SANFILIPPO JOHN B & SON INC
Form 10-K
August 21, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended June 25, 2015

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

For the transition period from __________ to __________

Commission file number 0-19681

JOHN B. SANFILIPPO & SON, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**36-2419677**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

1703 North Randall Road

Elgin, Illinois 60123

(Address of Principal Executive Offices, Zip Code)

Registrant s telephone number, including area code: (847) 289-1800

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.01 par value per share	**The NASDAQ Stock Market LLC (NASDAQ Global Select Market)**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes ¨ No x.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act: Yes ¨ No x.

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, as amended (the Exchange Act), 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 x No ¨.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x.

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 definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	x
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 x.

The aggregate market value of the voting Common Stock held by non-affiliates was $396,481,170 as of December 25, 2014 (8,275,541 shares at $47.91 per share).

As of August 12, 2015, 8,545,580 shares of the registrant s Common Stock, $.01 par value (Common Stock) and 2,597,426 shares of the registrant s Class A Common Stock, $.01 par value (Class A Stock), were outstanding. The Class A Stock is convertible at the option of the holder at any time and from time to time (and, upon the occurrence of certain events specified in the Restated Certificate of Incorporation, automatically converts) into one share of Common Stock.

Documents Incorporated by Reference:

Portions of the registrant s definitive Proxy Statement for its Annual Meeting of Stockholders to be held October 28, 2015 are incorporated by reference into Part III of this Form 10-K.

PART I

Item 1 Business

a. General Development of Business

John B. Sanfilippo & Son, Inc. was formed as a corporation under the laws of the State of Delaware in 1979 as the successor by merger to an Illinois corporation that was incorporated in 1959. As used throughout this annual report on Form 10-K, unless the context otherwise indicates, the terms we , us , our or the Company refer collectively to John Sanfilippo & Son, Inc. and its 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). Fiscal 2016 will consist of fifty-three weeks. Additional information on the comparability of the periods presented is as follows:

References herein to fiscal 2016 are to the fiscal year ending June 30, 2016.

References herein to fiscal 2015, fiscal 2014 and fiscal 2013 are to the fiscal years ended June 25, 2015, June 26, 2014 and June 27, 2013, respectively.

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, Fisher Nut Exactly* 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, snack bites, sunflower kernels, dried fruit, corn snacks, sesame sticks and other sesame snack products under private brands and brand names.

Our website is accessible to the public at *http://www.jbssinc.com.* Information about us, including our code of ethics, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports are made available free of charge through our website as soon as reasonably practicable after such reports have been filed with the United States Securities and Exchange Commission (the SEC). Our materials filed with the SEC are also available on the SEC s website at *http://www.sec.gov*. The public may read and copy any materials we file with the SEC at the SEC s public reference room at 100 F St., NE, Washington, DC 20549. The public may obtain information about the reference room by calling the SEC at 1-800-SEC-0330. References to our website addressed in this Form 10-K are provided as a convenience and do not constitute, and should not be viewed as, an incorporation by reference of the information contained on, or available through, the website. Therefore, such information should not be considered part of this Form 10-K.

Our headquarters and executive offices are located at 1703 North Randall Road, Elgin, Illinois 60123, and our telephone number for investor relations is (847) 289-1800, extension 4612.

b. Segment Reporting

We operate in a single reportable operating segment that consists of selling various nut and nut related products through four distribution channels. See Part II, Item 8 Financial Statements and Supplementary Data for our net sales, net income and total assets.

c. Narrative Description of Business

(i) General

As stated above, we are one of the leading processors and distributors of tree nuts and peanuts in the United States. Through a deliberate strategy of focused capital expenditures and complementary acquisitions, we have built a generally vertically integrated nut processing operation that enables us to control almost every step of the process for pecans, peanuts and walnuts, including procurement from growers, shelling, processing, packaging and marketing. Vertical integration allows us to enhance product quality and, in most crop years, purchase inshell pecans, peanuts and walnuts at lower costs as opposed to purchasing these nut meats from other shellers. We believe that our generally vertically integrated business model typically works to our advantage in terms of cost savings and provides us with better insight into crop development. Our generally vertically integrated model, however, can under certain circumstances result in reduced earnings or losses. See Part I, Item 1A Risk Factors .

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. Selling through multiple distribution channels allows us to generate multiple revenue opportunities for the nuts we process. For example, pecan halves could be sold to food retailers, and pecan pieces could be sold to commercial ingredient users. We process and sell all major nut types consumed in the United States, including peanuts, pecans, cashews, walnuts and almonds (our major nut types) in a wide variety of packaging, thus offering our customers a complete nut product offering.

(ii) Principal Products

Our principal products are raw and processed nuts. These products accounted for approximately 84%, 83% and 82% of our gross sales for fiscal 2015, fiscal 2014 and fiscal 2013, respectively. The nut product line includes almonds, pecans, peanuts, black walnuts, English walnuts, cashews, macadamia nuts, pistachios, pine nuts, Brazil nuts, and filberts. Our nut products are sold in numerous package styles and sizes, from stand-up bags, poly-cellophane packages, environmentally friendly packages, composite and clear-plastic cans, plastic tubs and plastic jars for retail sales, to large cases and sacks for bulk sales to commercial ingredient customers. In addition, we offer our nut products in a variety of different styles and seasonings, including non-blanched, blanched, oil roasted, dry roasted, salted, unsalted, honey roasted, flavored, spicy, chocolate and yogurt coated, butter toffee, praline and cinnamon toasted. We sell our products domestically to retailers and wholesalers as well as to commercial ingredient and contract packaging customers. We also sell certain of our products to foreign customers in the retail, contract packaging and commercial ingredient markets. We are in the process of expanding our nut distribution internationally with a number of our branded products. For more information about our revenues in our various distribution channels, see Part II, Item 8 Financial Statements and Supplementary Data .

We acquire a substantial portion of our peanut, pecan and walnut requirements directly from domestic growers. The balance of our raw nut supply is purchased from importers, trading companies and domestic processors.

We manufacture and market peanut butter in several sizes and varieties. We also market and distribute, and in many cases process and manufacture, a wide assortment of other food and snack products. These other products include snack mixes, salad toppings, snacks, snack bites, trail mixes, dried fruit and chocolate and yogurt coated products sold to retailers and wholesalers; baking ingredients sold to retailers, wholesalers, and commercial ingredient customers; bulk food products sold to retail and commercial ingredient users; an assortment of sunflower kernels, pepitas, snack mixes, almond butter, cashew butter, sesame sticks and other sesame snack products sold to retail supermarkets, mass merchandisers and commercial ingredient users and a wide variety of toppings for ice cream and yogurt sold to commercial ingredient users.

(iii) Customers and Channels

We sell our products to approximately 625 customers through the consumer, commercial ingredient, contract packaging and export distribution channels. The consumer channel supplies nut-based products, including consumer-packaged and bulk products, to retailers including supermarket chains, wholesalers, supercenters, and other retail food outlets, across the United States. We sell products through the consumer channel under our brand name products, including the *Fisher*, *Orchard Valley Harvest, Fisher Nut Exactly* and *Sunshine Country* brands, as well as under our customers private brands. The commercial ingredient channel supplies nut-based products to other manufacturers to use as ingredients in their final food products such as bakery, confection,

cereal and ice cream, and produces nut-based products that are customized to the specifications of chefs, national restaurant chains, food service distributors, fast food chains, institutions and hotel kitchens. We sell products through the commercial ingredient channel under our *Fisher* brand and our customers private brands. Our contract packaging channel produces and packages nut-based snacks for manufacturers under their brand name. Finally, our export distribution channel distributes our complete product portfolio of *Fisher* branded snack nuts, private brand snack nuts and commercial ingredients to approximately 80 customers worldwide (which accounts for approximately 4% of our net sales).

We are dependent on a few significant customers for a majority of our total net sales, particularly in the consumer channel. Sales to our five largest customers represented approximately 61% of net sales in fiscal 2015, 57% of net sales in fiscal 2014 and 56% of net sales in fiscal 2013. Net sales to Wal-Mart Stores, Inc. accounted for approximately 24% of our net sales for both fiscal 2015 and fiscal 2014, and 22% of fiscal 2013 net sales. Net sales to Target Corporation accounted for approximately 14%, 12% and 15% in fiscal 2015, fiscal 2014 and fiscal 2013, respectively. Net sales to PepsiCo, Inc. accounted for approximately 10% and 11% of our net sales for fiscal 2014 and fiscal 2013, respectively. No other customer accounted for more than 10% of net sales for any period presented.

(iv) Sales and Distribution

We market our products through our own sales department and through a network of approximately 70 independent brokers and various independent distributors and suppliers.

We distribute products from each of our principal facilities. The majority of our products are shipped from our production and warehouse facilities by contract and common carriers.

In the Chicago area, we operate a retail store at our production facility. This store sells *Fisher* snack and baking products, *Orchard Valley Harvest* products, bulk foods and other products produced by us and other vendors.

(v) Marketing

Marketing strategies are developed for each distribution channel and focus primarily on branded products. Branded consumer efforts concentrate on building brand awareness, identifying and introducing new products, attracting new customers and increasing consumption in the snack nut, recipe nut and produce categories. Private brand and commercial ingredient channel efforts are focused on category management, new product identification and introduction, and merchandising support.

A significant portion of our branded marketing efforts are focused on consumer promotional campaigns that include advertisements (e.g., social media, magazine, newspaper, internet, television and radio) and coupon offers. Our integrated marketing efforts for the *Fisher* brand include sponsorships of celebrity chefs and professional sports franchises. Additionally, shipper display units are utilized in retail stores in an effort to gain additional temporary product placement and to drive sales volume. We work with third-party information agencies, such as Information Resources, Inc. (IRi), to monitor the effectiveness of our marketing and measure product growth.

Commercial ingredient trade promotion includes periodically attending regional and national trade shows, trade publication advertising and one-on-one marketing. These promotional efforts highlight our processing capabilities, broad product portfolio, product customization and packaging innovation.

Internationally, the development of the *Fisher* brand is focused on generating consumer trial, awareness and loyalty. Promotional activities include product sampling, in-store displays and price incentives to consumers and retail trade. As in the United States, digital consumer relationship marketing is utilized in select markets.

Through participation in several trade associations, funding of industry research and sponsorship of educational programs, we support efforts to increase awareness of the health benefits, convenience and versatility of nuts as both a snack and a recipe ingredient among existing and future consumers of nuts.

(vi) Competition

Our nuts and other snack food products compete against products manufactured and sold by numerous other companies in the snack food industry, some of whom are substantially larger and have greater resources than us. In the nut industry, we compete with, among others, Kraft Heinz Company (Planters brand), ConAgra Foods, Inc., Diamond Foods, Inc. (Emerald and Diamond brands), Treehouse Foods, Inc. and numerous regional snack food processors. Competitive factors in our markets include price, product quality, customer service, breadth of product line, brand name awareness, method of distribution and sales promotion. The combination of our generally vertically integrated operating model with respect to pecans, peanuts and walnuts, our product quality, product offering, brand strength, distribution model and the fact that we focus on nut and nut related products generally enable us to compete in each of these categories, but there can be no guarantee that our products will continue to be competitive with many of our larger competitors. See Part I, Item 1A Risk Factors below.

