	\$ 1,195

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

Table of Contents

JOHN B. SANFILIPPO & SON, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Dollars in thousands, except where noted and per share data)

Note 1 Basis of Presentation and Description of Business

As used herein, unless the context otherwise indicates, the terms Company , we , us , our or our Company collecti refer to John B. Sanfilippo & Son, Inc. and our wholly-owned subsidiaries, JBSS Real Estate, LLC, JBSS Ventures, LLC and Sanfilippo (Shanghai) Trading Co. Ltd. Our fiscal year ends on the final Thursday of June each year, and typically consists of fifty-two weeks (four thirteen-week quarters). Additional information on the comparability of the periods presented is as follows:

References herein to fiscal 2015 and fiscal 2014 are to the fiscal year ending June 25, 2015 and the fiscal year ended June 26, 2014, respectively.

References herein to the first quarter of fiscal 2015 and fiscal 2014 are to the quarters ended September 25, 2014 and September 26, 2013, respectively.

We are one of the leading processors and distributors of peanuts and tree nuts in the United States. These nuts are sold under a variety of private brands and under the *Fisher*, *Orchard Valley Harvest* and *Sunshine Country* brand names. We also market and distribute, and in most cases manufacture or process, a diverse product line of food and snack products, including peanut butter, almond butter, candy and confections, snacks and trail mixes, nut clusters, sunflower kernels, dried fruit, corn snacks, sesame sticks and other sesame snack products under private brands and brand names. Our products are sold through the major distribution channels to significant buyers of nuts, including food retailers, commercial ingredient users, contract packaging customers and international customers.

The accompanying unaudited financial statements fairly present the consolidated statements of comprehensive income, consolidated balance sheets and consolidated statements of cash flows, and reflect all adjustments, consisting only of normal recurring adjustments which are necessary for the fair statement of the results of the interim periods.

The interim results of operations are not necessarily indicative of the results to be expected for a full year. The balance sheet data as of June 26, 2014 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, these unaudited financial statements and related notes should be read in conjunction with the audited consolidated financial statements and notes thereto included in our 2014 Annual Report on Form 10-K for the fiscal year ended June 26, 2014.

Note 2 Inventories

Inventories are stated at the lower of cost (first in, first out) or market which approximates actual cost. Raw materials and supplies include costs of nut and nut related products. Work-in-process and finished goods include labor and manufacturing overhead costs. Inventories consist of the following:

	September 25, 2014	June 26, 2014	September 26, 2013
Raw material and supplies	\$ 53,819	\$ 89,417	\$ 69,873
Work-in-process and finished goods	117,620	93,413	88,193
Total	\$ 171,439	\$ 182,830	\$ 158,066

Table of Contents**Note 3 Intangible Assets**

Intangible assets subject to amortization consist of the following:

	September 25, 2014	June 26, 2014	September 26, 2013
Customer relationships	\$ 10,600	\$ 10,600	\$ 10,600
Non-compete agreement	5,400	5,400	5,400
Brand names	8,090	8,090	8,090
 Total intangible assets, gross	 24,090	 24,090	 24,090
 Less accumulated amortization:			
Customer relationships	(6,581)	(6,203)	(5,067)
Non-compete agreement	(4,737)	(4,582)	(3,771)
Brand names	(8,068)	(8,059)	(8,034)
 Total accumulated amortization	 (19,386)	 (18,844)	 (16,872)
 Net intangible assets	 \$ 4,704	 \$ 5,246	 \$ 7,218

Customer relationships and the non-compete agreement relate wholly to the Orchard Valley Harvest (OVH) acquisition completed in 2010. Customer relationships are being amortized on a straight line basis over seven years. The non-compete agreement is being amortized based upon the expected pattern of cash flow annual benefit over a five year period. The brand names consist primarily of the *Fisher* brand name, which we acquired in a 1995 acquisition. The *Fisher* brand name became fully amortized in fiscal 2011. The remaining brand name relates to the OVH acquisition and is being amortized on a straight line basis over five years.

Note 4 Primary Financing Facilities

On February 7, 2008, we entered into a Credit Agreement with a bank group (the Bank Lenders) providing a \$117,500 revolving loan commitment and letter of credit subfacility. At September 25, 2014, we had \$93,204 of available credit under the Credit Facility which reflects borrowings of \$19,796 and reduced availability as a result of \$4,500 in outstanding letters of credit. As of September 25, 2014, we were in compliance with all covenants under the Credit Facility. We would still be in compliance with all restrictive covenants under the Credit Facility if the entire available amount were borrowed. On September 30, 2014 we entered into an amendment to the Credit Agreement with the Bank Lenders. See Note 14-Subsequent Events below for additional details.

Also on February 7, 2008, we entered into a Loan Agreement with an insurance company (the Mortgage Lender) providing us with two term loans, one in the amount of \$36,000 (Tranche A) and the other in the amount of \$9,000 (Tranche B), for an aggregate amount of \$45,000 (the Mortgage Facility). As of September 25, 2014, we were in compliance with all covenants under the Mortgage Facility. We have classified \$18,400 under Tranche A and \$4,600 under Tranche B as long-term debt at September 25, 2014, which represent scheduled principal payments due beyond twelve months.

Note 5 Income Taxes

At the beginning of fiscal 2015, we had gross state tax net operating losses of approximately \$3,649 that will expire in 2024 if not utilized.

As of September 25, 2014, unrecognized tax benefits and accrued interest and penalties were not material. There were no material changes to the amount of unrecognized tax benefits during the first quarter of fiscal 2015. We do not anticipate that total unrecognized tax benefits will significantly change in the next twelve months.

We file income tax returns with federal and state tax authorities within the United States of America. Our federal tax returns are open for audit for fiscal 2011 and later. Our Illinois tax returns are currently under audit for fiscal 2011 and 2012. Our Illinois tax return is open for audit for fiscal 2013 and later. Our California tax returns are open for audit for fiscal 2009 and later. No other tax jurisdictions are material to us.

Table of Contents**Note 6 Earnings Per Common Share**

Basic earnings per common share are calculated using the weighted average number of shares of Common Stock and Class A Common Stock outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue Common Stock (i) were exercised or converted into Common Stock or (ii) resulted in the issuance of Common Stock. The following table presents the reconciliation of the weighted average shares outstanding used in computing basic and diluted earnings per share:

	For the Quarter Ended	
	September 25, 2014	September 26, 2013
Weighted average number of shares outstanding basic	11,092,130	10,960,737
Effect of dilutive securities:		
Stock options and restricted stock units	109,479	136,237
Weighted average number of shares outstanding diluted	11,201,609	11,096,974

The following table presents a summary of anti-dilutive awards excluded from the computation of diluted earnings per share:

	For the Quarter Ended	
	September 25, 2014	September 26, 2013
Weighted average number of anti-dilutive shares		3,750
Weighted average exercise price	\$	\$ 26.04

Note 7 Stock-Based Compensation Plans

During the quarter ended September 25, 2014 there was no significant stock option or restricted stock unit activity.

