CAL-MAINE FOODS INC
Form 10-Q
March 27, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q
(mark one)

þ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended February 25, 2017

OR

¨ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ____________ to ____________

Commission File Number: 000-04892

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

Delaware	64-0500378
(State or other jurisdiction of incorporation or organization)	(I.R.S Employer Identification No.)

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

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

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 þ 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 þ 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.

Large Accelerated filer þ	Accelerated filer ¨
Non – Accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No þ

There were 43,776,551 shares of Common Stock, $0.01 par value, and 4,800,000 shares of Class A Common Stock, $0.01 par value, outstanding as of March 24, 2017.

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CAL-MAINE FOODS, INC. AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CAL-MAINE FOODS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	February 25, 2017 (unaudited)	May 28, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$31,905	$29,046
Investment securities available-for-sale	157,670	360,499
Trade and other receivables (less allowance for doubtful accounts of $368 and $727 at February 25, 2017 and May 28, 2016, respectively)	79,179	67,448
Income tax receivable	49,919	11,830
Inventories	163,818	154,799
Prepaid expenses and other current assets	2,310	2,661
Total current assets	484,801	626,283
Property, plant and equipment, net	461,378	392,274
Goodwill	35,432	29,196
Other investments	68,832	53,975
Other intangible assets, net	29,920	4,958
Other assets	4,912	5,079
TOTAL ASSETS	$1,085,275	$1,111,765
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$77,128	$67,131
Current maturities of long-term debt	15,449	16,320
Total current liabilities	92,577	83,451
Long-term debt, less current maturities	7,302	9,250
Other noncurrent liabilities	6,834	6,321
Deferred income taxes	110,200	95,382
Total liabilities	216,913	194,404
Commitments and Contingencies - see Note 5		
Stockholders' equity:		
Common stock, $0.01 par value, 120,000 and 70,261 shares authorized and issued at February 25, 2017 and May 28, 2016, respectively, and 43,777 and 43,737 shares outstanding at February 25, 2017 and May 28, 2016, respectively	703	703
Class A convertible common stock, $.01 par value, 4,800 shares authorized, issued and outstanding at February 25, 2017 and May 28, 2016, respectively	48	48
Paid-in capital	48,985	46,404
Retained earnings	840,517	890,440
Accumulated other comprehensive income (loss), net of tax	76	(48)
Common stock in treasury at cost – 26,484 and 26,524 shares at February 25, 2017 and May 28, 2016, respectively	(23,913)	(22,272)
Total Cal-Maine Foods, Inc. stockholders' equity	866,416	915,275
Noncontrolling interest in consolidated entities	1,946	2,086

Total stockholders’ equity	868,362	917,361
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$1,085,275	$1,111,765

See Notes to Condensed Consolidated Financial Statements.

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

	13 Weeks Ended		39 Weeks Ended	
	February 25, 2017	February 27, 2016	February 25, 2017	February 27, 2016
Net sales	$306,540	$ 449,760	$799,929	$ 1,605,630
Cost of sales	267,375	317,034	766,385	998,236
Gross profit	39,165	132,726	33,544	607,394
Selling, general, and administrative expense	43,738	46,955	125,985	135,356
Operating income (loss)	(4,573)	85,771	(92,441)	472,038
Other income (expense):				
Interest income, net	411	1,377	2,283	2,020
Royalty income	381	362	1,111	1,266
Patronage income	7,608	6,879	7,608	6,879
Equity in income of affiliates	1,018	1,542	1,854	3,574
Other, net	(680)	1,584	(1,558)	404
Total other income	8,738	11,744	11,298	14,143
Income (loss) before income taxes and noncontrolling interest	4,165	97,515	(81,143)	486,181
Income tax expense (benefit)	34	33,173	(31,327)	167,839
Net income (loss) before noncontrolling interest	4,131	64,342	(49,816)	318,342
Less: Net income (loss) attributable to noncontrolling interest	(8)	178	(9)	1,925
Net income (loss) attributable to Cal-Maine Foods, Inc.	$4,139	$ 64,164	$(49,807)	$ 316,417
Net income (loss) per common share attributable to Cal-Maine Foods, Inc.:				
Basic	$0.09	$ 1.33	$(1.03)	$ 6.57
Diluted	$0.09	$ 1.33	$(1.03)	$ 6.54
Dividends per common share	$—	$ 0.441	$—	$ 2.175
Weighted average shares outstanding:				
Basic	48,286	48,204	48,285	48,177
Diluted	48,417	48,367	48,285	48,359