(vii) Raw Materials and Supplies

We purchase nuts from domestic and foreign sources. In fiscal 2015, all of our walnuts, almonds and peanuts were purchased from domestic sources. We purchase our pecans from the southern United States and Mexico. Cashew nuts are imported from Vietnam, India, Brazil and Africa. For fiscal 2015, approximately 27% of the dollar value of our total nut purchases was from foreign sources.

Competition in the nut shelling industry is driven by shellers ability to access and purchase raw nuts, to shell the nuts efficiently and to sell the nuts to processors. We shell all major domestic nut types, with the exception of almonds, and are among a few select shellers who further process, package and sell nuts to the end-user. Raw material pricing pressure and the high cost of equipment automation have previously contributed to a consolidation among shellers across all nut types, especially peanuts and pecans.

We are generally vertically integrated with respect to pecans, peanuts and walnuts and, unlike our major consumer distribution channel competitors who purchase nuts on the open market, we purchase a substantial portion of our pecans, peanuts and walnuts directly from growers. However, there are risks associated with vertical integration, such as susceptibility to market declines for pecans, peanuts and walnuts. See Part I, Item 1A Risk Factors below.

Due, in part, to the seasonal nature of the industry, we maintain significant inventories of peanuts, pecans and walnuts at certain times of the year, especially in the second and third quarters of our fiscal year. Fluctuations in the market price of pecans, peanuts and walnuts and other nuts may affect the value of our inventory and thus may also affect our gross profit and gross profit margin. See Part I, Item 1A Risk Factors .

We purchase some of our packaging and labels from a related party. We purchase other inventory items such as roasting oils, seasonings, plastic jars, labels, stand-up bags, composite and clear-plastic cans and other packaging materials from other third parties. Material costs, including tree nuts, peanuts, other commodities and other inventory items represented approximately 86% of our total cost of sales for fiscal 2015.

(viii) Trademarks and Patents

We market our products primarily under name brands, including the *Fisher, Orchard Valley Harvest, Fisher Nut Exactly* and *Sunshine Country* brand names, which are registered as trademarks with the U.S. Patent and Trademark Office as well as in various other foreign jurisdictions. We do not own any trademarks for any private brands, which are owned by the respective private brand customer. Our trademarks, particularly those related to our brands, are important as they provide our customers with information about the quality of our products. However, registration and use of our trademark, in foreign jurisdictions may be subject to certain risks in addition to other risks generally related to our intellectual property. See Part I, Item 1A Risk Factors below. We also own several patents of various durations. We expect to continue to renew for the foreseeable future those trademarks that are important to our business and expand registration of our trademarks into new jurisdictions. We intend to protect our intellectual property rights vigorously.

(ix) Employees

As of June 25, 2015, we had approximately 1,450 full-time employees, including approximately 185 corporate staff employees. Due to the seasonality of our business, our labor requirements typically peak during the last quarter of the calendar year.

(x) Seasonality

Our business is seasonal. Demand for peanut and tree nut products is highest during the last four months of the calendar year. Peanuts, pecans and walnuts, three of our principal raw materials, are primarily purchased between September and February and are processed throughout the year until the following harvest. As a result of this seasonality, our personnel requirements rise during the last four months of the calendar year. Our working capital requirements generally peak during the third quarter of our fiscal year.

(xi) Backlog

Because the time between order and shipment is usually less than three weeks, we believe that any backlog as of a particular date is not material to an understanding of our business as a whole.

(xii) Operating Hazards and Uninsured Risks

The sale of food products for human consumption involves the risk of injury to consumers as a result of product contamination or spoilage, including the presence of shell fragments, foreign objects, insects, foreign substances, pathogens, chemicals, aflatoxin and other agents, or residues introduced during the growing, storage, handling or transportation phases. We (i) maintain what we believe to be rigid quality control standards and food safety systems and are SQF 2000 Code Level 2 certified, (ii) generally inspect our nut and other food products by visual examination, metal detectors or electronic monitors at various stages of our shelling and processing operations, (iii) work with the United States Department of Agriculture (USDA) in its inspection of peanuts shipped to and from our peanut shelling facilities, (iv) maintain environmental pathogen programs and regularly provide samples to the Food and Drug Administration for testing, and (v) seek to comply with the Nutrition Labeling and Education Act by labeling each product that we sell with labels that disclose the nutritional value and content of each of our products; however, no assurance can be given that some nut or other food products sold by us may not contain or develop harmful substances. In order to mitigate this risk, we strive to select high-quality nut suppliers and currently maintain product liability and contaminated product insurance at amounts we believe are adequate in light of our operations.

Item 1A Risk Factors

We face a number of significant risks and uncertainties, and therefore, an investment in our Common Stock is subject to risks and uncertainties. The factors described below could materially and adversely affect our business, results of operations and financial condition. While each risk is described separately, some of these risks are interrelated and it is possible that certain risks could trigger the applicability of other risks described below. Also, the risks and uncertainties described below are not the only ones that we face. Additional risks and uncertainties not presently known to us, or that are currently deemed immaterial, could also potentially impair our business,

results of operations and financial condition. Investors should consider the following factors, in addition to the other information contained in this Annual Report on Form 10-K, including Part II, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources before deciding to purchase our Common Stock.

We Cannot Control the Availability or Cost of Raw Materials and this May Have a Material Adverse Effect on Our Results of Operations, Cash Flows and Financial Condition

The availability and cost of raw materials for the production of our products, including peanuts, pecans, almonds, cashews, walnuts and other nuts are subject to crop size and yield fluctuations caused by factors beyond our control, such as weather conditions, natural disasters (including floods, droughts, frosts, earthquakes and hurricanes), plant diseases, other factors affecting global supply, changes in global customer demand, changes in government programs and purchasing behavior of certain countries, including China and India. Additionally, any determination by the USDA or other government agencies that certain pesticides, herbicides or other chemicals used by growers have left harmful residues on portions of the crop or that the crop has been contaminated by aflatoxin or other agents or any future product recalls for other reasons could reduce the supply of edible nuts and other raw materials used in our products and could cause our costs to increase significantly.

Because these raw materials are commodities, their prices are set by the market and can therefore fluctuate quickly and dramatically due to varied events, such as those described above. Furthermore, we are not able to hedge against changes in commodity prices because no appropriate futures, derivative or other risk-sharing market for these commodities exists. Consequently, in order to achieve or maintain profitability levels, we attempt to increase the prices of our products to reflect the increase in the costs of the raw materials that we use and sell. However, we may not be successful in passing along partial or full price increases to our customers, if at all. In addition, even if we are successful in passing across partial or full price increases, we may not be able to do so in a timely fashion. Our ability to raise prices and the timing of any price increases is often dependent upon the actions of our competitors, some of whom are significantly larger and more diversified than we are. Additionally, any such product price increase that we are able to pass along to our customers may ultimately reduce the demand for, and sales of, our products as customers reduce purchases or, buy lower priced products. Any one or more of the foregoing aspects may have a material adverse effect on our results of operations, cash flows and financial condition.

Moreover, fluctuations in the market prices of nuts may affect the value of our inventories and profitability. We maintain significant inventories of nuts, and our financial condition could be materially and adversely affected by any significant decrease in the market price of such raw materials. See Part II, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources .

Significant Private Brand Competitive Activity Could Materially and Adversely Affect Our Financial Condition and Results of Operations

Some customer buying decisions, including some of our largest customers, are based upon a periodic bidding process in which the single, successful bidder is assured the selling of the selected product to the food retailer, supercenter or mass merchandiser until the next bidding process to the exclusion of other bidders. Our sales volume may decrease significantly if our bids are too high and we lose the ability to sell products through these channels, even temporarily. Alternatively, we risk reducing our margins if our bids are successful but below our desired price points. In addition, margins could be further reduced if commodity prices rise and customers are unwilling or unable to accept price increases. Any of these outcomes may materially and adversely affect our financial condition and results of operations.

Our Inability to Manage Successfully the Price Gap Between our Private Brand Products and Those of our Branded Competitors May Materially and Adversely Affect Our Results of Operations

Although demand for private brand products (and our private brand products in particular) has increased, our competitors branded products have certain advantages over our private brand products primarily due to their advertising strategies, name recognition and pricing flexibility.

At the retail level, private brand products generally sell at a discount to those of branded competitors. If branded competitors reduce the price of their products, the price of branded products offered to consumers may approximate the prices of our private brand products. Further, promotional activities by branded competitors such as temporary price reductions, buy-one-get-one-free offerings and coupons, have the same general effect as price decreases. Price decreases initiated by branded competitors could result in a decline in the demand for our private brand products, which could negatively impact our sales volumes and overall profitability. Such sales volume and profitability decreases could materially and adversely affect our results of operations.

In addition, many of our competitors with significant branded operations have more diversified product offerings among a wider variety of food categories than we have. Such competitors could, as a result of their size or diversified offerings, be in a better position to decrease their costs or offer better promotions for their branded products. If competitors are able to exploit their size or diversification to make significant price reductions, it could decrease our private brand sales, which could materially and adversely affect our results of operations.

Changing Consumer Preferences and Demand Could Materially and Adversely Affect Our Financial Condition and Results of Operations

Our financial performance depends in part on our ability to anticipate and offer products to our customers that appeal to their preferences. Consumer preferences, whether for name brand products or private brand products, can quickly change based on a number of factors beyond our control. If we fail to anticipate, identify or react quickly to these changes and are unable to introduce and market new and improved products to meet consumer preferences, demand for our products could suffer. In addition, demand for our products could be affected by consumer concerns regarding the health effects of nutrients or ingredients in any of our products. The development and introduction of new products requires substantial research and development, testing and marketing expenditures, which we may be unable to fully recover if the new products do not achieve the necessary commercial success. New product introduction also results in increased costs, including from the use of new manufacturing techniques, capital expenditures, new raw materials and ingredients, and additional marketing and trade spending. Reduction in demand as a result of changing consumer preferences or inability to provide consumers with products they demand could materially and adversely affect our financial condition and results of operations.

In addition, our success in anticipating, offering and marketing products to our customers that appeal to their preferences depends on our ability to adapt to a rapidly changing media environment. We increasingly rely on social media and online advertising campaigns as well as advertising outside of traditional print, radio and television channels. Negative posts or comments about us or the type of products we market and sell on social networking Web sites or similar online activity could seriously impact consumer demand for our products. We are subject to a variety of legal and regulatory restrictions on how we market and advertise our products. These restrictions may limit our ability to respond to changing tastes as the media and communications environment continues to evolve. If we do not react appropriately, then our product sales, financial condition and results of operations could be materially and adversely affected.

