

American Strategic Minerals Corp
Form 10-Q
November 13, 2012

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

or

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

For the transition period from _____ to _____

AMERICAN STRATEGIC MINERALS CORPORATION
(Exact Name of Registrant as Specified in Charter)

Nevada
(State or other jurisdiction
of incorporation)

333-171214
(Commission File
Number)

01-0949984
(IRS Employer
Identification No.)

C/o National Corporate Research Ltd.
202 South Minnesota Street
Carson City, NV
(Address of principal executive offices)

89703
(Zip Code)

Registrant's telephone number, including area code: (877) 526-7413

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 No

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

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Large accelerated filer	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer (Do not check if smaller reporting company)	<input type="radio"/>	Smaller reporting company	<input checked="" type="radio"/>

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 34,118,127 shares of common stock are issued and outstanding as of November 14, 2012.

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OTHER PERTINENT INFORMATION

Unless specifically set forth to the contrary, “American Strategic Minerals Corporation,” “Amicor,” “we,” “us,” “our” and similar terms refer to American Strategic Minerals Corporation, a Nevada corporation, and subsidiaries.

Item 1. Financial Statements

AMERICAN STRATEGIC MINERALS CORPORATION AND SUBSIDIARIES
(FORMERLY VERVE VENTURES, INC.)
(DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash	\$ 1,525,799	\$ 129,152
Marketable securities - available for sale securities	12,500	-
Note receivable - related party	147,708	-
Deposits in real estate under contract	85,660	-
Deposits pursuant to non-binding agreements	150,000	-
Prepaid expenses and other current assets	57,916	-
Assets of discontinued operations - current portion	-	20,000
Total current assets	1,979,583	149,152
Other assets:		
Real estate held for sale	1,521,247	-
Assets of discontinued operations - long term portion	-	3,500
Total other assets	1,521,247	3,500
Total Assets	\$ 3,500,830	\$ 152,652
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued expenses	\$ 205,192	\$ 4,000
Notes payable - related party	-	152,974
Advances payable	-	100,000
Liabilities of discontinued operations	30,664	-
Total liabilities	235,856	256,974
Stockholders' Equity (deficit):		
Preferred stock, \$.0001 par value, 50,000,000 shares authorized: none issued and outstanding	-	-
Common stock, (\$.0001 par value; 200,000,000 shares authorized; 34,118,127 and 10,000,000 issued and outstanding at September 30, 2012 and December 31, 2011)	3,412	1,000
Additional paid-in capital	9,933,153	4,000
Accumulated other comprehensive income - marketable securities available for sale	(112,500)	-
Accumulated deficit	(6,548,595)	(109,322)

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Total American Strategic Minerals Corporation deficit	3,275,470	(104,322)
Non-controlling interest in subsidiary	(10,496)	-
Total stockholders' equity (deficit)	3,264,974	(104,322)
Total liabilities and stockholders' equity (deficit)	\$ 3,500,830	\$ 152,652

See accompanying notes to unaudited condensed consolidated financial statements.

AMERICAN STRATEGIC MINERALS CORPORATION AND SUBSIDIARIES
(FORMERLY VERVE VENTURES, INC.)
(DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS

ENDED

SEPTEMBER 30, 2012
(Unaudited)

Revenues \$

Expenses

Compensation capital and other expenditures relating to compliance with existing environmental, health and safety laws and re
and related currently aware of any major capital expenditures necessary to comply with such laws and regulations; however
taxes and safety laws and regulations are becoming increasingly more stringent, including those relating to animal wa
there can be no assurance that we will not be required to incur significant costs for compliance with such laws a

Employees. As of July 7, 2014, we had approximately 2,645 employees, of whom 2,080 worked in egg product
167 worked in feed mill operations and 398 were administrative employees, including our executive officers. A
personnel are part-time. None of our employees are covered by a collective bargaining agreement. We consid
be good.

Our Corporate Information

We were founded in 1957 in Jackson, Mississippi. We were incorporated in Delaware in 1969. Our principal ex
Woodrow Wilson Avenue, Jackson, Mississippi 39209. The telephone number of our principal executive office
website at www.calmainefoods.com where general information about our business is available. The information
part of this document. Our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Re
and 5 ownership reports, and all amendments to those reports are available, free of charge, through our website
after they are filed with the SEC. Information concerning corporate governance matters is also available on our

Our Common Stock is listed on The NASDAQ Global Select Market (“NASDAQ”) under the symbol “CALM.” The closing price of our Common Stock on NASDAQ was \$69.76 per share. Our fiscal year 2014 ended May 31, 2014, and the fiscal years 2013 ended August 31, 2013, November 30, 2013, and March 1, 2014. All references herein to a fiscal year mean a fiscal year and all references to a year mean a calendar year.

ITEM 1A. RISK FACTORS

Our business and results of operations are subject to numerous risks and uncertainties, many of which are beyond our control. We have provided a description of the known factors that may materially affect our business, financial condition or results of operations. You should read this information carefully, in addition to the information set forth elsewhere in this Annual Report on Form 10-K, including under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in making any investment decision in our securities. Additional risks or uncertainties that are not currently known to us, that we currently deem to be immaterial, or that our company could also materially adversely affect our business, financial condition or results of operations.

Market prices of wholesale shell eggs are volatile and decreases in these prices can adversely impact our results of operations.

Our operating results are significantly affected by wholesale shell egg market prices, which fluctuate widely and are volatile. As a result, our prior performance should not be presumed to be an accurate indication of future performance. Small changes in demand, such as decreases in demand, can have a large adverse effect on shell egg prices. Shell egg prices trended upward from 2003 to early 2004 when they rose to historical highs. In the early fall of calendar 2004, the demand trend related to the protein diets faded dramatically and prices fell. During the time of increased demand, the egg industry geared up to meet the demand in an oversupply of eggs. Since calendar 2006, supplies have been more closely balanced with demand and egg prices have fluctuated at levels in 2007 and 2008. Egg prices had subsequently retreated from those record price levels due to increases in demand and reached a new high in 2014. There can be no assurance that shell egg prices will remain at or near current levels or that the supply of shell eggs will remain balanced in the future.

Retail sales of shell eggs are greatest during the fall and winter months and lowest in the summer months. Prices fluctuate in response to seasonal factors and a natural increase in shell egg production during the spring and early summer. Sales are highest with the start of the school year and are highest prior to holiday periods, particularly Thanksgiving, Christmas and New Year’s. We generally experience lower sales and net income in our first and fourth fiscal quarters ending in August and May, respectively. Due to these seasonal and quarterly fluctuations, comparisons of our sales and operating results between different quarters are not necessarily meaningful comparisons.

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A decline in consumer demand for shell eggs can negatively impact our business.

We believe fast food restaurant consumption, reports from the medical community regarding the health benefits of cholesterol levels, high protein diet trends and industry advertising campaigns have all contributed to shell egg consumption. There is no assurance that the demand for shell eggs will not decline in the future. Adverse publicity relating to health concerns and perception of the nutritional value of shell eggs, as well as movement away from high protein diets, could adversely affect demand, which would have a material adverse effect on our future results of operations and financial condition.

Feed costs are volatile and increases in these costs can adversely impact our results of operations.

Feed cost represents the largest element of our shell egg (farm) production cost, ranging from 62% to 69% of total production cost over the last five fiscal years. Although feed ingredients are available from a number of sources, we have little, if any, control over the prices of feed ingredients we purchase, which are affected by weather, various supply and demand factors, transportation and energy policies in the U.S. and internationally. For example, the severe drought in the summer of 2012 and resulting crop losses resulted in high and volatile feed costs. Increases in feed costs unaccompanied by increases in the selling price of shell eggs can have an adverse effect on the results of our operations. Alternatively, low feed costs can encourage industry overproduction, which can result in lower egg prices.

Due to the cyclical nature of our business, our financial results from year to year and between different quarters can fluctuate.

The shell egg industry has traditionally been subject to periods of high profitability followed by periods of significant losses. During periods of high profitability, shell egg producers have tended to increase the number of layers in production with the goal of increasing the supply of shell eggs, which generally has caused a drop in shell egg prices until supply and demand return to balance. As a result, our financial results from year to year may vary significantly. Additionally, as a result of seasonal fluctuations, our financial results can vary significantly between different quarters within a single fiscal year.

We purchase approximately 26% of the shell eggs we sell from outside producers and our ability to obtain such eggs at prices acceptable to us could fluctuate.

We produce approximately 74% of the total number of shell eggs sold by us and purchase the remaining amount. If the wholesale price for shell eggs increases, our cost to acquire shell eggs from outside producers increases. There could be an impact on our ability to be able to continue to acquire shell eggs from outside producers in sufficient quantities and satisfactory prices, and this could have a material adverse effect on our business and profitability.

Our acquisition growth strategy subjects us to various risks.

We plan to continue to pursue a growth strategy, which includes acquisitions of other companies engaged in the egg business. In fiscal year 2014 we completed the purchase of our joint venture partner's 50% interest in Delta Egg Farms, Inc. In 2015 we acquired the commercial egg assets of Pilgrim's Pride Corporation and Maxim Production Co., Inc. Acquisitions can divert management's attention from our existing business. Acquisitions also entail an inherent risk that we could incur unknown or other liabilities, including liabilities arising from events or conduct prior to our acquisition of a business that we were not aware of at the time of acquisition. We could incur significantly greater expenditures in integrating an acquired business than we anticipated. We cannot assure you that we:

- will identify suitable acquisition candidates;
- can consummate acquisitions on acceptable terms;
- can successfully integrate an acquired business into our operations; or
- can successfully manage the operations of an acquired business.

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No assurance can be given that companies acquired by us in the future will contribute positively to our results of operations in any particular condition. In addition, federal antitrust laws require regulatory approval of acquisitions that exceed certain thresholds.

The consideration we pay in connection with any acquisition also affects our financial results. If we pay cash, we may use a significant portion of our available cash to consummate the acquisition. To the extent we issue shares of our Common Stock, our ownership may be diluted. In addition, acquisitions may result in the incurrence of debt.

Our largest customers historically accounted for a significant portion of our net sales volume. Accordingly, our results of operations may be affected by the loss of, or reduced purchases by, one or more of our large customers.

For the fiscal years 2014, 2013, and 2012, two affiliated customers, Wal-Mart Stores and Sam's Clubs, on a combined basis, accounted for 30.0%, and 31.3% of our net sales dollars, respectively. For fiscal years 2014, 2013, and 2012, our top ten customers accounted for 65.8%, and 66.3% of net sales dollars, respectively. Although we have established long-term relationships with our customers, they continue to purchase from us based on our ability to service their needs, they are free to acquire shell eggs from other sources. If one or more of our larger customers were to purchase significantly less of our shell eggs in the future or terminate their purchases, and we are not able to sell our shell eggs to new customers at comparable levels, it would have a material adverse effect on our results of operations, condition, and results of operations.

Failure to comply with applicable governmental regulations, including environmental regulations, could harm our results of operations, condition, and reputation. Further, we may incur significant costs to comply with any such regulations.

We are subject to federal, state and local regulations relating to grading, quality control, labeling, sanitary control, and other matters. As a fully-integrated shell egg producer, our shell egg facilities are subject to USDA and FDA regulation, as well as to regulations of state and local health and agricultural agencies. Our shell egg processing facilities are subject to periodic USDA and FDA inspections, and our feed mill facilities are subject to FDA regulation and inspections.

Our operations and facilities are also subject to various federal, state and local environmental, health, and safety regulations. In addition to, among other things, the generation, storage, handling, use, transportation, disposal, and remediation of hazardous materials, under various regulations, we are also required to obtain permits from governmental authorities, including, but not limited to, air quality permits.

If we fail to comply with an applicable law or regulation, or fail to obtain necessary permits, we could be subject to civil or criminal penalties or other sanctions, our reputation could be harmed, and our operating results and financial condition could be materially adversely affected.

addition, because these laws and regulations are becoming increasingly more stringent, there can be no assurance we will not incur significant costs for compliance with such laws and regulations in the future.

Shell eggs and shell egg products are susceptible to microbial contamination, and we may be required to or voluntarily recall shell egg products.

Shell eggs and shell egg products are vulnerable to contamination by pathogens such as Salmonella. Shipment of shell eggs and shell egg products, if contaminated, could result in a violation of law and may lead to increased risk of exposure to product liability claims and increased regulatory scrutiny by federal and state regulatory agencies. In addition, products purchased from other producers could be inadvertently redistributed by us. As such, we may decide or be required to recall a product if we or regulators determine there is a risk. We do not maintain insurance to cover recall losses. Any product recall could result in a loss of consumer confidence, which could adversely affect our reputation with existing and potential customers and have a material adverse effect on our business and financial condition.

Agricultural risks, including outbreaks of avian disease, could harm our business.

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Our shell egg production activities are subject to a variety of agricultural risks. Unusual or extreme weather conditions may materially and adversely affect the quality and quantity of shell eggs we produce and distribute. The Company may take steps to reduce the risk of exposing our flocks to harmful diseases. Despite our best efforts, outbreaks of avian diseases may adversely impact the health of our flocks. An outbreak of avian disease could have a material adverse impact on our operations, including increasing government restrictions on the sale and distribution of our products. Negative publicity from an outbreak may negatively impact customer perception, even if the outbreak does not directly impact our flocks. If a substantial number of our facilities are affected by any of these factors in any given quarter or year, our business, financial condition, and results of operations may be materially and adversely affected.

Our business is highly competitive.

The production and sale of fresh shell eggs, which have accounted for virtually all of our net sales in recent years, require us to compete with a large number of competitors that may prove to be more successful than we are in marketing and sales. We cannot provide assurance that we will be able to compete successfully with any or all of these companies. In addition, we may experience price reductions, greater cyclicalities, reduced margins and loss of market share, which would negatively affect our operations, and financial condition.

Pressure from animal rights groups regarding the treatment of animals may subject us to additional costs to conform to developing standards or subject us to marketing costs to defend challenges to our current practices and protect our reputation.

We and many of our customers are facing pressure from animal rights groups, such as People for the Ethical Treatment of Animals and the Humane Society of the United States, or HSUS, to require that all companies that supply food products to consumers that treats animals in conformity with certain standards developed or approved by these animal rights groups. As a result, we are changing our operating procedures with respect to our flocks of hens to address these concerns. The treatment standards include things, that we provide minimum cage space for our hens and modify beak trimming and forced molting practices (e.g., into a regeneration cycle). These groups have made legislative efforts to ban any form of caged housing in various jurisdictions. Our procedures and infrastructure to conform to these guidelines has resulted and will continue to result in additional costs of shell eggs, including cost increases from housing and feeding the increased flock population resulting from these practices, and the cost for us to purchase shell eggs from our outside suppliers. While some of the increased costs may be passed on to our customers, we cannot provide assurance that we can continue to pass on these costs, or additional costs we will incur.

We are dependent on our management team, and the loss of any key member of this team may adversely affect our ability to execute our business plan in a timely manner.

Our success depends largely upon the continued service of our senior management team. The loss or interruption of any key executive officers could adversely affect our ability to manage our operations effectively and/or pursue our business strategy. We have entered into any employment or non-compete agreements with any of our executive officers nor do we carry any

insurance coverage on any such persons.

We are controlled by a principal stockholder.

Fred R. Adams, Jr., our Founder and Chairman Emeritus, and his spouse own 28.4% of the outstanding shares of our Class A Common Stock, one vote per share. In addition, Mr. Adams and his spouse own 74.8% and his son-in-law, Adolphus B. Baker, our President, Chief Executive Officer and Chairman of the Board, and his spouse own 25.2% of the outstanding shares of our Class A Common Stock. Mr. Baker and his spouse also own 1.8% of the outstanding shares of our Common Stock. As a result, Mr. Adams and his spouse possessed 52.7%, and Messrs. Adams and Baker and their spouses collectively possessed 66.8%, of the outstanding shares of our Common Stock and Class A Common Stock. These stockholdings are represented by the outstanding shares of our Common Stock and Class A Common Stock. These stockholdings include shares of Common Stock accumulated under our employee stock ownership plan for the respective accounts of Messrs. Adams and Baker.

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The Adams family intends to retain ownership of a sufficient amount of Common Stock and Class A Common Stock to maintain ownership of over 50% of the combined voting power of our outstanding shares of capital stock. Such ownership may make the acquisition of the Company more difficult and discourage certain types of transactions involving a change of control, including transactions in which the holders of Common Stock might otherwise receive a premium for their shares over the market price. In addition, certain provisions of our Certificate of Incorporation require that our Class A Common Stock be issued only to Mr. Adams, members of his immediate family, and if shares of our Class A Common Stock, by operation of law or otherwise, are owned by Mr. Adams or a member of his immediate family, the voting power of any such shares shall be automatically restricted to Mr. Adams or a member of his immediate family. Mr. Adams family's controlling ownership of our capital stock may adversely affect the market price of our Common Stock.

Based on Mr. Adams' beneficial ownership of our outstanding capital stock, we are a "controlled company," as defined under NASDAQ's listing standards. Accordingly, we are exempt from certain requirements of NASDAQ's corporate governance standards, including the requirement to maintain a majority of independent directors on our board of directors and the requirement for the determination of compensation of executive officers and the nomination of directors by independent directors.

Current and any future litigation could expose us to significant liabilities and adversely affect our business reputation.

We and certain of our subsidiaries are involved in various legal proceedings. Litigation is inherently unpredictable and, even if we have meaningful defenses in these matters, we may incur judgments or enter into settlements of claims that could have a material adverse effect on our results of operations, cash flow and financial condition. For a discussion of legal proceedings see Item 3 of our Annual Report on Form 10-K. Litigation can be expensive to defend, divert management's attention, and may result in significant judgments or settlements. Legal proceedings can also result in negative publicity, which could adversely affect our business reputation and customer preference for our products.

Impairment in the carrying value of goodwill or other assets could negatively affect our results of operations or financial condition.

Goodwill represents the excess of the cost of business acquisitions over the fair value of the identifiable net assets acquired. We review goodwill at least annually for impairment by assessing qualitative factors to determine whether the existence of goodwill is impaired or a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. We have \$29.2 million of goodwill. While we believe the current carrying value of this goodwill is not impaired, any future impairment could materially adversely affect our results of operations in any particular period or our net worth.

The loss of any registered trademark or other intellectual property could enable other companies to compete more effectively with us.

We utilize intellectual property in our business. For example, we own the trademarks Farmhouse®, Rio Grand®, and 4Grain®. We also produce and market Egg-Land's Best® and Land O' Lakes® under license agreements with others. We have invested a significant amount of money in establishing and promoting our trademarked brands. The loss or expiration of a trademark could adversely affect our business reputation and customer preference for our products.

enable other companies to compete more effectively with us by allowing our competitors to make and sell products we offer. This could negatively impact our ability to produce and sell the associated products, thereby adversely

Extreme weather, natural disasters or other events beyond our control could negatively impact our business.

Fire, bioterrorism, pandemic, extreme weather or natural disasters, including droughts, floods, excessive cold or could impair the health or growth of our flocks, production or availability of feed ingredients, or interfere with operations, outages, fuel shortages, damage to our production and processing facilities or disruption of transportation channels. these factors could have a material adverse effect on our financial results.

Failure of our information technology systems or software, or a security breach of those systems, could adversely affect our operations and decision making processes and have an adverse effect on our performance.

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The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage our business data, communications, logistics, accounting and other business processes. If we are unable to effectively manage the resources necessary to build and sustain an appropriate technology environment, our business or financial results could be impacted. In addition, our information technology systems may be vulnerable to damage or interruption from various sources, including systems failures, viruses, security breaches or cyber incidents such as intentional cyber-attacks aimed at our information technology systems or inadvertent cyber-security compromises. A security breach of such information could result in damage to our reputation and could impact our relations with our customers or employees. Any such damage or interruption could have a material adverse effect on our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We operate farms, processing plants, hatcheries, feed mills, warehouses, offices and other properties located in various states including Georgia, Kansas, Kentucky, Louisiana, Mississippi, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee and Texas. As of May 31, 2014, the facilities included three breeding facilities, two hatcheries, four wholesale distribution centers, 20 feed mills, 27 pullet growing facilities, and 38 processing and packing facilities. We own interests in two companies that operate processing facilities, which are consolidated in our financial statements. Most of our operations are conducted from properties owned or leased by us.

As of May 31, 2014, we owned approximately 25,398 acres of land in various locations throughout our geographic footprint. We have the ability to hatch 21.2 million pullet chicks annually, grow 22.9 million pullets annually, house 37.9 million laying hens, and produce 36.6 million layers, with the remainder controlled by contract growers. We own mills that can produce 696 tons of shell eggs per hour and processing facilities capable of processing 14,160 cases of shell eggs per hour (with each case containing 30 dozen eggs).

Over the past five fiscal years, our capital expenditures, excluding acquisitions of shell egg production and processing facilities, totaled an aggregate amount of approximately \$153.9 million.

ITEM 3. LEGAL PROCEEDINGS

State of Oklahoma Watershed Pollution Litigation

On June 18, 2005, the State of Oklahoma filed suit, in the United States District Court for the Northern District of Oklahoma, against Tyson Foods, Inc. and affiliates, Cobb-Vantress, Inc., Cargill, Inc. and its affiliate, Peterson Farms, Inc. and Simmons Foods, Inc. Cal-Maine Foods, Inc. was dismissed from the lawsuit. The State of Oklahoma claims that through the disposal of chicken litter the defendants have polluted the Illinois River watershed, which provides water to eastern Oklahoma. The complaint seeks injunctive relief and monetary damages, but the claim was dismissed by the court. Cal-Maine Foods, Inc. discontinued operations in the watershed. Accordingly, we do not believe that Cal-Maine Foods, Inc. will be materially affected by the request for injunctive relief unless the court orders substantial affirmative relief. In 2008, Cal-Maine Foods, Inc. purchased 100% of the membership interests of Benton County Foods, LLC, which is an egg operation within the Illinois River Watershed. Benton County Foods, LLC is not a defendant in the litigation.