See Notes to Condensed Consolidated Financial Statements.

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CAL-MAINE FOODS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)
(unaudited)

	13 Weeks Ended		39 Weeks Ended	
	February 25, 2017	February 27, 2016	February 25, 2017	February 27, 2016
Net income (loss), including noncontrolling interests	$4,131	$ 64,342	$(49,816)	$ 318,342
Other comprehensive income (loss), before tax:				
Unrealized holding gain (loss) on available-for-sale securities, net of reclassification adjustments	233	(897)	199	(1,355)
Income tax benefit (expense) related to items of other comprehensive income	(89)	341	(75)	521
Other comprehensive gain (loss), net of tax	144	(556)	124	(834)
Comprehensive income (loss)	4,275	63,786	(49,692)	317,508
Less: comprehensive income (loss) attributable to the noncontrolling interest	(8)	178	(9)	1,925
Comprehensive income (loss) attributable to Cal-Maine Foods, Inc.	$4,283	$ 63,608	$(49,683)	$ 315,583

See Notes to Condensed Consolidated Financial Statements.

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

	39 Weeks Ended	
	February 25, 2017	February 27, 2016
Operating activities:		
Net income (loss) including noncontrolling interest	$(49,816)	$ 318,342
Depreciation and amortization	35,724	33,185
Other adjustments, net	(43,125)	(18,807)
Net cash provided by (used in) operations	(57,217)	332,720
Investing activities:		
Purchase of investments	(25,872)	(352,315)
Sales of investments	228,327	221,879
Acquisition of business	(68,643)	—
Investment in joint ventures	(17,700)	(29,209)
Purchases of property, plant and equipment	(54,862)	(55,119)
Payments received on notes receivable and from affiliates	5,236	4,677
Net proceeds from disposal of property, plant and equipment	76	2,724
Net cash provided by (used in) investing activities	66,562	(207,363)
Financing activities:		
Purchase of common stock by treasury	(1,715)	(1,831)
Distributions to noncontrolling interests	(73)	(903)
Principal payments on long-term debt	(4,698)	(23,620)
Payments of dividends	—	(99,531)
Net cash used in financing activities	(6,486)	(125,885)
Net change in cash and cash equivalents	2,859	(528)
Cash and cash equivalents at beginning of period	29,046	8,667
Cash and cash equivalents at end of period	$31,905	$ 8,139

See Notes to Condensed Consolidated Financial Statements.

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CAL-MAINE FOODS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
February 25, 2017
(unaudited)

1. Presentation of Interim Information

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of the results for the interim periods presented have been included. The preparation of condensed consolidated financial statements requires us to make estimates and assumptions. These estimates and assumptions affected reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and assumptions. Operating results for the thirteen and thirty-nine weeks ended February 25, 2017 are not necessarily indicative of the results that may be expected for the year ending June 3, 2017.

The condensed consolidated balance sheet at May 28, 2016 was derived from the audited consolidated financial statements at that date. It does not include all of the information and footnotes required by GAAP for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in Cal-Maine Foods, Inc.'s annual report on Form 10-K for the fiscal year ended May 28, 2016. References to “we,” “us,” “our,” or the “Company” refer to Cal-Maine Foods, Inc.