We Sometimes Enter Into Fixed Price Commitments without First Knowing Our Acquisition Costs, Which Could Have a Material Adverse Effect on Our Financial Condition and Results of Operations

A substantial portion of our commercial ingredient sales customers, and certain other customers, require us to enter into fixed price commitments with them. Such commitments represented approximately 16% of our annual net sales in fiscal 2015. The commitments are for a fixed period of time, typically three months to twelve months, but may be extended if remaining balances exist. Sometimes we enter into fixed price commitments with respect to certain of our nut products before fixing our acquisition costs in order to maintain customer relationships or when, in management s judgment, market or crop harvest conditions so warrant. To the extent we do so and the fixed prices are not properly aligned with our acquisition costs, then these fixed price commitments may result in reduced or negative gross profit margins which could have a material adverse effect on our financial condition and results of operations.

Our Generally Vertically Integrated Model Could Materially and Adversely Affect Our Results of Operations

We have a generally vertically integrated nut processing operation that enables us to control almost every step of the process for pecans, peanuts and walnuts, including procurement from growers. Our generally vertically integrated model has in the past resulted, and may in the future result, in significant losses because we are subject to the various risks associated with purchasing a majority of our pecans, peanuts and walnuts directly from growers, including the risk of purchasing such products from growers at costs that later, due to altered market conditions, prove to be above prevailing market prices at time of sale. Accordingly, because we purchase a majority of our pecans, peanuts and walnuts directly from growers during harvest season and shell and process these nuts throughout our fiscal year, there is a possibility that, after we acquire these nuts, market conditions may change and we will be forced to sell these nuts at a loss which could materially and adversely affect our results of operations.

We Operate in a Competitive Environment Which Could Materially and Adversely Affect our Financial Condition and Results of Operations

We operate in a highly competitive environment. Our principal products compete against food and snack products manufactured and sold by numerous regional, national and international companies, some of which are substantially larger and have greater resources than us, such as Kraft Heinz Company (Planters brand), ConAgra Foods, Inc., Diamond Foods, Inc. (Emerald and Diamond brands) and Treehouse Foods, Inc. Most of our competitors that sell and market the other top branded snack nut products have committed more resources to such brands when compared to the resources spent by us on our brands. Many of our competitors buy their nuts on the open market and are thus not exposed to the risks of purchasing inshell pecans, peanuts and walnuts directly from growers at fixed prices that later, due to altered market conditions, may prove to be above prevailing market prices. We also compete with other shellers in the commercial ingredient market and with regional processors in the retail and wholesale markets. In order to maintain or increase our market share, we must continue to price our products competitively and spend on marketing, advertising and new product innovation, which may cause a decline in gross profit margin if we are unable to increase unit volumes as well as reduce our costs, which could materially and adversely affect our financial condition and results of operations.

We are Dependent Upon Certain Significant Customers Which Could Materially and Adversely Affect Our Financial Condition, Cash Flows and Results of Operations

We are dependent on a few significant customers for a large portion of our total net sales, particularly in the consumer channel. Sales to our five largest customers represented approximately 61%, 57% and 56% of net sales in fiscal 2015, fiscal 2014 and fiscal 2013, respectively. There can be no assurance that all significant customers will continue to purchase our products in the same quantities, same product mix or on the same terms as in the past, particularly as increasingly powerful retailers may demand lower pricing, different packaging, larger marketing support, payments for retail space, establish private brands or request other terms of sale which negatively impact our profitability. A loss of one of our largest customers, a material decrease in purchases by one of our largest customers, or a significant business interruption at one of our largest customers would result in decreased sales and would materially and adversely affect our results of operations, financial condition and cash flows.

We are Subject to Customer Pricing Pressures Which Could Materially and Adversely Affect Our Financial Condition and Results of Operations

As the retail grocery trade continues to consolidate and our retail customers grow larger, become more sophisticated and obtain more purchasing power, our retail customers are demanding lower pricing, especially private brand customers, and increased free or discounted promotional programs. Further, these retail customers may begin to place a greater emphasis on the lowest-cost supplier in making purchasing decisions especially during periods of increased raw material acquisition costs. An increased focus on the lowest-cost supplier could reduce the benefits of some of our competitive advantages, which include a focus on customer service, innovation, production capacity, category management and quality. Our sales volume growth could suffer, and it may become necessary to lower our prices and increase promotional support of our products, any of which would materially and adversely affect our gross profit and gross profit margin and could materially and adversely affect our financial condition and results of operations.

Food Safety, Allergy and Product Contamination Concerns Could Have a Material Adverse Effect on Our Financial Condition and Results of Operations

If consumers in our principal markets lose confidence in the health or safety of nut products, particularly with respect to peanut and tree nut allergies, food borne illnesses or other food safety matters, this could materially and adversely affect our financial condition and results of operations. Individuals with nut allergies may be at risk of serious illness or death resulting from the consumption of our nut products, including consumption of other companies products containing our products as an ingredient. Notwithstanding our existing food safety controls, we process peanuts and tree nuts on the same equipment, and there is no guarantee that our other products will not be cross-contaminated. Concerns generated by risks of peanut and tree nut cross-contamination and other food safety matters, including food borne illnesses, may discourage consumers from buying our products, cause production and delivery disruptions, or result in product recalls. Product safety issues (i) concerning products not manufactured, distributed or sold by us and (ii) concerning products we manufacture, distribute and sell, may materially and adversely affect demand for products in the nut industry as a whole, including products without actual safety problems. Decreases in demand for products in the industry generally could have a material adverse effect on our financial condition and results of operations. In addition, the cooling system at the Elgin, Illinois facility utilizes ammonia. If a leak in the system were to occur, there is a possibility that the inventory in cold storage at the Elgin, Illinois facility could be destroyed which could have a material adverse effect on our financial condition and results of operations.

The Risk Assessment Conducted by the U.S. Food and Drug Administration on the Risks of Tree Nuts May Have a Material Adverse Effect on Our Financial Condition, Results of Operations and Cash Flows

The U.S. Food and Drug Administration (FDA) is currently assessing the risks of Salmonella contamination associated with tree nuts. This assessment, which includes randomly sampling tree nuts in the marketplace, has already resulted in product recalls in the nut industry, including two of our product recalls in fiscal 2015. The results and impact of this risk assessment and recalls based on sampling could also lead to increased industry-specific regulation and/or additional risk-based preventive controls which may result in increased compliance costs, capital expenditures to meet FDA-imposed requirements and reputation risks to our branded and private brand products. Recalls or significant expenditures to satisfy FDA requirements could have a material adverse effect on our financial condition, results of operations and cash flows.

Product Liability, Product Recalls, Product Labeling and Product Advertising Claims May Have a Material Adverse Effect on Our Results of Operations and Cash Flows

We face risks associated with product liability claims, product recalls and other liabilities in the event: (i) our food safety and quality control procedures are ineffective or fail, (ii) we procure products from third parties that are or become subject to a recall, regardless of whether or not our food safety and quality control procedures are ineffective or fail, (iii) our products cause injury or become adulterated or misbranded, (iv) our products are determined to be promoted or labeled in a misleading fashion or (v) government authorities test our products and determine that they contain a contaminant or present a food safety risk. In recent years, the food industry has been a target of litigation over product labeling and advertising, including nut products. Such litigation results in significant costs to defend and resolve. In addition, we do not control the labeling of other companies products containing our products as an ingredient. A product recall of a sufficient quantity, a significant product liability judgment against us, a significant advertising-related liability or judgment against us or other safety concerns could cause our products to be unavailable for a period of time, could result in a loss of consumer confidence in our products and expose us to liabilities in excess of any insurance we maintain for such events. If these kinds of events were to occur, they would have a material adverse effect on the demand for our products and, consequently, our results of operations and cash flows.

We are Dependent on Certain Key Personnel and the Loss of Any of Their Services Could Have a Material Adverse Effect on Our Results of Operations

Our future success will be largely dependent on the personal efforts of our senior operating management team, including Jeffrey T. Sanfilippo, Chief Executive Officer, Michael J. Valentine, Chief Financial Officer, Group President and Secretary, James A. Valentine, Chief Information Officer and Jasper B. Sanfilippo, Jr., Chief Operating Officer, President and Assistant Secretary. We believe that the expertise and knowledge of these individuals in the industry, and in their respective fields, is a critical factor to our growth and success. Although some of our officers own significant amounts of our Class A Common Stock, these individuals have not entered into any employment or non-compete agreement with us, nor do we have key officer insurance coverage policies in effect. The departure of any of these individuals could have a material adverse effect on our business and prospects and that in turn would have a material adverse effect on our results of operations. Our success is also dependent upon our ability to attract and retain additional qualified personnel, and there can be no assurance that we will be able to do so.

We are Subject to Government Regulation Which Could Materially and Adversely Affect Our Results of Operations

We are subject to extensive regulation by the FDA, the USDA, the United States Environmental Protection Agency (EPA) and other state, local and foreign authorities in jurisdictions where our products are manufactured, processed or sold. Among other things, these regulations govern the manufacturing, importation, processing, packaging, storage, distribution, advertising and labeling of our products. Our manufacturing and processing facilities and products are subject to periodic compliance inspections by federal, state, local and foreign authorities. We are also subject to environmental regulations governing the discharge of air emissions, water and food waste, the usage and storage of pesticides, and the generation, handling, storage, transportation, treatment and disposal of waste materials. Amendments to existing statutes and regulations, adoption of new statutes and regulations, increased production at our existing facilities as well as our expansion into new operations and jurisdictions, may require us to obtain additional licenses and permits and could require us to adapt or alter methods of operations at costs that could be substantial. Compliance with applicable laws and regulations may be time-consuming, expensive or costly to us in different ways and could materially and adversely affect our results of operations. Failure to comply with applicable laws and regulations could subject us to civil remedies, including fines, injunctions, recalls or seizures, as well as possible criminal sanctions, which could materially and adversely affect our results of operations.

Specifically, governmental policies affecting the agricultural industry, such as taxes, tariffs, duties, subsidies, incentives, and import and export restrictions on agricultural commodities and commodity products, can influence the planting of certain crops, the location and size of crop production, whether commodity products are traded, the volume and types of imports and exports, the viability and volume of production of certain of our products, and industry profitability. In addition, international trade disputes can adversely affect commodity trade flows by limiting or disrupting trade between countries or regions. Future government policies may adversely affect the supply of, demand for, and prices of our products, restrict our ability to do business in its existing and

target markets, and negatively impact our revenues and operating results. Changes in regulatory requirements (such as requirements designed to enhance food safety or further regulate advertising or marketing), or evolving interpretations of existing regulatory requirements, may result in increased compliance costs, capital expenditures and other financial obligations that could materially and adversely affect our results of operations.

The Food Safety Modernization Act (FSMA) gives the FDA expanded authorities over the safety of the national food supply, including increased inspections and mandatory recalls, as well as stricter enforcement actions, each of which could result in additional compliance costs and civil remedies, including fines, injunctions, withdrawals, recalls or seizures and confiscations. The FSMA further instructed the FDA to develop new rules and regulations, including the performance of hazard analyses, implementation of preventive plans to control hazards, and foreign supplier verification provisions. We currently have hazard analysis and critical control points (HACCP) processes and procedures in place that may appropriately address many of the existing or future concerns arising out of the FSMA; however, any new FDA rules and regulations could require us to change certain of our operational processes and procedures, or implement new ones, and there could also be unforeseen issues, requirements and costs that arise as the FDA promulgates its new rules and regulations. HACCP is a management system in which food safety is addressed through the analysis and control of hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.