Compensation expense attributable to stock-based compensation during the first quarter of fiscal 2015 and fiscal 2014 was \$271 and \$216, respectively. As of September 25, 2014, there was \$1,280 of total unrecognized compensation cost related to non-vested, share-based compensation arrangements granted under our stock-based compensation plans. We expect to recognize that cost over a weighted average period of 1.1 years.

Note 8 Retirement Plan

On August 2, 2007, our Compensation, Nominating and Corporate Governance Committee approved a restated Supplemental Retirement Plan (the "SERP") for certain of our executive officers and key employees, effective as of August 25, 2005. The purpose of the SERP is to provide an unfunded, non-qualified deferred compensation benefit upon retirement, disability or death to certain executive officers and key employees. The monthly benefit is based upon each individual's earnings and his or her number of years of service. Administrative expenses include the following net periodic benefit costs:

	For the Quarter Ended	
	September 25,	September 26,
	2014	2013
Service cost	\$ 96	\$ 81
Interest cost	161	159
Amortization of prior service cost	239	239
Amortization of gain		(17)
Net periodic benefit cost	\$ 496	\$ 462

Table of Contents**Note 9 Accumulated Other Comprehensive Loss**

The tables below set forth the changes to accumulated other comprehensive loss (AOCL) for the quarters ended September 25, 2014 and September 26, 2013, respectively. These changes are all related to our defined benefit pension plan.

	Accumulated other comprehensive loss (a)
Balance June 26, 2014	\$ (3,503)
Other comprehensive income before reclassifications	
Amounts reclassified from accumulated other comprehensive loss	239
Tax effect	(96)
Net current-period other comprehensive income	143
Balance September 25, 2014	\$ (3,360)

	Accumulated other comprehensive loss (a)
Balance June 27, 2013	\$ (3,164)
Other comprehensive income before reclassifications	
Amounts reclassified from accumulated other comprehensive loss	222
Tax effect	(89)
Net current-period other comprehensive income	133
Balance September 26, 2013	\$ (3,031)

(a) Amounts in parenthesis indicate debits/expense.

The reclassification out of accumulated other comprehensive loss for the quarter ended September 25, 2014 was as follows:

Reclassifications from AOCL to earnings	Amount Reclassified from AOCL (b)	Affected line item in the Consolidated Statements of Comprehensive Income
--	--	--

Amortization of defined benefit pension items:		
Unrecognized prior service cost	\$ (239)	Administrative expenses
Tax effect	96	Income tax expense
Amortization of defined pension items, net of tax	\$ (143)	

Table of Contents

The reclassifications out of accumulated other comprehensive loss for the quarter ended September 26, 2013 was as follows:

Reclassifications from AOCL to earnings	Amount Reclassified from AOCL ^(b)	Affected line item in the Consolidated Statements of Comprehensive Income
Amortization of defined benefit pension items:		
Unrecognized prior service cost	\$ (239)	Administrative expenses
Unrecognized net gain	17	Administrative expenses
Total before tax	(222)	
Tax effect	89	Income tax expense
Amortization of defined pension items, net of tax	\$ (133)	

^(b) Amounts in parenthesis indicate debits to expense. See Note 8-Retirement Plan above for additional details.

Note 10 Distribution Channel and Product Type Sales Mix

We operate in a single reportable segment through which we sell various nut and nut related products through multiple distribution channels.

The following table summarizes net sales by distribution channel:

Distribution Channel	For the Quarter Ended	
	September 25, 2014	September 26, 2013
Consumer ⁽¹⁾	\$ 123,911	\$ 96,510
Commercial Ingredients	47,946	50,020
Contract Packaging	25,695	23,323
Export ⁽²⁾	7,485	6,844
Total	\$ 205,037	\$ 176,697

(1) Sales of branded products, primarily all *Fisher* brand, were approximately 28% and 29% of total consumer sales during the first quarter of fiscal 2015 and fiscal 2014, respectively.

(2) Export sales consist primarily of bulk products and consumer branded and private brand products. Consumer branded and private brand products accounted for approximately 75% and 81% of total sales in the export channel during the first quarter of fiscal 2015 and fiscal 2014, respectively.

Table of Contents

The following table summarizes sales by product type as a percentage of total gross sales. The information is based upon gross sales, rather than net sales, because certain adjustments, such as promotional discounts, are not allocable to product type.

Product Type	For the Quarter Ended	
	September 25, 2014	September 26, 2013
Peanuts	14.8%	15.8%
Pecans	11.2	13.1
Cashews & Mixed Nuts	21.4	18.9
Walnuts	11.3	11.2
Almonds	22.7	21.7
Trail & Snack Mixes	12.9	12.6
Other	5.7	6.7
Total	100.0%	100.0%

Note 11 Commitments and Contingent Liabilities

We are currently a party to various legal proceedings in the ordinary course of business. While management presently believes that the ultimate outcomes of these proceedings, individually and in the aggregate, will not materially affect our Company's financial position, results of operations or cash flows, legal proceedings are subject to inherent uncertainties, and unfavorable outcomes could occur. Unfavorable outcomes could include substantial monetary damages in excess of any appropriate accruals which management has established. Were such unfavorable final outcomes to occur, there exists the possibility of a material adverse effect on our financial position, results of operations and cash flows.

Note 12 Fair Value of Financial Instruments

Authoritative guidance issued by the Financial Accounting Standards Board (FASB) defines fair value as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The guidance establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels:

- Level 1 Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.
- Level 2 Observable inputs other than quoted prices in active markets. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- Level 3 Unobservable inputs for which there is little or no market data available.

The carrying values of cash, trade accounts receivable and accounts payable approximate their fair values at each balance sheet date because of the short-term maturities and nature of these balances.

The carrying value of our revolving credit facility borrowings approximates fair value at each balance sheet date because interest rates on this instrument approximate current market rates (Level 2 criteria), the short-term maturity and nature of this balance. In addition, there has been no significant change in our inherent credit risk.

Table of Contents

The following table summarizes the carrying value and fair value estimate of our long term debt, including current maturities:

	September 25, 2014	June 26, 2014	September 26, 2013
Carrying value of long-term debt:	\$ 38,180	\$ 39,015	\$ 41,519
Fair value of long-term debt:	42,051	43,091	45,371

The estimated fair value of our long-term debt was determined using a market approach based upon Level 2 observable inputs, which estimates fair value based on interest rates currently offered on loans with similar terms to borrowers of similar credit quality or broker quotes. In addition, there have been no significant changes in the underlying assets securing our long-term debt.

Note 13 Recent Accounting Pronouncements

In August 2014, the FASB issued ASU No. 2014-15 *Presentation of Financial Statements Going Concern (Topic 205-40)*. The guidance requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity's ability to continue as a going concern. The new guidance applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact on our financial position, results of operations, cash flows or disclosures.