The trial in the case began in September 2009 and concluded in February 2010. The case was tried to the court and a judgment was not yet issued its ruling. Management believes the risk of material loss related to this matter to be remote.

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Egg Antitrust Litigation

Since September 25, 2008, the Company has been named as one of several defendants in numerous antitrust cases in the shell egg industry. In some of these cases, the named plaintiffs allege that they purchased eggs or egg products and have sued on behalf of themselves and a putative class of others who claim to be similarly situated. In other cases, the named plaintiffs allege that they purchased shell eggs and egg products directly from one or more of the defendants but sue only for the benefit of a putative class. In the remaining cases, the named plaintiffs are individuals or companies who allege that they purchased eggs and egg products indirectly from one or more of the defendants - that is, they purchased from retailers that had purchased from the defendants or other parties - and have sued on behalf of themselves and a putative class of others who claim to be similarly situated.

The Judicial Panel on Multidistrict Litigation consolidated all of the putative class actions (as well as certain other cases in which the Company was not a named defendant) for pretrial proceedings in the United States District Court for the Eastern District of Pennsylvania. The Pennsylvania court has organized the putative class actions around two groups (direct purchasers and indirect purchasers) and has appointed lead counsel for the named plaintiffs in each group.

The Direct Purchaser Putative Class Action. The direct purchaser putative class cases were consolidated into In re: Processed Egg Products Antitrust Litigation, No. 2:08-md-02002-GP, in the United States District Court for the Eastern District of Pennsylvania. The Court entered an order granting preliminary approval of the Company's previously-reported settlement of the direct purchaser putative class for settlement purposes and approving the Notice Plan submitted by the parties. The Court will hold a hearing on the settlement on September 18, 2014. All proceedings against the Company in the direct purchaser putative class action will be stayed until the Court's final approval of the Company's settlement.

The Indirect Purchaser Putative Class Action. The indirect purchaser putative class cases were consolidated into In re: Processed Egg Products Antitrust Litigation, No. 2:08-md-02002-GP, in the United States District Court for the Eastern District of Pennsylvania. The Court granted with prejudice the defendants' renewed motion to dismiss damages claims arising outside the limitations period applicable to the indirect purchaser putative class. On February 10-12, 2015, the Court will hold a hearing on the indirect purchaser plaintiffs' motion for class certification.

The Non-Class Cases. Six of the cases in which plaintiffs do not seek to certify a class have been consolidated into In re: Processed Egg Products Antitrust Litigation, No. 2:08-md-02002-GP, in the United States District Court for the Eastern District of Pennsylvania. The court granted with prejudice the defendants' renewed motion to dismiss the non-class plaintiffs' claims before September 24, 2004. The parties have completed nearly all fact discovery related to these cases. The court's dispositive motions is July 2, 2015.

On May 6, 2014, the Company agreed in principle to settle all claims brought by the four plaintiffs in one of the cases in In re: Processed Egg Products Antitrust Litigation, No. 2:08-md-02002-GP, in the United States District Court for the Eastern District of Pennsylvania. Winn-Dixie Stores, Inc.; Roundy's Supermarkets Inc.; and H.J. Heinz Company, L.P. v. Michael Foods, Inc., et al., Case No. 2:11-cv-00510-GP. The parties are currently finalizing their formal settlement papers. The terms of the settlement are confidential. The Company is settling these claims on terms that are not expected to have a material impact on the Company's results of operations.

On March 3, 2014, all claims against the Company in the Kansas state court case styled as Associated Wholesale Egg Producers, et al., No. 10-CV-2171, were dismissed with prejudice. The Company entered into a confidential settlement with the plaintiffs in this case for an amount and on terms that are not expected to have a material impact on the Company's results of operations.

Allegations in Each Case. In all of the cases described above, the plaintiffs allege that the Company and certain egg producers conspired to reduce the domestic supply of eggs in a concerted effort to raise the price of eggs to artificial levels. The plaintiffs allege that all defendants agreed to reduce the domestic supply of eggs by: (a) agreeing to limit production; (b) agreeing to limit exports; and (c) implementing industry-wide animal welfare guidelines that reduced the number of hens and egg production.

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Both groups of named plaintiffs in the putative class actions seek treble damages and injunctive relief on behalf of putative class members in the United States. Although both groups of named plaintiffs in the putative class actions were filed on January 1, 2000 and running “through the present,” the Court’s ruling on the statute of limitations, described above, means that damages are available. In the direct purchaser putative class action, the Court ruled that the plaintiffs cannot recover damages prior to September 24, 2004. In the indirect purchaser putative class action, the Court ruled that the plaintiffs can recover damages incurred outside the state-specific statute of limitations period applicable to most causes of action asserted, with the period determined on a state-by-state and claim-by-claim basis. The direct purchaser putative class actions allege two causes of action: one for direct purchasers of shell eggs and one for direct purchasers of egg products. The direct purchaser putative class actions seek injunctive relief under the Sherman Act. The indirect purchaser putative class actions seek injunctive relief under the Sherman Act and damages under the common-law of various states and the District of Columbia.

Five non-class cases remain pending against the Company (not counting the case in which the Company is final judgment on the merits papers). In four of the remaining non-class cases, the plaintiffs seek damages and injunctive relief under the Sherman Act. In the remaining non-class case, the plaintiff seeks damages and injunctive relief under the Sherman Act and the Ohio Rev. Code Chapter 149.01 (Valentine Act).

The Pennsylvania court has entered a series of orders related to case management, discovery, class certification, and summary judgment. The Pennsylvania court has not set a trial date for any of the Company’s remaining consolidated cases (non-class and class).

The Company intends to continue to defend the remaining cases as vigorously as possible based on defenses which are meritorious and provable. While management believes that the likelihood of a material adverse outcome in the remaining cases has been significantly reduced as a result of the settlements described above, there is still a reasonable possibility of a material adverse outcome in the remaining egg antitrust litigation. At the present time, however, it is not possible to estimate the amount of any potential liability of the Company because of these cases. Accordingly, adjustments, if any, which might result from the resolution of these cases have not been reflected in the financial statements.

Florida Civil Investigative Demand

On November 4, 2008, the Company received an antitrust civil investigative demand from the Attorney General of the State of Florida. The demand seeks production of documents and responses to interrogatories relating to the production and sale of egg products. The Company is cooperating with this investigation and entered into a tolling agreement with the State of Florida to toll the statute of limitations for one year from the date of the agreement. No allegations of wrongdoing have been made against the Company.

Environmental Information Request

In July 2011, the Company received an information request (“Request”) from the United States Environmental Protection Agency (“EPA”) pursuant to Section 308 of the Clean Water Act (“Act”). The Request stated that the information was sought by the EPA under the Act and requested information pertaining to facilities involved in animal feeding operations, which are owned or operated by the Company or its affiliates. On October 19, 2011, the Company timely responded to the Request by providing information on each of the facilities. The EPA subsequently sent a notice of noncompliance (“Notice”) dated March 29, 2012 to the Company which involved the Company’s non-compliance with the Request and/or the Act. The Notice related to the Company’s Edwards, Mississippi facility.

responded to the Notice on May 2, 2012. The EPA and the Mississippi Department of Environmental Quality (“preliminary findings to the Company alleging potential violations of the Act and/or the Mississippi Air and Water Quality Act”) concerning unpermitted discharges of pollutants to water of the United States and/or Mississippi and violations under the Company’s National Pollution Discharge Elimination System (NPDES) permit for the Edwards, Mississippi facility. The Company reached an agreement in principle with the EPA and the MDEQ to settle all claims related to the Edwards, Mississippi facility and conditions of the proposed settlement related only to the Edwards, Mississippi facility and are not expected to affect the Company’s results of operations.

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Miscellaneous

In addition to the above, the Company is involved in various other claims and litigation incidental to its business. Management, upon the advice of counsel, is of the opinion that the material effect on the Company's consolidated results of operations or financial position.

At this time, it is not possible for us to predict the ultimate outcome of the matters set forth above.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND

ISSUER PURCHASES OF EQUITY SECURITIES

Our Common Stock is traded on the NASDAQ Global Select Market under the symbol "CALM". The last reported closing price of our Common Stock on July 24, 2014 was \$78.77 per share. The following table sets forth the high and low daily sale prices of our Common Stock for the four quarters of fiscal 2013 and fiscal 2014.

Fiscal Year Ended	Fiscal Quarter	Sales Price		Dividends (1)
		High	Low	
June 1, 2013	First Quarter	\$ 41.07	\$ 34.44	\$ 0.130
	Second Quarter	47.00	39.68	0.199
	Third Quarter	47.66	38.51	0.423
	Fourth Quarter	45.39	39.66	-
May 31, 2014	First Quarter	\$ 51.88	\$ 44.70	\$ 0.068
	Second Quarter	54.95	45.83	0.361
	Third Quarter	60.61	49.42	0.591
	Fourth Quarter	69.76	55.47	0.434

(1) Represents dividends paid with respect to such quarter, after the end of the quarter. See "Dividends" below.

There is no public trading market for the Class A Common Stock, all the outstanding shares of which are owned by our Founder and Chairman Emeritus, and his spouse (74.8%), and his son-in-law Adolphus Baker, our President, Chairman of the Board and his spouse (25.2%).

Stockholders

At July 22, 2012, there were approximately 312 record holders of our Common Stock and approximately 14,800 were held by nominees or broker dealers.

Dividends

Cal-Maine has a dividend policy adopted by its Board of Directors. Pursuant to the policy, Cal-Maine pays a dividend on its Common Stock and Class A Common Stock on a quarterly basis for each quarter for which the Company reports earnings. Dividends are paid to shareholders of record as of the 60th day following the last day of such fiscal quarter. For the fourth quarter, the Company will pay dividends to shareholders of record on the 70th day following the end of the quarter, which are payable on the 15th day following the record date. Following a quarter for which the Company does not report earnings, Cal-Maine Foods, Inc., the Company will not pay a dividend for a subsequent profitable quarter until the Company reports earnings on a basis computed from the date of the last quarter for which a dividend was paid. The Company's loan agreement, as approved by its lenders, the Company must limit dividends paid in any quarter to not exceed an amount equal to 10% of the quarter's consolidated net income, which dividends are allowed to be paid if there are no events of default.

Recent Sales of Unregistered Securities

No sales of securities without registration under the Securities Act of 1933 occurred during our fiscal year ended July 22, 2012.

Securities Authorized for Issuance under Equity Compensation Plans

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Equity Compensation Plan Information

	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities available for future issuance under equity compensation plans (excluding amounts already included in (a))
Equity compensation plans approved by shareholders	23,000	\$ 5.93	513,400
Equity compensation plans not approved by shareholders	-	-	-
Total	23,000	\$ 5.93	513,400

(a) Outstanding options granted by the Company under the 2005 Incentive Stock Option Plan. In addition to the 23,000 shares of restricted stock were outstanding under our 2012 Omnibus Long-Term Incentive Plan as of May 31, 2014.

(b) Weighted average exercise price of outstanding options

(c) Shares available for future issuance as of May 31, 2014 under our 2005 Incentive Stock Option Plan (140,000) and our 2012 Omnibus Long-Term Incentive Plan (373,400)

For additional information, see Note 11 to Notes to the Consolidated Financial Statements.

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ITEM 6. SELECTED FINANCIAL DATA

	Fiscal Years Ended		
	May 31 2014 * 52 wks	June 1 2013 + 52 wks	June 2012 53 wks
Statement of Operations Data (in thousands, except per shares data)			
Net sales	\$ 1,440,907	\$ 1,288,104	\$ 1,113,300
Cost of sales	1,138,143	1,073,555	911,300
Gross profit	302,764	214,549	201,700
Selling, general and administrative	156,712	126,956	113,100
Legal settlement expense	-	28,000	-
Operating income	146,052	59,593	88,600
Other income (expense):			
Interest expense, net of interest income	(2,656)	(3,906)	(3,750)
Loss on early extinguishment of debt	-	-	-
Equity in income of affiliates	3,512	3,480	7,495
Gain on sale of investment in Egghland's Best®	-	-	-
Distribution from Egghland's Best®	-	-	38,340
Patronage dividends	6,139	14,300	6,600
Other, net	8,795	2,101	1,738
	15,790	15,975	50,420
Income before income tax and noncontrolling interest	161,842	75,568	139,000
Income tax expense	52,035	24,807	49,100
Net income including noncontrolling interest	109,807	50,761	89,900
Less: Net income (loss) attributable to noncontrolling interest	600	338	232
Net income attributable to Cal-Maine Foods, Inc.	\$ 109,207	\$ 50,423	\$ 89,730
Net income per common share:			
Basic	\$ 4.54	\$ 2.10	\$ 3.76
Diluted	\$ 4.52	\$ 2.10	\$ 3.75
Cash dividends per common share	\$ 1.45	\$ 0.75	\$ 1.25
Weighted average shares outstanding:			
Basic	24,047	23,983	23,870
Diluted	24,148	24,044	23,940
Balance Sheet Data (in thousands)			
Working capital	\$ 324,292	\$ 284,686	\$ 301,500
Total assets	811,661	745,627	726,300
Total debt (including current maturities)	61,093	65,020	76,220
Total stockholders' equity	594,745	518,044	479,300

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Operating Data:

Total number of layers at period ended (thousands)	32,372	30,967	26,17
Total shell eggs sold (millions of dozens)	1,013.7	948.5	884.3

* Results for fiscal 2014 include the results of operations (subsequent to acquisition) of our joint venture partner, Farm, LLC, which was consolidated with our operations as of March 1, 2014. Prior to March 1, 2014, our equity investments in Farm, LLC are included in Equity in income of affiliates.

+ Results for fiscal 2013 include the results of operations (subsequent to acquisition) of the commercial egg producer, Pride Corporation, which were consolidated with our operations as of August 10, 2012, and the commercial egg producer, Co., Inc., which were consolidated with our operations as of November 15, 2012.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

RISK FACTORS; FORWARD-LOOKING STATEMENTS

For information relating to important risks and uncertainties that could materially adversely affect our business, operating results, reference is made to the disclosure set forth under Item 1A above under the caption "Risk Factors." The following discussion includes numerous forward-looking statements relating to us, our results of operations, financial condition, and other matters. Reference is made to the information set forth in the section of Part I immediately preceding Item 1 above under the caption "Forward-Looking Statements."

OVERVIEW

Cal-Maine Foods, Inc. ("we," "us," "our," or the "Company") is primarily engaged in the production, grading, packing, and marketing of fresh shell eggs. Our fiscal year end is the Saturday nearest to May 31 which was May 31, 2014 (52 weeks), June 30, 2013 (52 weeks), and May 31, 2012 (53 weeks) for the most recent three fiscal years.

Our operations are fully integrated. We hatch chicks, grow and maintain flocks of pullets (young female chickens), layers (mature female chickens) and breeders (male or female birds used to produce fertile eggs to be hatched for replacement stock), manufacture feed, and produce, process and distribute shell eggs. We are the largest producer and marketer of shell eggs in the United States. We produce the majority of our shell eggs in the southwestern, southeastern, mid-western, and mid-Atlantic regions of the United States and distribute them through our extensive distribution network to a diverse group of customers, including national and regional grocery stores, foodservice distributors, and egg product consumers.

Our operating results are directly tied to egg prices, which are highly volatile and subject to wide fluctuations, and are influenced by many factors. For example, the Urner-Barry Southeastern Regional Large Egg Market Price per dozen eggs, annual average, for our fiscal year ended May 31, 2014 was \$1.43, a low of \$0.72 during 2005 to a high of \$1.43 during fiscal 2014. The shell egg industry has traditionally been characterized by periods of high profitability followed by periods of significant loss. In the past, during periods of high profitability, shell egg prices have driven a large number of layers in production with a resulting increase in the supply of shell eggs, which generally caused a drop in prices and demand returned to balance. As a result, our financial results from year to year may vary significantly. Shell egg prices are generally highest during the fall and winter months and lowest during the summer months. Our egg prices are generally highest in the last and first fiscal quarters ending in May and August, respectively, when egg prices are lowest. Prices for shell eggs fluctuate in response to seasonal factors and a natural increase in shell egg production during the summer. Shell egg prices tend to increase with the start of the school year and are highest prior to holiday periods such as Christmas, and Easter. Consequently, we generally experience lower sales and net income in our first and fourth quarters, respectively, and May, respectively. Because of the seasonal and quarterly fluctuations, comparisons of our sales and operating

quarters within a single fiscal year are not necessarily meaningful comparisons.

For fiscal 2014, we produced approximately 74% of the total number of shell eggs sold by us, with approximate production being provided by contract producers. Contract producers utilize their facilities in the production of . We own the shell eggs produced under these arrangements. For fiscal 2014, approximately 26% of the total number purchased from outside producers for resale.

Our cost of production is materially affected by feed costs, which are highly volatile and subject to wide fluctuations averaged about 66% of our total farm egg production cost. Changes in market prices for corn and soybean meal feed we use, result in changes in our cost of goods sold. For example for our last five fiscal years, average feed cost from a low of \$0.35 in fiscal 2010 to a high of \$0.54 in fiscal 2013. The cost of our feed ingredients, which are affected by factors over which we have little or no control such as volatile price changes caused by weather, size of harvest, supply demand and the agricultural and energy policies of the U.S. and foreign governments. Favorable weather conditions for the 2014 crop should increase available supplies for both corn and soybean meal for fiscal year 2015, however we expect costs to remain volatile.

The acquisition of our joint venture partner's 50% interest in Delta Egg Farm, LLC ("Delta Egg") and the purchase of Pilgrim's Pride Corporation and Maxim Production Co., Inc. as described in Note 2 of the Notes to the

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Consolidated Financial Statements are referred to below as the “Acquisitions”. Our fiscal 2014 and 2013 financial statements include Delta Egg beginning March 1, 2014, Maxim beginning November 15, 2012, and Pilgrim’s Pride beginning August 1, 2014, our 50% interest in the earnings of Delta Egg is included in equity in earnings of affiliates under the equity method.

RESULTS OF OPERATIONS

The following table sets forth, for the years indicated, certain items from our consolidated statements of income and balance sheets.

Percentage of Net Sales

Fiscal Years Ended

	May 31, 2014		June 1, 2013
Net sales	100.0	%	100.0
Cost of sales	79.0		83.3
Gross profit	21.0		16.7
Selling, general & administrative expenses	10.9		9.9
Legal settlement expense	-		2.2
Operating income	10.1		4.6
Other income	1.1		1.2
Income before taxes	11.2		5.8
Income tax expense	3.6		1.9
Net income including noncontrolling interests	7.6		3.9
Less: Net income (loss) attributable to noncontrolling interests	0.0		0.0
Net income attributable to Cal-Maine Foods, Inc.	7.6	%	3.9

Executive Overview of Results – May 31, 2014, June 1, 2013, and June 2, 2012

Our operating results are significantly affected by wholesale shell egg market prices and feed costs, which can be outside of our control. The majority of our shell eggs are sold at prices related to the Urner Barry Spot Egg Market Quotation for the southern and southcentral regions of the country, or formulas related to our costs of production which include the cost of corn and soybeans.

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following table shows our net income, net average shell egg selling price, feed cost per dozen produced, and the large shell egg prices in the southeast region, for each of our three most recent fiscal years.

Fiscal Year ended	May 31, 2014	June 1, 2013
Net income attributable to Cal-Maine Foods, Inc. - (in thousands)	\$ 109,207	\$ 50,
Gross profit (in thousands)	302,764	214,549
Net average shell egg selling price (rounded)	1.36	1.30
Feed cost per dozen produced	0.493	0.540
Average Urner Barry Spot Egg Market Quotations ¹	1.43	1.35

1- Average daily price for the large market (i.e. generic shell egg) in the southeastern region

The shell egg industry has traditionally been subject to periods of high profitability followed by periods of significant loss. Periods of high profitability reflect increased consumer demand relative to supply while the periods of significant loss reflect

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excess supply for the then prevailing consumer demand. Historically, demand for shell eggs increases in line with demand reflected above, our operating results fluctuate with changes in the spot egg market quote and feed costs. The net average selling price is the blended price for all sizes and grades of shell eggs, including non-graded shell egg sales, breaking stock and undergrades. Our net average selling price and feed costs increased significantly from previous levels. In fiscal year 2013 feed costs increased significantly and our average net selling price increased compared to the prior year. In fiscal 2014 our average net selling price increased, reflecting strong demand for shell eggs across our markets, and feed costs decreased over the previous year. Our net average selling price increased significantly compared to the prior year, primarily due to an increase in dozens sold and selling prices, and legal settlement expenses that were included fiscal 2013 related to antitrust litigation.

Fiscal Year Ended May 31, 2014 Compared to Fiscal Year Ended June 1, 2013

NET SALES

In fiscal 2014, approximately 96% of our net sales consisted of shell eggs, approximately 3% was egg products, and approximately 1% consisted of incidental feed and feed ingredients. Net sales for the fiscal year ended May 31, 2014 were \$1,440.9 million, an increase of 11.9%, from net sales of \$1,288.1 million for fiscal 2013. In fiscal 2014 total dozens of eggs sold increased and compared to fiscal 2013. In fiscal 2014 total dozens of shell eggs sold were 1,013.7 million, an increase of 65.2% compared to 948.5 million sold in fiscal 2013. Our average selling price of shell eggs increased from \$1.301 per dozen for fiscal 2014, an increase of \$0.061 per dozen, or 4.7%, reflecting strong demand for shell eggs across all markets, as a percentage of specialty egg sales. Our net average shell egg selling price is the blended price for all sizes and grades of non-graded shell egg sales, breaking stock and undergrades. Our operating results are significantly affected by changes in market prices, which are outside of our control. Small changes in production or demand levels can have a large effect on our operating results.