We are a publicly traded company and subject to changing rules and regulations of federal and state governments as well as the stock exchange on which our Common Stock is listed. These entities, including the Public Company Accounting Oversight Board, the SEC, the Department of Justice and the Nasdaq Global Select Market, have issued a significant number of new and increasingly complex requirements and regulations over the course of the last several years and continue to develop additional regulations and requirements in response to laws enacted by Congress. Our efforts to comply with these requirements have resulted in, and are likely to continue to result in, an increase in expenses and a diversion of management s time from other business activities. Failure to comply with any law or regulation could subject us to civil remedies, including fines and injunctions, as well as possible criminal sanctions, which could materially and adversely affect our results of operations.

Operational, Legal, Economic, Political and Social Risks of Doing Business in Emerging Markets and Other Foreign Countries May Have a Material Adverse Effect on Our Results of Operations

Approximately 27% of the dollar value of our total nut purchases for fiscal 2015 were made from foreign countries. We purchase our cashew inventories from Vietnam, India, Brazil and Africa and some of our pecans from Mexico, which are in many respects emerging markets. Further, we are continually looking to expand our sales internationally and enter new emerging and established markets, including markets within Asia. To this extent, we are exposed to risks inherent in emerging markets, including:

- increased governmental ownership and regulation of the economy;

- greater likelihood of inflation and adverse economic conditions;

- governmental attempts to reduce inflation, such as imposition of higher interest rates and wage and price controls;

- supply reduction into the United States from increased demand in foreign countries;

international competition;

compliance with, and subjection to, foreign laws, including our ability to protect our intellectual property, such as our brands;

compliance with U.S. laws and regulations related to conduct in foreign countries, such as the Foreign Corrupt Practices Act;

- currency exchange rates;
- potential for contractual defaults or forced renegotiations on purchase contracts with limited legal recourse;
- tariffs, duties, trade laws and other barriers to trade that may reduce our profitability or sales; and
- civil unrest and significant political instability.

The existence of these and other risks in emerging markets and other foreign countries could jeopardize or limit our ability to purchase sufficient supplies of cashews, pecans and other imported raw materials and limit our ability to make international sales, and may materially and adversely affect our results of operations by increasing the costs of doing business overseas.

The Way in Which We Measure Inventory May Have a Material Adverse Effect on Our Results of Operations

We acquire our inshell nut inventories of pecans, peanuts and walnuts from growers and farmers in large quantities at harvest times, which are primarily during the second and third quarters of our fiscal year, and receive nut shipments in bulk truckloads. The weights of these nuts are measured using truck scales at the time of receipt, and inventories are recorded on the basis of those measurements. The nuts are then stored in bulk in large warehouses to be shelled or processed throughout the year. Bulk-stored nut inventories are relieved on the basis of continuous high-speed bulk weighing systems as the nuts are shelled or processed or on the basis of calculations derived from the weight of the shelled nuts that are produced. While we perform various procedures periodically to confirm the accuracy of our bulk-stored nut inventories, these inventories are estimates that must be periodically adjusted to account for positive or negative variations in quantities and yields, and such adjustments directly affect earnings. The quantities of each crop year bulk-stored nut inventories are generally shelled out over a ten to fifteen month period, at which time revisions to any estimates, which historically averaged less than 1.0% of inventory purchases, are also recorded. The precise amount of our bulk-stored nut inventories is not known until the entire quantity of the particular nut is depleted, which may not necessarily occur every year. Prior crop year inventories may still be on hand as the new crop year inventories are purchased. The majority of bulk-stored nut inventories at June 25, 2015 were processed during the first quarter of fiscal 2016, before any new crop inventories were purchased, thus enabling us to adjust the bulk-stored nut inventories at June 25, 2015. There can be no assurance that any such inventory quantity adjustments will not have a material adverse effect on our results of operations in the future.

Certain of Our Stockholders Possess a Majority of Aggregate Voting Power in the Company, Which May Make a Takeover or Change in Control More or Less Difficult; and The Sanfilippo Group Has Pledged a Substantial Amount of their Class A Common Stock, Either of Which Could Materially and Adversely Affect Our Financial Condition and Results of Operations

As of August 21, 2015, Jasper B. Sanfilippo Sr., Marian Sanfilippo, Jeffrey T. Sanfilippo, Jasper B. Sanfilippo, Jr., Lisa A. Sanfilippo, John E. Sanfilippo and James J. Sanfilippo (the Sanfilippo Group) own or control Common Stock (one vote per share) and Class A Common Stock (ten votes per share on all matters other than the election of Common Stock directors) representing approximately a 51.3% voting interest in the Company. As of August 21, 2015, Michael J. Valentine and Mathias A. Valentine (the Valentine Group) own or control Common Stock (one vote per share) and Class A Common Stock (ten votes per share on all matters other than the election of Common Stock directors) representing approximately a 24.1% voting interest in the Company. In addition, the Sanfilippo Group and the Valentine Group as holders of the Class A Common Stock are entitled to elect six Class A Directors which represents 66% of our entire Board of Directors. As a result, the Sanfilippo Group and the Valentine Group together are able to direct the election of a majority of the members to the Board of Directors. In addition, the Sanfilippo Group is able to exert certain influence on our business, or take certain actions, that cannot be counteracted by another stockholder or group of stockholders. The Sanfilippo Group is able to determine the outcome of nearly all matters submitted to a vote of our stockholders, including any amendments to our certificate of incorporation or bylaws. The Sanfilippo Group has the power to prevent or cause dividends, or a change in control or sale of the Company, which may or may not be in the best interests of the other holders of Common Stock, and can take other actions that may be less favorable to our other stockholders and more favorable to the Sanfilippo Group, subject to applicable legal limitations, which could materially and adversely affect our financial condition, results of operations and cash flows.

In addition, several members of the Sanfilippo Group that beneficially own a significant interest in our Company have pledged a substantial portion of the Company s Class A Stock that they own to secure loans made to them by commercial banks. If a stockholder defaults on any of its obligations under these pledge agreements or the related loan documents, these banks may have the right to sell the pledged shares. Such a sale could cause our Company s stock price to decline. Many of the occurrences that could result in a foreclosure of the pledged shares are out of our control and are unrelated to our operations. Because these shares are pledged to secure loans, the occurrence of an event of default could result in a sale of pledged shares that could cause a change of control of our Company, even when such a change may not be in the best interests of our stockholders, and it could also result in a default under certain material contracts to which we are a party, including an event of default under the Credit Agreement by and among the Company, Wells Fargo Capital Finance (f/k/a Wells Fargo Foothill, LLC), as the arranger and administrative agent and a syndicate of lenders, dated February 7, 2008 (as amended, the Credit Facility), which could materially and adversely affect our financial condition, results of operations and cash flows.

Essentially all of Our Real Property is Encumbered, Which Could Materially and Adversely Affect Our Ability to Obtain Additional Capital if Required Which Could Materially and Adversely Affect Our Financial Condition, Results of Operations and Cash Flows

Our financing arrangements include a mortgage facility, which is secured by essentially all of our owned real property located in Elgin, Illinois, Gustine, California and Garysburg, North Carolina. Because essentially all of our owned real property is encumbered, such properties are not available as a means of securing further capital in the event that additional capital is required because of unexpected events, losses or other circumstances, which could materially and adversely affect our financial condition, results of operations and cash flows.

General Economic Conditions and Increased Production Costs Could Materially and Adversely Affect Our Financial Condition and Results of Operations

General economic conditions and the effects of a recession, including uncertainty in economic conditions and an economic downturn, and political uncertainties, including political action or inaction having an impact on the economy, could have a material adverse effect on our cash flow from operations, results of operations and financial condition. These conditions may include, among other things, higher unemployment, increased commodity costs, increased raw material costs, increased packaging material prices, decreases or alterations in consumer demand, changes in buying patterns, interest rate and capital market volatility, adverse changes in the purchasing power of the U.S. dollar and higher general water, energy, transportation and fuel costs. Maintaining the prices of our products, initiating price increases (including passing along price increases for commodities used in our products) and increasing the demand for our products, all of which are important to our plans to increase profitability, may be materially and adversely affected by general economic conditions and increases in production costs. Among other considerations, nuts and our other products are not essential products and therefore demand and sales volume could decrease. In addition, a general economic downturn could cause one or more of our vendors, suppliers, distributors and customers to experience cash flow problems and, therefore, such vendors, suppliers, distributors and customers may be forced to reduce their output, shut down their operations or file for bankruptcy protection, which in some cases would make it difficult for us to continue production of certain products, could require us to reduce sales of our products or could result in uncollectable accounts receivable. Financial difficulties or solvency problems at these vendors, suppliers and distributors could materially adversely affect their ability to supply us with products or adequate products, which could disrupt our operations. It may be difficult to find a replacement for certain vendors, suppliers or distributors without significant delay or increase in cost. Any of the foregoing could materially and adversely affect our financial condition and results of operations.

Litigation Could Materially and Adversely Affect Our Financial Condition and Results of Operations

We have been the subject of litigation and investigations in the past, and we may become the subject of litigation and investigations in the future, which may include lawsuits or claims related to contracts, intellectual property, product recalls, product liability, the marketing and labeling of products, employment matters, environmental matters or other aspects of our business. Plaintiffs or regulatory bodies could seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to lawsuits and investigations is difficult to accurately estimate. Regardless of whether any claims against us are valid, or whether we are ultimately held liable, such litigation and investigations may be expensive to defend and may divert time, money and management attention away from our operations and negatively impact our financial performance. We maintain insurance in amounts we believe to be adequate based on our business operations. However, we may incur claims or liabilities for which we are not insured, that exceed the amount of our insurance coverage or that our insurers may raise various objections and exceptions to coverage. A judgment or settlement for significant monetary damages or requiring other significant changes to our business or assets could materially and adversely affect our financial condition and results of operations. Any adverse publicity resulting from allegations or investigations may also adversely affect our reputation and the reputation of our products, which in turn could materially and adversely affect our financial condition and results of operations.

Technology Disruptions or Failures Could Materially and Adversely Affect Our Financial Condition and Results of Operations

We depend on information technology to maintain and streamline our operations, including, among other things, (i) interfacing with our locations, customers and suppliers, (ii) complying with financial reporting, legal and tax regulatory requirements, (iii) maintaining inventory control and monitoring systems and (iv) providing us with real-time feedback about our business. Like other companies, our information technology systems may be vulnerable to a variety of interruptions due to events beyond our control, including natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers, cyber risks and other security issues. We have technology security initiatives and disaster recovery plans in place to mitigate our risk to these vulnerabilities, but these measures may not be adequate, particularly as the global dependence on technology increases. In addition, if we are unable to prevent security breaches or disclosure of non-public information, we may suffer financial and reputational damage, litigation or remediation costs or penalties because of the unauthorized disclosure of confidential information belonging to us or to our customers, consumers, or suppliers. While we have not experienced any significant disruption or failure of our information technology systems, any such disruption or failure could adversely affect our financial condition and results of operations.