2. Acquisitions

Foodonics Acquisition

On October 16, 2016, the Company acquired substantially all of the egg production assets and assumed certain liabilities of Foodonics International, Inc. and its related entities doing business as Dixie Egg Company (collectively, "Foodonics") for $68.6 million of cash and $3.0 million of deferred purchase price. The acquired assets include commercial egg production and processing facilities with capacity for 1.6 million laying hens, contract grower arrangements for an additional 1.5 million laying hens, and related feed production, milling and distribution facilities in Georgia, Alabama, and Florida. The Company also acquired Foodonics' interest in American Egg Products, LLC ("AEP") and the Eggland's Best franchise with licensing rights for certain markets in Alabama, Florida, and Georgia as well as Puerto Rico, Bahamas and Cuba. The Company now owns 100% of AEP. The acquired operations of Foodonics are included in the accompanying financial statements as of October 16, 2016.

Pending the finalization of the Company's valuation, the following table presents the preliminary fair values of the assets acquired and liabilities assumed (in thousands):

Inventory	$7,669
Property, plant and equipment	38,683
Intangible assets	24,000
Liabilities assumed	(2,005)
Total identifiable net assets	68,347
Goodwill	3,296
Purchase price	71,643

Deferred purchase price	(3,000)
Cash consideration paid	$68,643

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Happy Hen Acquisition

On February 19, 2017, the Company assumed operational control of substantially all of the egg production, processing and distribution assets of Happy Hen Egg Farms, Inc. and its affiliates (collectively, "Happy Hen"). The assets include commercial egg production and processing facilities with current capacity for 350,000 laying hens and related distribution facilities located near Harwood and Wharton, Texas. The site is designed for capacity of up to 1.2 million laying hens. The operations of Happy Hen are included in the accompanying financial statements as of February 19, 2017. The purchase price is recorded in "Accounts payable and other accrued expenses" on the Company's Condensed Consolidated Balance Sheet as of February 25, 2017. The Company closed this acquisition on March 3, 2017.

Pending the finalization of the Company's valuation, the following table presents the preliminary fair values of the assets acquired (in thousands):

Inventory	$609
Property, plant and equipment	11,259
Intangible assets	2,400
Total identifiable net assets	14,268
Goodwill	2,940
Purchase price	$17,208

These fair value measurements were primarily based on significant inputs that are not observable in the markets. The cost approach, which estimates value by determining the current cost of replacing an asset with another of equivalent economic utility, was utilized for 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. The market approach, which indicates value for a subject asset based on available market pricing for comparable assets, was utilized for inventory and the Eggland's Best franchise of Foodonics. The cost of the Eggland's Best franchise will be amortized over a period of 15 years. Customer relationships and trademarks will be amortized over a period of 8 years. Non-compete agreements will be amortized over a period of 10 years. Goodwill on business combination recognizes the difference in the fair value of the assets acquired and liabilities assumed, net of the acquisition price. Goodwill associated with the acquisition is tax deductible over 15 years.

Pro-forma information, which is usually presented for information purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisition been completed as of an earlier time, was not material to the Company's Condensed Consolidated Financial Statements.

3. Stock Based Compensation

Total stock based compensation expense for the thirty-nine weeks ended February 25, 2017 and February 27, 2016 was $2.5 million and $2.2 million, respectively.

Unrecognized compensation expense as a result of non-vested shares of the 2012 Omnibus Long-Term Incentive Plan at February 25, 2017 was $6.9 million and will be recorded over a weighted average period of 2.3 years. Refer to Note 11 of our May 28, 2016 audited financial statements for further information on our stock compensation plans.