On a comparable basis, excluding the Acquisitions, net sales for fiscal 2014 were \$1,277.8 million, an increase of 11.9% compared to net sales of \$1,187.1 for fiscal 2013. Dozens sold for fiscal 2014, excluding the Acquisitions, were 866.0 million, or 2.1% as compared to 866.0 million for fiscal 2013.

The table below represents an analysis of our non-specialty and specialty, as well as co-pack specialty, shell egg sales. For a discussion of the information presented in the table.

Fiscal Years Ended		Quarters Ended
(52 weeks)		(13 weeks)
May 31, 2014	June 1, 2013	May 31, 2014
(Amounts in thousands)		(Amounts in thousands)

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Total net sales	\$ 1,440,907	\$ 1,288,104	\$ 371,582
Non-specialty shell egg sales	990,073	900,259	252,869
Specialty shell egg sales	337,243	293,201	90,632
Co-pack specialty shell egg sales	52,786	40,175	13,950
Other	7,590	5,733	1,759
Net shell egg sales	\$ 1,387,692	\$ 1,239,368	\$ 359,210
Net shell egg sales as a percent of total net sales	96%	96%	97%
Non- specialty shell egg dozens sold	812,031	772,140	195,555
Specialty shell egg dozens sold	174,364	155,569	46,681
Co-pack specialty shell egg dozens sold	27,301	20,747	7,203
Total dozens sold	1,013,696	948,456	249,439

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In fiscal 2014, we identified an additional category of specialty sales that are sold primarily through co-pack arrangements in the industry whereby production and processing of certain products is outsourced to another producer. Shell egg sales represented 27.3 million and 20.7 million dozen for the fiscal years 2014 and 2013, respectively. These dozens represent non-specialty shell egg sales.

Our non-specialty shell eggs include all shell egg sales not specifically identified as specialty or co-pack specialty sales. The non-specialty shell egg market is characterized generally by an inelasticity of demand, and small increases in production can have a large adverse effect on prices and vice-versa. In fiscal 2014, non-specialty shell eggs represented approximately 72.6% of shell egg dollar sales, compared to 72.6% for fiscal 2013. Sales of non-specialty shell eggs accounted for approximately 81.4% of total shell egg dozen volumes in fiscal 2014, compared to 81.4% in fiscal 2013.

For the thirteen-week period ended May 31, 2014, non-specialty shell eggs represented approximately 70.4% of total shell egg dollar sales, compared to 71.4% for the thirteen-week period ended June 1, 2013. For the thirteen-week period ended May 31, 2014, non-specialty shell eggs accounted for approximately 78.4% of the total shell egg dozen volume, compared to 81.3% for the thirteen-week period ended June 1, 2013.

Specialty eggs, which include nutritionally enhanced, cage free, organic and brown eggs, continued to make up a significant portion of shell egg sales dollars and dozens in fiscal 2014. For fiscal 2014, specialty eggs accounted for 24.3% of shell egg dollar sales, compared to 23.7% in fiscal 2013, and 17.2% of shell egg dozens sold in fiscal 2014, compared to 16.4% in fiscal 2013. Additionally, specialty eggs sold through co-pack arrangements accounted for 3.8% of shell egg dollar sales, compared to 3.2% in fiscal 2013, and 2.2% of shell egg dozens sold in fiscal 2014, compared to 2.2% in fiscal 2013. Specialty egg retail prices are less cyclical than commodity prices and are generally higher due to consumer willingness to pay for the increased benefits from these products.

For the thirteen-week period ended May 31, 2014, specialty shell eggs and specialty shell eggs sold through co-pack arrangements accounted for approximately 25.2% and 3.9%, of our shell egg dollar sales, compared to 24.5% and 3.5% for the thirteen-week period ended June 1, 2013, respectively. For the thirteen-week period ended May 31, 2014, specialty shell eggs and specialty shell eggs sold through co-pack arrangements accounted for approximately 18.7% and 2.9% of the total shell egg dozen volume, compared to 16.4% and 2.3% for the thirteen-week period ended June 1, 2013, respectively.

The shell egg sales classified as “Other” represent hard cooked eggs, hatching eggs, and other egg products, which are sold through our operations.

Egg products are shell eggs that are broken and sold in liquid, frozen, or dried form. Our egg products are sold through our subsidiaries American Egg Products, LLC (“AEP”) and Texas Egg Products, LLC (“TEP”). For fiscal 2014 our egg products sales were \$41.8 million, an increase of \$6.5 million, or 18.4%, compared to \$35.3 million for fiscal 2013. Our volume of egg products was 48.9 million pounds, a decrease of 3.1 million pounds, or 6.0%, compared to 52.0 million pounds for fiscal 2013. The increase in sales for fiscal 2014 was offset by significantly higher market prices for liquid whole eggs and egg whites due to increased demand for these products, driven by the quick serve restaurant industry as well as export sales. In fiscal 2014, the price per pound of egg products was \$0.85, compared to \$0.68 for fiscal 2013.

\$0.855 compared to \$0.679 for fiscal 2013, an increase of 25.9%.

COST OF SALES

Cost of sales consists of costs directly related to production, processing and packing shell eggs, purchases of shell eggs, processing and packing of liquid and frozen egg products and other non-egg costs. Farm production costs are the cost of the production facility, including feed, facility, hen amortization, and other related farm production costs.

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The following table presents the key variables affecting our cost of sales:

(Amounts in thousands)	Fiscal Year Ended		Percent Change	Quarter En
	May 31, 2014	June 1, 2013		May 31, 2014
Cost of sales:				
Farm production	\$ 575,392	\$ 545,253	5.5 %	\$ 171,140
Processing and packaging	156,088	137,494	13.5 %	41,983
Outside egg purchases and other	371,885	360,257	3.2 %	57,336
Total shell eggs	1,103,365	1,043,004	5.8 %	270,459
Egg products	33,509	29,549	13.4 %	9,436
Other	1,269	1,002	26.6 %	396
Total	\$ 1,138,143	\$ 1,073,555	6.0 %	\$ 280,291
Farm production cost (cost per dozen produced)				
Feed	\$ 0.49	\$ 0.54	(9.3) %	\$ 0.48
Other	0.25	0.24	4.2 %	0.26
Total	\$ 0.74	\$ 0.78	(5.1) %	\$ 0.74
Outside egg purchases (average cost per dozen)	\$ 1.37	\$ 1.29	6.0 %	\$ 1.44
Dozen produced	750,302	704,388	6.5 %	195,630
Dozen sold	1,013,696	948,456	6.9 %	249,439

Cost of sales for the fiscal year ended May 31, 2014 was \$1,138.1 million, an increase of \$64.5 million, or 6.0% for fiscal 2013. Dozens produced increased and dozens purchased from outside shell egg producers increased for fiscal 2014 compared to fiscal 2013. This fiscal year we produced 74.0% of the eggs sold for the previous year. Feed cost for fiscal 2014 was \$0.49 per dozen, compared to \$0.54 per dozen for the prior year, a 9.3% decrease. Gross profit increased from 16.7% of net sales for fiscal 2013 to 21.0% of net sales for fiscal 2014, primarily due to lower feed costs and increased egg prices.

On a comparable basis, excluding the Acquisitions, cost of sales for the fiscal year ended May 31, 2014 were \$1,116.5 million, or 2.2% higher, compared to cost of sales of \$984,000 for the fiscal year ended June 1, 2013.

Cost of sales for the thirteen-week period ended May 31, 2014 was \$280.3 million, an increase of \$5.9 million, million for the thirteen-week period ended June 1, 2013. Feed cost per dozen for the fourth quarter of fiscal 2014 for comparable fiscal 2013 fourth quarter, a decrease of 7.7%.

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SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

(Amounts in thousands)	Fiscal Years Ended 52 Weeks Actual			Adjusted for Acquisitions	
	May 31, 2014	June 1, 2013	Change	May 31, 2014	June 1, 2013
Stock compensation expense	\$ 1,794	\$ 603	\$ 1,191	\$ 1,794	\$ 603
Specialty egg expense	46,298	36,926	9,372	45,667	36,415
Payroll and overhead	29,413	27,003	2,410	26,683	25,200
Other expenses	36,161	24,309	11,852	26,131	22,200
Delivery expense	43,046	38,115	4,931	36,934	35,000
Total	\$ 156,712	\$ 126,956	\$ 29,756	\$ 137,209	\$ 119,615

Selling, general and administrative expenses include costs of marketing, distribution, accounting and corporate administrative expense was \$156.7 million in fiscal 2014, an increase of \$29.8 million, or 23.4%, compared to \$126.9 million in fiscal 2013. Excluding the Acquisitions, selling, general, and administrative expense for fiscal year 2014 was \$137.2 million, an increase of 14.7%, compared to \$119.6 million in fiscal year 2013. Stock compensation expense increased \$1.2 million for fiscal 2014 compared to \$0.6 million in fiscal 2013. Stock compensation expense is dependent on the closing price of the Company's Common Stock. For our stock compensation arrangements classified as liability awards, we recognize increases or decreases in the value of such awards as income or expense, respectively, to stock compensation expense. The increase in specialty egg expense for fiscal 2014 compared to fiscal 2013 is a 12.1% increase in specialty shell egg dozens sold resulting in an increase in advertising promotions and franchise fees. Excluding Acquisitions, payroll and overhead increased compared to the same period the prior year due to general salary increases. Excluding Acquisitions, sales, payroll and overhead is 2.1% for fiscal 2014 and fiscal 2013. Excluding the Acquisitions, other expenses including repairs, professional fees, and insurance, increased as a result of a confidential legal settlement and related legal and other tax expense. During fiscal 2014 we recognized \$4.4 million in expense resulting from the increase in consideration applicable to our acquisition of the commercial egg assets of Maxim Production Co., Inc., compared to \$1.3 million in income from the decrease in the fair value of the contingent consideration, both of which are non-recurring expenses. See Note 16 to Notes to Consolidated Financial Statements for additional information. Delivery expense increased \$4.9 million in fiscal 2014 compared to \$4.9 million in fiscal 2013 due to an increase in contract trucking. As a percent of net sales, selling, general and administrative expenses were 10.9% in fiscal 2014 compared to 10.9% in fiscal 2013.

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(Amounts in thousands)	Quarters Ended 13 Weeks Actual			Adjusted for Acquisitions	
	May 31, 2014	June 1, 2013	Change	May 31, 2014	June 1, 2013
Stock compensation expense	\$ 753	\$ (109)	\$ 862	\$ 753	\$ (109)
Specialty egg expense	12,414	8,864	3,550	12,230	8,720
Payroll and overhead	9,507	8,898	609	8,444	8,270
Other expenses	9,499	3,624	5,875	4,806	3,680
Delivery expense	11,590	9,493	2,097	9,644	8,290
Total	\$ 43,763	\$ 30,770	\$ 12,993	\$ 35,877	\$ 23,770

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Selling, general, and administrative expense was \$43.8 million for the thirteen-week period ended May 31, 2014, compared to \$30.8 million for the thirteen-week period ended June 1, 2013. Excluding the Acquisitions administrative expense for the thirteen-week period ended May 31, 2014 was \$35.9 million, an increase of \$7.0 million compared to \$28.9 million for the thirteen-week period ended June 1, 2013. The increase in specialty egg expense for the thirteen-week period ended May 31, 2014 compared to the same period of fiscal 2013 is attributable to a 16.9% increase specialty shell egg dozens sold, advertising promotions and franchise expense.

OPERATING INCOME

As a result of the above, our operating income was \$146.1 million for fiscal 2014, compared to \$59.6 million for fiscal 2013. As a percent of net sales for fiscal 2014 was 10.1%, compared to 4.6% for fiscal 2013. In fiscal 2013 we recorded a \$28.0 million related to the settlement reached in the In re Processed Egg Products Antitrust litigation.

OTHER INCOME (EXPENSE)

Total other income (expense) consists of income (expenses) not directly charged to, or related to, operations such as interest income, and patronage income, equity in earnings of affiliates, among other items. Total other income for fiscal 2014 was \$8.8 million compared to \$16.0 million for fiscal 2013. As a percent of net sales, total other income was 1.1% for fiscal 2014 compared to 1.1% for fiscal 2013.

Patronage income was \$6.1 million for fiscal 2014, a decrease of \$8.2 million, compared to \$14.3 million for fiscal 2013. The decrease in patronage refunds received from Egglund's Best, Inc.

Other income, net, increased from \$2.1 million in fiscal 2013 to \$8.8 million in fiscal 2014 primarily due to a net gain of \$6.7 million for the remeasurement of our equity interest in Delta Egg to the fair value in connection with the purchase of a 50% membership interest on March 1, 2014.

INCOME TAXES

For the fiscal year ended May 31, 2014, our pre-tax income was \$161.8 million, compared to \$75.6 million for fiscal 2013. Income tax expense of \$52.0 million was recorded for fiscal 2014 with an effective income tax rate of 32.1%, compared to \$24.8 million for fiscal 2013 with an effective income tax rate of 32.8%. Included in fiscal 2014 income tax expense are items related to the acquisition of Delta Egg in a \$3.3 million decrease to deferred income tax expense related to the outside basis of our equity investment in Delta Egg.

non-recurring, non-cash \$1.5 million reduction to income taxes expense on the non-taxable remeasurement gain

Other items causing our effective rate to differ from the federal statutory income tax rate of 35% are state income taxes included in income or loss for financial reporting purposes that are not included in taxable income or loss for income tax purposes, exempt interest income, the domestic manufacturers deduction, and net income or loss attributable to noncontrolling interest.

NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST

Net income attributable to noncontrolling interest in AEP and TEP for fiscal 2014 was \$600,000 as compared to \$1,000 for fiscal 2013.

NET INCOME ATTRIBUTABLE TO CAL-MAINE FOODS, INC.

As a result of the above, net income for fiscal 2014 was \$109.2 million, or \$4.54 per basic share and \$4.52 per diluted share for fiscal 2014, as compared to \$109.2 million, or \$2.10 per basic and diluted share for fiscal 2013.

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Fiscal Year Ended June 1, 2013 Compared to Fiscal Year Ended June 2, 2012

NET SALES

In fiscal 2013, approximately 96% of our net sales consisted of shell eggs, approximately 3% was for egg products consisting of incidental feed and feed ingredients. Net sales for the fiscal year ended June 1, 2013 were \$1,288.1 million, or 15.7%, from \$1,113.1 million for fiscal 2012. In fiscal 2013 total dozens of eggs sold and egg selling price were 948.5 million, an increase of 64.2 million dozens, or 7.2%, from 884.3 million sold in fiscal 2012. Our average selling price of shell eggs increased from \$1.205 per dozen for fiscal 2012 to \$1.288 for fiscal 2013, an increase of \$0.096 per dozen, or 8.0%. Our net average shell egg selling price is the blended price for including non-graded shell egg sales, breaking stock and undergrades. Our operating results are significantly affected by market prices, which are outside of our control. Small changes in production or demand levels can have a large

On a comparable basis, excluding the Acquisitions, net sales for fiscal 2013 were \$1,187.1, an increase of \$74 million from sales of \$1,113.1 for fiscal 2012. Dozens sold for fiscal 2013, excluding the Acquisitions, were 866.0 million, a 2.1% increase as compared to 844.3 million for fiscal 2012.

The table below represents an analysis of our non-specialty and specialty shell egg sales. Following the table is a breakdown of our net sales presented in the table.

	Fiscal Years Ended (52 & 53 weeks)		Quarters Ended (13 & 14 weeks)	
	June 1, 2013	June 2, 2012	June 1, 2013	June 2, 2012
	(Amounts in thousands)		(Amounts in thousands)	
Total net sales	\$ 1,288,104	\$ 1,113,116	\$ 325,933	\$ 325,933
Non-specialty shell egg sales	940,434	809,163	234,568	195,000
Specialty shell egg sales	293,201	256,559	76,868	68,300
Other	5,733	4,082	1,785	747
Net shell egg sales	\$ 1,239,368	\$ 1,069,804	\$ 313,221	\$ 313,221
Net shell egg sales as a percent of total net sales	96%	96%	96%	96%
Non- specialty shell egg dozens sold	792,887	739,915	203,348	191,000

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Specialty shell egg dozens sold	155,569	144,359	39,932	37,6
Total dozens sold	948,456	884,274	243,280	228

In fiscal 2013, non-specialty shell eggs represented approximately 75.9% of our shell egg dollar sales, compared to 73.9% for the fourteen-week period ended June 2, 2012. Of non-specialty shell eggs accounted for approximately 83.6% of our total shell egg dozen volumes in fiscal 2013, compared to 83.5% for the fourteen-week period ended June 2, 2012.

For the thirteen-week period ended June 1, 2013, non-specialty shell eggs represented approximately 74.9% of our shell egg dollar sales, compared to 73.9% for the fourteen-week period ended June 2, 2012. For the thirteen-week period ended June 1, 2013, non-specialty shell eggs accounted for approximately 83.6% of the total shell egg dozen volume, compared to 83.5% for the fourteen-week period ended June 2, 2012.

Specialty eggs, which include nutritionally enhanced, cage free, organic and brown eggs, continued to make up a significant portion of our shell egg sales dollars and dozens in fiscal 2013. For fiscal 2013, specialty eggs accounted for 23.7% of shell egg dollar sales, compared to 16.3% in fiscal 2012, and 16.4% of shell egg dozens sold in fiscal 2013, compared to 16.3% in fiscal 2012. Due to larger increases in non-specialty egg sales compared to specialty egg prices, specialty shell egg sales as a percent of total dollar sales decreased in fiscal 2013 compared to fiscal 2012. Specialty egg retail prices are less cyclical than non-specialty egg prices and are generally higher due to consumer willingness to pay for the increased benefits from these products.

For the thirteen-week period ended June 1, 2013, specialty shell eggs represented approximately 24.5% of our shell egg dollar sales, compared to 25.8% for the fourteen-week period ended June 2, 2012. For the thirteen-week period ended June 1, 2013, specialty shell eggs accounted for approximately 16.4% of our total shell egg dozen volume, compared to 16.3% for the fourteen-week period ended June 2, 2012.

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2013, specialty shell eggs accounted for approximately 16.4% of the total shell egg dozen volume, compared to period ended June 2, 2012.

The shell egg sales classified as “Other” represent sales of hard cooked eggs, hatching eggs, and other egg products from shell egg operations.

Egg products are shell eggs that are broken and sold in liquid, frozen, or dried form. Our egg products are sold through American Egg Products, LLC (“AEP”) and Texas Egg Products, LLC (“TEP”). For fiscal 2013 our egg product sales were \$35.3 million compared to \$32.9 million for fiscal 2012. Our volume of egg products sold for fiscal 2013 was 52.0 million pounds, or 5.8%, compared to 55.2 million pounds for fiscal 2012. This decrease is due to a reduced supply of egg products. The price per pound of egg products sold was \$0.679 compared to \$0.596 for fiscal 2012, an increase of 13.9%. Egg product sales increased in fiscal 2013 year due to a favorable change in the mix of products sold.

COST OF SALES

Cost of sales consists of costs directly related to production, processing and packing shell eggs, purchases of shell eggs, processing and packing of liquid and frozen egg products and other non-egg costs. Farm production costs are the production facility, including feed, facility, hen amortization, and other related farm production costs.

The following table presents the key variables affecting our cost of sales:

(Amounts in thousands)	Fiscal Year Ended (52 & 53 weeks)			Quarter Ended (13 & 14 weeks)	
	June 1, 2013	June 2, 2012 +	Percent Change	June 1, 2013	June 2, 2012 +
Cost of sales:					
Farm production	\$ 545,253	\$ 475,774	14.6 %	\$ 137,827	\$ 121,224
Processing and packaging	137,494	122,195	12.5 %	36,358	32,316
Outside egg purchases and other	360,257	284,348	26.7 %	92,540	73,751
Total shell eggs	1,043,004	882,317	18.2 %	266,725	227,291
Egg products	29,549	28,136	5.0 %	7,584	6,474
Other	1,002	881	13.7 %	135	125
Total	\$ 1,073,555	\$ 911,334	17.8 %	\$ 274,444	\$ 233,890

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Farm production cost (cost per dozen produced)					
Feed	\$ 0.54	\$ 0.47	14.9 %	\$ 0.52	\$ 0.48
Other	0.24	0.24	0.0 %	0.25	0.24
Total	\$ 0.78	\$ 0.71	9.9 %	\$ 0.77	\$ 0.72
Outside egg purchases (average cost per dozen)	\$ 1.29	\$ 1.19	8.7 %	\$ 1.28	\$ 1.15
Dozen produced	704,388	662,975	6.2 %	181,005	171,190
Dozen sold	948,456	884,274	7.3 %	243,280	228,810

+ Cost of sales for the fourteen and fifty three-week periods ended June 2, 2012 was reduced by \$1.6 million for proceeds received under our business interruption coverage related to the finalization of the Shady Dale, Georgia fire insurance claim in the fourth quarter of fiscal 2012.

Cost of sales for the fiscal year ended June 1, 2013 was \$1,073.6 million, an increase of \$162.3 million, or 17.8% for fiscal 2012. Dozens produced, dozens purchased from outside shell egg producers, and cost of feed ingredients for fiscal year 2013 we produced 74.3% of the eggs sold by us, as compared to 75.0% for

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the previous year. Feed cost for fiscal 2013 was \$0.541 per dozen, compared to \$0.469 per dozen for the prior fiscal year, an increase of 15.4%. Gross profit decreased from 18.1% of net sales for fiscal 2012 to 16.7% of net sales for fiscal 2013.