Our Products are Processed at a Limited Number of Production Facilities and any Significant Disruption at any of Our Production Facilities Could Have a Material Adverse Effect on Our Financial Condition and Results of Operations

Our products are shelled, manufactured or otherwise processed at our five production facilities. However, certain nut and nut-related products, including the shelling of peanuts, walnuts and pecans and processing and packaging of certain other products, are conducted only at a single location. If any of these production facilities experiences a disruption for any reason, including a work stoppage, power failure, fire, or weather related condition or natural disaster, this could result in a significant reduction or elimination of the availability of some of our products. If we were not able to obtain alternate production, shelling or processing capability in a timely manner or on satisfactory terms, this could have a material adverse effect on our financial condition and results of operations.

Inability to Protect Our Intellectual Property or Avoid Intellectual Property Disputes Could Materially and Adversely Affect Our Financial Condition and Results of Operations

We consider our intellectual property rights, particularly and most notably our brand trademarks (such as our *Fisher, Orchard Valley Harvest* and *Sunshine Country* trademarks), but also our patents, trade secrets, copyrights and licensing agreements, to be a significant and valuable aspect of our business. We attempt to protect our intellectual property rights through a combination of patent, trademark, copyright and trade secret laws, as well as licensing agreements, third party nondisclosure and assignment agreements and policing of third party misuses of our intellectual property both domestically and internationally. Our failure to obtain or adequately protect our trademarks, products, new features of our products, or our technology, or any change in law or other changes that serve to lessen or remove the current legal protections of our intellectual property, may diminish our competitiveness and could materially and adversely affect our financial condition and results of operations.

In addition, we may be unaware of intellectual property rights of others that may cover some of our technology, brands or products. Any disputes regarding patents or other intellectual property could be costly and time-consuming and could divert the attention of our management and key personnel from our business operations. Third party claims of intellectual property infringement might also require us to enter into costly license agreements. We also may be subject to significant damages or injunctions against development and sale of certain products if found to be liable for infringing activity. Any such activities could materially and adversely affect our financial condition and results of operations.

Unsuccessful Implementation of Our Strategic Plan Could Materially and Adversely Affect Our Financial Condition and Results of Operations

We developed a strategic plan (the Strategic Plan), most recently updated in fiscal 2013, to help us achieve long-term profitable growth. As part of this Strategic Plan, we have taken a number of actions including, among other things, the 2010 acquisition of OVH, promotion of our branded and snack nut products, international expansion and other related strategies related to increasing sales of non-branded business at existing key customers. We are taking these actions in order to increase sales in all of our distribution channels. There are no assurances that we will be successful in achieving any portion of our Strategic Plan, or any other efficiency measures.

In addition, we have in the past, as part of our Strategic Plan, engaged in strategic acquisitions and joint ventures. However, we may be unable to successfully manage our existing acquisitions or joint ventures or identify additional acquisitions or joint ventures which are attractive or advantageous to grow or otherwise supplement our existing business. We may be unable to achieve a substantial portion of any anticipated cost savings from previous acquisitions or joint ventures or other anticipated benefits in the timeframe we anticipate, or at all.

As we continue to implement our Strategic Plan and the number of our employees has grown, personnel costs, including the costs of medical and other employee health and welfare benefits, have increased. These costs can vary substantially as a result of an increase in the number, mix and experience of our employees and changes in health care and other employment-related laws. There are no assurances that we will succeed in reducing future increases in such costs, particularly if government regulations require us to change our health and welfare benefits or we need to attract and retain qualified personnel. Our inability to control such costs could materially and adversely affect our financial condition and results of operations.

Any inability to realize the anticipated benefits from the Strategic Plan could materially and adversely affect our financial condition and results of operations.

Item 1B Unresolved Staff Comments

None.

Item 2 Properties

We own or lease five principal production facilities. Our primary processing and distribution facility is located at our Elgin, Illinois site which also houses our primary manufacturing operations and corporate headquarters (the Elgin Site). The remaining principal production facilities are located in Bainbridge, Georgia; Garysburg, North Carolina; Selma, Texas and Gustine, California. In addition, we operate a retail store at the Elgin Site.

As described below in Part II, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources , the Mortgage Facility (as defined below) is secured by mortgages on essentially all of our owned real property located in Elgin, Illinois, Gustine, California and Garysburg, North Carolina.

We believe that our facilities are generally well maintained and in good operating condition.

a. Principal Facilities

The following table provides certain information regarding our principal facilities:

Location	Square Footage	Type of Interest	Description of Principal Use	Date Company Constructed, Acquired or First Occupied
Bainbridge, Georgia	300,000	Owned and Leased	Peanut shelling, purchasing, processing, packaging, warehousing and distribution	1987
Garysburg, North Carolina	160,000	Owned	Peanut shelling, purchasing, processing, packaging, warehousing and distribution	1994
Selma, Texas (1)	300,000	Leased	Pecan shelling, processing, bulk packaging, warehousing and distribution	1992
Gustine, California	215,000	Owned	Walnut shelling, processing, packaging, warehousing and distribution	1993
Elgin, Illinois (2) (Elgin Office Building)	400,000	Owned	Rental Property	2005
Elgin, Illinois (3) (Elgin Warehouse Building)	1,001,000	Owned	Processing, packaging, warehousing, distribution and corporate offices	2005

(1) The sale and lease back of the Selma properties to related party partnerships was consummated during the first quarter of fiscal 2007. See Note 5 to the Consolidated Financial Statements Long-Term Debt .

(2) The Elgin Office Building (part of the Elgin Site) was acquired in April 2005. Approximately 29% of the Elgin Office Building is currently being leased to unrelated third parties. The remaining portion of the office building may be leased to third parties; however, there can be no assurance that we will be able to lease the unoccupied space. Further capital expenditures will likely be necessary to lease all of the remaining space.

(3) The Elgin Warehouse Building (part of the Elgin Site) was acquired in April 2005 and was modified to our specifications. The Elgin Warehouse Building is the home of our corporate headquarters, Chicago area processing activities and Chicago area distribution operations.

b. Manufacturing Capability, Utilization, Technology and Engineering

Our principal production facilities are equipped with modern processing and packaging machinery and equipment.

The Elgin Site was designed to our specifications with what we believe to be state-of-the-art equipment. The layout is designed to efficiently move products from raw storage to processing to packaging to distribution. The Elgin Site was designed to minimize the risk of cross contamination between tree nuts and peanuts. Also, the Elgin Site is designed to accommodate an increase in production capacity of 20% to 35%.

The Selma facility contains our automated pecan shelling and bulk packaging operation. The facility s pecan shelling production lines currently have the capacity to shell in excess of 90 million inshell pounds of pecans annually. During fiscal 2015, we processed approximately 45 million inshell pounds of pecans at the Selma facility.

The Bainbridge facility is located in the largest peanut producing region in the United States. This facility takes direct delivery of farmer stock peanuts and cleans, shells, sizes, inspects, blanches, roasts and packages them for sale to our customers. The production line at the Bainbridge facility is almost entirely automated and has the capacity to shell approximately 120 million inshell pounds of peanuts annually. During fiscal 2015, the Bainbridge facility shelled approximately 63 million inshell pounds of peanuts.

The Garysburg facility has the capacity to process approximately 60 million inshell pounds of farmer stock peanuts annually. During fiscal 2015, the Garysburg facility processed approximately 16 million pounds of inshell peanuts.

The Gustine facility is used for walnut shelling, processing, packaging, warehousing and distribution. This facility has the capacity to shell in excess of 60 million inshell pounds of walnuts annually. During fiscal 2015, the Gustine facility shelled approximately 44 million inshell pounds of walnuts.

The Bainbridge, Garysburg, Selma, and Gustine facilities are equipped to handle the processing, packaging, warehousing and distribution, and in the case of our Bainbridge and Garysburg facilities, the purchasing of nuts. Furthermore, at our Elgin Site, we process, package, warehouse and distribute nuts. We currently have more than sufficient capacity at our facilities to handle the aforementioned operations.

Item 3 Legal Proceedings

We are a party to various lawsuits, proceedings and other matters arising out of the conduct of our business. Currently, it is management s opinion that the ultimate resolution of these matters will not have a material adverse effect upon our business, financial condition, results of operation or cash flows.

For a discussion of our legal proceedings, investigations, settlements and other contingencies, see Note 7 Commitments and Contingent Liabilities in the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

Item 4 Mine Safety Disclosures

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Pursuant to General Instruction G(3) of Form 10-K and Instruction 3 to Item 401(b) of Regulation S-K, the following executive officer description information is included as an unnumbered item in Part I of this Report in lieu of being included in the Proxy Statement for our annual meeting of stockholders to be held on October 28, 2015. Below are our executive officers as of August 21, 2015:

Jeffrey T. Sanfilippo, Chief Executive Officer, age 52 Mr. Sanfilippo has been employed by us since 1991 and in November 2006 was named our Chief Executive Officer. Mr. Sanfilippo served as our Executive Vice President Sales and Marketing from January 2001 to November 2006. He served as our Senior Vice President Sales and Marketing from August 1999 to January 2001. Mr. Sanfilippo has been a member of our Board of Directors since August 1999. He served as General Manager West Coast Operations from September 1991 to September 1993. He served as Vice President West Coast Operations and Sales from October 1993 to September 1995, and Mr. Sanfilippo served as Vice President Sales and Marketing from October 1995 to August 1999.

Michael J. Valentine, Chief Financial Officer, Group President and Secretary, age 56 Mr. Valentine has been employed by us since 1987. In November 2006, Mr. Valentine was named our Chief Financial Officer and Group President and, in May 2007, Mr. Valentine was named our Secretary. Mr. Valentine served as our Executive Vice President Finance, Chief Financial Officer and Secretary from January 2001 to November 2006. Mr. Valentine served as our Senior Vice President and Secretary from August 1999 to January 2001. He has been a member of our Board of Directors since April 1997. Mr. Valentine served as our Vice President and Secretary from December 1995 to August 1999. He served as an Assistant Secretary and the General Manager of External Operations for us from June 1987 and 1990, respectively, to December 1995. Mr. Valentine s responsibilities also include peanut, imported nut, packaging and other ingredient procurement and our contract packaging business.

Jasper B. Sanfilippo, Jr., Chief Operating Officer, President and Assistant Secretary, age 47 Mr. Sanfilippo has been employed by us since 1992. In November 2006, Mr. Sanfilippo was named our Chief Operating Officer and President and, in May 2007, Mr. Sanfilippo was named our Treasurer and held that position until January 2009. Mr. Sanfilippo served as our Executive Vice President Operations, retaining his position as Assistant Secretary, which he assumed in December 1995 from 2001 to November 2006. Mr. Sanfilippo became a member of our Board of Directors in December 2003. He became our Senior Vice President Operations in August 1999 and served as Vice President Operations from December 1995 to August 1999. Prior to that, Mr. Sanfilippo was the General Manager of our Gustine, California facility beginning in October 1995, and from June 1992 to October 1995 he served as Assistant Treasurer and worked in our Financial Relations Department. Mr. Sanfilippo is responsible for overseeing our non-peanut shelling operations, including plant operations and procurement.

