

SANFILIPPO JOHN B & SON INC

Form DEF 14A

October 04, 2006

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**SCHEDULE 14A**  
**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES**  
**EXCHANGE ACT OF 1934**

Filed by the registrant

Filed by a party other than the registrant

Check the appropriate box:

Preliminary Proxy Statement  Confidential, For Use of the Commission Only  
(as permitted by Rule 14a-6(e) (2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material  
Pursuant to Section 240.14a-12

**John B. Sanfilippo & Son, Inc.**

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of filing fee (check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

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(4) Date Filed:



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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

to be held  
on November 6, 2006

**TO THE STOCKHOLDERS:**

The annual meeting of stockholders of John B. Sanfilippo & Son, Inc. will be held on Monday, November 6, 2006 at 10:00 a.m., local time, at 1707 N. Randall Road, Elgin, Illinois 60123, for the following purposes:

1. To elect directors;
2. To ratify the action of the Audit Committee in appointing PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending June 28, 2007; and
3. To transact such other business as may properly be brought before the annual meeting or any adjournment or postponement thereof.

The annual meeting may be postponed or adjourned from time to time without any notice other than announcement at the meeting, and any and all business for which notice is hereby given may be transacted at any such postponed or adjourned meeting.

The Board of Directors has fixed the close of business on September 7, 2006 as the record date for determination of stockholders entitled to notice of and to vote at the annual meeting. A list of these stockholders will be available for inspection for 10 days preceding the meeting (at 2299 Busse Road, Elk Grove Village, Illinois 60007) and will also be available for inspection at the meeting.

Stockholders are requested to complete and sign the enclosed proxy, which is solicited by the Board of Directors, and promptly return it in the accompanying envelope whether or not they plan to attend the annual meeting in person. The proxy is revocable at any time before it is voted. Returning the proxy will in no way limit your right to vote at the

annual meeting if you should later decide to attend and vote in person.

**Because we have two classes of stock outstanding, a separate form of proxy has been prepared with respect to each class of stock: a white proxy, which relates to our Common Stock, \$.01 par value; and a blue proxy, which relates to our Class A Common Stock, \$.01 par value. Stockholders who own of record shares of only one class are being furnished only with the proxy relating to that class. Stockholders who own of record shares of both classes are being furnished with both proxies (in separate mailings, each of which also includes a copy of this notice and the proxy statement). Stockholders who receive both proxies must complete, sign and return both proxies in order for the shares of both classes to be voted by proxy.**

By Order of the Board of Directors

/s/ MICHAEL J. VALENTINE

MICHAEL J. VALENTINE

*Secretary*

Elk Grove Village, Illinois

October 6, 2006

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**John B. Sanfilippo & Son, Inc.**  
**PROXY STATEMENT**  
**ANNUAL MEETING OF STOCKHOLDERS**

November 6, 2006

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of John B. Sanfilippo & Son, Inc., a Delaware corporation, of proxies for use at the annual meeting of our stockholders to be held on Monday, November 6, 2006 at 10:00 a.m., local time, at 1707 N. Randall Road, Elgin, Illinois 60123, and at any postponement or adjournment thereof (the Annual Meeting). All shares of our Common Stock, \$.01 par value (the Common Stock), and our Class A Common Stock, \$.01 par value (the Class A Stock), entitled to vote at the Annual Meeting which are represented by properly executed proxies will, unless such proxies have been revoked, be voted in accordance with the instructions given in such proxies. Any stockholder who has given a proxy may revoke it at any time prior to its exercise at the Annual Meeting by delivering a written notice of revocation or duly executed proxy bearing a later date to our Secretary, or by attending the Annual Meeting and voting in person. Any written notice of revocation or subsequent proxy should be delivered to us at 2299 Busse Road, Elk Grove Village, Illinois 60007-6057, Attention: Secretary, or hand delivered to the Secretary, before the closing of the polls at the Annual Meeting. Unless the context otherwise requires, references herein to we, us, or our company refer to John B. Sanfilippo & Son, Inc.

This Proxy Statement and accompanying proxy are being mailed to stockholders on or about October 6, 2006. The mailing address of our principal executive offices is 2299 Busse Road, Elk Grove Village, Illinois 60007-6057.

**Record Date and Shares Outstanding**

We had outstanding on September 7, 2006, the record date for determination of stockholders entitled to notice of and to vote at the Annual Meeting, 7,994,199 shares of Common Stock (excluding 117,900 treasury shares) and 2,597,426 shares of Class A Stock. The Common Stock is traded on the Nasdaq National Market. There is no established public trading market for the Class A Stock.

**Voting and Quorum**

Pursuant to our Restated Certificate of Incorporation (as amended, the Restated Certificate), so long as the total number of shares of Class A Stock outstanding is greater than or equal to 12<sup>1</sup>/<sub>2</sub>% of the total number of shares of Class A Stock and Common Stock outstanding, the holders of Common Stock voting as a class are entitled to elect such number (rounded to the next highest number in the case of a fraction) of directors as equals 25% of the total number of directors constituting the full Board of Directors and the holders of Class A Stock voting as a class are entitled to elect the remaining directors. With respect to all matters other than the election of directors or any matters for which class voting is required by law, the holders of Common Stock and the holders of Class A Stock will vote together as a single class and the holders of Common Stock will be entitled to one vote per share of Common Stock and the holders of Class A Stock will be entitled to ten votes per share of Class A Stock.

Our Restated Certificate does not entitle holders of Common Stock to cumulative voting. However, solely with respect to the election of directors, the Restated Certificate entitles each holder of Class A Stock, in person or by proxy, to either (a) vote the number of shares of Class A Stock owned by such holder for as many persons as there are directors to be elected by holders of Class A Stock (Class A Directors), or (b) cumulate said votes (by multiplying the number of shares of Class A Stock owned by such holder by the number of candidates for election as a Class A Director) and either (i) give one candidate all of the cumulated votes, or (ii) distribute the cumulated votes among such candidates as the holder sees fit.