At February 25, 2017, there were 247,735 restricted shares outstanding, with a weighted average grant date fair value of $42.76 per share. A summary of the Company's restricted share activity for the thirty-nine weeks ended February 25, 2017 follows:

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	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding, May 28, 2016	288,900	$ 35.97
Granted	86,215	43.00
Vested	(121,148)	26.90
Forfeited	(6,232)	39.66
Outstanding, February 25, 2017	247,735	$ 42.76

4. Inventories

Inventories consisted of the following (in thousands):

	February 25, 2017	May 28, 2016
Flocks	$ 98,822	$94,312
Eggs and egg products	16,297	11,519
Feed and supplies	48,699	48,968
	$ 163,818	$154,799

We grow and maintain flocks of layers (mature female chickens), pullets (young female chickens, under 18 weeks of age), and breeders (male and female chickens used to produce fertile eggs to hatch for egg production flocks). Our total flock at February 25, 2017, consisted of approximately 8.5 million pullets and breeders and 38.1 million layers.

5. Contingencies

Financial Instruments

The Company maintained standby letters of credit ("LOC") totaling $3.7 million at February 25, 2017. The LOCs are collateralized with cash which is included in the line item "Other assets" in the Condensed Consolidated Balance Sheets. The outstanding LOCs are for the benefit of certain insurance companies, and are not recorded as a liability on the consolidated balance sheets.

Legal Contingencies

The Company is a defendant in certain legal actions, and intends to vigorously defend its position in these actions. If the Company's assessment of a contingency indicates it is probable 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 potential material loss contingency is not probable, but is reasonably possible, or probable but cannot be reasonably estimated, then the nature of the contingent liability, together with an estimate of the possible loss or range of possible loss will be disclosed, or a statement will be made that such an estimate cannot be made.

These legal actions are discussed in detail at Part II, Item 1, of this report.

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6. Net Income (Loss) per Common Share

Basic net income (loss) per share was calculated by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per share was calculated by dividing net income (loss) by the weighted-average number of common shares outstanding during the period plus the dilutive effects of options and restricted stock. Due to the net loss in the thirty-nine weeks ended February 25, 2017, restricted shares in the amount of 145,044 were excluded from the calculation of diluted earnings per share because their inclusion would have been antidilutive. The computations of basic and diluted net income (loss) per share attributable to the Company are as follows (in thousands, except per share data):

	13 Weeks Ended		39 Weeks Ended	
	February 25, 2017	February 27, 2016	February 25, 2017	February 27, 2016
Net income (loss) attributable to Cal-Maine Foods, Inc.	$4,139	$ 64,164	$(49,807)	$ 316,417
Basic weighted-average common shares	48,286	48,204	48,285	48,177
Effect of dilutive securities:				
Restricted shares	131	163	—	182
Dilutive potential common shares	48,417	48,367	48,285	48,359
Net income (loss) per common share attributable to Cal-Maine Foods, Inc.:				
Basic	$0.09	$ 1.33	$(1.03)	$ 6.57
Diluted	$0.09	$ 1.33	$(1.03)	$ 6.54

7. Accrued Dividends Payable and Dividends per Common Share

We make an accrual of dividends payable at the end of each quarter according to the Company's dividend policy adopted by its Board of Directors. The Company 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 attributable to Cal-Maine Foods, Inc. 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 pays dividends to shareholders of record on the 65th 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 attributable to Cal-Maine Foods, Inc., 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. Therefore, the Company did not pay a dividend with respect to the fourth quarter of fiscal 2016, or the first and second quarters of fiscal 2017, and will not pay a dividend for the third quarter of fiscal 2017. At February 25, 2017, cumulative losses that must be recovered prior to paying a dividend were $50.2 million. When applicable, the amount of the accrual appears on the Condensed Consolidated Balance Sheets as "Accrued dividends payable."

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On our condensed consolidated statement of operations, we determine dividends per common share in accordance with the computation in the following table (in thousands, except per share data):

	13 Weeks Ended		39 Weeks Ended	
	February 25, 2017	February 27, 2016	February 25, 2017	February 27, 2016
Net income (loss) attributable to Cal-Maine Foods, Inc.	$4,139	$ 64,164	$(49,807)	$ 316,417
1/3 of net income attributable to Cal-Maine Foods, Inc. available for dividend	—	21,388	—	105,472
Common stock outstanding (shares)	43,777	43,738		
Class A common stock outstanding (shares)	4,800	4,800		
Total common stock outstanding (shares)	48,577	48,538		
Dividends per common share*	$—	$ 0.441	$—	$ 2.175

*Dividends per common share = 1/3 of Net income (loss) attributable to Cal-Maine Foods, Inc. available for dividend ÷ Total common stock outstanding (shares). At February 25, 2017 , cumulative losses that must be recovered prior to paying a dividend were $50.2 million.