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers* and created a new ASC Topic 606, *Revenue from Contracts with Customers*, and added ASC Subtopic 340-40, *Other Assets and Deferred Costs - Contracts with Customers*. The guidance in this update supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the industry topics of the codification. Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance will be effective for the Company beginning in fiscal year 2017. This guidance can be adopted either retrospectively to each prior reporting period presented, or retrospectively with a cumulative-effect adjustment recognized as of the date of adoption. The Company is currently assessing the impact of this new guidance on our financial position, results of operations and cash flows.

Note 14 Subsequent Events

On October 28, 2014 our Board of Directors, after considering the financial position of our Company, declared a special cash dividend of \$1.50 per share on all issued and outstanding shares of Common Stock and Class A Common Stock of the Company (the Special Dividend). The Special Dividend will be paid on December 12, 2014, to stockholders of record at the close of business on December 3, 2014. The ex-dividend date is the close of business on December 1, 2014. The total amount of cash expected to be paid to stockholders under the Special Dividend will be approximately \$17,000.

On September 30, 2014, we entered into the Sixth Amendment to Credit Agreement (the Sixth Amendment) which extended the maturity date of the Credit Agreement from July 15, 2016 to July 15, 2019, and reduced the interest rates charged for ordinary course and letter of credit borrowings. The revolving loan commitment amount did not change. In addition, the Sixth Amendment allows the Company to, without obtaining Bank Lender consent, (i) make up to two

cash dividends and distributions on our stock, or (ii) purchase, acquire, redeem or retire stock in any fiscal year, in any case, in an amount not to exceed \$25,000, individually or in the aggregate, as long as the excess availability under the Credit Agreement remains over \$30,000 after giving effect to any such dividend, distribution, purchase or redemption. The Sixth Amendment also increased the amount of permitted acquisitions to \$100,000 from \$50,000 and removed the annual limit on capital expenditures.

Table of Contents

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

OVERVIEW

The following discussion and analysis should be read in conjunction with the unaudited Consolidated Financial Statements and the Notes to Consolidated Financial Statements.

Our fiscal year ends on the final Thursday of June each year, and typically consists of fifty-two weeks (four thirteen week quarters). Additional information on the comparability of the periods presented is as follows:

References herein to fiscal 2015 and fiscal 2014 are to the fiscal year ending June 25, 2015 and the fiscal year ended June 26, 2014, respectively.

References herein to the first quarter of fiscal 2015 and fiscal 2014 are to the quarters ended September 25, 2014 and September 26, 2013, respectively.

As used herein, unless the context otherwise indicates, the terms Company, we, us, our or our Company collectively refer to John B. Sanfilippo & Son, Inc. and our wholly-owned subsidiaries, JBSS Real Estate, LLC, JBSS Ventures, LLC and Sanfilippo (Shanghai) Trading Co. Ltd. Our Company's Credit Facility and Mortgage Facility, as defined below, are sometimes collectively referred to as our financing arrangements.

We are one of the leading processors and distributors of peanuts, pecans, cashews, walnuts, almonds and other nuts in the United States. These nuts are sold under a variety of private brands and under the *Fisher*, *Orchard Valley Harvest*, and *Sunshine Country* brand names. We also market and distribute, and in most cases manufacture or process, a diverse product line of food and snack products, including peanut butter, almond butter, candy and confections, snacks and trail mixes, nut clusters, sunflower kernels, dried fruit, corn snacks, sesame sticks and other sesame snack products under private brands and brand names. We distribute our products in the consumer, commercial ingredients, contract packaging and export distribution channels.

During the fourth quarter of fiscal 2013 we updated our strategic plan (the Strategic Plan), the goal of which is to drive profitable growth. Our long-term goals include:

- i. Growing *Fisher* and *Orchard Valley Harvest* into leading nut brands by focusing on consumers demanding quality nuts in the snacking, recipe and produce categories,
- ii. Expanding globally and building our Company into a leading international branded and private brand snack nut company, and
- iii. Providing integrated nut solutions to grow non-branded business at existing key customers in each distribution channel.

We face a number of challenges in the future. During the first quarter of fiscal 2015, we were informed by our largest *Fisher* recipe nut customer that in March 2015 it intends to add a line of private brand recipe nut products to its baking

section. We have submitted a bid on this private brand recipe nut business. This development may have a negative impact on our *Fisher* recipe nut market share.

Other specific challenges that we face include, among others: high tree nut commodity costs (due to the continued high demand for pecans and walnuts in China), increasing peanut costs, and intensified competition for market share from both private brand and name brand nut products. We will continue to focus on seeking profitable business opportunities to further utilize our additional production capacity at our primary manufacturing, processing and distribution facility located in Elgin, Illinois (the Elgin Site). We expect to maintain our recent level of promotional and advertising activity of our *Fisher* and *Orchard Valley Harvest* brands, and to develop new products for all product lines. We will continue to face the ongoing challenges specific to our business, such as food safety and regulatory issues and the maintenance and growth of our customer base. See the information referenced in Part II, Item 1A Risk Factors of this report for additional information about our risks, challenges and uncertainties.

Table of Contents

QUARTERLY HIGHLIGHTS

Our net sales of \$205.0 million for the first quarter of fiscal 2015 increased 16.0% from our net sales of \$176.7 million for the first quarter of fiscal 2014.

Sales volume, measured as pounds sold to customers, increased 4.1 million pounds, or 7.1%, compared to the first quarter of fiscal 2014.

Gross profit increased by \$1.3 million; however our gross profit margin, as a percentage of net sales, decreased to 15.0% for the first quarter of fiscal 2015 compared to 16.6% for the first quarter of fiscal 2014.

Total operating expenses for the first quarter of fiscal 2015 increased by \$1.6 million, or 9.6%. Operating expenses for the first quarter of fiscal 2015 declined to 9.1% of net sales from 9.6% of net sales for the first quarter of fiscal 2014.

The total value of inventories on hand at the end of the first quarter of fiscal 2015 increased by \$13.4 million, or 8.5%, in comparison to the total value of inventories on hand at the end of the first quarter of fiscal 2014.

We have seen acquisition costs for domestic tree nuts and peanuts increase in the 2014 crop year (which falls into our current 2015 fiscal year). While we begin to procure inshell walnuts during the first quarter of fiscal 2015, the total payments due to our walnut growers will not be determined until the second and/or third quarters of fiscal 2015. We will determine the final prices to be paid to the walnut growers based upon current market prices and other factors. We have estimated the liability to our walnut growers and our walnut inventory costs using currently available information. Any difference between our estimated liability and the actual payments will be determined during the second and/or third quarters of fiscal 2015 and will be recognized in our financial results at that time.

Table of Contents**RESULTS OF OPERATIONS****Net Sales**

Our net sales increased 16.0% to \$205.0 million in the first quarter of fiscal 2015 compared to net sales of \$176.7 million for the first quarter of fiscal 2014, and sales volume, which is defined as pounds sold to customers, increased by 7.1%, and sales volume increased for all major product types except pecans. The increase in net sales was attributable to the aforementioned sales volume increase and to an 8.3% increase in the weighted average sales price per pound, driven mainly by selling price increases for most major nut types due to higher commodity acquisition costs.