The presence at the Annual Meeting, in person or by proxy, of holders of Common Stock entitled to cast at least a majority of the votes which the Common Stock is entitled to cast is required in order to establish a quorum for the purpose of electing the directors to be elected by holders of Common Stock (the Common Stock Directors ). The presence at the Annual Meeting, in person or by proxy, of holders of Class A Stock entitled to cast at least a majority of the votes which the Class A Stock is entitled to cast is required in order to establish a quorum for the purpose of electing the Class A Directors. The presence at the Annual Meeting, in person or by proxy, of holders of Common Stock and Class A Stock entitled to cast at least a majority of the aggregate number of votes which all such stock is entitled to cast on matters other than the election of directors is required in order to establish a quorum for the purpose of any other business.

Two proposals are scheduled for stockholder consideration at the Annual Meeting, each of which is described more fully herein: (i) the election of eight directors; and (ii) the ratification of the action of the Audit Committee in appointing PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending June 28, 2007. The vote required and method of counting votes for each of these proposals is as follows:

**Proposal 1: Election of Directors**

At the meeting, the holders of Common Stock voting as a class will be entitled to elect two of the eight directors, and the holders of Class A Stock voting as a class will be entitled to elect the remaining six directors. Directors elected by holders of both Common Stock and Class A Stock are elected by a plurality of the votes cast for each such class. If a stockholder does not vote for the election of directors because the authority to vote is withheld, because the proxy is not returned, because the broker holding the shares does not vote, or because of some other reason, the shares will not count in determining the total number of votes for each nominee. If a properly executed, unrevoked proxy does not specifically direct the voting of the shares covered by such proxy, the proxy will be voted **FOR** the election of all nominees for election as director to be elected by holders of the class of shares covered by such proxy as listed herein. If any nominee is unable to act as director because of an unexpected occurrence, the proxy holders may vote the proxies for another person or the Board of Directors may reduce the number of directors to be elected.

**Proposal 2: Ratification of Independent Auditors**

To be approved, the ratification of PricewaterhouseCoopers LLP requires the affirmative vote of the holders of shares representing a majority of the votes present and entitled to vote by the holders of Common Stock and Class A Stock, voting together as one class. Abstentions will count as a vote against Item 2. If a properly executed, unrevoked proxy does not specifically direct the voting of the shares covered by such proxy, the proxy will be voted **FOR** Item 2.

**Other Proposals**

Management does not intend to present, and does not have any reason to believe that others will present, any item of business at the Annual Meeting other than those specifically set forth in the notice of the Annual Meeting. However, if other matters are properly presented for a vote at the Annual Meeting, or at any postponements or adjournments thereof, the proxies will be voted for such matters in accordance with the judgment of the persons acting under the proxies.

**SECURITY OWNERSHIP OF CERTAIN  
BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information as of September 25, 2006 with respect to the beneficial ownership of Common Stock and Class A Stock by (a) any individuals or entities known by us to be the beneficial owners of more than 5% of the outstanding shares of Common Stock or Class A Stock, (b) each of our directors and nominees for election as a director, (c) each of the Named Executive Officers (as defined below) who currently serve as an executive officer of our company, and (d) all of our directors, nominees for election as a director and executive officers as a group. The information set forth in the table as to directors and executive officers is based upon information furnished to us by them in connection with the preparation of this Proxy Statement. Except where otherwise indicated, the mailing address of each of the stockholders named in the table is: c/o John B. Sanfilippo & Son, Inc., 2299 Busse Road, Elk Grove Village, Illinois 60007-6057.

Name	% of		No. of Shares of Class A Stock <sup>(1)(2)</sup>	% of	
	No. of Shares of Common Stock <sup>(1)</sup>	Outstanding Shares of Common Stock		Outstanding Shares of Class A Stock	% of Outstanding Votes on Matters Other than Election of Directors
Jasper B. Sanfilippo <sup>(3)(4)(5)+</sup>	39,832	*	1,523,776	58.7	44.8
Marian R. Sanfilippo <sup>(4)(5)</sup>	26,984	*	24,500	0.9	0.7
Jeffrey T. Sanfilippo <sup>(4)(5)(6)+</sup>	32,207	*	44,044	1.7	1.4
Jasper B. Sanfilippo, Jr. <sup>(5)(6)+</sup>	3,375	*	44,044	1.7	1.3
Lisa A. Evon <sup>(5)(6)</sup>			44,044	1.7	1.3
John E. Sanfilippo <sup>(5)(6)</sup>	28,152	*	44,044	1.7	1.3
James J. Sanfilippo <sup>(5)(6)</sup>			44,044	1.7	1.3
Total Controlling Group <sup>(5)</sup>	92,886	1.1	1,768,496	68.1	52.2
Michael J. Valentine <sup>(7)+</sup>	3,375	*	496,342	19.1	14.6
Mathias A. Valentine <sup>+</sup>			332,588	12.8	9.8
Total Valentine Group <sup>(8)</sup>	3,375	*	828,930	31.9	24.3
James A. Valentine <sup>(9)-</sup>	3,725	*			*
Timothy R. Donovan <sup>(10)+</sup>	3,000	*			*
Governor Jim Edgar <sup>(11)+</sup>	6,500	*			*
Daniel M. Wright <sup>(12)+</sup>	250	*			*
Heartland Advisors <sup>(13)</sup>	1,098,400	13.5			3.2
The Baupost Group <sup>(14)</sup>	634,367	7.8			1.9
Hawkeye Capital Master <sup>(15)</sup>	576,300	7.1			1.7
Dimensional Fund Advisors, Inc. <sup>(16)</sup>	509,354	6.3			1.5
All directors and executive officers as a group (15 persons all of whom are stockholders or optionholders <sup>(3)(4)(5)(6)(7)(8) (9)(10)(11)(12)(17)</sup>	129,957	1.6	2,440,794	94.0	71.9



- + Denotes Director.
  - Denotes Named Executive Officer.
  - \* Less than one percent.
- (1) Except as otherwise indicated below, beneficial ownership means the sole power to vote and dispose of shares. In calculating each holder's percentage ownership and beneficial ownership in the table above, shares of Common Stock which may be acquired by the holder through the exercise of stock options exercisable on or within 60 days of September 25, 2006 are included.

