

CAL MAINE FOODS INC
Form 10-Q/A
May 01, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

**FORM 10-Q/A
(Amendment No. 1)**

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

Amendment No. 1 to quarterly report on Form 10-Q for the quarterly period ended March 3, 2007

Commission file number: 000-04892

CAL-MAINE FOODS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other Jurisdiction of
Incorporation or Organization)

64-0500378
(I.R.S. Employer Identification No.)

3320 Woodrow Wilson Avenue, Jackson, Mississippi 39209
(Address of principal executive offices) (Zip Code)

(601) 948-6813
(Registrant's telephone number, including area code)

The undersigned registrant hereby amends its Quarterly Report on Form 10-Q for the quarter ended March 3, 2007 (the "Form 10-Q") solely for the purpose of correcting an inadvertent error in the amount of its originally reported "Total liabilities" as of March 3, 2007. No other changes to the Form 10-Q are made, except for the filing of updated Exhibits 31.1, 31.2 and 32.0.

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

CAL-MAINE FOODS, INC.

Date: April 30, 2007
By: /s/ Charles F. Collins

Charles F. Collins
Vice President Controller

(Principal Accounting Officer)

PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

CAL-MAINE FOODS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

| | March 3, 2007 (unaudited) | June 3, 2006 (note1) |
|--|------------------------------|-------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 15,134 | \$ 13,295 |
| Investments | 28,600 | 25,000 |
| Trade and other receivables | 40,525 | 24,955 |
| Recoverable federal income taxes | 836 | 1,177 |
| Inventories | 62,855 | 57,843 |
| Prepaid expenses and other current assets | 1,266 | 3,408 |
| Total current assets | 149,216 | 125,678 |
| Notes receivable and investments | 8,241 | 8,316 |
| Goodwill | 4,195 | 4,016 |
| Other assets | 2,550 | 2,833 |
| Property, plant and equipment | 363,209 | 339,831 |
| Less accumulated depreciation | (178,278) | (163,556) |
| | 184,931 | 176,275 |
| TOTAL ASSETS | \$ 349,133 | \$ 317,118 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 53,482 | \$ 34,642 |
| Current maturities of purchase obligation | 5,435 | 6,884 |
| Current maturities of long-term debt | 13,610 | 11,902 |
| Deferred income taxes | 11,610 | 11,450 |
| Total current liabilities | 84,137 | 64,878 |
| Long-term debt, less current maturities | 94,383 | 92,010 |
| Minority interest | 923 | 919 |
| Purchase obligation, less current maturities | 9,673 | 16,751 |
| Other non-current liabilities | 3,701 | 3,860 |
| Deferred income taxes | 18,705 | 18,925 |
| Total liabilities | 211,522 | 197,343 |
| Stockholders' equity: | | |
| Common stock \$0.01 par value per share: | | |
| Authorized shares - 60,000 | | |
| Issued 35,130 shares and 21,158 shares outstanding at March 3, 2007 and 21,103 shares at June 3, 2006 | 351 | 351 |
| | 24 | 24 |

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| | | | |
|---|----|----------|------------|
| Class A common stock \$0.01 par value per share, authorized issued and outstanding 2,400 shares at March 3, 2007 and June 3, 2006 | | | |
| Paid-in capital | | 28,955 | 28,700 |
| Retained earnings | | 129,679 | 112,183 |
| Common stock in treasury-13,972 shares at March 3, 2007 and 14,027 at June 3, 2006 | | | |
| | | (21,398) | (21,483) |
| Total stockholders' equity | | 137,611 | 119,775 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ | 349,133 | \$ 317,118 |

See notes to condensed consolidated financial statements.