The following table summarizes sales by product type as a percentage of total gross sales. The information is based upon gross sales, rather than net sales, because certain adjustments, such as promotional discounts, are not allocable to product type.

Product Type	For the Quarter Ended	
	September 25, 2014	September 26, 2013
Peanuts	14.8%	15.8%
Pecans	11.2	13.1
Cashews & Mixed Nuts	21.4	18.9
Walnuts	11.3	11.2
Almonds	22.7	21.7
Trail & Snack Mixes	12.9	12.6
Other	5.7	6.7
Total	100.0%	100.0%

The following table shows a comparison of net sales by distribution channel (dollars in thousands):

Distribution Channel	For the Quarter Ended			Percent Change
	September 25, 2014	September 26, 2013	Change	
Consumer ⁽¹⁾	\$ 123,911	\$ 96,510	\$ 27,401	28.4%
Commercial Ingredients	47,946	50,020	(2,074)	(4.1)
Contract Packaging	25,695	23,323	2,372	10.2
Export ⁽²⁾	7,485	6,844	641	9.4
Total	\$ 205,037	\$ 176,697	\$ 28,340	16.0%

(1) Sales of branded products, primarily all *Fisher* brand, were approximately 28% and 29% of total consumer sales during the first quarter of fiscal 2015 and fiscal 2014, respectively.

(2) Export sales consist primarily of bulk products and consumer branded and private brand products. Consumer branded and private brand products accounted for approximately 75% and 81% of total sales in the export channel during the first quarter of fiscal 2015 and fiscal 2014, respectively.

Net sales in the consumer distribution channel increased by 28.4% in dollars and 18.7% in sales volume in the first quarter of fiscal 2015 compared to the first quarter of fiscal 2014. Private brand consumer sales volume increased 18.5% primarily due to a significant increase in sales of snack nut and trail mix products at two significant customers. *Fisher* recipe nut sales volume and snack nut sales volume increased 16.9% and 30.0%, respectively, primarily as a result of increased sales to a significant customer in each of these categories.

Table of Contents

Net sales in the commercial ingredients distribution channel decreased by 4.1% in dollars and 8.0% in sales volume in the first quarter of fiscal 2015 compared to the first quarter of fiscal 2014. The sales volume decrease is primarily attributable to lower pecan sales, which resulted from a major customer discontinuing a promotional item that contained pecans.

Net sales in the contract packaging distribution channel increased by 10.2% in dollars, yet sales volume decreased 4.7% in the first quarter of fiscal 2015 compared to the first quarter of fiscal 2014. The decrease in sales volume is mostly attributable to a former customer discontinuing a seasonal item.

Net sales in the export distribution channel increased by 9.4% in dollars and 16.7% in sales volume in the first quarter of fiscal 2015 compared to the first quarter of fiscal 2014 due primarily to increased sales of private brand and *Fisher* snack nuts.

Gross Profit

Gross profit increased by \$1.3 million, or 4.5%, to \$30.7 million for the first quarter of fiscal 2015 compared to the first quarter of fiscal 2014. Our gross profit margin, as a percentage of net sales, decreased to 15.0% for the first quarter of fiscal 2015 compared to 16.6% for the first quarter of fiscal 2014. The decrease in gross profit margin was primarily attributable to higher acquisition costs for certain grades of pecans and almonds.

Operating Expenses

Total operating expenses for the first quarter of fiscal 2015 increased by \$1.6 million to \$18.7 million. Operating expenses for the first quarter of fiscal 2015 decreased to 9.1% of net sales from 9.6% of net sales for the first quarter of fiscal 2014.

Selling expenses for the first quarter of fiscal 2015 were \$11.1 million, an increase of \$1.2 million, or 11.8%, from the first quarter of fiscal 2014. The increase was driven primarily by increased shipping expense of \$0.8 million due to increased sales volume and \$0.5 million more compensation related expenses.

Administrative expenses for the first quarter of fiscal 2015 were \$7.6 million, an increase of \$0.5 million, or 6.4%, from the first quarter of fiscal 2014 due primarily to a \$0.7 million increase in compensation related expenses. This increase was partially offset by a \$0.4 million decrease in professional expenses.

Income from Operations

Due to the factors discussed above, income from operations decreased to \$12.0 million, or 5.9% of net sales, for the first quarter of fiscal 2015 from \$12.3 million, or 7.0% of net sales, for the first quarter of fiscal 2014.

Interest Expense

Interest expense was \$1.0 million for the first quarter of fiscal 2015 compared to \$1.1 million in the first quarter of fiscal 2014. The decrease in interest expense was due primarily to lower short-term and long term-debt.

Rental and Miscellaneous Expense, Net

Net rental and miscellaneous expense was \$1.9 million for the first quarter of fiscal 2015 compared to \$0.5 million for fiscal 2014. This change was primarily due to increased maintenance expense on the exterior of the office building

located on our Elgin, Illinois campus. This maintenance project is approximately 87% complete and we expect to incur an additional expense of \$0.4 million to complete the project in the second quarter of fiscal 2015.

Income Tax Expense

Income tax expense was \$3.2 million, or 35.1% of income before income taxes (the effective tax rate), for the first quarter of fiscal 2015 compared to \$4.0 million, or 36.9% of income before income taxes for the first quarter of fiscal 2014. The decrease in the effective tax rate was due to the impact of favorable discrete income tax items in the first quarter of fiscal 2015.

Table of Contents**Net Income**

Net income was \$5.9 million, or \$0.53 per common share (basic and diluted), for the first quarter of fiscal 2015, compared to \$6.8 million, or \$0.62 per common share (basic) and \$0.61 per common share (diluted), for the first quarter of fiscal 2014. The majority of the net income decline was attributable to the Elgin, Illinois office building maintenance project as discussed above.

LIQUIDITY AND CAPITAL RESOURCES**General**

The primary uses of cash are to fund our current operations, fulfill contractual obligations, pursue our Strategic Plan and repay indebtedness. Also, various uncertainties could result in additional uses of cash. The primary sources of cash are results of operations and availability under our Credit Agreement, dated February 7, 2008 and subsequently amended in March 2010, July 2011, October 2011, January 2013, December 2013 and September 2014 (as amended, the Credit Facility), that provides a revolving loan commitment and letter of credit subfacility. We anticipate that expected net cash flow generated from operations and amounts available pursuant to the Credit Facility will be sufficient to fund our operations for the next twelve months. Increases in our available credit under our Credit Facility, due to our improved financial performance in the past, have allowed us to consummate business acquisitions, devote more funds to promote our products, (especially our *Fisher* and *Orchard Valley Harvest* brands), develop new products, pay a special cash dividend in December 2013 and December 2012, and explore other growth strategies outlined in our Strategic Plan, which includes expansion into existing markets and international markets such as China.

Cash flows from operating activities have historically been driven by net income but are also significantly influenced by inventory requirements, which can change based upon fluctuations in both quantities and market prices of the various nuts and nut products we buy and sell. Current market trends in nut prices and crop estimates also impact nut procurement.