- (2) Each share of Class A Stock is convertible at the option of the holder thereof at any time and from time to time into one share of Common Stock. In addition, the Restated Certificate provides that Class A Stock may be transferred only to (a) Jasper B. Sanfilippo or Mathias A. Valentine, (b) a spouse or lineal descendant of Mr. Sanfilippo or Mr. Valentine, (c) trusts for the benefit of any of the foregoing individuals, (d) entities controlled by any of the foregoing individuals, (e) us, or (f) any bank or other financial institution as a bona fide pledge of shares of Class A Stock by the owner thereof as collateral security for indebtedness due to the pledgee (collectively, the Permitted Transferees), and that upon any transfer of Class A Stock to someone other than a Permitted Transferee each share transferred will automatically be converted into one share of Common Stock.
- (3) Includes 163,045 shares of Class A Stock held as trustee of certain trusts, the beneficiaries of which are the children of Jasper and Marian Sanfilippo (two of whom Jasper B. Sanfilippo, Jr. and Jeffrey T. Sanfilippo are executive officers and directors of our company).
- (4) Includes 18,832 shares of Common Stock held as a co-trustee of a certain trust, the beneficiaries of which are the grandchildren of Jasper and Marian Sanfilippo.
- (5) On June 21, 2004 a Schedule 13D was filed jointly by the persons referenced in the stock table (the Controlling Group). The Controlling Group made a single, joint filing to reflect the formation of a group within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act). Except as expressly set forth in the Schedule 13D, each member of the Controlling Group disclaims beneficial ownership of the Common Stock and Class A Stock beneficially owned by any other member of the Controlling Group.

By filing the Schedule 13D, the members of the Controlling Group provided notice (1) that they beneficially own, in the aggregate, securities controlling in excess of 50% of the voting power of our common equity and (2) that they intend to act as a group. As a result, we are a controlled company pursuant to Section 4350(c)(5) of the Nasdaq Marketplace Rules.

The members of the Controlling Group are deemed to beneficially own an aggregate of 1,768,496 shares of Class A Stock and 92,886 shares of Common Stock, which includes 68.1% of the total outstanding shares of Class A Stock and 18.8% of the total outstanding shares of Common Stock, assuming the conversion of all such shares of Class A Stock into an equal number of shares of Common Stock. Based on the relative voting rights of the Class A Stock and Common Stock, the Reporting Persons have or share 52.2% of the total outstanding voting power of our common equity, assuming that the applicable shares of Class A Stock are not converted into Common Stock.

The beneficial ownership of Jasper B. Sanfilippo and Marian R. Sanfilippo is described in footnotes (3) and (4) above. The beneficial ownership of Jeffrey T. Sanfilippo includes 18,832 shares of Common Stock held as a co-trustee of a certain trust, the beneficiaries of which are the grandchildren of Jasper and Marian Sanfilippo, and includes options to purchase 3,375 shares of Common Stock with a weighted average exercise price of \$19.956 per share on or within 60 days of September 25, 2006 and 44,044 shares of Class A Stock held as trustee of the Jeffrey T. Sanfilippo Irrevocable Trust, dated April 7, 2004. The beneficial ownership of Jasper B. Sanfilippo, Jr. includes options to purchase 3,375 shares of Common Stock with a weighted average exercise price of \$19.956 per share on or within 60 days of September 25, 2006 and 44,044 shares of Class A Stock held as trustee of the Jasper B. Sanfilippo Irrevocable Trust, dated April 7, 2004. The beneficial ownership of Lisa A. Evon includes 44,044 shares of Class A Stock held as trustee of the Lisa A. Evon Irrevocable Trust, dated April 7, 2004. The beneficial ownership of John E. Sanfilippo includes 44,044 shares of Class A Stock held as trustee of the John E. Sanfilippo Irrevocable Trust, dated April 7, 2004. The beneficial ownership of James J. Sanfilippo includes 44,044 shares of Class A Stock held as trustee of the James J. Sanfilippo Irrevocable Trust, dated April 7, 2004. The trustees of each of the foregoing trusts are also the sole beneficiaries under each

respective trust.

- (6) Excludes 32,609 shares of Class A Stock held as trustee by Jasper B. Sanfilippo. (Jasper B. Sanfilippo is our Chairman of the Board and Chief Executive Officer.)
- (7) Includes 496,342 shares of Class A Stock held as trustee of the following three trusts under the Valentine Trust, dated March 26, 1991: the Trust for Michael J. Valentine and the Trust for James A. Valentine, each of which

owns 165,447 shares of Class A Stock, and the Trust for Mary Jo Carroll which owns 165,448 shares of Class A Stock. The beneficiaries of these trusts are the children of Mathias and Mary Valentine, including Michael J. Valentine, an executive officer and a member of our Board of Directors, and James A. Valentine, an executive officer. Includes options to purchase 3,375 shares of Common Stock with a weighted average exercise price of \$19.956 per share on or within 60 days of September 25, 2006.

- (8) Michael J. Valentine and Mathias A. Valentine have formed a group as reflected by the Schedule 13Ds filed on June 21, 2004. The total beneficial ownership of the group consists of 828,930 shares of Class A Stock, and which represents 31.9% of the issued and outstanding Class A Stock, and 9.3% of the issued and outstanding Common Stock assuming the conversion of all such shares of Class A Stock into an equal number of shares of Common Stock.