James A. Valentine, Chief Information Officer, age 51 Mr. Valentine has been employed by us since 1986 and in November 2006 was named our Chief Information Officer. He served as our Executive Vice President Information Technology from August 2001 to November 2006. Mr. Valentine served as Senior Vice President Information Technology from January 2000 to August 2001 and as Vice President of Management Information Systems from January 1995 to January 2000.

Michael G. Cannon, Senior Vice President, Corporate Operations, age 62 Mr. Cannon joined us in October 2005 as Senior Vice President of Operations. Previously, he was Vice President of Operations at Sugar Foods Corp., a manufacturer and distributor of food products, from 1995 to October 2005. Mr. Cannon is responsible for the production operations for all of our facilities.

Thomas J. Fordonski, Senior Vice President, Human Resources, age 62 Mr. Fordonski joined us in August, 2007 as Vice President of Human Resources and was promoted to Senior Vice President of Human Resources in January 2010. Previously, he was Director of Human Resources for Continental AG, a German-based global manufacturer of electronic automotive equipment. Prior to that, Mr. Fordonski was at Motorola, Incorporated for 25 years, with his career culminating as the Director of Human Resources for the global supply chain in the messaging and cellular communications business. He is responsible for leading the human resources activities and functions.

Walter (Bobby) Tankersley Jr., Senior Vice President, Procurement and Commodity Risk Management, age 63
Mr. Tankersley has been employed by us since January 2002 and was named Senior Vice President of Procurement and Commodity Risk Management in January 2011. Previously, Mr. Tankersley was Senior Vice President of Industrial Sales. He has over 30 years of experience in the nut industry where he was previously Vice President of Sales & Marketing at the Young Pecan Company and Director of Industrial Sales at the Mauna Loa Macadamia Nut Company. Mr. Tankersley is responsible for procurement of almonds, walnuts, macadamias and pistachios as well as providing commodity analysis, crop forecasts, and consumption trend analysis for various nut commodities.

Frank S. Pellegrino, Senior Vice President, Finance and Corporate Controller, age 41 Mr. Pellegrino joined us in January 2007 as Director of Accounting and was appointed Corporate Controller in September 2007. In January 2009, he was named Vice President Finance and Corporate Controller. In August 2012, he was promoted to Senior Vice President, Finance. Previously, Mr. Pellegrino was Internal Audit Manager at W.W. Grainger, a business-to-business distributor, from June 2003 to January 2007. Prior to that, he was a Manager in the Assurance Practice of PricewaterhouseCoopers LLP, where he was employed from 1996 to 2003. Mr. Pellegrino is responsible for our accounting and finance functions.

Christopher Gardier, Senior Vice President, Consumer Sales, age 55 Mr. Gardier joined us in May 2010 as Vice President, Consumer Sales. In August 2012, Mr. Gardier was promoted to Senior Vice President, Consumer Sales. Previously, Mr. Gardier was the Vice President Sales for the Snacks Division at The Hain Celestial Group, where he led a national sales team of eight regional managers selling natural and organic salty snack brands. Prior to that, Mr. Gardier was a Customer Vice President, Central Region at Pepperidge Farm for six years, where he led a team of independent biscuit and bakery distributors covering 13 Midwestern states. Prior to that, Mr. Gardier was a Director of National Accounts at Frito Lay for almost five years, where he led a sales and operations team responsible for the mass merchandising channel. Mr. Gardier is responsible for leading our Consumer Sales efforts, including our *Fisher, Fisher Nut Exactly* and *Orchard Valley Harvest* brands.

Howard Brandeisky, Senior Vice President, Global Marketing and Customer Solutions, age 54 Mr. Brandeisky joined us in April 2010 as Vice President, Marketing & Innovation. His role was expanded to include Customer Solutions in March 2011. In October 2013, he was promoted to Senior Vice President, Global Marketing and Customer Solutions. Previously, he was an independent consultant in the food industry for a year. Prior to that, Mr. Brandeisky was at Kraft Foods, Inc. for 24 years, with his career culminating as a Vice President of Marketing. He is responsible for leading the marketing, consumer insights, creative services, and customer solutions activities and functions.

RELATIONSHIPS AMONG CERTAIN DIRECTORS AND EXECUTIVE OFFICERS

Mathias A. Valentine, a director of the Company, is (i) the father of Michael J. Valentine, an executive officer and director of the Company, and James A. Valentine, an executive officer of the Company and (ii) the uncle of Jasper B. Sanfilippo, Jr. and Jeffrey T. Sanfilippo, executive officers and directors of the Company, and James J. Sanfilippo, a director of the Company.

Michael J. Valentine, Chief Financial Officer, Group President and Secretary and a director of the Company, is (i) the son of Mathias A. Valentine, (ii) the brother of James A. Valentine and (iii) the cousin of Jasper B. Sanfilippo, Jr., Jeffrey T. Sanfilippo and James J. Sanfilippo.

Jeffrey T. Sanfilippo, Chief Executive Officer and a director of the Company, is (i) the brother of Jasper B. Sanfilippo, Jr. and James J. Sanfilippo, (ii) the nephew of Mathias A. Valentine and (iii) the cousin of Michael J. Valentine and James A. Valentine.

Jasper B. Sanfilippo, Jr., Chief Operating Officer, President and a director of the Company, is (i) the brother of Jeffrey T. Sanfilippo and James J. Sanfilippo, (ii) the nephew of Mathias A. Valentine and (iii) the cousin of Michael J. Valentine and James A. Valentine.

James J. Sanfilippo, a director of the Company, is (i) the brother of Jeffrey T. Sanfilippo and Jasper B. Sanfilippo, Jr., (ii) the nephew of Mathias A. Valentine and (iii) the cousin of Michael J. Valentine and James A. Valentine.

James A. Valentine, Chief Information Officer of the Company, is (i) the son of Mathias A. Valentine, (ii) the brother of Michael J. Valentine and (iii) the cousin of Jasper B. Sanfilippo, Jr., Jeffrey T. Sanfilippo and James J. Sanfilippo.

Timothy R. Donovan, a director of the Company, is (i) a nephew by marriage of Mathias A. Valentine, director of the Company and (ii) the first cousin by marriage of Jasper B. Sanfilippo, Jr., Jeffrey T. Sanfilippo, Michael J. Valentine and James A. Valentine, executive officers and certain of whom are also directors of the Company, and James J. Sanfilippo, a director of the Company.

PART II

Item 5 Market for Registrant s Common Equity and Related Stockholder Matters

We have two classes of stock: Class A Stock and Common Stock. The holders of Common Stock are entitled to elect 25% of the total members of the Board of Directors, rounded up to the nearest whole number, and the holders of Class A Stock are entitled to elect the remaining directors. With respect to matters other than the election of directors or any matters for which class voting is required by law, the holders of Common Stock are entitled to one vote per share while the holders of Class A Stock are entitled to ten votes per share. Our Class A Stock is not registered under the Securities Act of 1933 and there is no established public trading market for the Class A Stock. However, each share of Class A Stock is convertible at the option of the holder at any time and from time to time (and, upon the occurrence of certain events specified in our Restated Certificate of Incorporation, automatically converts) into one share of Common Stock.

Our Common Stock is quoted on the NASDAQ Global Select Market and our trading symbol is JBSS . The following tables set forth, for the quarters indicated, the high and low reported sales prices for the Common Stock as reported on the NASDAQ Global Select Market.

	Price Range of Common Stock	
Year Ended June 25, 2015	High	Low
4th Quarter	$ 55.91	$ 41.05
3rd Quarter	$ 48.66	$ 34.80
2nd Quarter	$ 47.99	$ 30.53
1st Quarter	$ 32.94	$ 25.26

	Price Range of Common Stock	
Year Ended June 26, 2014	High	Low
4th Quarter	$ 27.50	$ 22.28
3rd Quarter	$ 25.66	$ 21.20
2nd Quarter	$ 26.00	$ 21.07
1st Quarter	$ 26.29	$ 19.55

The graph below compares our cumulative five-year total stockholder return on our Common Stock with the cumulative total returns of the Russell 2000 Consumer Staples Index and the Russell 2000 Index. The graph tracks the performance of a $100 investment in our Common Stock, in each index (with the reinvestment of all dividends) from June 25, 2010 to June 25, 2015.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among John B. Sanfilippo & Son, Inc., the Russell 2000 Index,

and the Russell 2000 Consumer Staples Index

* $100 invested on June 25, 2010 in stock or index, including reinvestment of dividends.
Indexes calculated on month-end basis.

The information contained in the preceding performance graph shall not be deemed to be soliciting material or to be filed with the Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference in such filing.

As of August 12, 2015 there were 50 holders and 17 holders of record of our Common Stock and Class A Stock, respectively.

Under our Restated Certificate of Incorporation, the Class A Stock and the Common Stock are entitled to share equally on a share for share basis in any dividends declared by the Board of Directors on our common equity. Our current financing agreements allow us to make up to two cash dividends or distributions of our stock totaling no more than $25 million each fiscal year without obtaining consent from our lenders. See Part II, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Financing Arrangements.

On October 28, 2014 our Board of Directors declared a cash dividend. A $1.50 special cash dividend was paid to holders of Common Stock and Class A Stock on December 12, 2014. On October 29, 2013, our Board of Directors declared a cash dividend. A $1.50 special cash dividend was paid to holders of Common Stock and Class A Stock on December 5, 2013.

For purposes of the calculation of the aggregate market value of our voting stock held by non-affiliates as set forth on the cover page of this Report, we did not consider any of the siblings or spouses of Jasper B. Sanfilippo, Sr. (our former chairman of the board) or Mathias A. Valentine, or any of the lineal descendants of either Jasper B. Sanfilippo, Sr., Mathias A. Valentine or such siblings (other than those who are our executive officers, directors or who have formed a group within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act), with either Jasper B. Sanfilippo Sr. or Mathias A. Valentine) as an affiliate. See Review of Related Party Transactions and Security Ownership of Certain Beneficial Owners and Management contained in our Proxy Statement for the 2015 Annual Meeting and Relationships Among Certain Directors and Executive Officers appearing immediately before Part II of this Report.

Securities Authorized under Equity Compensation Plans

The following table sets forth information as of June 25, 2015, with respect to equity securities authorized for issuance pursuant to equity compensation plans previously approved by our stockholders and equity compensation plans not previously approved by our stockholders.

Equity Compensation Plan Information

Plan Category	(a) Number of securities to be issued upon exercise of options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column (a))
Equity compensation plans approved by stockholders stock options	25,000	$ 9.80	916,765
Equity compensation plans approved by stockholders restricted stock units	228,668		916,765
Equity compensation plans not approved by stockholders			

Item 6 Selected Financial Data

The following historical consolidated financial data as of and for the years ended June 25, 2015, June 26, 2014, June 27, 2013, June 28, 2012 and June 30, 2011 was derived from our consolidated financial statements. The financial data should be read in conjunction with our audited consolidated financial statements and notes thereto, which are included elsewhere herein, and with Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations . The information below is not necessarily indicative of the results of future operations.