The following table sets forth certain cash flow information for the first quarters of fiscal 2015 and 2014, respectively:

	September 25, 2014	September 26, 2013	\$ Change
Operating activities	\$ 27,857	\$ 7,402	\$ 20,455
Investing activities	(5,167)	(3,117)	(2,050)
Financing activities	(22,869)	(3,924)	(18,945)
Total cash flow	\$ (179)	\$ 361	\$ (540)

Operating Activities Net cash provided by operating activities was \$27.9 million for the first quarter of fiscal 2015 compared to \$7.4 million for the first quarter of fiscal 2014. This increase was primarily due to a decreased use of working capital for inventory and timing of accounts payable. Our nut commodity purchases were \$10.3 million higher during the first quarter of fiscal 2015 than the same period of fiscal 2014, primarily due to the procurement of larger quantities of cashews and larger quantities of pecans at higher prices. However, at September 25, 2014 most of these additional purchases remained in accounts payable.

Net accounts receivable were \$62.8 million at September 25, 2014, an increase of \$7.0 million, or 12.6%, from the balance at June 26, 2014, and an increase of \$12.3 million, or 24.4%, from the balance at September 26, 2013. The increase in net accounts receivable from June 26, 2014 to September 25, 2014 is due primarily to higher dollar sales in September 2014 compared to June 2014. The increase in net accounts receivable from September 26, 2013 to September 25, 2014 is due primarily to higher dollar sales in September 2014 compared to September 2013.

Table of Contents

Total inventories were \$171.4 million at September 25, 2014, a decrease of \$11.4 million, or 6.2%, from the inventory balance at June 26, 2014, and an increase of \$13.4 million, or 8.5%, from the inventory balance at September 26, 2013. The decrease at September 25, 2014 compared to June 26, 2014 was primarily due to decreased on hand quantities of walnuts and pecans. The increase at September 25, 2014 compared to September 26, 2013 is due mainly to increased commodity acquisition costs for all major nut types except cashews.

Raw nut input stocks increased by 1.1 million pounds, or 3.2%, at September 25, 2014 compared to September 26, 2013. The increase was attributable mainly to increased quantities of walnuts and pecans. The weighted average cost per pound of raw nut input stocks on hand at the end of the first quarter of fiscal 2015 increased by 7.7% as compared to the first quarter of fiscal 2014 mainly driven by higher acquisition costs for peanuts, walnuts, pecans and almonds.

Accounts payable were \$59.9 million at September 25, 2014, an increase of \$15.0 million, or 33.4%, from the balance at June 26, 2014, and an increase of \$15.4 million, or 34.6%, from the balance at September 26, 2013. The increase in accounts payable from June 26, 2014 to September 25, 2014 is due primarily to the new walnut crop beginning to be received and increased payables for inshell pecans. The increase in accounts payable at September 25, 2014 compared to September 26, 2013 is due to increased amounts due for almond and pecan purchases.

Investing Activities Cash used in investing activities increased \$2.1 million during the first quarter of fiscal 2015 compared to same period last year. We spent \$2.2 million more on capital expenditures in the first quarter of fiscal 2015 compared to the first quarter of fiscal 2014. We expect total capital expenditures for new equipment and facility upgrades, and food safety enhancements for fiscal 2015 to be approximately \$12 million. Absent any material acquisitions or other significant investments, we believe that cash on hand, combined with cash provided by operations and borrowings available under the Credit Facility, will be sufficient to meet the cash requirements for planned capital expenditures.

Financing Activities Cash used in financing activities was \$22.9 million during the first quarter of fiscal 2015 compared to \$3.9 million for the same period last year. We repaid \$20.7 million of short term borrowings outstanding under our Credit Facility during the first quarter of fiscal 2015 compared to only \$4.0 million during the first quarter of fiscal 2014. This decrease in short-term borrowings under our Credit Facility occurred primarily as a result of increased grower liabilities in the first quarter of fiscal 2015 compared to the same period of fiscal 2014.

Real Estate Matters

In August 2008, we completed the consolidation of our Chicago-based facilities into the Elgin Site. As part of the facility consolidation project, on April 15, 2005, we closed on the \$48.0 million purchase of the Elgin Site. The Elgin Site includes both an office building and a warehouse, and affords us increased production capacity, such that we are currently able to offer our services to existing and new customers on an expanded basis.

We are currently attempting to find additional tenants for the available space in the office building at the Elgin Site. Until additional tenant(s) are found, we will not receive the benefit of rental income associated with such space. Approximately 74% of the office building is currently vacant. There can be no assurance that we will be able to lease the unoccupied space and further capital expenditures may be necessary to lease the remaining space, including the space previously rented by the seller of the Elgin Site.

Financing Arrangements

On February 7, 2008, we entered into the Credit Facility with a bank group (the Bank Lenders) providing a \$117.5 million revolving loan commitment and letter of credit subfacility. Also on February 7, 2008, we entered into a Loan

Agreement with an insurance company (the Mortgage Lender) providing us with two term loans, one in the amount of \$36.0 million (Tranche A) and the other in the amount of \$9.0 million (Tranche B), for an aggregate amount of \$45.0 million (the Mortgage Facility).

The Credit Facility, as most recently amended in September 2014, is secured by substantially all our assets other than machinery and equipment, real property, and fixtures. The Mortgage Facility is secured by mortgages on essentially all of our owned real property located in Elgin, Illinois, Gustine, California and Garysburg, North Carolina (the Encumbered Properties).

Table of Contents*Credit Facility*

On September 30, 2014 we entered into a Sixth Amendment to Credit Agreement (the *Sixth Amendment*) which extended the maturity date of the Credit Agreement to July 15, 2019 from July 15, 2016, and reduced the interest rates charged for ordinary course and letter of credit borrowings. The revolving loan commitment amount did not change. In addition, the Sixth Amendment allows us to, without obtaining Bank Lender Consent, (i) make up to two cash dividends and distributions on our stock, or (ii) purchase, acquire, redeem or retire stock in any fiscal year, in any case, in an amount not to exceed \$25.0 million, individually or in the aggregate, as long as the excess availability under the Credit Agreement remains over \$30.0 million after giving effect to any such dividend, distribution, purchase or redemption. The Sixth Amendment also increased the amount of permitted acquisitions to \$100.0 million from \$50.0 million and removed the annual limit on capital expenditures. At our election, borrowings under the Credit Facility currently accrue interest at either (i) a rate determined pursuant to the administrative agent's prime rate plus an applicable margin determined by reference to the amount of loans which may be advanced under the borrowing base calculation, ranging from 0.75% to 1.25% or (ii) a rate based upon the London interbank offered rate (LIBOR) plus an applicable margin based upon the borrowing base calculation, ranging from 1.75% to 2.25%. The Sixth Amendment also reduced each upper and lower base rate margin by 25 basis points.