Based on the relative voting rights of the Class A Stock and Common Stock, Michael J. Valentine directly or indirectly controls 14.6% while Mathias A. Valentine directly controls 9.8% of the total outstanding voting power of our common equity. In addition, the group directly controls 24.3% of the total outstanding voting power of our common equity. These percentages assume that the applicable shares of Class A Stock are not converted into Common Stock, and are calculated using ten votes per share of Class A Stock.

- (9) Includes options to purchase 3,375 shares of Common stock with a weighted average exercise price of \$19.956 per share on or within 60 days of September 25, 2006. Excludes 165,447 shares of Class A Stock held as trustee by Michael J. Valentine (Michael J. Valentine is Executive Vice President Finance, our Chief Financial Officer and Secretary and a director of our company.)
- (10) Includes options to purchase 3,000 shares of Common Stock with a weighted average exercise price of \$15.583 which are exercisable by Timothy R. Donovan on or within 60 days of September 25, 2006. Excludes (a) 31,526 shares of Common Stock held by Mr. Donovan's spouse, Elaine Karacic, as trustee of certain trusts, the beneficiaries of which are the children of Mr. Donovan and Ms. Karacic, (b) 2,429 shares of Common Stock held by Ms. Karacic as trustee of a certain trust, the beneficiary of which is Ms. Karacic's sibling, and (c) 26,257 shares of Common Stock held by Ms. Karacic in her name. Mr. Donovan disclaims beneficial ownership of all of the foregoing excluded shares of Common Stock. Mr. Donovan's mailing address is c/o Tenneco Automotive Inc., 500 North Field Drive, Lake Forest, IL 60045.
- (11) Includes options to purchase 5,500 shares of Common Stock with a weighted average exercise price of \$10.583 which are exercisable by Gov. Jim Edgar on or within 60 days of September 25, 2006.
- (12) Includes options to purchase 250 shares of Common Stock at \$18.03 per share on or within 60 days of September 25, 2006.
- (13) The information set forth in the table above and in this footnote is based solely on Form 13F-HR as of June 30, 2006 filed by Heartland Advisors, Inc. dated August 11, 2006. The principal office of Heartland Advisors, Inc. is 789 N. Water Street, Suite 500, Milwaukee, WI 53202.
- (14) The information set forth in the table above and in this footnote is based solely on Form 13G as of July 31, 2006 filed by The Baupost Group, LLC dated August 9, 2006. The principal office of The Baupost Group, LLC is 10 St. James Avenue, Suite 2000, Boston, MA 02116.
- (15) The information set forth in the table above and in this footnote is based solely on Form 13G as of January 13, 2006 filed by Hawkeye Capital Master dated January 23, 2006. The principal office of Hawkeye Capital Master is One Capital Place, Georgetown, Grand Cayman Islands.

- (16) The information set forth in the table above and in this footnote is based solely on Form 13F-HR as of June 30, 2006 filed by Dimensional Fund Advisors, Inc. dated July 27, 2006. The principal office of Dimensional Fund Advisors, Inc. is 1299 Ocean Avenue, 11<sup>th</sup> Floor, Santa Monica, CA 90401.

- (17) Includes options to purchase a total of 78,275 shares of Common Stock (including the options referred to in footnotes 5, 7, 9, 10, 11 and 12 above) at prices ranging from \$3.438 to \$32.30 per share which are exercisable by certain of the directors and executive officers on or within 60 days of September 25, 2006.

### **Change of Control**

We understand that the Controlling Group has pledged a substantial portion of our Class A Stock that they own to secure loans made to them by commercial banks. If a stockholder defaults on any of its obligations under these pledge agreements or the related loan documents, these banks may have the right to sell the pledged shares. Such a sale could cause our stock price to decline. Many of the occurrences that could result in a foreclosure of the pledged shares are out of our control and are unrelated to our operations.

In addition, because these shares are pledged to secure loans, the occurrence of an event of default could result in a sale of pledged shares that could cause a change of control of our company, even when such a change may not be in the best interests of our stockholders, and it would also result in a default under our financing arrangements.

### **PROPOSAL 1: ELECTION OF DIRECTORS**

Eight directors are to be elected to serve until the next annual meeting of stockholders and until their respective successors shall be elected and qualified. Two of such directors are to be elected by the holders of Common Stock voting as a class and the remaining six directors are to be elected by the holders of Class A Stock voting as a class. While the Board of Directors does not contemplate that any nominee for election as a director will not be able to serve, if any of the nominees for election shall be unable or shall fail to serve as a director, the holders of proxies shall vote such proxies for such other person or persons as shall be determined by such holders in their discretion or, so long as such action does not conflict with the provisions of our Restated Certificate relating to the proportion of directors to be elected by the holders of Common Stock, the Board of Directors may, in its discretion, reduce the number of directors to be elected.

**The Board of Directors recommends that the stockholders vote FOR each of the nominees listed herein.**

#### **NOMINEES FOR ELECTION BY THE HOLDERS OF COMMON STOCK**

The name of and certain information regarding each nominee for election to our Board of Directors by the holders of Common Stock, as reported to us, is set forth below.

**Governor Jim Edgar, Director**, age 60 Gov. Edgar is currently a Distinguished Fellow at the University of Illinois Institute of Government and Public Affairs where he is also a teacher and lecturer. He has been in this position since January 1999. He was also a Resident Fellow at the John F. Kennedy School of Government at Harvard University in the 1999 fall semester. Gov. Edgar served as governor of Illinois from January 14, 1991 through January 11, 1999. Prior to his election, Gov. Edgar served as Illinois Secretary of State from 1981 to 1991. Gov. Edgar's retirement from public office marked 30 years of state government service. Gov. Edgar serves on the board of directors of Alberto Culver Company, Scudder Mutual Funds, Horizon Group Properties, Inc., and Youbet.com. Gov. Edgar has been a member of our Board of Directors since October 1999 and is a member of our Audit Committee and the chairman of our Compensation, Nominating and Governance Committee (the CNG Committee).