Consolidated Statement of Comprehensive Income Data: (dollars in thousands, except per share data)

			Year Ended		
	June 25, 2015	**June 26, 2014**	**June 27, 2013**	**June 28, 2012**	**June 30, 2011**
Net sales	$ 887,245	$ 778,622	$ 734,334	$ 700,575	$ 674,212
Cost of sales	755,189	655,757	614,372	593,521	590,021
Gross profit	132,056	122,865	119,962	107,054	84,191
Selling and administrative expenses	80,177	77,510	78,343	74,081	68,273
Gain on sale of assets held for sale, net		(1,641)			
Goodwill impairment loss					5,662
Income from operations	51,879	46,996	41,619	32,973	10,256
Interest expense	3,966	4,354	4,754	5,364	6,444
Rental and miscellaneous expense, net	3,049	2,810	1,569	1,388	1,026
Income before income taxes	44,864	39,832	35,296	26,221	2,786
Income tax expense (benefit)	15,559	13,545	13,536	9,099	(49)
Net income	$ 29,305	$ 26,287	$ 21,760	$ 17,122	$ 2,835
Basic earnings per common share	$ 2.63	$ 2.38	$ 2.00	$ 1.60	$ 0.27
Diluted earnings per common share	$ 2.61	$ 2.36	$ 1.98	$ 1.58	$ 0.26
Cash dividends declared per share	$ 1.50	$ 1.50	$ 1.00	$	$

Consolidated Balance Sheet Data: (dollars in thousands)

	June 25, 2015	**June 26, 2014**	**June 27, 2013**	**June 28, 2012**	**June 30, 2011**
Working capital	$ 150,205	$ 137,143	$ 114,992	$ 87,110	$ 65,337
Total assets	431,935	394,611	374,744	371,727	351,788
Long-term debt, less current maturities	32,290	35,666	33,665	36,206	42,430
Total debt	96,819	79,557	74,222	94,778	101,224
Stockholders equity	241,278	226,827	215,304	201,013	183,707

Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the 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). Fiscal 2016 will consist of fifty-three weeks. Additional information on the comparability of the periods presented is as follows:

References herein to fiscal 2016 are to the fiscal year ending June 30, 2016.

References herein to fiscal 2015, fiscal 2014 and fiscal 2013 are to the fiscal years ended June 25, 2015, June 26, 2014 and June 27, 2013, respectively.

As used herein, unless the context otherwise indicates, the terms Company , we , us , our or the Company refer collectively 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 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, Fisher Nut Exactly* 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, snack bites, 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.

The Company s long-term objective to drive profitable growth, as identified in our strategic plan (the Strategic Plan), includes the following goals:

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 continue to execute portions of this strategy. During fiscal 2015, we experienced distribution gains for our *Orchard Valley Harvest* brand. The improved distribution drove an increase in sales volume, especially during the third and fourth quarters. In addition, we introduced an innovative snack bite product, *Fisher Nut Exactly*, to a number of retailers in the third and fourth quarters of fiscal 2015. Sales of *Fisher* brand products increased approximately 14% over last year. In fiscal 2014, we were recognized as a top supplier by one of our largest commercial ingredient food service customers, and we also won quality supplier of the year from one of our largest contract packaging customers. In addition, we continue to develop our *Fisher* brand business in China by improving our distributor network and leveraging Sanfilippo (Shanghai) Trading Co. Ltd. to support our long-term business strategy.

We face a number of challenges in the future. Specific challenges, among others, include: high tree nut commodity costs (due to the continued high export demand for pecans and walnuts, primarily in China) and intensified competition for market share from both private brand and name brand nut products. We are experiencing increased almond costs and expect this trend to continue into fiscal 2016. Resulting price increases may negatively affect fiscal 2016 sales volume. Although we have been focusing on expanding our sales presence in China, this area continues to be an immaterial part of our total revenues. We will continue to focus on seeking profitable business opportunities to further utilize our additional production capacity at our Elgin Site. We expect to maintain our recent level of promotional and advertising activity for our *Orchard Valley Harvest* and *Fisher* (including *Fisher Nut Exactly*) brands. We continue to see domestic sales and volume growth in our *Orchard Valley Harvest* brand and expect to continue to focus on this portion of our branded business. 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 I, Item 1A Risk Factors of this report for additional information about our risks, challenges and uncertainties.

Annual Highlights

- Our net sales for fiscal 2015 increased by $108.6 million, or 14.0%, to $887.2 million from net sales of $778.6 million for fiscal 2014.

- Gross profit increased by $9.2 million; however our gross profit margin, as a percentage of net sales, decreased to 14.9% from 15.8% in fiscal 2014.

- Total operating expenses for fiscal 2015 increased by $4.3 million; however our operating expenses, as a percentage of net sales, decreased to 9.0% from 9.7% of net sales in fiscal 2014.

- Diluted earnings per share increased approximately 11% compared to last fiscal year.

- Our strong financial position allowed us to pay a special cash dividend of $16.8 million in December 2014.

- The total value of inventories on hand at the end of fiscal 2015 increased by $15.2 million, or 8.3%, in comparison to the total value of inventories on hand at the end of fiscal 2014.

Acquisition costs for tree nuts have increased in the 2014 crop year (which falls into our 2015 fiscal year), and acquisition costs continue to remain at levels that are significantly higher than historical averages. While we completed our procurement of the current year crop of inshell walnuts during the second quarter of fiscal 2015, the total payments to our walnut growers were not determined until the third quarter of fiscal 2015, which is typical. The final prices paid to the walnut growers were based upon current market prices and other factors, such as crop quality. At June 25, 2015 there are no amounts due to walnut growers.

Results of Operations

The following table sets forth the percentage relationship of certain items to net sales for the periods indicated and the percentage increase or decrease of such items from fiscal 2015 to fiscal 2014 and from fiscal 2014 to fiscal 2013.

	Percentage of Net Sales			Percentage Increase (Decrease)	
	Fiscal 2015	Fiscal 2014	Fiscal 2013	Fiscal 2015 vs. 2014	Fiscal 2014 vs. 2013
Net sales	100.0%	100.0%	100.0%	14.0%	6.0%

Gross profit	14.9	15.8	16.3	7.5	2.4
Selling expenses	5.6	6.2	6.4	2.9	2.4
Administrative expenses	3.4	3.8	4.3	4.4	(6.3)

Fiscal 2015 Compared to Fiscal 2014

Net Sales

Our net sales increased 14.0% to $887.2 million for fiscal 2015 from $778.6 million for fiscal 2014. Sales volume (measured as pounds sold to customers) increased by 5.4% for fiscal 2015 in comparison to sales volume for fiscal 2014. The increase in net sales was attributable to both an 8.1% increase in the weighted average sales price per pound, driven by selling price increases due to higher commodity acquisition costs for most major tree nut types, as well as the aforementioned sales volume increase. Approximately 78% of the total sales volume increase occurred in the consumer distribution channel.

The following 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 from gross sales to net sales, such as promotional discounts, are not allocable to product type.

Product Type	Fiscal 2015	Fiscal 2014
Peanuts	13.7%	15.1%
Pecans	12.7	13.6
Cashews & Mixed Nuts	22.0	18.7
Walnuts	11.0	11.7
Almonds	23.4	22.3
Trail & Snack Mixes	12.0	11.4
Other	5.2	7.2
Total	100.0%	100.0%

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

Distribution Channel	Fiscal 2015	Fiscal 2014	Change	Percent Change
Consumer (1)	$ 529,076	$ 453,339	$ 75,737	16.7%
Commercial Ingredients	207,370	193,180	14,190	7.3
Contract Packaging	114,799	98,125	16,674	17.0
Export (2)	36,000	33,978	2,022	6.0
Total	$ 887,245	$ 778,622	$ 108,623	14.0%

(1) Sales of branded products, primarily all *Fisher* brand, were approximately 32% and 31% of total consumer channel sales during fiscal 2015 and 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 65% and 60% of total sales in the export channel during fiscal 2015 and fiscal 2014, respectively.

Net sales in the consumer distribution channel increased by 16.7% in dollars and 7.9% in sales volume in fiscal 2015 compared to fiscal 2014. IRi market data from June 2015 indicates that *Fisher* recipe nuts continue to be the market share leader in the overall recipe nut category, excluding wholesale club sales. Total *Fisher* brand sales volume increased by 9.7% in fiscal 2015 compared to fiscal 2014 due primarily to higher sales to existing customers. *Fisher* brand snack nut sales volume increased 14.0% due largely to the distribution of inshell peanuts we regained at a major *Fisher* snack customer. *Fisher* recipe nut sales volume increased 4.7% from fiscal 2014, primarily as a result of increased sales to a significant customer. Private brand consumer sales volume increased by 6.6% in fiscal 2015 compared to fiscal 2014 due to an increase in sales of snack nut and trail mix products at two significant customers.

Net sales in the commercial ingredients distribution channel increased by 7.3% in dollars for fiscal 2015, though sales volume was relatively unchanged compared to fiscal 2014. An increase in almond and peanut sales volume to existing customers was nearly offset by lower bulk pecan sales volume as a result of a smaller pecan crop and lower sales volume of macadamia nuts and walnuts due to lost business with customers using these nuts in their products.

Net sales in the contract packaging distribution channel increased by 17.0% in dollars and 8.0% in sales volume in fiscal 2015 compared to fiscal 2014. The increase in sales volume primarily resulted from increased sales of peanut, cashew and mixed nut products to existing customers in this channel.

Net sales in the export distribution channel increased 6.0% in dollars for fiscal 2015, though sales volume decreased 4.6% compared to fiscal 2014. The sales volume decrease was primarily due to a significantly lower supply of bulk inshell walnuts for the export market. The decrease in volume was offset by an 11.0% increase in the weighted average sales price per pound.

Gross Profit

Gross profit increased 7.5% to $132.1 million in fiscal 2015 from $122.9 million in fiscal 2014. Our gross profit margin decreased to 14.9% of net sales for fiscal 2015 from 15.8% for fiscal 2014. The increase in gross profit resulted primarily from increased sales volume. The decline in gross profit margin was primarily due to higher acquisition costs for pecans and almonds, combined with an increase in manufacturing cost mainly related to employee related costs and repair and maintenance expenses.

Operating Expenses

Total operating expenses for fiscal 2015 increased by $4.3 million to $80.2 million due partially to the prior year s $1.6 million pretax gain on the sale of an Elgin, Illinois site that was formerly owned by the company which did not recur this fiscal year. Operating expenses for fiscal 2015 decreased to 9.0% of net sales from 9.7% of net sales for fiscal 2014 primarily due to a higher net sales base.

Selling expenses for fiscal 2015 were $49.6 million, an increase of $1.4 million, or 2.9%, over the amount recorded for fiscal 2014 due primarily to a $0.7 million increase in marketing and advertising expense and a $0.6 million increase in compensation-related expenses.