At September 25, 2014, the weighted average interest rate for the Credit Facility was 2.71%. The terms of the Credit Facility contain covenants that, among other things, require us to restrict investments, indebtedness, acquisitions and certain sales of assets, limit annual cash dividends or distributions, transactions with affiliates, redemptions of capital stock and prepayment of indebtedness (if such prepayment, among other things, is of a subordinate debt). If loan availability under the borrowing base calculation falls below \$25.0 million, we will be required to maintain a specified fixed charge coverage ratio, tested on a monthly basis, until loan availability equals or exceeds \$25.0 million for three consecutive months. All cash received from customers is required to be applied against the Credit Facility. The Bank Lenders have the option to accelerate and demand immediate repayment of our obligations under the Credit Facility in the event of default on the payments required under the Credit Facility, a change in control in the ownership of the Company, non-compliance with the financial covenants or upon the occurrence of other defaults by us under the Credit Facility (including a default under the Mortgage Facility). As of September 25, 2014, we were in compliance with all covenants under the Credit Facility and we currently expect to be in compliance with the financial covenant in the Credit Facility for the foreseeable future. At September 25, 2014, we had \$93.2 million of available credit under the Credit Facility. We would still be in compliance with all restrictive covenants under the Credit Facility if this entire amount were borrowed.

Mortgage Facility

We are subject to interest rate resets for each of Tranche A and Tranche B. Specifically, on March 1, 2018 (the *Tranche A Reset Date*) and March 1, 2016 and every two years thereafter (each, a *Tranche B Reset Date*), the Mortgage Lender may reset the interest rates for each of Tranche A and Tranche B, respectively, in its sole and absolute discretion. If the reset interest rate for either Tranche A or Tranche B is unacceptable to us and we (i) do not have sufficient funds to repay amounts due with respect to Tranche A or Tranche B on the *Tranche A Reset Date* or *Tranche B Reset Date*, in each case, as applicable, or (ii) are unable to refinance amounts due with respect to Tranche A or Tranche B on the *Tranche A Reset Date* or *Tranche B Reset Date*, in each case, as applicable, on terms more favorable than the reset interest rates, then, depending on the extent of the changes in the reset interest rates, our interest expense could increase materially.

The Mortgage Facility matures on March 1, 2023. Tranche A under the Mortgage Facility accrues interest at a fixed interest rate of 7.63% per annum, payable monthly. As mentioned above, such interest rate may be reset by the Mortgage Lender on the *Tranche A Reset Date*. Monthly principal payments in the amount of \$0.2 million

commenced on June 1, 2008. Tranche B under the Mortgage Facility accrues interest, as reset on March 1, 2014, at a floating rate of the greater of (i) one month LIBOR plus 3.75% per annum or (ii) 4.50%, payable monthly (the Floating Rate). The margin on such Floating Rate may be reset by the Mortgage Lender on each Tranche B Reset Date; provided, however, that the Mortgage Lender may also change the underlying index on each Tranche B Reset Date occurring on or after March 1, 2016. Monthly principal payments in the amount of \$0.1 million commenced on June 1, 2008. We do not currently anticipate that any change in the Floating Rate or the underlying index will have a material adverse effect upon our business, financial condition or results of operations.

Table of Contents

The terms of the Mortgage Facility contain covenants that require us to maintain a specified net worth of \$110.0 million and maintain the Encumbered Properties. The Mortgage Lender is entitled to require immediate repayment of our obligations under the Mortgage Facility in the event we default in the payments required under the Mortgage Facility, non-compliance with the covenants or upon the occurrence of certain other defaults by us under the Mortgage Facility. As of September 25, 2014, we were in compliance with all covenants under the Mortgage Facility. We currently believe that we will be in compliance with the financial covenant in the Mortgage Facility for the foreseeable future and therefore \$18.4 million of Tranche A and \$4.6 million of Tranche B have been classified as long-term debt which represent scheduled principal payments that are due at least twelve months beyond September 25, 2014

Selma Property

In September 2006, we sold our Selma, Texas properties (the Selma Properties) to two related party partnerships for \$14.3 million and are leasing them back. The selling price was determined by an independent appraiser to be the fair market value which also approximated our carrying value. The lease for the Selma Properties has a ten-year term at a fair market value rent with three five-year renewal options. Also, we currently have an option to purchase the Selma Properties from the partnerships at 95% (100% in certain circumstances) of the then fair market value, but not less than the original \$14.3 million purchase price. The provisions of the arrangement are not eligible for sale-leaseback accounting and the \$14.3 million was recorded as a debt obligation. No gain or loss was recorded on the Selma Properties transaction. As of September 25, 2014, \$12.2 million of the debt obligation was outstanding.

Critical Accounting Policies and Estimates

For information regarding our Critical Accounting Policies and Estimates, see the Critical Accounting Policies and Estimates section of Item 7- Management's Discussion and Analysis of Financial Condition and Results of Operations in our Form 10-K for the fiscal year ended June 26, 2014.

Recent Accounting Pronouncements

Refer to Note 13 Recent Accounting Pronouncements of the Notes to Consolidated Financial Statements, contained in Part I, Item 1 of this form 10-Q, for a discussion of recently issued accounting pronouncements.

Table of Contents**FORWARD LOOKING STATEMENTS**

The statements contained in this report that are not historical (including statements concerning our expectations regarding market risk) are forward looking statements. These forward-looking statements may be generally identified by the use of forward-looking words and phrases such as will, anticipates, intends, may, believes, should and are based on our current expectations or beliefs concerning future events and involve risks and uncertainties. We caution that such statements are qualified by important factors, including the factors referred to in Part II, Item 1A

Risk Factors, and other factors, risks and uncertainties that are beyond our control. Consequently, our actual results could differ materially. We undertake no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, future events or other factors that affect the subject of these statements, except where expressly required to do so by law. Among the factors that could cause results to differ materially from current expectations are: (i) the risks associated with our vertically integrated model with respect to pecans, peanuts and walnuts; (ii) sales activity for our products, such as a decline in sales to one or more key customers, a decline in sales of private brand products or changing consumer preferences; (iii) changes in the availability and costs of raw materials and the impact of fixed price commitments with customers; (iv) the ability to pass on price increases to customers if commodity costs rise and the potential for a negative impact on demand for, and sales of, our products from price increases; (v) the ability to measure and estimate bulk inventory and fluctuations in the value and quantity of our nut inventories due to fluctuations in the market prices of nuts and bulk inventory estimation adjustments, respectively; (vi) our ability to appropriately respond to, or lessen the negative impact of, competitive and pricing pressures; (vii) losses associated with product recalls, product contamination, food labeling or other food safety issues, or the potential for lost sales or product liability if customers lose confidence in the safety of our products or in nuts or nut products in general, or are harmed as a result of using our products; (viii) our ability to retain key personnel; (ix) the effect of the actions and decisions of the group that has the majority of the voting power with regard to our outstanding common equity (which may make a takeover or change in control more difficult), including the effect of any agreements pursuant to which such group has pledged a substantial amount of its securities of the Company; (x) the potential negative impact of government regulations and laws and regulations pertaining to food safety, such as the Food Safety Modernization Act; (xi) our ability to do business in emerging markets while protecting our intellectual property in such markets; (xii) uncertainty in economic conditions, including the potential for economic downturn; (xiii) our ability to obtain additional capital, if needed; (xiv) the timing and occurrence (or nonoccurrence) of other transactions and events which may be subject to circumstances beyond our control; (xv) the adverse effect of labor unrest or disputes, litigation and/or legal settlements, including potential unfavorable outcomes exceeding any amounts accrued; (xvi) losses due to significant disruptions at any of our production or processing facilities; (xvii) the inability to implement our Strategic Plan or realize efficiency measures including controlling medical and personnel costs; (xviii) technology disruptions or failures; (xix) the inability to protect our intellectual property or avoid intellectual property disputes; (xx) our ability to manage successfully the price gap between our private brand products and those of our branded competitors; and (xxi) potential increased industry-specific regulation pending the U.S. Food and Drug Administration assessment of the risk of Salmonella contamination associated with tree nuts.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in our assessment of our sensitivity to market risk since our presentation set forth in Part I Item 7A Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report on Form 10-K for the fiscal year ended June 26, 2014.