**Daniel M. Wright**, age 68 Mr. Wright currently serves on the board of directors of RC2 Corporation, where he is a member of the Audit, Compensation and Governance and Nominating Committees. Mr. Wright also serves on the board of directors of SC Companies, Inc., where he is the chairman of the Audit Committee and a member of the Compensation Committee. Mr. Wright previously worked for Arthur Andersen LLP for 37 years as an auditor, where his clients consisted of privately-held and registered public companies. Mr. Wright was a Partner with Arthur Andersen from 1973 through August 1998, and became a certified public accountant in 1968. Throughout his career, and since his retirement in 1998, Mr. Wright has been active in numerous civic and philanthropic organizations. Mr. Wright has been a member of our Board of Directors since October 2005 and is a member of our Audit Committee and our CNG Committee.

### NOMINEES FOR ELECTION BY THE HOLDERS OF CLASS A STOCK

The name of and certain information regarding each nominee for election to our Board of Directors by the holders of Class A Stock, as reported to us, is set forth below.

**Jasper B. Sanfilippo, Chairman of the Board and Chief Executive Officer and Director**, age 75 Mr. Sanfilippo has been employed by us since 1953. Mr. Sanfilippo served as our President from 1982 to December 1995 and was our Treasurer from 1959 to October 1991. He became our Chairman of the Board and Chief Executive Officer in October 1991 and has been a member of our Board of Directors since 1959. Mr. Sanfilippo was also a member of our Compensation Committee until April 28, 2004 (when that Committee was terminated and its responsibilities assumed by the CNG Committee) and was a member of the Stock Option Committee until February 27, 1997 (when that Committee was disbanded). On May 8, 2006, our company's Board of Directors approved a succession plan for our company's Chief Executive Officer. Pursuant to the succession plan, Mr. Sanfilippo intends to retire on January 1, 2008. Mr. Sanfilippo is the father of Jasper B. Sanfilippo, Jr. and Jeffrey T. Sanfilippo, both of whom are executive officers and directors of our company, the brother-in-law of Mathias A. Valentine, a director of our company, the uncle of Michael J. Valentine, a director and an executive officer of our company, and James A. Valentine, an executive officer of our company. Mr. Sanfilippo is also the uncle by marriage of Timothy R. Donovan, a director of our company.

**Mathias A. Valentine, Director**, age 73 Mr. Valentine had been employed by us since 1960 and was named its President in December 1995. He served as our Secretary from 1969 to December 1995, as our Executive Vice President from 1987 to October 1991 and as our Senior Executive Vice President and Treasurer from October 1991 to December 1995. He has been a member of our Board of Directors since 1969. Mr. Valentine was also a member of our Compensation Committee until April 28, 2004 (when that Committee was terminated and its responsibilities assumed by the CNG Committee) and was a member of the Stock Option Committee until February 27, 1997 (when that Committee was disbanded). Mr. Valentine retired from our company on January 3, 2006. Mr. Valentine is the brother-in-law of Jasper B. Sanfilippo, our Chairman of the Board and Chief Executive Officer, the father of Michael J. Valentine, a director and an executive officer, and James A. Valentine, an executive officer. Mr. Valentine is the uncle of Jasper B. Sanfilippo, Jr. and Jeffrey T. Sanfilippo, both of whom are executive officers and directors of our company. Mr. Valentine is also the uncle by marriage of Timothy R. Donovan, a director of our company.

**Michael J. Valentine, Executive Vice President Finance, Chief Financial Officer and Secretary and Director**, age 47 Mr. Valentine has been employed by us since 1987 and in January 2001 was named Executive Vice President Finance, Chief Financial Officer and Secretary. Mr. Valentine was elected as a director of our company in April 1997. Mr. Valentine served as our Senior Vice President and Secretary from August 1999 to January 2001. He served as Vice President and Secretary from December 1995 to August 1999. He served as our Assistant Secretary and General Manager of External Operations from June 1987 and 1990, respectively, to December 1995. On May 8, 2006, our company's Board of Directors approved a succession plan to be finalized and adopted at the Board of Directors meeting being held on November 6, 2006. Mr. Valentine's new title will be Chief Financial Officer and Group President upon adoption. Mr. Valentine is the son of Mathias A. Valentine, a director of our company, the brother of James A. Valentine, an executive officer of our company, the nephew of Jasper B. Sanfilippo, our Chairman of the Board and Chief Executive Officer, and cousin of Jasper B. Sanfilippo, Jr. and Jeffrey T. Sanfilippo, both of whom are executive officers and directors. Mr. Valentine is also a first cousin by marriage of Timothy R. Donovan, a director of our company.

**Jeffrey T. Sanfilippo, Executive Vice President Sales and Marketing and Director**, age 43 Mr. Sanfilippo has been employed by us since 1991 and was named its Executive Vice President Sales and Marketing in January 2001. Mr. Sanfilippo became a director of our company in August 1999. He served as Senior Vice President Sales and Marketing from August 1999 to January 2001 and as General Manager West Coast Operations from September 1991 to September 1993. He served as Vice President West Coast Operations and Sales from October 1993 to September 1995. He served as Vice President Sales and Marketing from October 1995 to August 1999. On May 8, 2006, our company's Board of Directors approved a succession plan to be finalized and adopted at the Board of Directors meeting being held on November 6, 2006. Mr. Sanfilippo's new title will be Chief Executive Officer upon adoption. Mr. Sanfilippo is the son of Jasper B. Sanfilippo, our Chairman of the Board and Chief Executive Officer,

the nephew of Mathias A. Valentine, a director of our company, the brother of Jasper B. Sanfilippo, Jr., an executive officer and director, the cousin of Michael J. Valentine, an executive officer and director, and James A. Valentine, an executive officer. Mr. Sanfilippo is also a first cousin by marriage of Timothy R. Donovan, a director of our company.