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CAL-MAINE FOODS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
UNAUDITED

| | 13 Weeks Ended | | 39 Weeks Ended | |
|--------------------------------------|----------------|----------------------|----------------|----------------------|
| | March 3, 2007 | February 25, 2006 | March 3, 2007 | February 25, 2006 |
| Net sales | \$ 175,211 | \$ 130,107 | \$ 428,256 | \$ 348,150 |
| Cost of sales | 131,029 | 104,134 | 350,712 | 303,408 |
| Gross profit | 44,182 | 25,973 | 77,544 | 44,742 |
| Selling, general and administrative | 16,902 | 15,493 | 45,830 | 43,140 |
| Operating income | 27,280 | 10,480 | 31,714 | 1,602 |
| Other income (expense): | | | | |
| Interest expense, net | (1,639) | (1,906) | (5,198) | (5,895) |
| Other | 1,956 | 1,346 | 2,637 | 1,090 |
| | 317 | (560) | (2,561) | (4,805) |
| Income (loss) before income taxes | 27,597 | 9,920 | 29,153 | (3,203) |
| Income tax expense (benefit) | 10,194 | 1,930 | 10,780 | (2,400) |
| Net income (loss) | \$ 17,403 | \$ 7,990 | \$ 18,373 | \$ (803) |
| Net income (loss) per common share: | | | | |
| Basic | \$ 0.74 | \$ 0.34 | \$ 0.78 | \$ (0.03) |
| Diluted | \$ 0.74 | \$ 0.34 | \$ 0.78 | \$ (0.03) |
| Dividends per common share | \$ 0.0125 | \$ 0.0125 | \$ 0.0375 | \$ 0.0375 |
| Weighted average shares outstanding: | | | | |
| Basic | 23,519 | 23,497 | 23,508 | 23,494 |
| Diluted | 23,578 | 23,680 | 23,583 | 23,494 |

See notes to condensed consolidated financial statements.

CAL-MAINE FOODS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
UNAUDITED

| | 39 Weeks Ended | |
|--|----------------|----------------------|
| | March 3, 2007 | February 25, 2006 |
| Cash flows provided by operating activities | \$ 36,959 | \$ 13,622 |
| Cash flows from investing activities: | | |
| Net (increase) / decrease in investments | (3,600) | 10,784 |
| Acquisitions of businesses, net of cash acquired | (1,152) | (23,804) |
| Purchases of property, plant and equipment | (17,071) | (6,939) |
| Payments received on notes receivable and from investments | 846 | 1,755 |
| Increase in notes receivable and investments | (1,180) | (519) |
| Net proceeds from sale of property, plant and equipment | 402 | 1,637 |
| Net cash used in investing activities | (21,755) | (17,086) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock from treasury | 177 | 73 |
| Payment of purchase obligation | (6,102) | - |
| Proceeds from long-term borrowings | 3,000 | 28,000 |
| Principal payments on long-term debt | (9,563) | (29,814) |
| Payment of dividends | (877) | (877) |
| Net cash used in financing activities | (13,365) | (2,618) |
| Net change in cash and cash equivalents | 1,839 | (6,082) |
| Cash and cash equivalents at beginning of period | 13,295 | 20,221 |
| Cash and cash equivalents at end of period | \$ 15,134 | \$ 14,139 |

See notes to condensed consolidated financial statements.

CAL-MAINE FOODS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(in thousands, except share amounts)

March 3, 2007

1. Presentation of Interim Information

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included. Operating results for the thirteen-week and thirty-nine week periods ended March 3, 2007 are not necessarily indicative of the results that may be expected for the year ending June 2, 2007.

The balance sheet at June 3, 2006 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in Cal-Maine Foods, Inc.'s annual report on Form 10-K for the fiscal year ended June 3, 2006.

Green Forest Foods, LLC Acquisition

On January 24, 2007, we entered into an agreement to buy the remaining 50 percent interest in Green Forest Foods, LLC, owned by Pier 44 Properties, LLC. Green Forest Foods, LLC located in Green Forest, Arkansas, had been jointly owned and operated by Pier 44 Properties, LLC and Cal-Maine Foods, Inc. since January 2006. Effective January 27, 2007, we became the sole owner and operator of Green Forest Foods, and it became a fully consolidated entity. Prior to this purchase, we accounted for our investment in Green Forest Foods, LLC under the equity method. The acquisition cost was \$2 million in cash. We also assumed \$11.0 million in liabilities, primarily obligations for fixed assets subject to capital leases. Pro forma information with respect to the acquisition is insignificant to the Company's consolidated financial statements and accordingly has not been presented.