On a comparable basis, excluding the Acquisitions, cost of sales for the fiscal year ended June 1, 2013 were \$98.1 million, or 8.0%, compared to \$911.3 million for the fiscal year ended June 2, 2012. Dozens produced decreased, shell egg producers increased, and cost of feed ingredients increased in fiscal 2013.

Cost of sales for the thirteen-week period ended June 1, 2013 was \$274.4 million, an increase of \$40.5 million, or 14.8%, compared to \$233.9 million for the fourteen-week period ended June 2, 2012. Feed cost per dozen for the fourth quarter of fiscal 2013 was \$0.541, an increase of 9.8% compared to \$0.493 for the fourth quarter of fiscal 2012, an increase of 9.8%.

On a comparable basis, excluding the Acquisitions, cost of sales for the thirteen-week period ended June 1, 2013 was \$274.4 million, an increase of \$40.5 million, or 14.8%, compared to cost of sales of \$233.9 million for the fourteen-week period ended June 2, 2012, an increase of 17.3%.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

(Amounts in thousands)	Fiscal Years Ended 52 Weeks & 53 Weeks			Adjusted for Acquisitions	
	Actual June 1, 2013	June 2, 2012	Change	June 1, 2013	June 2, 2012
Stock compensation expense	\$ 603	\$ 502	\$ 101	\$ 603	\$ 502
Specialty egg expense	36,926	33,541	3,385	36,490	33,541
Payroll and overhead	27,003	23,784	3,219	25,201	23,784
Other expenses	24,309	20,094	4,215	22,223	20,094
Delivery expense	38,115	35,209	2,906	35,080	35,209
Total	\$ 126,956	\$ 113,130	\$ 13,826	\$ 119,597	\$ 113,130

Selling, general and administrative expenses include costs of marketing, distribution, accounting and corporate administrative expense was \$127.0 million in fiscal 2013, an increase of \$13.9 million, or 12.3%, compared to \$113.1 million in fiscal 2012. Excluding the Acquisitions, selling, general, and administrative expense for fiscal year 2013 was \$119.6 million, or 10.1%, compared to \$113.1 million in fiscal 2012. Stock compensation expense increased \$101,000 for the current period. Stock compensation expense is dependent on the closing price of the Company's Common Stock. For our stock compensation arrangements classified as liability awards, we recognize increases or decreases in the value of such awards as increases or decreases, respectively, to stock compensation expense. The increase in specialty egg expense is attributable to our continued production of specialty eggs as well as the increase in the dozens of specialty eggs sold this year as compared to last fiscal year. Excluding the Acquisitions, overhead increased compared to the same period the prior year due to general salary increases. As a percentage of net sales, overhead is 2.1% for fiscal 2013 and fiscal 2012. Excluding the Acquisitions, other expenses, which include expenses for insurance, increased primarily due to an increase in insurance, bad debt expense, and professional fees related to the Acquisitions. Expense also includes a gain of \$1.3 million related to the fair value adjustment of contingent consideration associated with the commercial egg assets of Pilgrim's Pride Corporation. Delivery expense remained relatively the same compared to last fiscal year as expenses leveling off and an increase in backhaul income. As a percent of net sales, selling, general and administrative expenses were 10.1% in fiscal 2012 to 9.9% in fiscal 2013.

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In fiscal 2013 we recognized legal settlement expenses of \$28.0 million related to antitrust litigation settled in the first quarter of 2013. Legal settlement expense as a percent of net sales was 2.2% in fiscal 2013 (see Note 14 in the Notes to Consolidated Financial Statements).

(Amounts in thousands)	Quarters Ended 13 Weeks & 14 Weeks Actual			Adjusted for Acquisitions	
	June 1, 2013	June 2, 2012	Change	June 1, 2013	June 2, 2012
Stock compensation expense	\$ (109)	\$ (120)	\$ 11	\$ (109)	\$ (120)
Specialty egg expense	8,864	7,448	1,416	8,727	7,448
Payroll and overhead	8,898	7,462	1,436	8,279	7,462
Other expenses	3,624	4,949	(1,325)	3,683	4,949
Delivery expense	9,493	9,533	(40)	8,291	9,533
Total	\$ 30,770	\$ 29,272	\$ 1,498	\$ 28,871	\$ 29,272

Selling, general, and administrative expense was \$30.8 million for the thirteen-week period ended June 1, 2013, 5.1%, compared to \$29.3 million for the fourteen-week period ended June 2, 2012. Excluding the Acquisitions, administrative expense for the thirteen-week period ended June 1, 2013 was \$28.9 million, a decrease of \$400,000 million for the fourteen-week period ended June 2, 2012.

OPERATING INCOME

As a result of the above, our operating income was \$59.6 million for fiscal 2013, compared to operating income of \$59.6 million for fiscal 2012. Operating income as a percent of net sales for fiscal 2013 was 4.6%, compared to 8.0% for fiscal 2012. In addition, we recognized a legal settlement expense of \$28.0 million related to the settlement reached in the In re Processed Egg Products Antitrust Litigation in the first quarter of 2013.

OTHER INCOME (EXPENSE)

Total other income (expense) consists of income (expenses) not directly charged to, or related to, operations such as operations of subsidiaries, affiliates, patronage dividends, and interest expense. Total other income for fiscal 2013 was \$16.0 million compared to \$50.4 million for fiscal 2012. As a percent of net sales, total other income was 1.2% for fiscal 2013, compared to 1.2% for fiscal 2012.

Net interest expense increased by \$148,000 as compared to fiscal 2012. In fiscal 2013, we recorded patronage dividends in the amount of \$14.3 million, compared to \$44.9 million in fiscal 2012, which included a special patronage dividend in connection with the formation of a joint venture between EB and Land O' Lakes, Inc. We account for our investment in Land O' Lakes, Inc. using the equity method. For additional information, see Note 19 of the Notes to Consolidated Financial Statements.

Our equity in income of affiliates decreased from \$7.5 million in fiscal 2012 to \$3.5 million in fiscal 2013 due to a decrease in income received by an affiliated entity. In fiscal 2012, Specialty Eggs, LLC, an affiliated entity which is a franchisee of EB, received similar special distributions from EB. Our ownership interest in Specialty Eggs, LLC is 50%. We account for our investment in Specialty Eggs, LLC using the equity method. Specialty Eggs, LLC received dividends and patronage refunds of \$10.3 million compared to \$10.3 million in the prior year. For additional information, see Notes 3 and 19 of the Notes to Consolidated Financial Statements.

Other, net, increased from \$1.7 million in fiscal 2012 to \$2.1 million in fiscal 2013. In fiscal 2012, we finalized the Shady Dale, Georgia fire and recorded a gain of \$1.1 million on the fixed assets destroyed in this fire. In fiscal 2013, we recorded a gain of \$4.3 million related to oil and gas wells located on property we own in Texas, compared to \$580,000 in fiscal 2012.

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INCOME TAXES

For the fiscal year ended June 1, 2013, our pre-tax income was \$75.6 million, compared to \$139.1 million for fiscal 2012. For fiscal 2013, \$24.8 million was recorded for fiscal 2013 with an effective income tax rate of 32.8%, compared to \$49.1 million for fiscal 2012 with an effective income tax rate of 35.3%.

Our effective rate differs from the federal statutory income tax rate of 35% due to state income taxes and certain non-deductible expenses for financial reporting purposes that are not included in taxable income or loss for income tax purposes, including the domestic manufacturers deduction, and net income or loss attributable to noncontrolling interest.

NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST

Net income attributable to noncontrolling interest in AEP and TEP for fiscal 2013 was \$338,000 as compared to \$338,000 for fiscal 2012.

NET INCOME ATTRIBUTABLE TO CAL-MAINE FOODS, INC.

As a result of the above, net income for fiscal 2013 was \$50.4 million, or \$2.10 per basic and diluted share, compared to \$50.4 million, or \$2.10 per basic share and \$3.75 per diluted share, for fiscal 2012.

CAPITAL RESOURCES AND LIQUIDITY

Our working capital at May 31, 2014 was \$324.3 million, compared to \$284.7 million at June 1, 2013. The calculation of working capital is defined as current assets less current liabilities. Our current ratio was 3.68 at May 31, 2014 compared to 3.19 at June 1, 2013, calculated by dividing current assets by current liabilities. Our need for working capital generally is highest in the second and third quarters, ending in May and August, respectively, when egg prices are normally at seasonal lows. We have \$3.3 million of short-term credit, which are collateralized with cash. Our long-term debt at May 31, 2014, including current maturities, amounted to \$65.0 million, compared to \$65.0 million at June 1, 2013. See Note 9 in the notes to consolidated financial statements for information regarding our debt instruments.

For the fiscal year ended May 31, 2014, \$123.9 million in net cash was provided by operating activities. This compares to \$123.9 million in net cash provided by operating activities for the fiscal year ended June 1, 2013. Improved operating income as a result of higher egg prices and lower operating costs contributed to the increase in net cash provided by operating activities.

margins contributed greatly to our positive cash flow from operations, which increased despite the payment in the \$28.0 million legal settlement described in Note 14 to the Notes to the Consolidated Financial Statements. As a result, margins increased in fiscal 2014 primarily as a result of an increase in egg prices and dozens sold and a decrease in 2013.

For fiscal 2014, approximately \$108.1 million was provided from the sale of short-term investments, \$142.6 million from short-term investments and net payments of \$5.0 million were received from notes receivable and investments in Delta Egg. Approximately \$59.2 million was used for the purchase of our joint venture partner's 50% interest in Delta Egg. Approximately \$59.2 million was used for property, plant and equipment. Refer to the table of material construction projects presented below for additional information on property, plant and equipment. Approximately \$24.5 million was used for payment of dividends on common stock and for principal payments on long-term debt. The net result of these activities was a decrease in cash of \$10.5 million.

For the fiscal year ended June 1, 2013, \$57.5 million in net cash was provided by operating activities. This compares to \$57.5 million provided by operating activities for the fiscal year ended June 2, 2012. An increase in our receivable balance is the primary driver of cash flow from operations in fiscal 2013. The increase in our receivable balance can be attributed to a higher average price per dozen in the first month of fiscal 2013 compared to fiscal 2012. In addition, increases in feed ingredient costs negatively impacted cash flow in fiscal 2013.

For fiscal 2013, approximately \$188.1 million was provided from the sale of short-term investments, \$181.7 million from short-term investments and net payments of \$6.6 million were received from notes receivable and investments in Delta Egg. Approximately \$124,000 was provided from disposal of property, plant and equipment. Approximately \$30.5 million was used for purchases of property, plant and equipment.

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million was used for payment of dividends on common stock and \$11.2 million was used for principal payments on debt. A tax benefit of \$380,000 from nonqualifying dispositions of incentive stock options. The net result of these activities was \$72.1 million from June 2, 2012.

Certain property, plant, and equipment is pledged as collateral on our notes payable and senior secured notes. Under our loan agreements, we are required by provisions of our loan agreements to (1) maintain minimum levels of working capital (minimum of 1.25 to 1) and net worth (minimum of \$90.0 million tangible net worth, plus 45% of cumulative net income since inception in 2005); (2) limit dividends paid in any given quarter to not exceed an amount equal to one third of the previous quarter (allowed if no events of default); (3) maintain minimum total funded debt to total capitalization (debt to total capitalization not to exceed 55%); and (4) maintain various cash-flow coverage ratios (1.25 to 1), among other restrictions. At May 31, 2014, we were in compliance with the financial covenant requirements of all loan agreements. Under certain of the loan agreements, the lender has the right to demand prepayment of any outstanding borrowings in the event we undergo a change in control, as defined in the applicable loan agreements require Fred R. Adams, Jr., our Founder and Chairman Emeritus, or his family, to maintain ownership of the Company representing not less than 50% of the outstanding voting power of the Company. In addition, with the acquisition of certain debt that contains restrictive covenants. We are in compliance with those covenants at May 31, 2014.

The following table represents material construction projects approved as of May 31, 2014 (in thousands):

Location	Project	Projected Completion	Projected Cost	Spent as of May 31, 2014
Dade City, FL	Refurbish Pullet Houses	August 2014	\$ 8,850	\$ 7,770
Okeechobee, FL	Layer House Expansions	January 2015	12,400	2,900
South Texas	Cage Free Layer & Pullet Houses	December 2014 - May 2015	45,980	30,520
Bremen, KY	Cage Free Layer & Pullet Houses	November 2016	16,470	3,180
Wharton, TX	Layer House Expansions	May 2015	5,910	575
Shady Dale, GA	Pullet Houses	February 2015	3,425	-
Chase, KS	Organic Facility Expansion	February 2016	17,175	2,000
			\$ 110,210	\$ 46,945

Looking forward to the next fiscal year, we believe current cash balances, investments, borrowing capacity, and other resources will be sufficient to fund our current and projected capital needs.

CONTRACTUAL OBLIGATIONS

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The following table summarizes future estimated cash payments, in thousands, to be made under existing contracts. Information on debt obligations is contained in Note 9, and on lease obligations in Note 8, in the notes to the consolidated financial statements.

	Total	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019
Long-Term Debt (Principal)	\$ 61,093	\$ 10,233	\$ 10,065	\$ 20,265	\$ 8,439	\$ 12,086
Long-Term Debt (Interest)	10,257	3,381	2,784	2,106	996	583
Operating Leases	1,635	492	454	401	270	18
Total	\$ 72,985	\$ 14,106	\$ 13,303	\$ 22,772	\$ 9,705	\$ 12,687

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

For information on changes in accounting principles and new accounting principles, see “Impact of Recently Issued Accounting Standards” in Note 1 to the Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES

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The preparation of financial statements in accordance with U.S. generally accepted accounting standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from these estimates.

Management suggests our Summary of Significant Accounting Policies, as described in Note 1 of the notes to consolidated financial statements, be read in conjunction with this Management's Discussion and Analysis of Financial Condition and Results of Operations. The accounting policies that most impact our consolidated financial statements are described below.

INVESTMENTS IN SECURITIES AVAILABLE-FOR-SALE

Our investment securities are accounted for in accordance with ASC 320, "Investments-Debt and Equity Securities." We consider all of its investment securities for which there is a determinable fair market value and there are no restrictions on the ability to sell within the next 12 months as available-for-sale. Available-for-sale securities are carried at fair value, with unrealized gains and losses reported as a separate component of stockholders' equity. Realized gains and losses are included in other income. The method of gains and losses on available-for-sale securities is determined on the specific identification method.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

In the normal course of business, we extend credit to our customers on a short-term basis. Although credit risks are considered minimal, we routinely review our accounts receivable balances and make provisions for probable losses. In circumstances where management is aware of a specific customer's inability to meet its financial obligations to us, a specific reserve is recorded to reduce the receivable to the amount expected to be collected. For all other customers, a general bad debt based on the length of time the receivables are past due, generally 100% for amounts more than 60 days past due.

INVENTORIES

Inventories of eggs, feed, supplies and livestock are valued principally at the lower of cost (first-in, first-out method) or fair market value. For eggs and feed grains move substantially lower, we would record adjustments to write-down the carrying value to fair market value. The cost associated with flock inventories, consisting principally of chick purchases, feed, and overhead costs, are accumulated during the growing period of approximately 22 weeks. Capitalized flock costs are allocated over the productive lives of the flocks, generally one to two years. Flock mortality is charged to cost of sales as incurred. Extreme temperatures would result in abnormal adjustments to write-down flock inventories. Management continually monitors flock health and attempts to take appropriate actions to minimize the risk of mortality loss.

LONG-LIVED ASSETS

Depreciable long-lived assets are primarily comprised of buildings and improvements and machinery and equipment. Depreciable long-lived assets are depreciated by the straight-line method over the estimated useful lives, which are 15 to 25 years for buildings and improvements and 5 to 10 years for machinery and equipment. An increase or decrease in the estimated useful lives would result in changes to depreciation expense. When buildings and improvements and machinery and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related accumulated depreciation accounts and any gain or loss is included in operations. We continually reevaluate the carrying value of our long-lived assets. Changes in circumstances which indicate the carrying value may not be recoverable from the estimated future cash flows from its use and eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest) is less than the carrying amount of the asset, an impairment loss is recognized to reduce the carrying value of the long-lived asset to the sum of the expected future cash flows.

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INVESTMENT IN AFFILIATES

We have invested in other companies engaged in the production, processing and distribution of shell eggs and e percentages in these companies range from less than 20% to 50%. Therefore, these investments are recorded us and accordingly, not consolidated in our financial statements. Changes in the ownership percentages of these in accounting methods currently used. Our investment in these companies amounted to \$3.5 million at May 31, 20 total liabilities of these companies were approximately \$171.5 million and \$25.7 million, respectively, at May 3

GOODWILL

At May 31, 2014, our goodwill balance represented 3.6% of total assets and 4.9% of stockholders' equity. Good

Fiscal Period	Description	
1999	Acquisition of Hudson Brothers, Inc.	9
2006	Acquisition of Hillandale Farms, LLC	8
2007	Acquisition of Green Forest Foods, LLC	7
2008	Revision to purchase price for incremental purchase of Hillandale	9
2009	Revision to purchase price for incremental purchase of Hillandale	2
2009	Acquisition of Zephyr Egg, LLC	1
2009	Acquisition of Tampa Farms, LLC	4
2010	Revision to purchase price for incremental purchase of Hillandale	6
2013	Acquisition of Maxim Production Co., Inc.	2
2014	Purchase of joint venture partner's 50% in Delta Egg	4
	Total Goodwill	9

Goodwill is reviewed at least annually for impairment by assessing qualitative factors to determine whether the circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less assessing the totality of events or circumstances, if we determine it is more likely than not that the fair value of carrying amount, then we perform additional quantitative tests to determine the magnitude of any impairment.

INCOME TAXES

We determine our effective tax rate by estimating our permanent differences resulting from differing treatment of tax purposes. We are periodically audited by taxing authorities. Any audit adjustments affecting permanent differences affect our effective tax rate.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

COMMODITY PRICE RISK

Our primary exposure to market risk arises from changes in the prices of eggs, corn and soybean meal, which are subject to significant price fluctuations due to market conditions that are largely beyond our control. For example, feed cost averaged 66% of our total farm egg production cost, decreased 9% per dozen produced year-over-year. We are in the specialty shell egg business because the selling prices of specialty shell eggs are generally not as volatile as general purpose eggs. The following table outlines the impact of price changes for corn and soybean meal on feed cost per dozen:

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Feed ingredient	Approximate change in feed ingredient cost	Approximate impact on feed costs per dozen	Approximate dollar impact on the current fiscal year
Corn	\$ 0.25 price per bushel	\$ 0.01	\$ 7,503,000
Soybean Meal	\$ 25.00 change in the average market price per ton	\$ 0.01	\$ 7,503,000

INTEREST RATE RISK

Our interest expense is sensitive to changes in the general level of U.S. interest rates. We maintain all of our debt to mitigate the impact of fluctuations in interest rates. Under our current policies, we do not use interest rate derivatives. Our exposure to interest rate changes. A 1% adverse move (decrease) in interest rates would adversely affect the net income by \$0.1 million at May 31, 2014.

We are a party to no other material market risk sensitive instruments requiring disclosure.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

Cal-Maine Foods, Inc. and Subsidiaries

Jackson, Mississippi

We have audited the accompanying consolidated balance sheets of Cal-Maine Foods, Inc. and Subsidiaries as of May 31, 2014 and June 1, 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the three-year period ended May 31, 2014. Our audits also included the consolidated financial statement schedule I (Schedule of Executive Compensation) and Schedule II (Schedule of Related Party Transactions) (collectively, the "financial statement schedules") included in Item 15(a). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB). The standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cal-Maine Foods, Inc. and Subsidiaries as of May 31, 2014 and June 1, 2013, and the results of their operations and their cash flows for the three-year period ended May 31, 2014, in conformity with accounting principles generally accepted in the United States. In addition, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB), Cal-Maine Foods, Inc. and Subsidiaries internal control over financial reporting as of May 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report thereon dated May 21, 2014.

an unqualified opinion.

/s/Frost, PLLC

Little Rock, Arkansas

July 28, 2014

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Cal-Maine Foods, Inc. and Subsidiaries

Consolidated Balance Sheets

(in thousands, except for par value amounts)

	May 31 2014	June 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,521	\$ 24,9
Investment securities available-for-sale	194,738	157,
Receivables:		
Trade receivables, less allowance for doubtful accounts of \$430 in 2014 and \$771 in 2013	82,978	79,3
Other	4,538	3,23
	87,516	82,5
Inventories	146,117	147,
Prepaid expenses and other current assets	2,501	1,41
Total current assets	445,393	414,
Other assets:		
Other investments	6,786	20,4
Notes receivable – noncurrent	211	565
Goodwill	29,196	24,4
Other intangible assets	10,423	12,3
Other long-lived assets	4,717	7,01
	51,333	64,7
Property, plant and equipment, less accumulated depreciation	314,935	266,
Total assets	\$ 811,661	\$ 745,
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$ 38,974	\$ 47,2
Accrued dividends payable	10,497	-
Accrued wages and benefits	15,205	14,4
Accrued income taxes payable	2,983	359
Accrued expenses and other liabilities	12,775	9,82
Accrued legal settlement expense (see Note 14)	-	28,0
Current maturities of long-term debt	10,216	10,3
Deferred income taxes	30,451	19,9
Total current liabilities	121,101	130,
Long-term debt, less current maturities	50,877	54,6

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Other noncurrent liabilities	4,436	4,32
Deferred income taxes	40,502	38,4
Total liabilities	216,916	227,
Commitments and contingencies – See Notes 8, 9, and 14		
Stockholders' equity:		
Common stock, \$.01 par value		
Authorized shares - 60,000 in 2014 and 2013		
Issued 35,130 shares in 2014 and 2013 with		
21,781 and 21,698 shares outstanding, respectively	351	351
Class A convertible common stock, \$.01 par value		
Authorized shares - 2,400 in 2014 and 2013		
Issued and outstanding shares - 2,400 in 2014 and 2013	24	24
Paid-in capital	40,476	39,0
Retained earnings	572,874	498,
Accumulated other comprehensive income, net of tax	561	166
Common stock in treasury, at cost –13,350 shares in 2014		
and 13,432 in 2013	(20,453)	(20,5
Total Cal-Maine Foods, Inc. stockholders' equity	593,833	517,
Noncontrolling interest in consolidated entities	912	312
Total stockholders' equity	594,745	518,
Total liabilities and stockholders' equity	\$ 811,661	\$ 745,

See accompanying notes.