8. Fair Value Measurements

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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The disclosure of fair value of certain financial assets and liabilities that are 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. Fair values for debt are based on quoted market prices or published forward interest rate curves, which are level 2 inputs. Estimated fair values are management's estimate, 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. The fair value and carrying value of the Company's borrowings under its long-term debt were as follows (in thousands):

February 25, 2017		May 28, 2016	
Carrying Value	Fair Value	Carrying Value	Fair Value

5.4% – 6.4% Notes payable	$20,980	$21,028	$25,570	$25,824
4.9% – 5.97% Capital leases payable	1,771	1,589	—	—
	$22,751	$22,617	$25,570	$25,824

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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 financial assets and liabilities measured at fair value on a recurring basis as of February 25, 2017 and May 28, 2016 (in thousands):

February 25, 2017	Level 1	Level 2	Level 3	Total Balance
Assets				
US government and agency obligations	—	$17,062	—	$17,062
Municipal bonds	—	47,011	—	47,011
Corporate bonds	—	85,752	—	85,752
Foreign government obligations	—	2,008	—	2,008
Asset backed securities	—	5,837	—	5,837
Mutual funds	2,487	—	—	2,487
Total assets measured at fair value	$2,487	$157,670	—	$160,157

May 28, 2016	Level 1	Level 2	Level 3	Total Balance
Assets				
US government and agency obligations	$—	$18,814	$ —	$18,814
Municipal bonds	—	79,643	—	79,643
Corporate bonds	—	240,537	—	240,537
Foreign government obligations	—	2,046	—	2,046
Asset backed securities	—	15,893	—	15,893
Mutual funds	5,503	—	—	5,503
Total assets measured at fair value	$5,503	$356,933	$ —	$362,436

Investment securities – available-for-sale, classified as level 2, consist of U.S. government and agency obligations, taxable and tax exempt municipal bonds, zero coupon municipal bonds, foreign government obligations, asset backed securities and corporate bonds with maturities of three months or longer when purchased. We classify 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.

9. Investment Securities

The following represents the Company's investment securities as of February 25, 2017 and May 28, 2016 (in thousands):

February 25, 2017	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
US government and agency obligations	$17,089	$ —	$ 27	$17,062
Municipal bonds	46,981	30	—	47,011
Corporate bonds	85,703	49	—	85,752
Foreign government obligations	2,009	—	1	2,008
Asset backed securities	5,837	—	—	5,837

Total current investment securities	$ 157,619	$ 79	$ 28	$ 157,670
Mutual funds	$ 1,751	$ 736	$ —	$ 2,487
Total noncurrent investment securities	$ 1,751	$ 736	$ —	$ 2,487

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May 28, 2016	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
US government and agency obligations	$ 18,809	$ 5	$ —	$ 18,814
Municipal bonds	79,481	162	—	79,643
Corporate bonds	240,593	—	56	240,537
Foreign government obligations	2,044	2	—	2,046
Asset backed securities	15,908	—	15	15,893
Mutual funds	3,565	1	—	3,566
Total current investment securities	$ 360,400	$ 170	$ 71	$ 360,499
Mutual funds	$ 1,448	$ 489	$ —	$ 1,937
Total noncurrent investment securities	$ 1,448	$ 489	$ —	$ 1,937