Green Forest Foods produces, processes, and markets eggs from approximately one million laying hens, along with pullet growing for replacements.

Hillandale Acquisition

On July 28, 2005, we entered into an Agreement to Form a Limited Liability Company with Hillandale Farms, Inc. and Hillandale Farms of Florida, Inc. (together, "Hillandale"), and the Hillandale shareholders (the "Agreement"). Under the terms of the Agreement, we acquired 51% of the Units of Membership in Hillandale, LLC, formed under the Agreement, for cash of approximately \$27 million on October 12, 2005, with the remaining 49% of the Units of Membership to be acquired in essentially equal annual installments over a four-year period. The purchase price of the Units equals their book value at the time of purchase as calculated under the terms of the Agreement.

In August 2006, in accordance with the Agreement, we purchased, for \$6.1 million, an additional 13% of the Units of Hillandale, LLC based on their book value as of July 29, 2006. Our ownership of Hillandale, LLC currently is 64%. Our obligation to acquire the remaining 36% of Hillandale, LLC is recorded at its present value of \$15.1 million as of March 3, 2007 of which \$5.4 million is included in current liabilities and \$9.7 million is included in other non-current

liabilities in the accompanying consolidated balance sheet. We will purchase an additional 12% of Hillandale LLC based on the book value of the Membership Units as of July 29, 2007.

Prior to the acquisition of our Units of Membership in Hillandale, LLC, we had a 44% membership interest in American Egg Products, LLC (“AEP”) and Hillandale, LLC had a 27.5% membership interest in AEP. Prior to the acquisition of Hillandale, LLC, our membership interest in AEP was accounted for by the equity method. Effective with our acquisition of Hillandale, LLC, we own a majority of the membership interests in AEP. Accordingly, the financial statements of AEP have been consolidated with our financial statements effective July 29, 2005.

We gained effective control of the Hillandale, LLC operations upon signing of the Agreement. Accordingly, the acquisition date for accounting purposes was July 28, 2005. The operations of Hillandale, LLC were consolidated with our operations beginning July 29, 2005.

The unaudited financial information in the table below summarizes the combined results of our operations and Hillandale, LLC, on a pro forma basis, as though we had been combined as of the beginning of the earliest period presented. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the earliest period presented.

| | 39 Weeks Ended | |
|-------------------------------------|----------------|-------------------|
| | March 3, 2007 | February 25, 2006 |
| Net sales | \$ 428,256 | \$ 361,124 |
| Net income (loss) | \$ 18,373 | \$ (4,959) |
| Basic net income (loss) per share | \$ 0.78 | \$ (0.21) |
| Diluted net income (loss) per share | \$ 0.78 | \$ (0.21) |

Stock Based Compensation

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") Statement No. 123 (revised 2004) ("SFAS No. 123(R)", "Share-Based Payment," which is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123(R) supersedes Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and amends SFAS No. 95, "Statement of Cash Flows". SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, restricted stock and performance-based shares to be recognized in the income statement based on their fair values. SFAS No. 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. In the first quarter of fiscal 2007, we adopted SFAS No. 123(R) using the modified prospective method. Under the modified prospective method, compensation cost will be recognized for all share-based payments granted after the adoption of SFAS No. 123(R) and for all awards granted to employees prior to the adoption date of SFAS No. 123(R) that remain unvested on the adoption date. Accordingly, no restatements were made to prior periods. We recognized stock based compensation expense of \$1,269 and \$1,522 for the thirteen week and thirty-nine week periods ended March 3, 2007.

Prior to adoption of SFAS No. 123(R), we applied Accounting Principles Board ("APB") No. 25 in accounting for our employee stock compensation plans and generally recognized no compensation expense for employee stock options. Under the provisions of APB No. 25, we recognized a liability for Stock Appreciation Rights ("SARS") and Tandem Stock Appreciation Rights ("TSARS") (collectively, "Rights") based upon the intrinsic value of vested SARS and TSARS at each period end. Under SFAS No. 123(R), we are required to recognize a liability for vested SARS and TSARS based upon their fair value at each period end using a Black-Scholes option pricing model and to record a cumulative effect adjustment for the change in method of accounting for such liability awards. The cumulative effect resulting from the adoption of SFAS No. 123(R) was insignificant and is included in stock based compensation expense for the current fiscal year.