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Cal-Maine Foods, Inc. and Subsidiaries

Consolidated Statements of Income

(in thousands, except per share amounts)

	Fiscal years ended		
	May 31 2014	June 1 2013	June 2 2012
Net sales	\$ 1,440,907	\$ 1,288,104	\$ 1,113,116
Cost of sales	1,138,143	1,073,555	911,334
Gross profit	302,764	214,549	201,782
Selling, general and administrative	156,712	126,956	113,130
Legal settlement expense (see Note 14)	-	28,000	-
Operating income	146,052	59,593	88,652
Other income (expense):			
Interest expense	(3,755)	(4,488)	(5,047)
Interest income	1,099	582	1,289
Distribution from Egglund's Best™ (see Note 3 and 19)	-	-	38,343
Patronage dividends	6,139	14,300	6,607
Equity in income of affiliates	3,512	3,480	7,495
Other, net	8,795	2,101	1,738
	15,790	15,975	50,425
Income before income taxes and noncontrolling interest	161,842	75,568	139,077
Income tax expense	52,035	24,807	49,110
Net income including noncontrolling interest	109,807	50,761	89,967
Less: Net income attributable to noncontrolling interest	600	338	232
Net income attributable to Cal-Maine Foods, Inc.	\$ 109,207	\$ 50,423	\$ 89,735
Net income per share:			
Basic	\$ 4.54	\$ 2.10	\$ 3.76
Diluted	\$ 4.52	\$ 2.10	\$ 3.75
Weighted average shares outstanding:			
Basic	24,047	23,983	23,875
Diluted	24,148	24,044	23,942

See accompanying notes.

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Cal-Maine Foods, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

(in thousands)

	Fiscal years ended		
	May 31 2014	June 1 2013	June 2 2012
Net income, including noncontrolling interests	\$ 109,807	\$ 50,761	\$ 89,967
Other comprehensive income, before tax:			
Unrealized holding gain on available-for-sale securities, net of reclassification adjustments	392	724	157
(Increase) decrease in accumulated postretirement benefits obligation, net of reclassification adjustments	255	(89)	-
Other comprehensive income, before tax	647	635	157
Income tax expense related to items of other comprehensive income (loss)	252	247	59
Other comprehensive income, net of tax	395	388	98
Comprehensive income	110,202	51,149	90,065
Less: comprehensive income attributable to the noncontrolling interest	600	338	232
Comprehensive income attributable to Cal-Maine Foods, Inc.	\$ 109,602	\$ 50,811	\$ 89,833

See accompanying notes.

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Cal-Maine Foods, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

(in thousands)

	Treasury Shares	Treasury Amount	Paid In Capital	Retained Earnings	Accum. Other Comp. Income	Noncontrolling Interests	Total
24	13,665	\$ (20,929)	\$ 33,419	\$ 406,361	\$ (320)	\$ (29)	\$ 418,877
				(29,932)			(29,932)
	(56)	86	174				260
			58				58
				89,735		232	89,967
					98		98
24	13,609	\$ (20,843)	\$ 33,651	\$ 466,164	\$ (222)	\$ 203	\$ 479,328
				(18,105)			(18,105)
	(114)	174	4,826				5,000
	(63)	97	(97)				-
			292				292
			380				380

24	13,350	\$	(20,453)	\$	40,476	\$	572,874	\$	561	\$	912	\$	594,745
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See accompanying notes.

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Cal-Maine Foods, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(in thousands)

	Fiscal year ended		
	May 31 2014	June 1 2013	June 2 2012
Cash flows from operating activities			
Net income including noncontrolling interests	\$ 109,807	\$ 50,761	\$ 89,967
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	37,203	34,173	30,752
Deferred income taxes	7,625	(5,747)	5,330
Equity in income of affiliates	(3,512)	(3,480)	(7,495)
Non-cash gain on Delta Egg acquisition	(3,976)	—	—
Property and equipment impairment charge	—	—	736
Distribution from Egglan's Best™ (see Note 3)	—	—	(38,343)
(Gain) Loss on disposal of property, plant and equipment	651	1,496	(1,247)
Stock compensation (benefit) expense, net of amounts paid	1,273	411	(702)
Impairment of note receivable	—	912	—
(Gain) loss on fair value adjustment of contingent consideration	4,359	(1,250)	—
Change in operating assets and liabilities, net of effects from acquisitions:			
(Increase) decrease in receivables and other assets	(2,282)	(21,670)	4,305
(Increase) decrease in inventories	8,909	(6,377)	(7,137)
(Decrease) in accrued expenses for payment of legal settlement expense	(28,000)	—	—
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(8,137)	8,309	21,892
Net cash provided by operating activities	123,920	57,538	98,058
Cash flows from investing activities			
Purchases of investments	(142,585)	(181,721)	(160,630)
Sales of investments	108,117	188,110	115,796
Acquisition of businesses, net of cash acquired	(11,548)	(74,907)	—
Distribution from Egglan's Best™ (see Note 3)	—	—	38,343
Payments received on notes receivable and from investments in affiliates	5,003	6,640	5,352
Purchases of property, plant and equipment	(59,188)	(26,290)	(26,845)
Increase in notes receivable and investments in affiliates	—	(294)	(138)
Net proceeds from disposal of property, plant and equipment	818	124	1,073
Net cash used in investing activities	(99,383)	(88,338)	(27,049)

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Cash flows from financing activities			
Principal payments on long-term debt	(10,745)	(11,200)	(11,941)
Proceeds from issuance of common stock from treasury (including tax benefit on nonqualifying disposition of incentive stock options)	279	380	318
Payments of dividends	(24,534)	(30,524)	(19,937)
Net cash used in financing activities	(35,000)	(41,344)	(31,560)
Increase (decrease) in cash and cash equivalents	(10,463)	(72,144)	39,449
Cash and cash equivalents at beginning of year	24,984	97,128	57,679
Cash and cash equivalents at end of year	\$ 14,521	\$ 24,984	\$ 97,128
Supplemental cash flow information:			
Cash paid during the year for:			
Income taxes, net of refunds received	\$ 41,626	\$ 42,667	\$ 27,075
Interest (net of amount capitalized)	3,152	3,543	4,407
Supplemental schedule of non-cash investing and financing activity:			
Issuance of stock from treasury (see Note 2)	—	5,000	—
Contingent consideration recognized in acquisition of business	—	2,500	—
See accompanying notes.			

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Cal-Maine Foods, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

May 31, 2014

1. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Cal-Maine Foods, Inc. and its subsidiaries (“we,” “us,” “our,” or the “Company”) and variable interest entities in which the Company is the primary beneficiary. All significant intercompany transactions and accounts have been eliminated in consolidation.

Business

The Company is principally engaged in the production, processing and distribution of shell eggs. The Company’s operations are significantly affected by the market price fluctuation of its principal product, shell eggs, and the costs of its principal feed ingredients, corn, soybean meal, and other grains.

The Company sells shell eggs to a diverse group of customers, including national and local grocery store chains, club stores, foodservice distributors, and egg product consumers. Primarily all of the Company’s sales are in the southeastern, southwestern, mid-western and mid-Atlantic regions of the United States. Credit is extended based upon an evaluation of each customer’s financial condition and credit history and generally collateral is not required. Credit losses have consistently been within management’s expectations. Two affiliated customers, on a combined basis, accounted for 28.2%, 30.0% and 31.3% of the Company’s net sales in fiscal years 2014, 2013, and 2012, respectively.

Fiscal Year

The Company’s fiscal year-end is on the Saturday nearest May 31, which was May 31, 2014 (52 weeks), June 1, 2013 (52 weeks), and June 2, 2012 (53 weeks) for the most recent three fiscal years.

Variable Interest Entities

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 810 (Consolidation) (“ASC 810”) requires variable interest entities (“VIEs”) to be consolidated if a party with ownership, contractual or other financial interest in the VIE (a variable interest holder) is obligated to absorb a majority of the risk of loss from the VIE’s activities, is entitled to receive a majority of the VIE’s residual returns (if no party absorbs a majority of the VIE’s losses), or both. A variable interest holder that consolidates the VIE is called the primary beneficiary.

The Company did not have any variable interest entities at May 31, 2014 or June 1, 2013.

Use of Estimates

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

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. We maintain bank accounts that are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At times, cash balances may be in excess of the FDIC insurance limits. The Company has not experienced any losses in such accounts. The Company manages this risk through maintaining cash deposits and other highly liquid investments in high quality financial institutions.

We primarily utilize a cash management system with a series of separate accounts consisting of lockbox accounts for receiving cash, concentration accounts where funds are moved to, and several zero-balance disbursement accounts for funding

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payroll and accounts payable. Checks issued, but not presented to the banks for payment, may result in negative book cash balances, which are included in accounts payable and other current liabilities. At May 31, 2014, and June 1, 2013, checks outstanding in excess of related book cash balances totaled approximately \$1.5 million and \$9.6 million, respectively.

Investment Securities

Our investment securities are accounted for in accordance with ASC 320, “Investments-Debt and Equity Securities” (“ASC 320”). The Company considers all of its investment securities for which there is a determinable fair market value and there are no restrictions on the Company's ability to sell within the next 12 months as available-for-sale. Available-for-sale securities are carried at fair value, with unrealized gains and losses reported as a separate component of stockholders' equity. We had unrealized gains of \$460,000 and \$220,000 as of May 31, 2014 and June 1, 2013 respectively, which are included in the line item “Accumulated other comprehensive income (loss), net of tax” on our Consolidated Balance Sheet. Realized gains and losses are included in other income. The cost basis for realized gains and losses on available-for-sale securities is determined on the specific identification method.

At May 31, 2014 and June 1, 2013, we had \$194.7 million and \$157.9 million, respectively, of current investment securities available-for-sale consisting of commercial paper, certificates of deposit, time deposits, U.S. government obligations, government agency bonds, taxable municipal bonds, tax-exempt municipal bonds, zero coupon municipal bonds and corporate bonds with maturities of three months or longer when purchased. We classified these securities as current, because the amounts invested are available for current operations.

Investment in Affiliates

The equity method of accounting is used when the Company has a 20% to 50% interest in other entities or when the Company exercises significant influence over the entity. Under the equity method, original investments are recorded at cost and adjusted by the Company's share of undistributed earnings or losses of these entities. Nonmarketable investments in which the Company has less than a 20% interest and in which it does not have the ability to exercise significant influence over the investee are initially recorded at cost, and periodically reviewed for impairment.

Trade Receivables and Allowance for Doubtful Accounts

Trade receivables are comprised primarily of amounts owed to the Company from customers, which amounted to \$83.0 million at May 31, 2014 and \$79.4 million at June 1, 2013. Trade receivables are presented net of an allowance for doubtful accounts of \$430,000 at May 31, 2014 and \$771,000 at June 1, 2013. The Company extends credit to

customers based upon an evaluation of each customer's financial condition and credit history. Although credit risks associated with our customers are considered minimal, we routinely review our accounts receivable balances and make provisions for probable doubtful accounts. In circumstances where management is aware of a specific customer's inability to meet its financial obligations to us (e.g., bankruptcy filings), a reserve is recorded to reduce the receivable to the amount expected to be collected. For all other customers, we recognize reserves for bad debt based on the length of time the receivables are past due, generally 100% for amounts more than 60 days past due. Collateral is generally not required. Credit losses have consistently been within management's expectations. At both May 31, 2014 and June 1, 2013, two affiliated customers accounted for approximately 28% of the Company's trade accounts receivable.

Notes Receivable

Notes receivable are recorded at amortized cost. We recognize interest income on these notes receivable based upon whether the amount and timing of collections are both probable and reasonably estimable. We assess the collectability of notes receivable on a periodic basis. Our assessment consists primarily of an evaluation of cash flow projections of the borrower to determine whether estimated cash flows are sufficient to repay principal and interest in accordance with the contractual terms of the note. We update our cash flow projections of the borrowers annually. We recognize impairments on notes receivable when it is probable that principal and interest will not be received in accordance with the contractual terms of the loan. During fiscal year 2013, we recognized an impairment loss of \$912,000 related to notes receivable. The impairment loss is included in selling, general, and administrative expenses.

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The notes receivable are due as follows (in thousands):

Year	Amount
2015	\$ 428
2016	211
Total	\$ 639

The current amount due is included in the “Receivables” section of our Consolidated Balance Sheet in the line item “Other.” The current amount due was \$428,000 for both fiscal years 2014 and 2013. The non-current portion is included in the “Other assets” section of our Consolidated Balance Sheet in the line item “Notes receivable – noncurrent.” The non-current amount due was \$211,000 and \$565,000 for fiscal years 2014 and 2013, respectively.

Inventories

Inventories of eggs, feed, supplies and livestock are valued principally at the lower of cost (first-in, first-out method) or market.

The cost associated with flocks, consisting principally of chick purchases, feed, labor, contractor payments and overhead costs, are accumulated during a growing period of approximately 22 weeks. Flock costs are amortized to cost of sales over the productive lives of the flocks, generally one to two years. Flock mortality is charged to cost of sales as incurred.

The Company does not disclose the gross cost and accumulated amortization with respect to its flock inventories since this information is not utilized by management in the operation of the Company.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is provided by the straight-line method over the estimated useful lives, which are 15 to 25 years for buildings and improvements and 3 to 12 years for machinery and equipment. Repairs and maintenance are expensed as incurred. Expenditures that increase the value or productive capacity of assets are capitalized. When property, plant, and equipment are retired, sold, or otherwise disposed of, the

asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations. The Company capitalizes interest cost incurred on funds used to construct property, plant, and equipment as part of the asset to which it relates, and is amortized over the asset's estimated useful life.

Impairment of Long-Lived Assets

The Company reviews the carrying value of long-lived assets, other than goodwill, for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where expected future cash flows (undiscounted and without interest charges) are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors.

Intangible Assets

Included in other intangible assets are separable intangible assets acquired in business acquisitions, which include franchise fees, non-compete agreements and customer relationship intangibles, and are amortized over their estimated useful lives of 3 to 25 years. The gross cost and accumulated amortization of intangible assets are removed when the recorded amounts have been fully amortized and the asset is no longer in use. Included in other long-lived assets are loan acquisition costs, which are amortized over the life of the related loan.

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Goodwill

Goodwill represents the excess of cost of business acquisitions over the fair value of the identifiable net assets acquired. Goodwill is reviewed at least annually for impairment by assessing qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. After assessing the totality of events or circumstances, if we determine it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we perform additional quantitative tests to determine the magnitude of any impairment.

Accrued Self Insurance

We use a combination of insurance and self-insurance mechanisms to provide for the potential liabilities for health and welfare, workers' compensation, auto liability and general liability risks. Liabilities associated with our risks retained are estimated, in part, by considering claims experience, demographic factors, severity factors and other actuarial assumptions.

Dividends

Cal-Maine pays a dividend to shareholders of its Common Stock and Class A Common Stock on a quarterly basis for each quarter for which the Company reports net income computed in accordance with generally accepted accounting principles in an amount equal to one-third (1/3) of such quarterly income. Dividends are paid to shareholders of record as of the 60th day following the last day of such quarter, except for the fourth fiscal quarter. For the fourth quarter, the Company will pay dividends to shareholders of record on the 70th day after the quarter end. Dividends are payable on the 15th day following the record date. Following a quarter for which the Company does not report net income, the Company will not pay a dividend for a subsequent profitable quarter until the Company is profitable on a cumulative basis computed from the date of the last quarter for which a dividend was paid. At May 31, 2014, we had dividends payable of \$10.5 million. At June 1, 2013, there were no dividends payable. These amounts represent accrued unpaid dividends applicable to the Company's fourth quarter net income for each fiscal year.

Treasury Stock

Treasury stock purchases are accounted for under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. The grant of restricted stock through the Company's share-based compensation plans is funded through the issuance of treasury stock. Gains and losses on the subsequent reissuance of shares in accordance with the Company's share-based compensation plans are credited or charged to paid-in capital in excess of par value

using the average-cost method.

Revenue Recognition and Delivery Costs

The Company recognizes revenue only when all of the following criteria have been met:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred;
- The fee for the arrangement is determinable; and
- Collectability is reasonably assured.

The Company believes the above criteria are met upon delivery and acceptance of the product by our customers. Costs to deliver product to customers are included in selling, general and administrative expenses in the accompanying Consolidated Statements of Income and totaled \$43.0 million, \$38.1 million, and \$35.2 million in fiscal years 2014, 2013, and 2012, respectively. Sales revenue reported in the accompanying consolidated statements of income is reduced to reflect estimated returns and allowances. The Company records an estimated sales allowance for returns and discounts at the time of sale using historical trends based on actual sales returns and sales.

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Sales Incentives provided to Customers

The Company periodically provides incentive offers to its customers to encourage purchases. Such offers include current discount offers (e.g., percentage discounts off current purchases), inducement offers (e.g., offers for future discounts subject to a minimum current purchase), and other similar offers. Current discount offers, when accepted by customers, are treated as a reduction to the sales price of the related transaction, while inducement offers, when accepted by customers, are treated as a reduction to sales price based on estimated future redemption rates. Redemption rates are estimated using the Company's historical experience for similar inducement offers. Current discount offers and inducement offers are presented as a net amount in "Net sales."

Advertising Costs

The Company expenses advertising costs as incurred. Advertising costs totaled \$8.5 million, \$5.1 million, and \$4.2 million in fiscal 2014, 2013, and 2012, respectively.

Income Taxes

Income taxes are provided using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's policy with respect to evaluating uncertain tax positions is based upon whether management believes it is more likely than not the uncertain tax positions will be sustained upon review by the taxing authorities. The tax positions must meet the more-likely-than-not recognition threshold with consideration given to the amounts and probabilities of the outcomes that could be realized upon settlement using the facts, circumstances and information at the reporting date. The Company will reflect only the portion of the tax benefit that will be sustained upon resolution of the position and applicable interest on the portion of the tax benefit not recognized. The Company shall initially and subsequently measure the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. Based upon management's assessment, there are no uncertain tax positions expected to have a material impact on the Company's consolidated financial statements.

Stock Based Compensation

We account for share-based compensation in accordance with ASC 718, "Compensation-Stock Compensation" ("ASC 718"). ASC 718 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.

ASC 718 requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow. See Note 11: Stock Compensation Plans for more information.

Net Income per Common Share

Basic net income per share is based on the weighted average common and Class A shares outstanding. Diluted net income per share includes any dilutive effects of stock options outstanding and unvested restricted shares.

Basic net income per share was calculated by dividing net income by the weighted-average number of common and Class A shares outstanding during the period. Diluted net income per share was calculated by dividing net income by the weighted-average number of common shares outstanding during the period plus the dilutive effects of stock options and unvested restricted shares. The computations of basic net income per share and diluted net income per share are as follows (in thousands):

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	May 31, 2014	June 1, 2013	June 2, 2012
Net income attributable to Cal-Maine Foods, Inc.	\$ 109,207	\$ 50,423	\$ 89,735
Basic weighted-average common shares (including Class A)	24,047	23,983	23,875
Effect of dilutive securities:			
Common stock options and restricted stock	101	61	67
Dilutive potential common shares	24,148	24,044	23,942
Net income per common share:			
Basic	\$ 4.54	\$ 2.10	\$ 3.76
Diluted	\$ 4.52	\$ 2.10	\$ 3.75

Contingencies

Certain conditions may exist as of the date the financial statements are issued that may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates it is probable that a material loss has been incurred and the amount of the liability can be estimated, the estimated liability would be accrued in the Company's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

The Company expenses the costs of litigation as they are incurred.

Impact of Recently Issued Accounting Standards

In May 2014, the FASB issued Accounting Standard Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09). The standard provides companies with a single model for use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The core principle of the model is to recognize revenue when control of the goods or services transfers to the customer in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016. Early adoption is not permitted. The guidance permits companies to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption, through a cumulative adjustment. The Company is currently evaluating the impact of ASU 2014-09 on the consolidated financial statement presentation.

2. Acquisition

Effective March 1, 2014, the Company purchased our joint venture partner's 50% interest in Delta Egg Farm, LLC ("Delta Egg") for \$17.0 million. The Company previously owned 50% of Delta Egg through a joint venture with Sunbest Foods of Iowa, a Moark, LLC affiliate. The purchase price was funded from our available cash balances. In conjunction with the acquisition, the Company recognized a non-recurring, non-cash gain of \$4.0 million for the excess in purchase price over the carrying value of the 50% investment in the unconsolidated joint venture. This gain was recorded in "Other Income" in the Company's Consolidated Statements of Income. The gain is non-taxable, and therefore resulted in a \$1.5 million reduction to the Company's income tax expense for fiscal 2014. Additionally, the Company recorded a \$3.3 million decrease to deferred income tax liabilities related to the outside basis of our equity investment in Delta Egg. Delta Egg's assets include a feed mill and a production complex with capacity for approximately 1.2 million laying hens near Delta, Utah, as well as an organic complex with capacity for approximately 400,000 laying hens near Chase, Kansas.