Proceeds from sales of available-for-sale securities were $228.3 million and $221.9 million during the thirty-nine weeks ended February 25, 2017 and February 27, 2016, respectively. Gross realized gains during the thirty-nine weeks ended ended February 25, 2017 and February 27, 2016 were $231,000 and $100,000, respectively. Gross realized losses during the thirty-nine weeks ended February 25, 2017 and February 27, 2016 were $6,000 and $102,000, 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 and (losses), net of taxes, for the thirty-nine weeks ended February 25, 2017 and February 27, 2016 were as follows (in thousands):

	39 Weeks Ended February 25, 2017	February 27, 2016
Current investments	$ (30)	$ (740)
Noncurrent investments	154	(94)
Total unrealized holding gains (losses)	$ 124	$ (834)

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. Contractual maturities at February 25, 2017, are as follows (in thousands):

	Estimated Fair Value
Within one year	$ 84,966
1-5 years	72,704
Total	$ 157,670

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10. Equity

The following reflects the equity activity, including our noncontrolling interest, for the thirty-nine weeks ended February 25, 2017 (in thousands):

	Cal-Maine Foods, Inc. Stockholders Common Stock							
		Class A	Treasury	Paid In	Accum. Other	Retained	Noncontrolling	
	Amount	Amount	Amount	Capital	Comp. Income	Earnings	Interest	Total
Balance at May 28, 2016	$703	$48	$(22,272)	$46,404	$(48)			

Operating Data:

Average Daily Trading and Clearing Revenues:		
U.K. futures average daily exchange and clearing revenues	$ 1,785	$ 1,298
U.S. and Canadian futures average daily exchange and clearing revenues	751	712
Global CDS OTC average daily commission and clearing revenues	630	700
Bilateral OTC energy average daily commission revenues	106	98
Cleared OTC energy average daily commission and clearing revenues	1,520	1,275
Total OTC energy average daily commission and clearing revenues	1,626	1,373
Total average daily trading and clearing revenues	$ 4,792	$ 4,083
Trading Volume (in contracts):		
Futures volume	98,962	78,653
Futures average daily volume	1,596	1,289
OTC energy volume	96,510	77,269
OTC energy average daily volume	1,557	1,267
Energy futures rate per contact	$ 1.55	$ 1.53
Agricultural commodity futures and options rate per contract	$ 2.15	$ 2.13
Financial futures and options rate per contract	$ 1.03	$ 0.92
Cleared OTC energy volume compared to total OTC energy volume	96%	95%

Three Months Ended March 31, 2011 Compared to Three Months Ended March 31, 2010

Overview

Consolidated net income attributable to ICE increased $27.7 million, or 27%, to $128.9 million for the three months ended March 31, 2011 from $101.2 million for the comparable period in 2010. Net income from our futures segment increased $16.4 million, or 27%, to $76.3 million for the three months ended March 31, 2011 from $59.9 million for the comparable period in 2010. Net income from our global OTC segment increased $10.7 million, or 33%, to $43.6 million from $32.9 million for the comparable period in 2010. Net income from our market data segment decreased $490,000, or 5%, to $10.2 million from $10.7 million for the comparable period in 2010. Consolidated operating income, as a percentage of consolidated revenues, increased to 61% for the three months ended March 31, 2011 from 58% for the comparable period in 2010. Consolidated net income attributable to ICE, as a percentage of consolidated revenues, increased to 39% for the three months ended March 31, 2011 from 36% for the comparable period in 2010.

Our consolidated revenues increased $52.7 million, or 19%, to $334.3 million for the three months ended March 31, 2011 from $281.6 million for the comparable period in 2010. As discussed below, this increase is primarily due to an increase in the trading volume in the ICE Brent Crude, ICE WTI Crude, ICE Gasoil and ICE ECX emission futures and options contracts, the OTC North American natural gas contracts and the OTC global oil contracts. These increases were partially offset by a decline in CDS revenues.