Our stock-based compensation plans are described in note 1 of the notes to consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 3, 2006. On August 24, 2006, in accordance with provisions of our 2005 Stock Appreciation Rights Plan (the "SARs Plan"), our Board of Directors approved an amendment to the SARs Plan providing that exercises under the SARs Plan be settled in cash and not with shares of

our common stock.

A summary of our equity award activity and related information for the thirty-nine weeks ended March 3, 2007 is as follows:

| | Number of Options | Weighted Exercise Price Per Share | Weighted Average Remaining Contractual Life (in Years) | Aggregate Intrinsic Value |
|----------------------------|-------------------------|--|--|---------------------------------|
| Outstanding, June 3, 2006 | 473,400 | \$ 4.97 | | |
| Granted | - | - | | |
| Exercised | 55,600 | 3.18 | | |
| Forfeited | - | - | | |
| Outstanding, March 3, 2007 | 417,800 | \$ 5.21 | 7.59 | \$ 3,351 |
| Exercisable, March 3, 2007 | 104,240 | \$ 3.99 | 6.73 | \$ 840 |

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The number and weighted average grant-date fair value of non-vested equity awards was as follows:

| | Number of Shares | Weighted Average Grant-Date Fair Value Per Share |
|--------------------------|------------------------|---|
| Nonvested, June 3, 2006 | 395,760 | \$ 2.56 |
| Granted | - | - |
| Vested | (82,200) | 2.52 |
| Forfeited | - | - |
| Nonvested, March 3, 2007 | 313,560 | \$ 2.58 |

A summary of our liability award activity and related information for the thirty-nine weeks ended March 3, 2007 is as follows:

| | Number Of Rights | Weighted Average Strike Price Per Right | Weighted Average Remaining Contractual Life (in Years) | Aggregate Intrinsic Value |
|----------------------------|------------------------|--|--|---------------------------------|
| Outstanding, June 3, 2006 | 586,000 | \$ 5.69 | | |
| Granted | 15,000 | \$ 6.93 | | |
| Exercised | 56,400 | \$ 5.01 | | |
| Forfeited | - | - | | |
| Outstanding, March 3, 2007 | 544,600 | \$ 5.80 | 8.29 | \$ 3,406,822 |
| Exercisable, March 3, 2007 | 123,320 | \$ 5.19 | 7.65 | \$ 846 |

The fair value of liability awards was estimated as of March 3, 2007 using a Black-Scholes option pricing model using the following weighted-average assumptions: risk-free interest rate of 4.5%; dividend yield of 1%; volatility factor of the expected market price of our stock of 36.8%; and a weighted-average expected life of the rights of 4.75 years.

2. Inventories

Inventories consisted of the following:

| | March 3, 2007 | June 3, 2006 |
|-------------------|---------------|--------------|
| Flocks | \$ 38,806 | \$ 39,092 |
| Eggs | 5,452 | 3,820 |
| Feed and supplies | 18,597 | 14,931 |
| | \$ 62,855 | \$ 57,843 |

3. Legal Proceedings

We are defendants in certain legal actions. It is our opinion, based on advice of legal counsel, that the outcome of these actions will not have a material adverse effect on our consolidated financial position or operations. Please refer to Part II, Item 1, of this report for a description of certain pending legal proceedings.

4. Net Income (Loss) per Common Share

Basic earnings (loss) per share are based on the weighted average common shares outstanding. Diluted earnings per share include any dilutive effects of options and warrants. Options and warrants representing 182,793 shares were excluded from the calculation of diluted earnings per share for the thirty-nine week period ended February 25, 2006 because of the net loss for the period.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

| Exhibit No. | Description |
|-------------|--|
| <u>31.1</u> | Certification of The Chief Executive Officer |
| <u>31.2</u> | Certification of The Chief Financial Officer |
| <u>32.0</u> | Written statement of The Chief Executive Officer and The Chief Financial Officer |

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