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The following table presents fair value of the assets and liabilities of Delta Egg as of the acquisition date (in thousands):

Fair Value of Assets and Liabilities:

Cash and cash equivalents	\$ 5,452
Investment securities available for sale	1,973
Inventories	7,033
Property, plant, and equipment	24,767
Other intangible assets	911
Goodwill	4,779
Other current assets	2,824
Current liabilities	(3,677)
Long-term debt	(5,301)
Deferred income taxes	(4,761)
Fair value of assets and liabilities acquired	\$ 34,000

The acquired intangible assets are made up of a right of use intangible of \$191,000 (5-year useful life) and water rights of \$720,000 (indefinite useful life). The goodwill arising from the acquisition consists largely of the synergies and economies of scale expected from the acquisition, and none of it is expected to be deductible for income tax purposes. Trade receivables of \$2.8 million were acquired, fair value approximated the carrying value at the time of acquisition.

On August 10, 2012, the Company purchased substantially all of the commercial egg assets of Pilgrim's Pride Corporation ("PPC") for approximately \$16.3 million in cash at closing, plus contingent cash consideration of up to \$2.5 million. The assets acquired included two production complexes with capacity for approximately 1.4 million laying hens and Pilgrim's Pride's 13.6% interest in Texas Egg Products, LLC ("TEP"), which gave us a majority ownership interest in TEP.

On November 15, 2012, the Company acquired the commercial egg assets of Maxim Productions Co. Inc. ("MPC"). The Company acquired the Maxim assets for approximately \$64.9 million consisting of approximately \$58.6 million in cash and 114,103 shares of common stock. The assets included a feed mill, two production complexes with capacity for 3.5 million laying hens and a pullet grow out facility, and Maxim's 21.8% interest in TEP, which gave us a 72.1% interest in TEP. The Maxim acquisition included an earn-out contingency of \$4.4 million, the fair value of which is remeasured at each reporting date until the contingency is settled in the second quarter of fiscal year 2016.

The results of the Company's operation of these assets are included in the Company's consolidated financial statements since the respective dates of acquisition. Included in the Company's consolidated financial statements for fiscal 2014 are revenues and net income from Delta Egg of \$4.7 million and \$1.3 million, respectively. Prior to the acquisition date the Company's 50% share of net income was recorded "Equity in income of affiliates".

The fair value measurements were primarily based on significant inputs that are not observable in the markets. Projected cash flows are discounted at a required market rate of return that reflects the relative risk of achieving the cash flows for the time value of money. Investment securities are valued based on certain level 2 inputs since observable inputs for these securities, such as yields, credit risks, default rates and volatility, exist. The market approach, which indicates value for a subject asset based on available market pricing for comparable assets, was utilized for inventory. The market approach indicates value based on financial multiples available for similar entities and adjustments for lack of control or lack of marketability that market participants would consider in determining fair value. The cost approach, which estimates value by determining the current cost of replacing an asset with another of equivalent economic utility, was utilized for the fair value of certain property, plant and equipment. The cost to replace given assets reflects the estimated reproduction or replacement cost of the asset, less an allowance for loss in value due to depreciation. Goodwill on business combination recognizes the difference in the fair value of the assets acquired and liabilities assumed, net of the acquisition price.

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The following unaudited pro forma information was prepared assuming the acquisition of the commercial egg assets of PPC and MPC had taken place at the beginning of fiscal year 2012. In preparing pro forma information, various assumptions were made; therefore, the Company does not imply that the future results will be indicative of the following pro forma information (in thousands):

	Year Ended	
	June 1, 2013	June 2, 2012
Net sales	\$ 1,344,279	\$ 1,241,475
Net income attributable to Cal-Maine Foods, Inc.	\$ 50,053	\$ 93,449
Net income per share attributable to Cal-Maine Foods, Inc.:		
Basic net income per share	\$ 2.09	\$ 3.91
Diluted net income per share	\$ 2.08	\$ 3.90

3. Investment in Affiliates

The Company owns 50% of each of Specialty Eggs LLC and Dallas Reinsurance, Co., LTD. as of May 31, 2014. At June 1, 2013, the Company also owned 50% of Delta Egg Farm. During fiscal 2014 the Company purchased our joint venture partner's 50% interest in Delta Egg Farm (Refer to Note 2 – Acquisitions). Investment in affiliates, recorded using the equity method of accounting, are included in "Other Investments" in the accompanying Consolidated Balance Sheets and totaled \$3.5 million and \$17.7 million at May 31, 2014 and at June 1, 2013, respectively. Equity in income of \$3.5 million, \$3.5 million, and \$7.5 million from these entities has been included in the Consolidated Statements of Income for fiscal 2014, 2013, and 2012, respectively.

The Company is a member of Egglan's Best, Inc. ("EB"), which is a cooperative. At May 31, 2014 and June 1, 2013, "Other Investments" as shown on the Company's Consolidated Balance Sheet includes the cost of the Company's investment in EB. In April 2012, EB formed Egglan's Best, LLC ("EBLLC") and contributed substantially all of the assets of EB to EBLLC. Subsequent to the formation of EBLLC, EB sold to Land O'Lakes, Inc. ("LOL") a 50% interest in EBLLC. The Company cannot exert significant influence over EB's operating and financial activities; therefore, the Company accounts for this investment using the cost method. The carrying value of this investment at May 31, 2014 and June 1, 2013 was \$768,000.

The Company regularly transacts business with its affiliates. The following relates to the Company's transactions with these unconsolidated affiliates (in thousands):

	For the fiscal year ended		
	May 31,	June 1,	June 2,
	2014	2013	2012
Sales to affiliates	\$ 44,798	\$ 43,270	\$ 37,930
Purchases from affiliates	74,325	71,325	69,108
Dividends from affiliates	4,650	5,875	4,850

	May 31,	June 1,
	2014	2013
Accounts receivable from affiliates	\$ 2,619	\$ 3,319
Accounts payable to affiliates	3,720	3,056

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4. Inventories

Inventories consisted of the following (in thousands):

	May 31, 2014	June 1, 2013
Flocks, net of accumulated amortization	\$ 90,152	\$ 83,894
Eggs	11,747	13,694
Feed and supplies	44,218	50,405
	\$ 146,117	\$ 147,993

The Company charged amortization and mortality expense to cost of sales associated with the flocks as follows (in thousands):

	May 31, 2014	June 1, 2013	June 2, 2012
Amortization	\$ 98,556	\$ 88,601	\$ 87,532
Mortality	4,890	4,670	4,865
Total flock costs charge to cost of sales	\$ 103,446	\$ 93,271	\$ 92,397

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	May 31, 2014	June 1, 2013
Prepaid insurance	\$ 1,029	\$ 1,110
Other prepaid expenses	116	234
Other current assets	1,356	70
	\$ 2,501	\$ 1,414

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6. Goodwill and Other Intangible Assets

Goodwill and other intangibles consisted of the following (in thousands):

	Other Intangibles						Total other intangibles
	Goodwill	Franchise rights	Customer relationships	Non-compete agreements	Right of use intangible	Water rights	
Balance June 2, 2012	\$ 22,117	\$ 2,352	\$ 5,676	\$ -	\$ -	\$ -	\$ 8,028
Additions	2,300	-	6,744	100	-	-	6,844
Amortization	-	(521)	(2,013)	(12)	-	-	(2,546)
Balance June 1, 2013	24,417	1,831	10,407	88	-	-	12,326
Additions	4,779	-	-	-	191	720	911
Amortization	-	(477)	(2,317)	(20)	-	-	(2,814)
Balance May 31, 2014	\$ 29,196	\$ 1,354	\$ 8,090	\$ 68	\$ 191	\$ 720	\$ 10,423

For the Other Intangibles listed above, the gross carrying amounts and accumulated amortization are as follows (in thousands):

	May 31, 2014		June 1, 2013	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Other intangible assets:				
Franchise rights	\$ 5,284	\$ (3,930)	\$ 5,284	\$ (3,453)
Customer relationships	17,644	(9,554)	17,644	(7,237)

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Non-compete agreements	100	(32)	100	(12)
Right of use intangible	191	-	-	-
Water rights *	720	-	-	-
Total	\$ 23,939	\$ (13,516)	\$ 23,028	\$ (10,702)

* Water rights are an indefinite life intangible asset.

No significant residual value is estimated for these intangible assets. Aggregate amortization expense for the fiscal years ended 2014, 2013, and 2012 totaled \$2.8 million, \$2.5 million, and \$2.0 million, respectively. The following table represents the total estimated amortization of intangible assets for the five succeeding years (in thousands):

For fiscal period	Estimated amortization expense
2015	\$ 2,745
2016	2,643
2017	1,163
2018	936
2019	911
Thereafter	1,304
Total	\$ 9,702

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7. Property, Plant and Equipment

Property, plant and equipment consisted of the following (in thousands):

	May 31 2014	June 1 2013
Land and improvements	\$ 74,999	\$ 71,815
Buildings and improvements	244,782	223,745
Machinery and equipment	323,117	288,391
Construction-in-progress	32,826	16,094
	675,724	600,045
Less: accumulated depreciation	360,789	334,037
	\$ 314,935	\$ 266,008

Depreciation expense was \$33.5 million, \$31.2 million and \$28.3 million in fiscal years 2014, 2013 and 2012, respectively.

The Company maintains insurance for both property damage and business interruption relating to catastrophic events, such as the fires. Insurance recoveries received for property damage and business interruption in excess of the net book value of damaged assets, clean-up and demolition costs, and post-event costs are recognized as income in the period received or committed when all contingencies associated with the recoveries are resolved. Gains on insurance recoveries related to business interruption are recorded within "Cost of sales" and any gains or losses related to property damage are recorded within "Other income (expense)." Insurance recoveries related to business interruption are classified as operating cash flows and recoveries related to property damage are classified as investing cash flows in the statement of cash flows. Insurance claims incurred or finalized during the fiscal years ended 2014, 2013, and 2012 are discussed below.

In the second quarter of fiscal 2014, a contract producer owned pullet complex in Florida was damaged by fire. The fire destroyed two contract producer owned pullet houses that contained the Company's flocks. In the third quarter of fiscal 2014, the Company's Shady Dale, Georgia complex was damaged by a fire. The fire destroyed two pullet houses. The Company intends to seek reimbursement for all of its insured losses, including lost profits and expenses. The Company believes the effects of lost production and additional expenses related to both fires that will be incurred will be substantially covered by the Company's insurance policies. Any gains resulting from recoveries from the insurance carriers will be recognized when the claims are ultimately settled. These fires did not have a material impact on the results of operations in fiscal 2014.

The Company's Shady Dale, Georgia complex was also damaged by fire in the first quarter of fiscal 2011, and the claim was finalized in fiscal 2012. The Company received \$3.7 million from insurance carriers as full settlement of the claim. The Company recorded proceeds received for business interruption losses of \$1.6 million as a reduction to "Cost of sales" in fiscal 2012. The Company recorded a gain of \$1.0 million during fiscal year 2012 due to the property damage claim, which was recorded in "Other income (expense)." The remaining portion of the insurance proceeds, \$1.1 million, was used to reimburse the Company for the book value of damaged inventory written off and other out of pocket expenses.

8. Leases

Future minimum payments under non-cancelable operating leases that have initial or remaining non-cancelable terms in excess of one year at May 31, 2014 are as follows (in thousands):

2015	\$ 492
2016	454
2017	401
2018	270
2019	18
Total minimum lease payments	\$ 1,635

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Substantially all of the leases provide that the Company pays taxes, maintenance, insurance and certain other operating expenses applicable to the leased assets. Vehicle rent expense totaled \$174,000, \$382,000 and \$538,000 in fiscal 2014, 2013 and 2012, respectively. Rent expense excluding vehicle rent was \$2.7 million, \$2.9 million, and \$2.9 million in fiscal 2014, 2013 and 2012, respectively, primarily for the lease of certain operating facilities and equipment.

9. Credit Facilities and Long-Term Debt

Long-term debt consisted of the following (in thousands except interest rate and installment data):

	May 31 2014	June 1 2013
Note payable at 6.20%, due in monthly principal installments of \$250,000, plus interest, maturing in 2019	\$ 16,500	\$ 19,500
Note payable at 5.99%, due in monthly principal installments of \$150,000, plus interest, maturing in 2021	14,500	16,300
Note payable at 6.35%, due in monthly principal installments of \$100,000, plus interest, maturing in 2017	11,500	12,700
Series A Senior Secured Notes at 5.45%, due in monthly principal installments of \$175,500, plus interest, maturing in 2018	8,417	10,524
Note payable at 5.40%, due in monthly principal installments of \$125,000, plus interest, maturing in 2018	6,250	-
Note payable at 6.40%, due in monthly principal installments of \$35,000, plus interest, maturing in 2018	3,560	3,980
Note payable at 2.00%, due in semi-annual principal installments of \$20,790, plus interest, maturing in 2019	197	-
Note payable at 6.07%, due in monthly principal installments of \$33,300, plus interest, maturing in 2015	169	569
Note payable at 6.80%, due in monthly principal installments of \$165,000, plus interest, maturing in 2014	-	1,190
Note payable-Texas Egg Products, LLC (payable to non-affiliate equity members)	-	257
Total debt	61,093	65,020
Less: current maturities	10,216	10,373
Long-term debt, less current maturities	\$ 50,877	\$ 54,647

The aggregate annual fiscal year maturities of long-term debt at May 31, 2014 are as follows (in thousands):

2015	\$ 10,216
2016	10,082
2017	20,265
2018	8,439
2019	5,091
Thereafter	7,000
	\$ 61,093

Certain property, plant, and equipment is pledged as collateral on our notes payable and senior secured notes. Unless otherwise approved by our lenders, we are required by provisions of our loan agreements to (1) maintain minimum levels of working capital (ratio of not less than 1.25 to 1) and net worth (minimum of \$90.0 million tangible net worth, plus 45% of cumulative net income); (2) limit dividends paid in any given quarter to not exceed an amount equal to one third of the previous quarter's consolidated net income (allowed if no events of default), (3) maintain minimum total funded debt to total capitalization (debt to total tangible capitalization not to exceed 55%); and (4) maintain various current and cash-flow coverage ratios (1.25 to 1), among other restrictions. At May 31, 2014, we were in compliance with the financial covenant requirements of all loan

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agreements. Under certain of the loan agreements, the lenders have the option to require the prepayment of any outstanding borrowings in the event we undergo a change in control, as defined in the applicable loan agreement. Our debt agreements require Fred R. Adams, Jr., the Company's Founder and Chairman Emeritus, or his family, to maintain ownership of Company shares representing not less than 50% of the outstanding voting power of the Company. In addition, with the acquisition of Delta Egg, we assumed certain debt that contains restrictive covenants. We are in compliance with those covenants at May 31, 2014.

Interest of \$3.1 million, \$3.9 million, and \$4.6 million was paid during fiscal 2014, 2013 and 2012, respectively. Interest of \$603,000, \$383,000, and \$150,000 was capitalized for construction of certain facilities during fiscal 2014, 2013 and 2012, respectively.

10. Employee Benefit Plans

The Company maintains a medical plan that is qualified under Section 401(a) of the Internal Revenue Code and is not subject to tax under present income tax laws. The plan is funded by contributions from the Company and its employees. Under its plan, the Company self-insures its portion of medical claims for substantially all full-time employees. The Company uses stop-loss insurance to limit its portion of medical claims to \$225,000 per occurrence. The Company's expenses including accruals for incurred but not reported claims were approximately \$9.8 million, \$7.4 million, and \$7.3 million in fiscal years 2014, 2013 and 2012, respectively. The liability recorded for incurred but not reported claims was \$700,000 and \$600,000 as of May 31, 2014 and June 1, 2013, respectively.

The Company had an employee stock ownership plan ("ESOP") and a 401(k) plan that covered substantially all employees. In April 2012, the Company combined the ESOP and 401(k) plans into a single plan known as a KSOP ("the Plan"). The prior provisions of the Company's 401(k) plan and ESOP remained substantially unchanged in the combined plan. The Company makes cash contributions to the Plan at a rate of 3% of participants' compensation, plus an additional amount determined at the discretion of the Board of Directors. Contributions can be made in cash or the Company's Common Stock, and vest immediately. The Company's cash contributions to the Plan and predecessor ESOP were \$3.0 million, \$1.8 million, and \$1.9 million in fiscal years 2014, 2013 and 2012, respectively. The Company did not make direct contributions of the Company's common stock in fiscal years 2014, 2013, or 2012. Dividends on the Company's common stock are paid to the Plan in cash. The Plan acquires the Company's common stock, which is listed on the NASDAQ, by using the dividends and the Company's cash contribution to purchase shares in the public markets. The Plan sold common stock on the NASDAQ to pay benefits to Plan participants. Participants may make 401(k) contributions to the Plan up to the maximum allowed by the Internal Revenue Service regulations. The Company does not match participant 401(k) contributions.

The Company has deferred compensation agreements with certain officers for payments to be made over specified periods beginning when the officers reach age 65 or over as specified in the agreements. Amounts accrued for the agreements are based upon deferred compensation earned over the estimated remaining service period of each officer. Payments made under the plan were \$50,000 per year, in fiscal years 2014, 2013, and 2012. The liability

recorded related to these agreements was \$1.7 million at May 31, 2014 and June 1, 2013.

In December 2006, the Company adopted an additional deferred compensation plan to provide deferred compensation to named officers of the Company. The awards issued under this plan were \$202,000, \$156,000, and \$129,000 in fiscal 2014, 2013 and 2012, respectively. Payments made under the plan were zero and \$106,000 in fiscal 2014 and 2013, respectively. The liability recorded related to these agreements was \$1.5 million and \$1.0 million at May 31, 2014 and June 1, 2013, respectively.

Deferred compensation expense for both plans totaled \$425,000, \$786,000 and \$193,000 in fiscal 2014, 2013 and 2012, respectively.

Postretirement Medical Plan

The Company maintains an unfunded postretirement medical plan to provide limited health benefits to certain qualified retired employees and officers. Retired non-officers and spouses are eligible for coverage until attainment of Medicare eligibility, at which time coverage ceases. Retired officers and spouses are eligible for lifetime benefits under the plan. Officers and their spouses, who retired prior to May 1, 2012, must participate in Medicare Plans A and B. Officers, and their spouses, who retire on or after May 1, 2012 must participate in Medicare Plans A, B, and D.

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The plan is accounted for in accordance with ASC 715, "Compensation – Retirement Benefits", under which an employer recognizes the funded status of a defined benefit postretirement plan as an asset or liability, and recognizes changes in that funded status in the year the change occurs through comprehensive income. Additionally, pension expense is recognized on an accrual basis over the employees' approximate period of employment. The liability associated with the plan was \$683,000 and \$819,000 as of May 31, 2014 and June 1, 2013, respectively. The remaining disclosures associated with ASC 715 are immaterial to the company's financial statements.

11. Stock Compensation Plans

On July 28, 2005, the Company's Board of Directors approved the Cal-Maine Foods, Inc. 2005 Incentive Stock Option Plan (the "ISO Plan") and reserved 500,000 shares for issuance upon exercise of options granted under the ISO Plan. Options issued pursuant to the ISO Plan may be granted to any of the Company's employees. The options may have a term of up to ten years and generally will vest ratably over five years. On August 17, 2005, the Company issued 360,000 options with an exercise price of \$5.93. The options have ten-year terms and vest over five years beginning from the date of grant. The ISO Plan was ratified by the Company's shareholders at the annual meeting of shareholders on October 13, 2005.

On July 28, 2005, the Company's Board of Directors approved the Cal-Maine Foods, Inc. Stock Appreciation Rights Plan (the "Rights Plan"). The Rights Plan covers 1,000,000 shares of Common Stock of the Company. Stock Appreciation Rights ("SARs") may be granted to any employee or non-employee member of the Board of Directors. Upon exercise of a SAR, the holder will receive cash equal to the difference between the fair market value of a single share of Common Stock at the time of exercise and the strike price which is equal to the fair market value of a single share of Common Stock on the date of the grant. The SARs have a ten-year term and vest over five years. On August 17, 2005, the Company issued 592,500 SARs under the Rights Plan with a strike price of \$5.93 and, on August 26, 2005, the Company issued 22,500 SARs with a strike price of \$6.71. On August 24, 2006, the Company issued 15,000 SARs with a strike price of \$6.93. The Rights Plan was ratified by the Company's shareholders at the annual meeting of shareholders on October 13, 2005.

On October 5, 2012, shareholders approved the Cal-Maine Foods, Inc. 2012 Omnibus Long-Term Incentive Plan ("2012 Plan"). The purpose of the 2012 Plan is to assist us and our subsidiaries in attracting and retaining selected individuals who, serving as our employees, outside directors and consultants, are expected to contribute to our success and to achieve long-term objectives which will benefit our shareholders through the additional incentives inherent in the awards under the 2012 Plan. The maximum number of shares of common stock that are available for awards under the 2012 Plan is 500,000 shares issuable from the Company's treasury stock. Awards may be granted under the 2012 Plan to any employee, any non-employee member of the Company's Board of Directors, and any consultant who is a natural person and provides services to us or one of our subsidiaries (except for incentive stock options which may be granted only to our employees).

On January 15, 2013 and January 15, 2014, the Company granted restricted shares from treasury in the amounts of 63,000 and 63,600, respectively. The restricted shares vest three years from the grant date, or upon death or disability, change in control, or retirement (subject to certain requirements). The restricted shares contain no other service or performance conditions. Restricted stock is awarded in the name of the recipient and except for the right of disposal, constitutes issued and outstanding shares of the Company's common stock for all corporate purposes during the period of restriction including the right to receive dividends. Compensation expense is a fixed amount based on the grant date closing price and is amortized over the vesting period. Our unrecognized compensation expense as a result of non-vested shares at May 31, 2014 and June 1, 2013 was \$4.3 million and \$2.0 million, respectively. The unrecognized compensation expense will be amortized to stock compensation expense over a period of 2.14 years.