Administrative expenses for fiscal 2015 were $30.5 million, an increase of $1.3 million, or 4.4%, from the amount recorded for fiscal 2014 due primarily to a $2.0 million increase in compensation-related expenses, partially offset by, among other things, a decrease in professional expenses of $0.5 million.

Income from Operations

Due to the factors discussed above, our income from our operations was $51.9 million, or 5.8% of net sales, for fiscal 2015, compared to $47.0 million, or 6.0% of net sales, for fiscal 2014.

Interest Expense

Interest expense was $4.0 million for fiscal 2015 compared to $4.4 million for fiscal 2014. The decrease in interest expense was due primarily to lower interest rates for the short-term borrowing facility.

Rental and Miscellaneous Expense, Net

Net rental and miscellaneous expense was $3.0 million for fiscal 2015 compared to $2.8 million for fiscal 2014. The increase was primarily due to increased maintenance expense on the exterior of the office building located on our Elgin, Illinois campus which was completed during the first half of fiscal 2015.

Income Tax Expense

Income tax expense was $15.6 million, or 34.7% of income before income taxes, for fiscal 2015 compared to $13.5 million, or 34.0% of income before income taxes for fiscal 2014. The increase in the effective tax rate of fiscal 2015 is primarily due to the fiscal 2014 tax benefit of losses realized when the Company divested its equity investment in ARMA Energy, Inc. (AEI) and cancelled a secured promissory note due from AEI in fiscal 2014 which did not recur this fiscal year.

Net Income

Net income was $29.3 million, or $2.63 basic and $2.61 diluted per common share, for fiscal 2015, compared to $26.3 million, or $2.38 basic and $2.36 diluted per common share, for fiscal 2014, due to the factors discussed above.

Fiscal 2014 Compared to Fiscal 2013

Net Sales

Our net sales increased 6.0% to $778.6 million for fiscal 2014 from $734.3 million for fiscal 2013. Sales volume (measured as pounds sold to customers) increased by 8.4% for fiscal 2014 in comparison to sales volume for fiscal 2013. The increase in net sales was primarily attributable to the aforementioned sales volume increase, specifically, increased distribution in the consumer, commercial ingredients and contract packaging channels. Approximately 55% of the total sales volume increase occurred in the consumer distribution channel.

The following 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 from gross sales to net sales, such as promotional discounts, are not allocable to product type.

Product Type	**Fiscal 2014**	**Fiscal 2013**
Peanuts	15.1%	18.2%
Pecans	13.6	15.9
Cashews & Mixed Nuts	18.7	19.4
Walnuts	11.7	12.0
Almonds	22.3	16.5
Other	18.6	18.0
Total	100.0%	100.0%

For both fiscal 2014 and fiscal 2013, the largest component of the Other product type was trail and snack mixes which include nut products.

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

Distribution Channel	**Fiscal 2014**	**Fiscal 2013**	**Change**	**Percent Change**
Consumer [(1)]	$ 453,339	$ 436,228	$ 17,111	3.9%
Commercial Ingredients	193,180	177,774	15,406	8.7
Contract Packaging	98,125	85,940	12,185	14.2
Export [(2)]	33,978	34,392	(414)	(1.2)
Total	$ 778,622	$ 734,334	$ 44,288	6.0%

(1) Sales of branded products, primarily all *Fisher* brand, were approximately 31% and 30% of total consumer channel sales during fiscal 2014 and 2013, 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 60% and 58% of total sales in the export channel during fiscal 2014 and fiscal 2013, respectively.

Net sales in the consumer distribution channel increased by 3.9% in dollars and 8.6% in sales volume in fiscal 2014 compared to fiscal 2013. The increase in sales volume of fiscal 2014 was slightly offset by a decrease in average selling price. IRi market data from June 2014 indicates that *Fisher* recipe nuts are the market share leader in the overall recipe nut category, excluding wholesale club sales. Total *Fisher* brand sales volume increased by 6.7% in fiscal 2014 compared to fiscal 2013 due primarily to higher sales to existing customers and approximately $1.4 million in sales to new recipe nut customers. *Fisher* recipe nut sales volume increased 22.5% from fiscal 2013, primarily as a result of increased sales to a significant customer. Partially offsetting the *Fisher* recipe nut sales volume increase, *Fisher* brand snack nut sales volume declined 15.2% primarily as a result of reduced distribution of inshell peanuts at a major *Fisher* snack nut customer due to competitive pricing pressure.

Distribution was regained with this specific customer at the beginning of the fourth quarter of 2014. As a result of our category management and innovation efforts, sales volume of private brand snack nuts and trail mixes increased by 9.1% in fiscal 2014 compared to fiscal 2013. The above noted increase in sales volume in the consumer distribution channel was offset in part by a volume decline for cashews, primarily due to lost distribution with a major private brand customer in the first half of the fiscal year 2014 that was regained in the latter part of the fourth quarter of fiscal 2014.

Net sales in the commercial ingredients distribution channel increased by 8.7% in dollars and 5.8% in sales volume in fiscal 2014 compared fiscal 2013. The sales volume increase was primarily due to increased sales of almonds to a major existing customer.

Net sales in the contract packaging distribution channel increased by 14.2% in dollars and 19.2% in sales volume in fiscal 2014 compared to fiscal 2013. The increase in sales volume was due primarily to increased sales of almonds, trail mixes and chocolate and yogurt coated products due to new product launches executed by key customers in this channel. The increase in sales volume in fiscal 2014 was partially offset by a decrease in average selling price.

Net sales in the export distribution channel decreased 1.2% in dollars and 12.2% in sales volume in fiscal 2014 compared to fiscal 2013. The decrease in sales volume was due primarily to decreased amounts of bulk inshell walnuts available for export. The decrease in volume was partially offset by a higher average selling price.

Gross Profit

Gross profit increased 2.4% to $122.9 million in fiscal 2014 from $120.0 million in fiscal 2013. Our gross profit margin decreased to 15.8% of net sales for fiscal 2014 from 16.3% for fiscal 2013. The increase in gross profit came primarily from increased sales volume. The decline in gross profit margin mainly occurred as a result of competitive pricing pressures that existed in the first two quarters of fiscal 2014, and the delay in implementing selling price increases for almonds, mixed nuts and walnuts until the third quarter of fiscal 2014. The decline in gross profit margin was partially offset by our ongoing continuous improvement efforts which led to meaningful manufacturing efficiency gains in the fiscal year 2014. The savings from these efforts allowed us to fund increases in direct labor wage rates in the latter part of the 2014 fiscal year.

Operating Expenses

Operating expenses for fiscal 2014 decreased to 9.7% of net sales from 10.7% of net sales for fiscal 2013. This decrease is due in part to the $1.6 million pre-tax gain on the sale of the Old Elgin Site (as defined below) that occurred in the second quarter of fiscal 2014, combined with a higher level of net sales.

Selling expenses for fiscal 2014 were $48.3 million, an increase of $1.1 million, or 2.4%, over the amount recorded for fiscal 2013 due primarily to a $1.6 million increase in shipping expense due to increased sales volume. This increase in selling expense was partially offset by a $0.6 million decrease in marketing and advertising expense.

Administrative expenses for fiscal 2014 were $29.3 million, a decrease of $2.0 million, or 6.3%, from the amount recorded for fiscal 2013 due primarily to a decrease in professional expenses of $1.2 million, and a $1.0 million reduction in compensation-related expenses.

Income from Operations

Due to the factors discussed above, our income from our operations was $47.0 million, or 6.0% of net sales, for fiscal 2014, compared to $41.6 million, or 5.7% of net sales, for fiscal 2013.

Interest Expense

Interest expense was $4.4 million for fiscal 2014 compared to $4.8 million for fiscal 2013. The decrease in interest expense was due primarily to lower average borrowings.

Rental and Miscellaneous Expense, Net

Net rental and miscellaneous expense was $2.8 million for fiscal 2014 compared to $1.6 million for fiscal 2013. This change was primarily due to increased maintenance expense on the exterior of our office building in Elgin, Illinois. This maintenance project was approximately 40% completed in fiscal 2014.

Income Tax Expense

Income tax expense was $13.5 million, or 34.0% of income before income taxes, for fiscal 2014 compared to $13.5 million, or 38.3% of income before income taxes for fiscal 2013. The decrease in the effective tax rate of fiscal 2014 is mainly due to the tax benefit of losses realized through the Company s divestiture of its equity investment in ARMA Energy, Inc. (AEI), an unconsolidated variable interest entity, and cancellation of a secured promissory note due from AEI, in the third quarter of fiscal 2014.

Net Income

Net income was $26.3 million, or $2.38 basic and $2.36 diluted per common share, for fiscal 2014, compared to $21.8 million, or $2.00 basic and $1.98 diluted per common share, for fiscal 2013, due to the factors discussed above.

Liquidity and Capital Resources

General

The primary uses of cash are to fund our current operations, fulfill contractual obligations, make capital improvements, 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 that provides a revolving loan commitment and letter of credit subfacility (as amended, the Credit Facility). 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 special cash dividends in December 2012, December 2013 and December 2014, 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 last three fiscal years:

	June 25, 2015	June 26, 2014	June 27, 2013

			2015 to 2014 $ Change	
Operating activities	$ 13,933	$ 11,950	$ 1,983	$ 35,753
Investing activities	(14,281)	(2,056)	(12,225)	(6,379)
Financing activities	410	(8,844)	9,254	(30,999)
Total cash flow	$ 62	$ 1,050	$ (988)	$ (1,625)

Operating Activities. Cash provided by operating activities was $13.9 million in fiscal 2015, an increase of $2.0 million compared to fiscal 2014. This increase is due primarily to increased net income. The impact on operating cash flows from the net changes in fiscal 2015 working capital was comparable to the prior year.

Net accounts receivable were $75.6 million at June 25, 2015, an increase of $19.8 million, or 35.5%, from the balance at June 26, 2014. The increase in net accounts receivable is due primarily to higher dollar sales in the month of June 2015 than in the month of June 2014 and a slightly higher amount of days-sales outstanding.

Total inventories were $198.0 million at June 25, 2015, an increase of $15.2 million, or 8.3%, from the inventory balance at June 26, 2014. This increase is due primarily to increased costs and quantities of finished goods and work-in-process inventories. The increase in quantities of finished goods and work-in-process inventories was a result of building pecan inventories in preparation for production line upgrades that were implemented near the end of fiscal 2015. The increase in the costs of these inventory items were primarily attributable to increased acquisition costs for pecans, almonds and cashews.

The weighted average cost per pound of raw nut and dried fruit input stocks on hand at June 25, 2015 increased by 36.5% compared to June 26, 2014 due to higher acquisition costs for pecans, almonds and cashews combined with a large decline in quantity of lower cost peanut input stocks. Pounds of raw nut input stocks on hand at the end of June 25, 2015 decreased by 14.7 million pounds, or 25.5%, when compared to the quantity of raw nut input stocks on hand at June 26, 2014, due primarily to the above noted decrease in peanuts on hand. The weighted average cost per pound of finished goods on hand at June 25, 2015 increased by 5.8% over the weighted average cost per pound of finished goods on hand at June 26, 2014 primarily due to the above noted increased acquisition costs.