Item 4. Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of September 25, 2014. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 25, 2014, the Company's disclosure controls and procedures were effective.

In connection with the evaluation by our management, including our Chief Executive Officer and Chief Financial Officer, there were no changes in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the quarter ended September 25, 2014 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Table of Contents

PART II OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of legal proceedings, see Note 11 Commitments and Contingent Liabilities in Part I, Item 1 of this Form 10-Q.

Item 1A. Risk Factors

In addition to the other information set forth in this report on Form 10-Q, you should also consider the factors, risks and uncertainties which could materially affect our Company's business, financial condition or future results as discussed in Part I, Item 1A Risk Factors of our Annual Report on Form 10-K for the fiscal year ended June 26, 2014. There were no significant changes to the risk factors identified on the Form 10-K for the fiscal year ended June 26, 2014 during the first quarter of fiscal 2015.

See Part I, Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in this Form 10-Q, and see Part II, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in the Company's Annual Report on Form 10-K for the fiscal year ended June 26, 2014.

Item 6. Exhibits

The exhibits filed herewith are listed in the exhibit index that follows the signature page and immediately precedes the exhibits filed.

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on October 29, 2014.

JOHN B. SANFILIPPO & SON, INC.

By /s/ MICHAEL J. VALENTINE
Michael J. Valentine
Chief Financial Officer, Group President
and Secretary

Table of Contents**EXHIBIT INDEX**

(Pursuant to Item 601 of Regulation S-K)

Exhibit Number	Description
1-2	Not applicable
3.1	Restated Certificate of Incorporation of John B. Sanfilippo & Son, Inc. (the Registrant or the Company ⁽¹²⁾)
3.2	Amended and Restated Bylaws of Registrant ⁽¹¹⁾
4.1	Specimen Common Stock Certificate ⁽³⁾
4.2	Specimen Class A Common Stock Certificate ⁽³⁾
5-9	Not applicable
10.1	Tax Indemnification Agreement between Registrant and certain Stockholders of Registrant prior to its initial public offering ⁽²⁾
10.2	Indemnification Agreement between Registrant and certain Stockholders of Registrant prior to its initial public offering ⁽²⁾
*10.3	The Registrant's 1998 Equity Incentive Plan ⁽⁴⁾
*10.4	First Amendment to the Registrant's 1998 Equity Incentive Plan ⁽⁵⁾
*10.5	Amended and Restated John B. Sanfilippo & Son, Inc. Split-Dollar Insurance Agreement Number One among John E. Sanfilippo, as trustee of the Jasper and Marian Sanfilippo Irrevocable Trust, dated September 23, 1990, Jasper B. Sanfilippo, Marian R. Sanfilippo and Registrant, dated December 31, 2003 ⁽⁶⁾
*10.6	Amended and Restated John B. Sanfilippo & Son, Inc. Split-Dollar Insurance Agreement Number Two among Michael J. Valentine, as trustee of the Valentine Life Insurance Trust, Mathias Valentine, Mary Valentine and Registrant, dated December 31, 2003 ⁽⁶⁾
*10.7	Amendment, dated February 12, 2004, to Amended and Restated John B. Sanfilippo & Son, Inc. Split-Dollar Insurance Agreement Number One among John E. Sanfilippo, as trustee of the Jasper and Marian Sanfilippo Irrevocable Trust, dated September 23, 1990, Jasper B. Sanfilippo, Marian R. Sanfilippo and Registrant, dated December 31, 2003 ⁽⁷⁾
*10.8	Amendment, dated February 12, 2004, to Amended and Restated John B. Sanfilippo & Son, Inc. Split-Dollar Insurance Agreement Number Two among Michael J. Valentine, as trustee of the Valentine Life Insurance Trust, Mathias Valentine, Mary Valentine and Registrant, dated December 31, 2003 ⁽⁷⁾
*10.9	The Registrant's Restated Supplemental Retirement Plan ⁽⁹⁾
*10.10	Form of Option Grant Agreement under 1998 Equity Incentive Plan ⁽⁸⁾
*10.11	Amended and Restated Sanfilippo Value Added Plan, filed herewith
10.12	

Credit Agreement, dated as of February 7, 2008, by and among the Company, the financial institutions named therein as lenders, Wells Fargo Foothill, LLC (WFF), as the arranger and administrative agent for the lenders, and Wachovia Capital Finance Corporation (Central), in its capacity as documentation agent⁽¹⁰⁾

- 10.13 Security Agreement, dated as of February 7, 2008, by the Company in favor of WFF, as administrative agent for the lenders⁽¹⁰⁾
- 10.14 Loan Agreement, dated as of February 7, 2008, by and between the Company and Transamerica Financial Life Insurance Company (TFLIC⁽¹⁰⁾)
- 10.15 Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing, dated as of February 7, 2008, made by the Company related to its Elgin, Illinois property for the benefit of TFLIC⁽¹⁰⁾