**Timothy R. Donovan, Director**, age 50 In March 2004, Mr. Donovan became a member of the board of directors of Tenneco Inc. (formerly known as Tenneco Automotive Inc.), one of the world's largest producers of emissions control and ride control systems and products for the automotive industry. Mr. Donovan began serving as Tenneco's Senior Vice President and General Counsel in August 1999. In December 2001, Mr. Donovan was promoted to Executive Vice President and General Counsel, where he served through July 2005. In addition to these positions, Mr. Donovan assumed the responsibility of Managing Director of Tenneco's International Group from May 2001 to October 2004, which additional responsibility was transitioned to Managing Director-Asia Pacific from October 2004 through July 2005, with responsibility for Australia, New Zealand, Asia and the Japanese original equipment business. In July 2005, Mr. Donovan was promoted to Tenneco's Executive Vice President-Strategy and Business Development and General Counsel. Mr. Donovan was elected as a member of our Board of Directors in October 1999 and serves as the chairman of the Audit Committee and as a member of the CNG Committee. Mr. Donovan is a nephew by marriage of Mr. Jasper B. Sanfilippo, an executive officer and director of our company and Mr. Mathias A. Valentine, a director of our company, and the first cousin by marriage of Jasper B. Sanfilippo, Jr., Jeffrey T. Sanfilippo, Michael J. Valentine and James A. Valentine, each of whom is an executive officer and certain of whom are also directors. Mr. Donovan was a partner in the law firm of Jenner & Block LLP from 1989 until his resignation in September 1999, and from approximately 1997 through 1999 served as the Chairman of the firm's Corporate and Securities Department and as a member of its Executive Committee. Mr. Donovan joined Jenner & Block LLP in 1982 after serving as a staff trial attorney at the Chicago District Counsel's Office of the Internal Revenue Service.

**Jasper B. Sanfilippo, Jr., Executive Vice President Operations and Director**, age 38 Mr. Sanfilippo was appointed as a member of the Board of Directors in December 2003 upon the recommendation of our senior management and the unanimous approval of the Board of Directors. Mr. Sanfilippo has been employed by us since 1992 and in 2001 was named Executive Vice President Operations, retaining his position as Assistant Secretary, which he assumed in December 1995. He became our Senior Vice President Operations in August 1999 and served as Vice President Operations between December 1995 and August 1999. Prior to that, Mr. Sanfilippo was the General Manager of our Gustine, California facility beginning in October 1995, and from June 1992 to October 1995 he served as Assistant Treasurer and worked in our Financial Relations department. On May 8, 2006, our company's Board of Directors approved a succession plan to be finalized and adopted at the Board of Directors meeting being held on November 6, 2006. Mr. Sanfilippo's new title will be Chief Operating Officer and President upon adoption. Mr. Sanfilippo is the son of Jasper B. Sanfilippo, our Chairman and Chief Executive Officer, the nephew of Mathias A. Valentine, a member of the Board of Directors, the brother of Jeffrey T. Sanfilippo and the cousin of Michael J. Valentine, both of whom are executive officers and members of the Board of Directors, and James A. Valentine, one of our executive officers. Mr. Sanfilippo is also a first cousin by marriage of Timothy R. Donovan, a member of our Board of Directors.

### **CORPORATE GOVERNANCE**

On June 21, 2004, Jasper B. Sanfilippo, his spouse Marian Sanfilippo and their five children (two of whom are directors and executive officers of our company) jointly filed Schedule 13D indicating their intention to act together as a group. This group beneficially owns shares entitled to cast 52.2% of votes eligible to be cast on matters submitted to stockholders generally (other than the election of directors which are elected as described above). Accordingly, under Nasdaq Marketplace Rule 4350(c)(5), we qualify as a controlled company. In accordance with the provisions of the Nasdaq rules applicable to controlled companies, we are not required to have (i) a majority of independent directors, (ii) a nominating and corporate governance committee comprised solely of independent directors, or (iii) a compensation committee comprised solely of independent directors. Nevertheless, our CNG Committee is comprised solely of independent directors.

## COMMITTEES AND MEETINGS OF THE BOARD OF DIRECTORS

### Board Operations

Our Board of Directors met eight times during fiscal 2006. All directors attended at least 75% of such meetings and the committees of the Board of Directors on which they served, and all directors attended the 2005 annual meeting of stockholders. Standing committees of the Board of Directors include the Audit Committee and the CNG Committee. The Audit Committee and CNG Committee have each adopted a charter which governs their activities. These committee charters are available on our website at [www.jbssinc.com](http://www.jbssinc.com).

### Audit Committee

The Audit Committee provides oversight on matters relating to accounting, financial reporting, internal control, auditing and regulatory compliance activities. The Audit Committee also has sole authority to retain and terminate the independent auditor that audits our annual consolidated financial statements, evaluates the independence of the auditors, and arranges with the auditors the scope of the audit to be undertaken by them. In addition, this committee reviews our audited financial statements with management and the independent auditors, recommends whether such audited financial statements should be included in our Annual Report on Form 10-K and prepares a report to shareholders to be included in our proxy statement. Further, the Audit Committee reviews related party transactions for potential conflict of interest situations and makes inquiries as to whether such transactions would stand the test of competitive bids or arms length negotiations with an independent party. The Audit Committee is comprised of Timothy R. Donovan, Daniel M. Wright and Gov. Jim Edgar. The Audit Committee held seven meetings during fiscal 2006. The Board of Directors has determined that (i) each member of the Audit Committee is an independent director as defined in Section 4200(a)(15) of the Nasdaq Marketplace Rules, (ii) each member of the Audit Committee is independent for purposes of Section 10A of the Exchange Act, and (iii) Mr. Donovan, the chair of the Audit Committee, is an audit committee financial expert as defined by the Securities and Exchange Commission (the Commission). In addition, the Board of Directors has determined that Mr. Wright also qualifies as an audit committee financial expert as defined by the Commission.