The Company recognized stock compensation expense of \$1.3 million for equity awards and \$521,000 for liability awards in fiscal 2014. In fiscal 2013, the Company recognized stock compensation expense of \$291,000 for equity awards and \$312,000 for liability awards. In fiscal 2012, the Company recognized no stock compensation expense for equity awards and \$502,000 for liability awards.

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A summary of our equity award activity and related information for our stock options is as follows:

	Number of Options	Weighted Exercise Price Per Share	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding, June 2, 2012	43,000	\$ 5.93		
Granted	-	-		
Exercised	-	-		
Forfeited	-	-		
Outstanding, June 1, 2013	43,000	\$ 5.93		
Granted	-	-		
Exercised	(20,000)	5.93		
Forfeited	-	-		
Outstanding, May 31, 2014	23,000	\$ 5.93	1.21	\$ 1,468
Exercisable, May 31, 2014	23,000	\$ 5.93	1.21	\$ 1,468

The intrinsic value of stock options exercised totaled \$911,000, zero and \$1.8 million in fiscal years 2014, 2013, and 2012, respectively.

A summary of our equity award activity and related information for our restricted stock is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding, June 1, 2013	63,000	\$ 41.08
Granted	63,600	53.53
Vested	(2,970)	45.69
Forfeited	(1,030)	41.08
Outstanding, May 31, 2014	122,600	\$ 47.43

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A summary of our liability award activity and related information is as follows:

	Number Of Rights	Weighted Average Strike Price Per Right	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding, June 2, 2012	31,600	\$ 6.31		
Granted	-	-		
Exercised	(5,100)	5.93		
Forfeited	-	-		
Outstanding, June 1, 2013	26,500	\$ 6.38		
Granted	-	-		
Exercised	(8,200)	5.93		
Forfeited	-	-		
Outstanding, May 31, 2014	18,300	\$ 6.59	1.88	\$ 1,156
Exercisable, May 31, 2014	18,300	\$ 6.59	1.88	\$ 1,156

We determined the fair value of our obligation related to unexercised liability awards as of May 31, 2014 and June 1, 2013 was \$1.1 million and \$986,000, respectively. Total payments for liability awards exercised totaled \$373,000, \$192,000, and \$1.2 million for fiscal 2014, 2013 and 2012, respectively.

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The fair value of liability awards was estimated as of May 31, 2014, June 1, 2013, and June 2, 2012 using a Black-Scholes option pricing model using the following weighted-average assumptions:

	May 31, 2014	June 1, 2013	June 2, 2012
Risk-free interest rate	0.10%	0.13%	0.17%
Dividend yield	1.66%	2.66%	3.35%
Volatility factor of the expected market price of our stock	37.36%	23.65%	14.70%
Weighted-avg. expected life of the rights	1 yr.	1 yr.	1 yr.

12. Income Taxes

Income tax expense (benefit) consisted of the following:

	Fiscal year ended		
	May 31	June 1	June 2
	2014	2013	2012
Current:			
Federal	\$ 38,940	\$ 28,144	\$ 37,770
State	5,470	2,410	6,010
	44,410	30,554	43,780
Deferred:			
Federal	6,474	(4,937)	4,300
State	1,151	(810)	1,030
	7,625	(5,747)	5,330
	\$ 52,035	\$ 24,807	\$ 49,110

Significant components of the Company's deferred tax liabilities and assets were as follows:

	May 31 2014	June 1 2013
Deferred tax liabilities:		
Property, plant and equipment	\$ 41,393	\$ 35,108
Cash basis temporary differences	637	817
Inventories	34,163	32,720
Investment in affiliates	487	4,248
Other comprehensive income	294	95
Other	3,800	3,540
Total deferred tax liabilities	80,774	76,528
Deferred tax assets:		
Accrued expenses	3,122	13,957
Other	6,699	4,157
Total deferred tax assets	9,821	18,114
Net deferred tax liabilities	\$ 70,953	\$ 58,414

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Effective May 29, 1988, the Company could no longer use cash basis accounting for its farming subsidiary because of tax law changes. The Taxpayer Relief Act of 1997 provides that taxes on the cash basis temporary differences as of that date are generally payable over 20 years beginning in fiscal 1999 or in full in the first fiscal year in which there is a change in ownership control. The Company uses the farm-price method for valuing inventories for income tax purposes.

The differences between income tax expense (benefit) at the Company's effective income tax rate and income tax expense (benefit) at the statutory federal income tax rate were as follows:

	Fiscal year end		
	May 31	June 1	June 2
	2014	2013	2012
Statutory federal income tax	\$ 56,435	\$ 26,331	\$ 48,595
State income taxes, net	4,303	1,040	4,576
Domestic manufacturers deduction	(3,810)	(2,860)	(3,596)
Reversal of outside basis in equity investment-Delta Egg	(3,295)	-	-
Non-taxable remeasurement gain upon consolidation of Delta Egg	(1,392)	-	-
Tax exempt interest income	(143)	(76)	(267)
Other, net	(63)	372	(198)
	\$ 52,035	\$ 24,807	\$ 49,110

Federal and state income taxes of \$41.6 million, \$42.7 million, and \$27.1 million were paid in fiscal years 2014, 2013, and 2012, respectively. Federal and state income taxes of zero, \$12,000, and \$510,000 were refunded in fiscal years 2014, 2013, and 2012, respectively.

We had no significant unrecognized tax benefits at June 1, 2013 or at June 2, 2012. Accordingly, we do not have any interest or penalties related to uncertain tax positions. However, if interest or penalties were to be incurred related to uncertain tax positions, such amounts would be recognized in income tax expense. Tax periods for all years after fiscal year 2010 remain open to examination by the federal and state taxing jurisdictions to which we are subject.

13. Other Matters

The carrying amounts in the Consolidated Balance Sheet for cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values. The fair value of the Company's long-term debt is estimated to be \$61.8 million. The fair value for long-term debt is estimated using discounted cash flow analysis, based on the Company's current incremental borrowing rate.

The Company's interest expense is sensitive to changes in the general level of U.S. interest rates. The Company maintains all of its debt as fixed rate in nature to mitigate the impact of fluctuations in interest rates. Under its current policies, the Company does not use interest rate derivative instruments to manage its exposure to interest rate changes. A one percent (1%) adverse move (i.e. decrease) in interest rates would adversely affect the net fair value of the Company's debt by \$1.6 million at May 31, 2014. The Company is a party to no other market risk sensitive instruments requiring disclosure.

14. Contingencies

Financial Instruments

The Company maintains standby letters of credit ("LOC") with a bank totaling \$3.3 million at May 31, 2014. These LOCs are collateralized with cash. The cash that collateralizes the LOCs is included in the line item "Other assets" in the consolidated balance sheets. The outstanding LOCs are for the benefit of certain insurance companies. None of the LOCs are recorded as a liability on the Consolidated Balance Sheets.

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Litigation

The Company is a defendant in certain legal actions, and intends to vigorously defend its position in these actions. The Company assesses the likelihood of material adverse judgments or outcomes to the extent losses are reasonably estimable. If the assessment of a contingency indicates it is probable that a material loss has been incurred and the amount of the liability can be reasonably estimated, the estimated liability is accrued in the Company's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

State of Oklahoma Watershed Pollution Litigation

On June 18, 2005, the State of Oklahoma filed suit, in the United States District Court for the Northern District of Oklahoma, against Cal-Maine Foods, Inc. and Cal-Maine Farms, Inc. as well as Tyson Foods, Inc. and affiliates, Cobb-Vantress, Inc., Cargill, Inc. and its affiliate, George's, Inc. and its affiliate, Peterson Farms, Inc. and Simmons Foods, Inc. Cal-Maine Farms, Inc. was dismissed from the case in September 2009. The State of Oklahoma claims that through the disposal of chicken litter the defendants have polluted the Illinois River Watershed. This watershed provides water to eastern Oklahoma. The complaint seeks injunctive relief and monetary damages, but the claim for monetary damages has been dismissed by the court. Cal-Maine Foods, Inc. discontinued operations in the watershed. Accordingly, we do not anticipate that Cal-Maine Foods, Inc. will be materially affected by the request for injunctive relief unless the court orders substantial affirmative remediation. Since the litigation began, Cal-Maine Foods, Inc. purchased 100% of the membership interests of Benton County Foods, LLC, which is an ongoing commercial shell egg operation within the Illinois River Watershed. Benton County Foods, LLC is not a defendant in the litigation.

The trial in the case began in September 2009 and concluded in February 2010. The case was tried to the court without a jury and the court has not yet issued its ruling. Management believes the risk of material loss related to this matter to be remote.

Egg Antitrust Litigation

Since September 25, 2008, the Company has been named as one of several defendants in numerous antitrust cases involving the United States shell egg industry. In some of these cases, the named plaintiffs allege that they purchased eggs or egg products directly from a defendant and have sued on behalf of themselves and a putative class of others who claim to be similarly situated. In other cases, the named plaintiffs allege that they purchased shell eggs and egg products directly from one or more of the defendants but sue only for their own alleged damages and not on behalf of a putative class. In the remaining cases, the named plaintiffs are individuals or companies who allege that they purchased shell eggs and egg products indirectly from one or more of the defendants - that is, they purchased from retailers that had previously purchased from defendants or other parties - and have sued on behalf of themselves and a putative class of others who claim to be similarly situated.

The Judicial Panel on Multidistrict Litigation consolidated all of the putative class actions (as well as certain other cases in which the Company was not a named defendant) for pretrial proceedings in the United States District Court for the Eastern District of Pennsylvania. The Pennsylvania court has organized the putative class actions around two

groups (direct purchasers and indirect purchasers) and has named interim lead counsel for the named plaintiffs in each group.

The Direct Purchaser Putative Class Action. The direct purchaser putative class cases were consolidated into In re: Processed Egg Products Antitrust Litigation, No. 2:08-md-02002-GP, in the United States District Court for the Eastern District of Pennsylvania. On February 28, 2014, the Court entered an order granting preliminary approval of the Company's previously-reported settlement of these cases, conditionally certifying the class for settlement purposes and approving the Notice Plan submitted by the parties. The Court will hold a final fairness hearing on the settlement on September 18, 2014. All proceedings against the Company in the direct purchaser putative class action are stayed pending the Court's final approval of the Company's settlement.

The Indirect Purchaser Putative Class Action. The indirect purchaser putative class cases were consolidated into In re: Processed Egg Products Antitrust Litigation, No. 2:08-md-02002-GP, in the United States District Court for the Eastern District of Pennsylvania. The court granted with prejudice the defendants' renewed motion to dismiss damages claims arising outside the limitations period applicable to most causes of action. On February 10-12, 2015, the Court will hold a hearing on the indirect purchaser plaintiffs' motion for class certification.

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The Non-Class Cases. Six of the cases in which plaintiffs do not seek to certify a class have been consolidated with the putative class actions into In re: Processed Egg Products Antitrust Litigation, No. 2:08-md-02002-GP, in the United States District Court for the Eastern District of Pennsylvania. The court granted with prejudice the defendants' renewed motion to dismiss the non-class plaintiffs' claims for damages arising before September 24, 2004. The parties have completed nearly all fact discovery related to these cases. The deadline for parties to file dispositive motions is July 2, 2015.

On May 6, 2014, the Company agreed in principle to settle all claims brought by the four plaintiffs in one of the non-class cases pending in the United States District Court for the Eastern District of Pennsylvania. Winn-Dixie Stores, Inc.; Roundy's Supermarkets, Inc.; C&S Wholesale Grocers, Inc.; and H.J. Heinz Company, L.P. v. Michael Foods, Inc., et al., Case No. 2:11-cv-00510-GP. The parties are still in the process of finalizing their formal settlement papers. The terms of the settlement are confidential. The Company is settling this case for an amount and on terms that are not expected to have a material impact on the Company's results of operations.

On March 3, 2014, all claims against the Company in the Kansas state court case styled as Associated Wholesale Grocers, Inc., et al., v. United Egg Producers, et al., No. 10-CV-2171, were dismissed with prejudice. The Company entered into a confidential settlement agreement settling this case for an amount and on terms that are not expected to have a material impact on the Company's results of operations.

Allegations in Each Case. In all of the cases described above, the plaintiffs allege that the Company and certain other large domestic egg producers conspired to reduce the domestic supply of eggs in a concerted effort to raise the price of eggs to artificially high levels. In each case, plaintiffs allege that all defendants agreed to reduce the domestic supply of eggs by: (a) agreeing to limit production; (b) manipulating egg exports; and (c) implementing industry-wide animal welfare guidelines that reduced the number of hens and eggs.

Both groups of named plaintiffs in the putative class actions seek treble damages and injunctive relief on behalf of themselves and all other putative class members in the United States. Although both groups of named plaintiffs in the putative class actions allege a class period starting on January 1, 2000 and running "through the present," the Court's ruling on the statute of limitations, described above, alters the period for which damages are available. In the direct purchaser putative class action, the Court ruled that the plaintiffs cannot recover damages allegedly incurred prior to September 24, 2004. In the indirect purchaser putative class action, the Court ruled that the plaintiffs cannot recover damages allegedly incurred outside the state-specific statute of limitations period applicable to most causes of action asserted, with the precise damages period determined on a state-by-state and claim-by-claim basis. The direct purchaser putative class actions allege two separate sub-classes – one for direct purchasers of shell eggs and one for direct purchasers of egg products. The direct purchaser putative class actions seek relief under the Sherman Act. The indirect purchaser putative class actions seek injunctive relief under the Sherman Act and damages under the statutes and common-law of various states and the District of Columbia.

Five non-class cases remain pending against the Company (not counting the case in which the Company is finalizing formal settlement papers). In four of the remaining non-class cases, the plaintiffs seek damages and injunctive relief under the Sherman Act. In the other remaining non-class case, the plaintiff seeks damages and injunctive relief under the Sherman Act and the Ohio antitrust act (known as the Valentine Act).

The Pennsylvania court has entered a series of orders related to case management, discovery, class certification, and scheduling. The Pennsylvania court has not set a trial date for any of the Company's remaining consolidated cases (non-class and indirect purchaser cases).

The Company intends to continue to defend the remaining cases as vigorously as possible based on defenses which the Company believes are meritorious and provable. While management believes that the likelihood of a material

adverse outcome in the overall egg antitrust litigation has been significantly reduced as a result of the settlements described above, there is still a reasonable possibility of a material adverse outcome in the remaining egg antitrust litigation. At the present time, however, it is not possible to estimate the amount of monetary exposure, if any, to the Company because of these cases. Accordingly, adjustments, if any, which might result from the resolution of these remaining legal matters, have not been reflected in the financial statements.

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Florida Civil Investigative Demand

On November 4, 2008, the Company received an antitrust civil investigative demand from the Attorney General of the State of Florida. The demand seeks production of documents and responses to interrogatories relating to the production and sale of eggs and egg products. The Company is cooperating with this investigation and entered into a tolling agreement with the State of Florida to extend any applicable statute of limitations for one year from the date of the agreement. No allegations of wrongdoing have been made against the Company in this matter.

Environmental Information Request

In July 2011, the Company received an information request (“Request”) from the United States Environmental Protection Agency (“EPA”) pursuant to Section 308 of the Clean Water Act (“Act”). The Request stated that the information was sought by the EPA to investigate compliance with the Act and requested information pertaining to facilities involved in animal feeding operations, which are owned or operated by the Company or its affiliates. On October 19, 2011, the Company timely responded to the Request by providing information on each of the subject facilities. The EPA subsequently sent a notice of noncompliance (“Notice”) dated March 29, 2012 to the Company which involved allegations of potential non-compliance with the Request and/or the Act. The Notice related to the Company’s Edwards, Mississippi facility only. The Company timely responded to the Notice on May 2, 2012. The EPA and the Mississippi Department of Environmental Quality (“MDEQ”) provided certain preliminary findings to the Company alleging potential violations of the Act and/or the Mississippi Air and Water Pollution Control Law concerning unpermitted discharges of pollutants to water of the United States and/or Mississippi and violations of certain conditions established under the Company’s National Pollution Discharge Elimination System (NPDES) permit for the Edwards, Mississippi facility. The Company has reached an agreement in principle with the EPA and the MDEQ to settle all claims related to the Edwards, Mississippi facility only. The terms and conditions of the proposed settlement related only to the Edwards, Mississippi facility and are not expected to have a material impact to the Company’s results of operations.

Miscellaneous

In addition to the above, the Company is involved in various other claims and litigation incidental to its business. Although the outcome of these matters cannot be determined with certainty, management, upon the advice of counsel, is of the opinion that the final outcome should not have a material effect on the Company’s consolidated results of operations or financial position.

At this time, it is not possible for us to predict the ultimate outcome of the matters set forth above.

15. Description of Rights and Privileges of Capital Stock—Capital Structure Consists of Common Stock

The Company has two classes of capital stock: Common Stock and Class A Common Stock. Holders of shares of the Company's capital stock vote as a single class on all matters submitted to a vote of the stockholders, with each share of Common Stock entitled to one vote and each share of Class A Common Stock entitled to ten votes. The Common Stock and Class A Common Stock have equal liquidation rights and the same dividend rights. In the case of any stock dividend, holders of Common Stock are entitled to receive the same percentage dividend (payable only in shares of Common Stock) as the holders of Class A Common Stock receive (payable only in shares of Class A Common Stock). Upon liquidation, dissolution, or winding-up of the Company, the holders of Common Stock are entitled to share ratably with the holders of Class A Common Stock in all assets available for distribution after payment in full of creditors. The Class A Common Stock may only be issued to Fred R. Adams, Jr., the Company's Founder and Chairman Emeritus, and members of his immediate family, as defined. In the event any share of Class A Common Stock, by operation of law or otherwise is, or shall be deemed to be owned by any person other than Mr. Adams or a member of his immediate family, the voting power of such stock will be reduced from ten votes per share to one vote per share. Also, shares of Class A Common Stock shall be automatically converted into Common Stock on a share per share basis in the event the beneficial or record ownership of any such share of Class A Common Stock is transferred to any person other than Mr. Adams or a member of his immediate family. Each share of Class A Common Stock is convertible, at the option of its holder, into one share of Common Stock at any time. The holders of Common Stock and Class A Common Stock are not entitled to preemptive or subscription rights. In any merger, consolidation or business combination, the consideration to be received per share by holders of Common Stock must be identical to that received by holders of Class A Common Stock, except that if any such transaction in which shares of Capital Stock are distributed, such shares may differ as to voting rights to the extent that voting rights now differ among the classes of capital stock. No class of capital stock may be combined or subdivided unless the other classes of capital stock are combined or subdivided in the same proportion. No dividend may be declared and paid on Class A Common Stock unless the dividend is payable only to the holders of Class A Common Stock and a dividend payable to Common

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Stock is declared and paid concurrently in respect of outstanding shares of Common Stock in the same number of shares of Common Stock per outstanding share.

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16. Fair Value Measures

The Company is required to categorize both financial and nonfinancial assets and liabilities based on the following fair value hierarchy. The fair value of an asset is the price at which the asset could be sold in an orderly transaction between unrelated, knowledgeable, and willing parties able to engage in the transaction. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor in a transaction between such parties, not the amount that would be paid to settle the liability with the creditor.

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset or liability supported by little or no market activity and are significant to the fair value of the assets or liabilities.

The disclosure of fair value of certain financial assets and liabilities recorded at cost are as follows:

Cash and cash equivalents: The carrying amount approximates fair value due to the short maturity of these instruments.

Long-term debt: The carrying value of the Company's long-term debt is at its stated value. We have not elected to carry our long-term debt at fair value. Except for the "Note Payable-Texas Egg Products, LLC," fair values for debt are based on quoted market prices or published forward interest rate curves, which are level 2 inputs. We believe cost approximates fair value for the "Note Payable-Texas Egg Products, LLC." Estimated fair values are management's estimates, which is a level 3 input; however, when there is no readily available market data, the estimated fair values may not represent the amounts that could be realized in a current transaction, and the fair values could change significantly. There is no readily available market data for the "Note Payable-Texas Egg Products, LLC." The fair value and carrying value of the Company's long-term debt were as follows (in thousands):

	May 31, 2014		June 1, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
2.00 – 6.80% Notes payable	\$ 52,676	\$ 53,387	\$ 54,239	\$ 56,237
Series A Senior Secured Notes at 5.45%	8,417	8,396	10,524	10,636
	-	-	257	257

Note payable-Texas Egg Products, LLC (payable to non-affiliate equity members)

\$ 61,093 \$ 61,783 \$ 65,020 \$ 67,130

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Assets and Liabilities Measured at Fair Value on a Recurring Basis

In accordance with the fair value hierarchy described above, the following table shows the fair value of our financial assets and liabilities that are required to be measured at fair value on a recurring basis as of May 31, 2014 and June 1, 2013 (in thousands):

	May 31, 2014			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
Investment securities available-for-sale				
State municipal bonds	\$ -	\$ 75,847	\$ -	\$ 75,847
US government obligations	-	4,061	-	4,061
Corporate bonds	-	102,685	-	102,685
Commercial paper	-	3,930	-	3,930
Certificates of deposit	-	351	-	351
Variable rate demand notes	-	2,000	-	2,000
Government agency bonds	-	4,798	-	4,798
Foreign government obligations	-	1,066	-	1,066
Mutual Funds*	1,451	-	-	1,451
Total available-for-sale securities at fair value	1,451	194,738	-	196,189
Commodity contracts	-	1,255	-	1,255
Total assets measured at fair value	\$ 1,451	\$ 195,993	\$ -	\$ 197,444
Contingent consideration	-	-	2,985	2,985
Total liabilities measured at fair value	\$ -	\$ -	\$ 2,985	\$ 2,985

*The mutual funds are classified as long term and are a part of "other investments" in the Consolidated Balance Sheet.