Table of Contents

Exhibit Number	Description
10.16	Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing, dated as of February 7, 2008, made by JBSS Properties, LLC related to its Elgin, Illinois property for the benefit of TFLIC ⁽¹⁰⁾
10.17	Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing, dated as of February 7, 2008, made by the Company related to its Gustine, California property for the benefit of TFLIC ⁽¹⁰⁾
10.18	Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing, dated as of February 7, 2008, made by the Company related to its Garysburg, North Carolina property for the benefit of TFLIC ⁽¹⁰⁾
10.19	Promissory Note (Tranche A), dated February 7, 2008, in the principal amount of \$36.0 million executed by the Company in favor of TFLIC ⁽¹⁰⁾
10.20	Promissory Note (Tranche B) dated February 7, 2008, in the principal amount of \$9.0 million executed by the Company in favor of TFLIC ⁽¹⁰⁾
*10.21	The Registrant's 2008 Equity Incentive Plan, as amended ^(d)
*10.22	First Amendment to the Registrant's 2008 Equity Incentive Plan ⁽³⁾
*10.23	The Registrant's Employee Restricted Stock Unit Award Agreement under 2008 Equity Incentive Plan ⁽¹⁴⁾
*10.24	The Registrant's First Form of Non-Employee Director Restricted Stock Unit Award Agreement under 2008 Equity Incentive Plan ⁽¹⁴⁾
*10.25	The Registrant's Second Form of Non-Employee Director Restricted Stock Unit Award Agreement under 2008 Equity Incentive Plan ⁽¹⁷⁾
10.26	Form of Indemnification Agreement ⁽¹⁵⁾
**10.27	First Amendment to Credit Agreement, dated as of March 8, 2010, by and among the Registrant, Wells Fargo Capital Finance, LLC (f/k/a Wells Fargo Foothill, LLC), as a lender and administrative agent and Burdale Financial Limited, as a lender ⁽¹⁶⁾
10.28	Form of Change-of-Control Employment Security Agreement and Non-Compete ⁽¹⁸⁾
10.29	Second Amendment to Credit Agreement, dated as of July 15, 2011, by and among the Registrant, Wells Fargo Capital Finance, LLC (f/k/a Wells Fargo Foothill, LLC), as a lender and administrative agent, and Southwest Georgia Farm Credit, ACA for itself and as agent/nominee for Southwest Georgia Farm Credit, FLCA, as a lender ⁽¹⁹⁾
10.30	Third Amendment to Credit Agreement, dated as of October 31, 2011, by and among the Registrant, Wells Fargo Capital Finance, LLC (f/k/a Wells Fargo Foothill, LLC), as a lender and administrative agent, and Southwest Georgia Farm Credit, ACA, for itself and as agent/nominee for Southwest Georgia Farm Credit, FLCA, as a lender ⁽²¹⁾
10.31	Consent and Fourth Amendment to Credit Agreement, dated as of January 22, 2013, by and among the Registrant, Wells Fargo Capital Finance, LLC (f/k/a Wells Fargo Foothill, LLC), as a lender and administrative agent, and Southwest Georgia Farm Credit, ACA, for itself and as agent/nominee for Southwest Georgia Farm Credit, FLCA, as a lender ⁽²²⁾

- 10.32 Consent and Fifth Amendment to Credit Agreement, dated as of December 16, 2013, by and among the Registrant, Wells Fargo Capital Finance, LLC (f/k/a Wells Fargo Foothill, LLC), as a lender and administrative agent, and Southwest Georgia Farm Credit, ACA, for itself and as agent/nominee for Southwest Georgia Farm Credit, FLCA, as a lender⁽²³⁾
- 10.33 Sixth Amendment to Credit Agreement, dated as of September 30, 2014, by and among the Registrant, Wells Fargo Capital Finance, LLC (f/k/a Wells Fargo Foothill, LLC), as a lender and administrative agent, and Southwest Georgia Farm Credit, ACA, as lender. ⁽²⁴⁾
- 10.34 The Registrant's 2014 Omnibus Incentive Plan⁽²⁰⁾

Table of Contents

Exhibit Number	Description
*10.35	The Registrant's Form of Non-Employee Director Restricted Stock Unit Award Agreement (non-deferral) under 2014 Omnibus Plan, filed herewith
*10.36	The Registrant's Form of Non-Employee Director Restricted Stock Unit Award Agreement (deferral) under 2014 Omnibus Plan, filed herewith
*10.37	The Registrant's Form of Employee Restricted Stock Unit Award Agreement under 2014 Omnibus Plan, filed herewith
11-30	Not applicable
31.1	Certification of Jeffrey T. Sanfilippo pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended, filed herewith
31.2	Certification of Michael J. Valentine pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended, filed herewith
32.1	Certification of Jeffrey T. Sanfilippo pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended, filed herewith
32.2	Certification of Michael J. Valentine pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended, filed herewith
33-100	Not applicable
101.INS	XBRL Instance Document, filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document, filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document, filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document, filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document, filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document, filed herewith

* Indicates a management contract or compensatory plan or arrangement.

** Confidential treatment has been requested for portions of this exhibit. These portions have been omitted and submitted separately to the Securities and Exchange Commission.

- (1) Incorporated by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 28, 2012 (Commission File No. 0-19681).
- (2) Incorporated by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 (Commission File No. 0-19681).
- (3) Incorporated by reference to the Registrant's Registration Statement on Form S-1 (Amendment No. 3), Registration No. 33-43353, as filed with the Commission on November 25, 1991 (Commission File No. 0-19681).
- (4) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the first quarter ended September 24, 1998 (Commission File No. 0-19681).
- (5) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the second quarter ended December 28, 2000 (Commission File No. 0-19681).
- (6)

Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the second quarter ended December 25, 2003 (Commission File No. 0-19681).

Table of Contents

- (7) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the third quarter ended March 25, 2004 (Commission File No. 0-19681).
- (8) Incorporated by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (Commission File No. 0-19681).
- (9) Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended June 28, 2007 (Commission File No. 0-19681).
- (10) Incorporated by reference to the Registrant's Current Report on Form 8-K dated February 8, 2008 (Commission File No. 0-19681).
- (11) Incorporated by reference to the Registrant's Current Report on Form 8-K dated February 3, 2014 (Commission File No. 0-19681).
- (12) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the third quarter ended March 24, 2005 (Commission File No. 0-19681).
- (13) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the second quarter ended December 25, 2008 (Commission File No. 0-19681).
- (14) Incorporated by reference to the Registrant's Current Report on Form 8-K dated November 12, 2009 (Commission File No. 0-19681).
- (15) Incorporated by reference to the Registrant's Current Report on Form 8-K dated May 5, 2009 (Commission File No. 0-19681).
- (16) Incorporated by reference to the Registrant's Current Report on Form 8-K dated March 12, 2010 (Commission File No. 0-19681).
- (17) Incorporated by reference to the Registrant's Current Report on Form 8-K dated November 8, 2010 (Commission File No. 0-19681).
- (18) Incorporated by reference to the Registrant's Current Report on Form 8-K dated January 31, 2011 (Commission File No. 0-19681).
- (19) Incorporated by reference to the Registrant's Current Report on Form 8-K dated July 18, 2011 (Commission File No. 0-19681).
- (20) Incorporated by reference to the Registrant's Registration Statement on Form S-8, filed with the Commission on October 28, 2014 (Commission File No. 0-19681).
- (21) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the first quarter ended September 29, 2011 (Commission File No. 0-19681).
- (22) Incorporated by reference to the Registrant's Current Report on Form 8-K dated February 1, 2013 (Commission File No. 0-19681).
- (23) Incorporated by reference to the Registrant's Current Report on Form 8-K dated December 17, 2013 (Commission File No. 0-19681).
- (24) Incorporated by reference to the Registrant's Current Report on Form 8-K dated October 3, 2014 (Commission File No. 0-19681).