### Compensation, Nominating and Corporate Governance Committee

On April 28, 2004, the Board of Directors approved the termination of the Compensation Committee and the creation of the CNG Committee. As a controlled company, we are not required to maintain an independent committee overseeing our compensation, nominating and corporate governance policies and practices. However, as a matter of good corporate governance, the Board of Directors has determined that our best interests are served by adopting such practices.

The CNG Committee reviews and makes recommendations to the Board of Directors with respect to the salaries, bonuses and other compensation of officers and other executives, including matters relating to stock options, which are determined by the entire Board of Directors. In addition to the duties of the previously active Compensation Committee, the CNG Committee screens candidates considered for election to the Board of Directors. The CNG Committee makes recommendations on matters related to the practices, policies and procedures of the Board of Directors and takes a leadership role in shaping our system of corporate governance. As part of its duties, the CNG Committee assesses the size, structure and composition of the Board of Directors and committees of the Board, coordinates evaluation of Board performance and reviews Board compensation.

The CNG Committee is comprised of Gov. Jim Edgar, Chairman, Daniel M. Wright and Timothy R. Donovan. Each member of the CNG Committee is an independent director as defined in Section 4200(a)(15) of the Nasdaq Marketplace Rules. The CNG Committee held five meetings during fiscal 2006.

### Stockholder Communication with Directors

We recognize the importance of providing our stockholders with the ability to communicate with members of the Board of Directors. Accordingly, we have established a policy for stockholder communications with directors. This policy is not intended to cover communications of complaints regarding accounting or auditing matters, with respect to which we have established the Anonymous Incident Reporting System for Accounting and Auditing Matters, which is posted on our website at [www.jbssinc.com](http://www.jbssinc.com). Stockholders wishing to communicate with the Board of Directors as a whole, or with certain directors individually, may do so by sending a written communication to the following address:



John B. Sanfilippo & Son, Inc.  
Stockholder Communications with Directors  
Attn: Corporate Secretary  
2299 Busse Road  
Elk Grove Village, IL 60007

Each stockholder communication should include an indication of the submitting stockholder's status as a stockholder and eligibility to submit such communication. Each such communication will be received for handling by our Secretary for the sole purpose of determining whether the contents represent a communication to the Board of Directors or an individual director. The Secretary will maintain originals of each communication received and provide copies to the addressee(s) and any appropriate committee(s) or director(s) based on the expressed desire of the communicating stockholder. The Board of Directors or the applicable individual director may elect to respond to the communication as each deems appropriate.

#### **Director Attendance at Meetings**

It is expected that each member of the Board of Directors will be available to attend all regularly scheduled meetings of the Board and any committees on which the director may serve, as well as our annual meeting of stockholders, after taking into consideration the director's other business and professional commitments, including service on the boards of other companies. Each director is expected to make his or her best effort to attend all special Board and Committee meetings.

### **DIRECTOR NOMINATIONS**

#### **Director Qualifications**

While there is no single set of characteristics required to be possessed by each member of the Board of Directors, the CNG Committee will consider whether to nominate a candidate for director based on a variety of criteria, including: (i) the candidate's personal integrity; (ii) whether the candidate has demonstrated achievement in one or more forms of business, professional, governmental, communal, scientific or educational endeavor sufficient to enable the candidate to make a significant and immediate contribution to the Board's discussion and decision-making in the array of complex issues facing our company; (iii) the level of familiarity of the candidate with our business and competitive environment; (iv) the ability of the candidate to function effectively in an oversight role; (v) the candidate's understanding of the issues affecting public companies of a size and complexity commensurate with our business; and (vi) whether the candidate has, and is prepared to devote, adequate time to the Board of Directors and its committees. Under exceptional and limited circumstances, the CNG Committee may approve the candidacy of a candidate notwithstanding the foregoing criteria if the CNG Committee believes the service of such nominee is in our best interests and those of our stockholders. In addition, the CNG Committee will ensure that:

at least three of the directors serving at any time on the Board of Directors are independent, as defined under the rules of the principal stock market on which our common shares are listed for trading;

at least three of the directors satisfy the financial literacy requirements required for service on the audit committee under the rules of the principal stock market on which our common shares are listed for trading;

at least one of the directors qualifies as an audit committee financial expert under the rules of the Commission; and

at least some of the independent directors have experience as senior executives of a public or substantial private company.

From time to time, the CNG Committee may engage a third party for a fee to assist in identifying potential director candidates.

### **Nominations of Directors by Stockholders**

The CNG Committee does not solicit, but will consider, nominees for director submitted by holders of our Common Stock and Class A Stock. The CNG Committee follows the same process and uses the same criteria for evaluating candidates proposed by stockholders as it uses for all other candidates.

Stockholders wishing to nominate a director candidate may do so by sending the candidate's name, biographical information and qualifications to the CNG Committee care of the Corporate Secretary, John B. Sanfilippo & Son, Inc., 2299 Busse Road, Elk Grove Village, Illinois 60007. In addition to demonstrating the nominee's compliance with the criteria set forth above, all director nominations submitted by our stockholders must provide all information that would be required to be disclosed in a proxy statement with respect to the election of directors pursuant to the Exchange Act, along with a statement of any relationship between the nominating stockholder and the nominee, the number of shares of stock owned by the nominating stockholder, and the length of time such shares have been held. To be considered, the submission must be received by us on or before the date applicable for stockholder proposals pursuant to Rule 14a-8 under the Exchange Act, as described below.

