

## 8. Credit Facilities and Long-Term Debt

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

	June 1, 2019	June 2, 2018
Note payable at 6.20%, due in monthly principal installments of \$250,000, plus interest, maturing in fiscal 2020	\$ 1,500	\$ 4,500
Note payable at 5.40%, due in monthly principal installments of \$125,000, plus interest, matured in fiscal 2019	—	250
Capital lease obligations	1,054	1,340
	<u>2,554</u>	<u>6,090</u>
Less: capitalized loan costs	217	—
Total debt	<u>2,337</u>	<u>6,090</u>
Less: current maturities	1,696	3,536
Long-term debt, less current maturities	<u>\$ 641</u>	<u>\$ 2,554</u>

The aggregate annual fiscal year maturities of long-term debt at June 1, 2019 are as follows (in thousands):

2020	\$	1,696
2021		205
2022		215
2023		224
2024		214
	<u>\$</u>	<u>2,554</u>

Certain property, plant, and equipment is pledged as collateral on our note payable. Unless otherwise approved by our lender, we are required by provisions of our loan agreement 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. Our debt agreement requires Fred R. Adams, Jr., the Company's Founder and Chairman Emeritus, or his family, to maintain ownership of Company shares, directly or indirectly, representing not less than 50% of the outstanding voting power of the Company.

Interest, net of amount capitalized, of \$644,000, \$265,000, and \$318,000 was recorded during fiscal 2019, 2018 and 2017, respectively. Interest of zero, \$217,000 and \$1.1 million was capitalized for construction of certain facilities during fiscal 2019, 2018 and 2017, respectively.

On July 10, 2018, we entered into a \$100.0 million Senior Secured Revolving Credit Facility (the "Revolving Credit Facility") with a five-year term. The credit agreement for the Revolving Credit Facility includes an accordion feature permitting the Company, with the consent of the administrative agent, to increase the revolving commitments in the aggregate up to \$125.0 million. No amounts were borrowed under the facility as of June 1, 2019 or during fiscal 2019. The Company had \$3.7 million of outstanding standby letters of credit issued under the Revolving Credit Facility at June 1, 2019.

The interest rate is based, at the Company's election, on either the Eurodollar Rate plus the Applicable Margin or the Base Rate plus the Applicable Margin. The "Eurodollar Rate" means the reserve adjusted rate at which Eurodollar deposits in the London interbank market for an interest period of one, two, three, six or twelve months (as selected by the Company) are quoted. The "Base Rate" means a fluctuating rate per annum equal to the highest of (a) the federal funds rate plus 0.50% per annum, (b) the prime rate of interest established by the administrative agent, and (c) the

Eurodollar Rate for an interest period of one month plus 1% per annum, subject to certain interest rate floors. The “Applicable Margin” means 0.00% to 0.75% per annum for Base Rate Loans and 1.00% to 1.75% per annum for Eurodollar Rate Loans, in each case depending upon the average outstanding balance at the quarterly pricing date. The Company will pay a commitment fee of 0.20% on the unused portion of the facility.

The Revolving Credit Facility is guaranteed by all the current and future wholly-owned direct and indirect domestic subsidiaries of the Company, and is secured by a first-priority perfected security interest in substantially all of the Company’s and the guarantors’ accounts, payment intangibles, instruments (including promissory notes), chattel paper, inventory (including farm products) and deposit accounts maintained with the administrative agent.

The credit agreement for the Revolving Credit Facility contains customary covenants, including restrictions on the incurrence of liens, incurrence of additional debt, sales of assets and other fundamental corporate changes and investments. The credit agreement requires maintenance of two financial covenants (i) a minimum working capital ratio of 2.00 to 1.00 and (ii) an annual limit on capital expenditures of \$100.0 million. Additionally, the credit agreement requires that Fred R. Adams Jr., his spouse, natural children, sons-in-law or grandchildren, or any trust, guardianship, conservatorship or custodianship for the primary benefit of any of the foregoing, or any family limited partnership, similar limited liability company or other entity that 100% of the voting control of such entity is held by any of the foregoing, shall maintain at least 50% of the Company’s voting stock. Failure to satisfy any of these covenants will constitute a default under the terms of the credit agreement. Further, dividends are restricted to the Company’s current dividend policy of one-third of the Company’s net income computed in accordance with generally accepted accounting principles. The Company is allowed to repurchase up to \$75.0 million of its capital stock in any year provided there is no default under the credit agreement and the Company has availability of at least \$20.0 million under the facility.

The credit agreement for the Revolving Credit Facility also includes customary events of default and customary remedies upon the occurrence of an event of default, including acceleration of the amounts due and foreclosure of the collateral.

At June 1, 2019, we were in compliance with the covenant requirements of all loan agreements.

## **9. 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 \$18.1 million, \$16.1 million, and \$14.0 million in fiscal years 2019, 2018 and 2017, respectively. The liability recorded for incurred but not reported claims was \$1.1 million as of June 1, 2019 and June 2, 2018.

The Company has a KSOP plan that covers substantially all employees (“the Plan”). The Company makes contributions to the Plan at a rate of 3% of participants' eligible 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 were \$3.7 million, \$3.3 million, and \$3.2 million in fiscal years 2019, 2018 and 2017, respectively. The Company did not make direct contributions of the Company’s common stock in fiscal years 2019, 2018, or 2017. 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 contributions to the Plan up to the maximum allowed by the Internal Revenue Service regulations. The Company does not match participant 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