	June 1, 2013			
	Quoted Prices in Active Significant Markets for other Identical Observable Instruments			Significant Unobservable Inputs
	(Level 1)	(Level 2)	(Level 3)	Total Balance
Investment securities available-for-sale				
State municipal bonds	\$ -	\$ 61,195	\$ -	\$ 61,195
US government obligations	-	12,377	-	12,377
Corporate bonds	-	64,383	-	64,383
Certificates of deposit	-	12,285	-	12,285
Government agency bonds	-	7,664	-	7,664
Mutual Funds*	1,026	-	-	1,026
Total assets measured at fair value	\$ 1,026	\$ 157,904	\$ -	\$ 158,930
Contingent consideration	-	-	1,250	1,250
Total liabilities measured at fair value	\$ -	\$ -	\$ 1,250	\$ 1,250

*The mutual funds are classified as long term and are a part of “other investments” in the Consolidated Balance Sheet.

Our investment securities – available-for-sale classified as level 2 consist of certificates of deposit, time deposits, U.S. government obligations, government agency bonds, taxable municipal bonds, tax exempt municipal bonds, zero coupon

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municipal bonds, and corporate bonds with maturities of three months or longer when purchased. We classified these securities as current, because amounts invested are available for current operations. Observable inputs for these securities are yields, credit risks, default rates, and volatility.

The Company applies fair value accounting guidance to measure non-financial assets and liabilities associated with business acquisitions. These assets and liabilities are measured at fair value for the initial purchase price allocation and are subject to recurring revaluations. The fair value of non-financial assets acquired is determined internally. Our internal valuation methodology for non-financial assets takes into account the remaining estimated life of the assets acquired and what management believes is the market value for those assets. Liabilities for contingent consideration (earn-outs) take into account commodity prices based on published forward commodity price curves, projected future egg prices as of the date of the estimate, and projected future cash flows expected to be received as a result of a business acquisition (Refer to Note 2 – Acquisitions). Given the unobservable nature of these inputs, they are deemed to be Level 3 fair value measurements. During fiscal 2014 we recognized a \$4.4 million loss resulting from the increase in fair value of the contingent consideration, compared to fiscal 2013 when we recognized a \$1.3 million gain. Both the gain and loss were recognized in earnings as a reduction and increase, respectively, of selling, general, and administrative expenses. Changes in the fair value of contingent consideration obligations for fiscal 2014 were as follows (in thousands):

	Year ended May 31, 2014
Balance at beginning of year	\$ 1,250
Liabilities recognized at acquisition date	-
(Gains)/Losses recognized in earnings	4,359
Payments	(2,624)
Balance at end of year	\$ 2,985

17. Available-for-Sale Securities - Classified as Current Assets

Available-for-sale securities classified as current assets consisted of the following (in thousands):

May 31, 2014	Gains in	Losses in
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	Amortized Cost	Accumulated Other Comprehensive Income	Accumulated Other Comprehensive Income	Estimated Fair Value
State municipal bonds	\$ 75,659	\$ 188	\$ -	\$ 75,847
US government obligations	4,056	5	-	4,061
Corporate bonds	102,587	98	-	102,685
Commercial paper	3,927	3	-	3,930
Certificates of deposit	350	1	-	351
Variable rate demand notes	2,000	-	-	2,000
Government agency bonds	4,791	7	-	4,798
Foreign government obligations	1,064	2	-	1,066
Total current available-for-sale securities	\$ 194,434	\$ 304	\$ -	\$ 194,738
Mutual funds*	999	452	-	1,451
Total noncurrent available-for-sale securities	\$ 999	\$ 452	\$ -	\$ 1,451

*The mutual funds are classified as long term and are a part of "other investments" in the Consolidated Balance Sheet.

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	June 1, 2013				
	Amortized	Gains in	Losses in	Estimated	
	Cost	Accumulated	Accumulated	Fair	
		Other	Other	Value	
		Comprehensive	Comprehensive		
		Income	Income		
State municipal bonds	\$ 61,124	\$ 71	\$ -	\$ 61,195	
US government obligations	12,378	-	1	12,377	
Corporate bonds	64,406	-	23	64,383	
Certificates of deposit	12,280	5	-	12,285	
Government agency bonds	7,659	5	-	7,664	
Total current available-for-sale securities	\$ 157,847	\$ 81	\$ 24	\$ 157,904	
Mutual funds*	721	305	-	1,026	
Total noncurrent available-for-sale securities	\$ 721	\$ 305	\$ -	\$ 1,026	

*The mutual funds are classified as long term and are a part of "other investments" in the Consolidated Balance Sheet.

Proceeds from the sales of available-for-sale securities were \$108.1 million, \$188.1 million, and \$115.8 million during fiscal 2014, 2013, and 2012, respectively. Gross realized gains on those sales during fiscal 2014, 2013, and 2012 were \$8,000, \$24,000, and \$24,000, respectively. Gross realized losses on those sales during fiscal 2014, 2013, and 2012 were \$2,000, \$676,000, and \$825,000, respectively. For purposes of determining gross realized gains and losses, the cost of securities sold is based on the specific identification method. Unrealized holding gains (losses) net of tax on available-for-sale securities classified as current in the amount of \$149,000, \$256,000, and \$98,000 for the years ended May 31, 2014, June 1, 2013, and June 2, 2012, respectively, have been included in accumulated other comprehensive income (loss). Unrealized holding gains net of tax on long term available-for-sale securities in the amount of \$90,000 and \$186,000 for the years ended May 31, 2014 and June 1, 2013 have been included in other comprehensive income (loss).

Contractual maturities of available-for-sale debt securities at May 31, 2014, are as follows (in thousands):

	Estimated Fair Value
Within one year	\$ 88,944
After 1-5 years	105,794
After 5-10 years	-

\$ 194,738

Actual maturities may differ from contractual maturities because some borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

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18. Quarterly Financial Data: (unaudited, amount in thousands, except per share data):

	Fiscal Year 2014			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	\$ 319,528	\$ 354,275	\$ 395,522	\$ 371,582
Gross profit	44,911	74,667	91,895	91,291
Net income attributable to Cal-Maine Foods, Inc.	8,756	26,106	42,853	31,492
Net income per share:				
Basic	\$ 0.36	\$ 1.09	\$ 1.78	\$ 1.31
Diluted	\$ 0.36	\$ 1.08	\$ 1.77	\$ 1.30

	Fiscal Year 2013			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter*
Net sales	\$ 272,928	\$ 328,870	\$ 360,373	\$ 325,933
Gross profit	44,715	51,298	67,047	51,489
Net income attributable to Cal-Maine Foods, Inc.	9,415	14,290	30,551	(3,833)
Net income per share:				
Basic	\$ 0.39	\$ 0.60	\$ 1.27	\$ (0.16)
Diluted	\$ 0.39	\$ 0.60	\$ 1.27	\$ (0.16)

*Fourth quarter fiscal 2013 results include a legal settlement expense of \$17.0 million, or \$0.71 per basic share, after tax (see Note 14).

19. Distribution from Unconsolidated Subsidiary

In April 2012 EB entered into a joint venture with LOL whereby EB contributed substantially all of its assets into a new limited liability company, EBLLC, in which LOL purchased a 50% ownership interest for approximately \$126.1 million (the "Purchase Price") and the license of the LOL trademarks to the EBLLC. The this joint venture combines EB's and LOL's specialty shell egg businesses in order to market and sell both Egg-land's Best® branded specialty eggs and Land O' Lakes® branded specialty eggs. EB distributed the proceeds from the sale of the 50% interest to LOL to the EB members pursuant to EB's articles of incorporation and bylaws on a patronage basis, subject to EB retaining funds to pay transaction costs.

In the fourth fiscal quarter of 2012, Cal-Maine received \$38.3 million in proceeds from the above described transaction and Specialty Eggs, LLC (50% equity method investee of Cal-Maine) received \$8.9 million. For cash flow statement purposes, we evaluated the specific distribution to Cal-Maine on a stand-alone basis to determine the appropriate classification of the proceeds. Since the entire proceeds effectively represent the sale of a 50% interest in the assets and business of EB, the entire amount was reported as an investing cash flow for fiscal 2012.

Since we account for our investment in EB under the cost method, the specific distribution to Cal-Maine was recorded as income in the fourth quarter of fiscal 2012. In accordance with the equity method, we recorded 50% of the distribution to Specialty Egg, LLC as a component of equity in income of affiliates.

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20. Derivative Financial Instruments

The Company holds commodity futures contracts in the form of call options, the cost of which is paid for by customers, to protect against increases in the price of corn and soybean meal purchases required to support that portion of its shell egg production sold on a cost of production formula. The contracts are generally for durations of less than six months. The Company elected to mark the unrealized changes in derivative instrument fair value to market; however, the net realized cost of these contracts is paid by customers, so there is no net impact to the Company's Consolidated Statement of Income. The fair value of all derivative instruments outstanding is included as a component of "Prepaid Expenses and Other Current Assets" on the Consolidated Balance Sheets as follows (in thousands):

Contracts outstanding at period end		
Commodity	Units	Fair Value
		\$
Corn	3,450 bushels	285
		\$
Soybean meal	36 tons	970

21. Subsequent Event

On July 25, 2014, the Company announced it had formed a joint venture, Southwest Specialty Eggs, LLC, with Hickman's Egg Ranch. Southwest Specialty Eggs, LLC has acquired the Egg-land's Best® franchise for the state of Arizona with exclusive licensing agreements for the sale of Egg-land's Best® specialty eggs, Land O' Lakes® branded specialty eggs and other premium brands.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

Years ended May 31, 2014, June 1, 2013, and June 2, 2012

(in thousands)

Description	Balance at Beginning of Period	Charged to Cost and Expense	Write-off of Accounts	Balance at End of Period
Year ended May 31, 2014				
Allowance for doubtful accounts	\$ 771	\$ (323)	\$ 18	\$ 430
Year ended June 1, 2013				
Allowance for doubtful accounts	\$ 589	\$ 1,410	\$ 1,228	\$ 771
Year ended June 2, 2012				
Allowance for doubtful accounts	\$ 686	\$ 849	\$ 946	\$ 589

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on an evaluation of our disclosure controls and procedures conducted by our Chief Executive Officer and Chief Financial Officer, together with other financial officers, such officers concluded that our disclosure controls and procedures were effective as of May 31, 2014 at the reasonable assurance level.

Internal Control Over Financial Reporting

(a) Management's Report on Internal Control Over Financial Reporting

The following sets forth, in accordance with Section 404(a) of the Sarbanes-Oxley Act of 2002 and Item 308 of the Securities and Exchange Commission's Regulation S-K, the report of management on our internal control over financial reporting.

1. Our management is responsible for establishing and maintaining adequate internal control over financial reporting. “Internal control over financial reporting” is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, together with other financial officers, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

2. Our management, in accordance with Rule 13a-15(c) under the Exchange Act and with the participation of our Chief Executive Officer and Chief Financial Officer, together with other financial officers, evaluated the effectiveness of our internal control over financial reporting as of May 31, 2014. The framework on which management’s evaluation of our internal control over financial reporting is based is the “Internal Control – Integrated Framework” published in 1992 by the Committee of Sponsoring Organizations (“COSO”) of the Treadway Commission.

3. Management has determined that our internal control over financial reporting as of May 31, 2014 is effective. It is noted that internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives, but rather reasonable assurance of achieving such objectives.

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4. The attestation report of FROST, PLLC on our internal control over financial reporting, which includes that firm's opinion on the effectiveness of our internal control over financial reporting, is set forth below.

(b) Attestation Report of the Registrant's Public Accounting Firm

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Report of Independent Registered Public Accounting Firm

on Internal Control Over Financial Reporting

Board of Directors and Stockholders

Cal-Maine Foods, Inc. and Subsidiaries

Jackson, Mississippi

We have audited Cal-Maine Foods, Inc. and Subsidiaries' internal control over financial reporting as of May 31, 2014, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Cal-Maine Foods, Inc. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting in Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Cal-Maine Foods, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of May 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows of Cal-Maine Foods, Inc. and Subsidiaries, and our report dated July 28, 2014 expressed an unqualified opinion.

/s/Frost, PLLC

Little Rock, Arkansas

July 28, 2014

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(c)Changes in Internal Control Over Financial Reporting

In connection with its evaluation of the effectiveness, as of May 31, 2014, of our internal control over financial reporting, management determined that there was no change in our internal control over financial reporting that occurred during the fourth quarter ended May 31, 2014, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Except as set forth below, the information concerning directors, executive officers and corporate governance is incorporated by reference from our definitive proxy statement which is to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 in connection with our 2014 Annual Meeting of Shareholders.

We have adopted a Code of Conduct and Ethics for Directors, Officers and Employees, including the chief executive and principal financial and accounting officers of the Company. We will provide a copy of the code free of charge to any person that requests a copy by writing to:

Cal-Maine Foods, Inc.

P.O. Box 2960

Jackson, Mississippi 39207

Attn.: Investor Relations

Requests can be made by phone at (601) 948-6813

A copy is also available at our website www.calmainefoods.com. We intend to disclose any amendments to, or waivers from, the Code of Conduct and Ethics for Directors, Officers and Employees on our website promptly following the date of any such amendment or waiver. Information contained on our website is not a part of this report.

ITEM 11. EXECUTIVE COMPENSATION

The information concerning executive compensation is incorporated by reference from our definitive proxy statement which is to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 in connection with our 2014 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information concerning security ownership of certain beneficial owners and management and related stockholder matters is incorporated by reference from our definitive proxy statement which is to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 in connection with our 2014 Annual Meeting of Shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information concerning certain relationships and related transactions, and director independence is incorporated by reference from our definitive proxy statement which is to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 in connection with our 2014 Annual Meeting of Shareholders.

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ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information concerning principal accounting fees and services is incorporated by reference from our definitive proxy statement which is to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 in connection with our 2014 Annual Meeting of Shareholders.

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PART IV

ITEM 15.EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1)Financial Statements

The following consolidated financial statements and notes thereto of Cal-Maine Foods, Inc. and subsidiaries are included in Item 8 and are filed herewith:

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Reports
of
Independent
Registered
Public
Accounting
Firms.

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Consolidated
Balance
Sheets
– May
31,
2014
and
June
1,
2013.

39
Consolidated
Statements
of
Income
– Fiscal
Years

Ended
May
31,
2014,
June
1,
2013,
and
June
2,
2012.

Consolidated
Statements of
Comprehensive
Income – Fiscal
Years Ended

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May
31,
2014,
June
1,
2013,
and
June
2,
2012.

Consolidated
Statements of
Changes in
Stockholders'
Equity for the
Fiscal Years
Ended

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May
31,
2014,
June
1,
2013,
and
June
2,
2012.

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Consolidated
Statements

of
Cash
Flows
for
the
Fiscal
Years
Ended
May
31,
2014,
June
1,
2013,
and
June
2,
2012.

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Notes
to
Consolidated
Financial
Statements

(a)(2) Financial
Statement
Schedule

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Schedule
II –
Valuation
and
Qualifying
Accounts

All other schedules are omitted either because they are not applicable or required, or because the required information is included in the financial statements or notes thereto.

(a)(3) Exhibits Required by Item 601 of Regulation S-K

See Part (b) of this Item 15.

(b) Exhibits Required by Item 601 of Regulation S-K

The following exhibits are filed herewith or incorporated by reference:

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Exhibit Number	Exhibit
3.1	Composite Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 in the Registrant's Form 10-Q for the quarter ended March 2, 2013, filed April 5, 2013).
3.2	Composite Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 in the Registrant's Form 10-Q for the quarter ended March 2, 2013, filed April 5, 2013).
10.1*	Wage Continuation Plan, dated as of July 1, 1986, between Jack Self and the Registrant, as amended on September 2, 1994 (incorporated by reference to Exhibit 10.7 in the Registrant's Form S-1 Registration Statement No. 333-14809, filed October 25, 1996).

- 10.2* Wage Continuation Plan, dated as of April 15, 1988, between Joe Wyatt and the Registrant (incorporated by reference to Exhibit 10.8 in the Registrant's Form S-1 Registration Statement No. 333-14809, filed October 25, 1996).
- 10.3* Redemption Agreement, dated March 7, 1994, between the Registrant and Fred R. Adams, Jr. (incorporated by reference to Exhibit 10.9 in the Registrant's Form S-1 Registration Statement No. 333-14809, filed October 25, 1996).
- 10.4* Wage Continuation Plan, dated as of January 14, 1999, among Stephen Storm, Charles F. Collins, Bob Scott and the Registrant (incorporated by reference to Exhibit 10.11 in the Registrant's Form 10-K for fiscal year

- ended May 29,
1999, filed
August 25,
1999).
- 10.5* 2005 Incentive
Stock Option
Plan
(incorporated
by reference to
Appendix B to
the Registrant's
Proxy
Statement for
the Annual
Meeting held
October 13,
2005, filed
September 9,
2005).
- 10.6* 2005 Stock
Appreciation
Rights Plan
(incorporated
by reference to
Appendix C to
the Registrant's
Proxy
Statement for
the Annual
Meeting held
October 13,
2005, filed
September 9,
2005).
- 10.7* Deferred
Compensation
Plan, dated
December 28,
2006
(incorporated
by reference to
Exhibit 10.15
in the
Registrant's
Form 8-K,
filed January
4, 2007).
- 10.8 Loan
Agreement,
dated as of
November 13,

- 2006, between Metropolitan Life Insurance Company and the Registrant (incorporated by reference to Exhibit 10.15 in the Registrant's Form 10-Q for the quarter ended December 2, 2006, filed January 9, 2007).
- 10.9 Loan Agreement, dated as of November 12, 2009, between the Registrant and Metropolitan Life Insurance Company (incorporated by reference to Exhibit 10.3(e) in the Registrant's Form 8-K, filed November 17, 2009).
- 10.10* Cal-Maine Foods, Inc. KSOP, as amended and restated, effective April 1, 2012 (incorporated by reference to Exhibit 4.4 in the Registrant's Form S-8, filed March 30, 2012).
- 10.11*

Cal-Maine
 Foods, Inc.
 KSOP Trust,
 as amended
 and restated,
 effective April
 1, 2012
 (incorporated
 by reference to
 Exhibit 4.5 in
 the Registrant's
 Form S-8,
 filed March
 30, 2012).

10.12* 2012 Omnibus
 Long-Term
 Incentive Plan
 (incorporated
 by reference to
 Appendix B to
 the Registrant's
 Proxy
 Statement for
 the Annual
 Meeting held
 October 5,
 2012, filed
 September 6,
 2012).

10.13** Form of
 Restricted
 Stock
 Agreement for
 2012 Omnibus
 Long-Term
 Incentive Plan

21** Subsidiaries of
 the Registrant

23.1** Consent of
 FROST, PLLC

31.1** Rule 13a-14(a)
 Certification
 of Chief
 Executive
 Officer

31.2** Rule 13a-14(a)
 Certification
 of Chief
 Financial
 Officer

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Section 1350
Certifications
of the Chief
Executive
Officer and the
Chief
Financial
Officer
Press release
dated July 28,
2014
announcing
interim and
annual
financial
99.1 information
(incorporated
by reference to
Exhibit 99.1 in
the Company's
Form 8-K,
filed July 28,
2014).
101.INS****+ XBRL
Instance
Document
Exhibit

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101.SCH***+	XBRL
	Taxonomy
	Extension
	Schema
	Document
	Exhibit
101.CAL***+	XBRL
	Taxonomy
	Extension
	Calculation
	Linkbase
	Document
	Exhibit
101.DEF***+	XBRL
	Taxonomy
	Extension
	Definition
	Linkbase
	Document
	Exhibit
101.LAB***+	XBRL
	Taxonomy
	Extension
	Label
	Linkbase
	Document
	Exhibit
101.PRE***+	XBRL
	Taxonomy
	Extension
	Presentation
	Linkbase
	Document

*Management contract or compensatory plan or arrangement

**Filed herewith as an Exhibit

***Furnished herewith as an Exhibit

+Submitted electronically with this Annual Report on Form 10-K

The Company has not filed instruments with respect to long-term debt where the total amount of securities authorized thereunder does not exceed ten percent of the total assets of the Company and its subsidiaries on a consolidated

basis. The Company agrees to furnish to the Securities and Exchange Commission, upon request, copies of any such instrument.

(c) Financial Statement Schedules Required by Regulation S-X

The financial statement schedule required by Regulation S-X is filed at page 78. All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in Jackson, Mississippi, on this 28th day of July 2014.

CAL-MAINE FOODS, INC.

/s/ Adolphus B. Baker
 Adolphus B. Baker
 President, Chief Executive Officer and Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Adolphus B. Baker Adolphus B. Baker	President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	July 28, 2014
/s/ Timothy A. Dawson Timothy A. Dawson	Vice President, Chief Financial Officer and Director (Principal Financial Officer)	July 28, 2014
/s/ Michael D. Castleberry Michael D. Castleberry	Vice President, Controller (Principal Accounting Officer)	July 28, 2014
/s/ Sherman Miller Sherman Miller	Vice President, Chief Operating Officer and Director	July 28, 2014
/s/ Letitia C. Hughes Letitia C. Hughes	Director	July 28, 2014

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/s/ James E. Poole Director July 28, 2014
James E. Poole

/s/ Steve W. Sanders Director July 28, 2014
Steve W. Sanders