### **AUDIT COMMITTEE REPORT**

Our Audit Committee has (1) reviewed and discussed the audited financial statements with management, (2) discussed with PricewaterhouseCoopers LLP, our independent auditors, the matters required to be discussed by the Statement on Auditing Standards No. 61, and (3) received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, and has discussed the auditors' independence with the independent auditors. Based upon these discussions and reviews, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended June 29, 2006 and filed with the Commission.

*Respectfully submitted by the members of the Audit Committee of the Board of Directors.*

Timothy R. Donovan, Chairman

Daniel M. Wright

Governor Jim Edgar

*The information contained in the preceding report shall not be deemed to be soliciting material or to be filed with the Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act, except to the extent that we specifically incorporate it by reference in such filing.*

### **COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS**

#### **Compensation of Directors**

During fiscal 2006, compensation to directors who were not employees of our company was paid at the rate of \$30,000 per year plus \$1,500 for each Board meeting attended, \$1,000 for each telephonic meeting of the Board of Directors in which they participated, \$1,500 for each committee meeting attended and \$1,000 for each telephonic committee meeting in which they participated. In addition, the Audit Committee Chairman received \$10,000 and the CNG Committee Chairman received \$5,000. Effective during the second quarter of fiscal 2006, director compensation was increased to the aforementioned amounts. Directors are also reimbursed for their expenses incurred in attending such meetings. Directors who are employees of our company receive no additional compensation for their services as directors.

Under the 1998 Equity Incentive Plan, as amended (the 1998 Plan), a director who is not an employee of our company, our subsidiary, or any of their affiliates (an Outside Director) is granted an option to purchase 1,000 shares of Common Stock on the date of his or her election to the Board of Directors, and on each date of his or her re-election to the Board of Directors. Although Mathias A. Valentine is an Outside Director, he is not currently eligible to participate in the 1998 Plan. Options granted to Outside Directors under the 1998 Plan are granted at an exercise price equal to the Fair Market Value (as defined in the 1998 Plan) of a share of Common Stock on the date of grant. Options granted to Outside Directors will become exercisable in equal increments of 250 shares of Common Stock on the first four anniversaries of the date of grant and expire 10 years

following the date of grant. On October 25, 2005, Mr. Wright, Mr. Donovan and Gov. Edgar each were granted an option to purchase up to 1,000 shares of Common Stock at an exercise price of \$18.03 per share under the 1998 Plan. The aggregate compensation paid to non-employee directors during fiscal 2006 was \$198,719, as detailed in the following table:

Director	Total Compensation \$	Cash Retainer \$	Committee Chairman Retainer \$	Meeting Fees \$	Stock Options <sup>(1)</sup> \$
Timothy R. Donovan <sup>(2)</sup>	70,573	29,000	8,750	22,500	10,323
Governor Jim Edgar <sup>(3)</sup>	66,823	29,000	5,000	22,500	10,323
Daniel M. Wright <sup>(4)</sup>	43,323	22,500	0	10,500	10,323
Mathias A. Valentine <sup>(5)</sup>	18,000	15,000	0	3,000	0
	<b>198,719</b>	<b>95,500</b>	<b>13,750</b>	<b>58,500</b>	<b>30,969</b>

(1) The Black-Scholes option pricing model was used to estimate the grant date fair value assuming: (i) a weighted average expected volatility of approximately 54.6%; (ii) an expected dividend yield of 0%; and (iii) a weighted average risk-free interest rate of 4.44%. Additionally, an expected option term of approximately 6.25 years, representing the period of time that options granted are expected to be outstanding was determined

using the simplified method. This is a theoretical value for stock options. The actual value of the options will depend on the market value of Common Stock when the options are exercised.

- (2) As of June 29, 2006 Mr. Donovan had 4,500 stock options outstanding.
- (3) As of June 29, 2006 Gov. Edgar had 7,000 stock options outstanding.
- (4) As of June 29, 2006 Mr. Wright had 1,000 stock options outstanding.
- (5) Mr. Valentine retired as our President on January 3, 2006. At that time, he became entitled to the compensation paid to our non-employee directors, except that Mr. Valentine is not currently eligible to participate in

the 1998 Plan.



**Executive Compensation**

The following table sets forth a summary of compensation for services rendered to us in all capacities during the fiscal year ended June 29, 2006, the fiscal year ended June 30, 2005 and the fiscal year ended June 24, 2004, paid to or accrued for (i) our Chief Executive Officer, and (ii) each of our five additional most highly compensated executive officers, including Mathias A. Valentine, who retired as our President on January 3, 2006 (collectively the Named Executive Officers ).

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Annual Compensation			Long Term Compensation Awards Securities Underlying Options		All Other Compensation
		Salary	Bonus	Other <sup>(1)</sup>	#	\$	
Jasper B. Sanfilippo <sup>(4)</sup> Chairman of the Board and Chief Executive Officer	2006	\$597,060	\$ 0	\$3,937			\$184,638 <sup>(2)(3)</sup>
	2005	574,993	0	3,370			458,978
	2004	556,270	734,183	7,035			305,562
Michael J. Valentine <sup>(6)</sup> Executive Vice President	2006	\$267,986	\$ 0	\$5,524	3,500	\$28,725	\$ 4,785 <sup>(5)</sup>
Finance, Chief Financial Officer and Secretary	2005	252,154	0	4,519	5,000	38,273	5,585
	2004	216,923	277,888	7,502			6,635
Jeffrey T. Sanfilippo <sup>(8)</sup> Executive Vice President	2006	\$267,986	\$ 0	\$2,064	3,500	\$28,725	\$ 4,015 <sup>(7)</sup>
Sales and Marketing	2005	252,154	0	2,013	5,000	38,273	5,201
	2004	216,923	277,888	1,223			5,585
James A. Valentine <sup>(10)</sup> &							