Consolidated operating expenses increased $12.9 million, or 11%, to $130.7 million for the three months ended March 31, 2011 from $117.8 million for the comparable period in 2010. Our depreciation and amortization expenses increased $4.9 million compared to the same period in 2010 primarily due to additional amortization expenses recorded on the intangible assets associated with our acquisition of CLE in July 2010. Our compensation and benefits expenses increased $3.4 million compared to the same period in 2010 primarily due to an increase in our performance-based restricted stock accruals and due to a 13% increase in our employee headcount from March 31, 2010 to March 31, 2011. Our acquisition-related transaction costs increased $2.9 million compared to the same period in 2010 primarily due to the transactions costs incurred relating to the potential acquisition of NYSE Euronext.

Revenues

Transaction and Clearing Fees

Consolidated transaction and clearing fees increased $47.9 million, or 19%, to $299.0 million for the three months ended March 31, 2011 from $251.1 million for the comparable period in 2010. Transaction and clearing fees, as a percentage of consolidated revenues, was 89% for both the three months ended March 31, 2011 and 2010.

Transaction and clearing fees generated in our futures segment increased $34.6 million, or 28%, to $157.2 million for the three months ended March 31, 2011 from $122.6 million for the comparable period in 2010, while increasing as a percentage of

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consolidated revenues to 47% for the three months ended March 31, 2011 from 44% for the comparable period in 2010. The increase in transaction and clearing fees was primarily due to the increase in the trading volumes in the ICE Brent Crude, ICE WTI Crude, ICE Gasoil and ICE ECX emission futures and options contracts. Volume in the Brent crude, WTI crude and Gasoil markets increased from the prior year period due to several factors, including increased trading activity stimulated by the wide differential between Brent and WTI crude prices, the political situation in the Middle East and the impact on global commodity markets of the Japanese earthquake and its effects. Our Gasoil contract also gained liquidity due to its increasing role as a key refined products benchmark in Europe and Asia, as well as increased liquidity in the related Brent market. Revenues in our ICE ECX emission futures and options contracts increased from the prior period due to increased trading volumes and our recognition of 100% of the revenues from the ICE ECX emission contracts during the three months ended March 31, 2011, following our acquisition of CLE in July 2010. During the comparable period in 2010 prior to our acquisition, we only recognized a portion of the total ICE ECX futures and option revenues under our licensing agreement with CLE. For the three months ended March 31, 2011, volume in our futures segment were 99.0 million contracts, an increase of 26% from 78.7 million contracts during the comparable period in 2010. Average transaction and clearing fees per trading day increased 26% to $2.5 million per trading day for the three months ended March 31, 2011 from $2.0 million per trading day for the comparable period in 2010.

Transaction and clearing fees generated in our global OTC segment increased $13.3 million, or 10%, to $141.8 million for the three months ended March 31, 2011 from $128.4 million for the comparable period in 2010 primarily due to an increase in the trading volume of the North American natural gas contracts and the global oil contracts. Contract volume in our North American natural gas markets increased 37% to 79.0 million contracts traded during the three months ended March 31, 2011 from 57.6 million contracts traded during the comparable period in 2010. Volume in our North American natural gas markets increased due to higher price volatility and improved economic conditions, and to a lesser extent, the introduction of new products and increased natural gas options volume. Volume in our global oil markets increased 58% to 2.2 million contracts during the three months ended March 31, 2011 from 1.4 million contracts during the comparable period in 2010, primarily due to the successful launch of new cleared global oil contracts throughout 2010 and into the first quarter of 2011. CDS clearing revenues at ICE Trust and ICE Clear Europe increased from $11.5 million during the three months ended March 31, 2010 to $13.3 million during the three months ended March 31, 2011. CDS execution revenues at Creditex decreased from $31.2 million during the three months ended March 31, 2010 to $25.8 million during the three months ended March 31, 2011. Trading volumes in the CDS market declined year-over-year impacting Creditex revenue performance for the three months ended March 31, 2011. Diminished CDS trading by dealer clients, reduced perceptions of credit risk, as well as regulatory uncertainty all contributed to lower trading and brokerage fees. In March 2011, Creditex successfully launched electronic trading for New York investment grade and high yield indices to address market demands for increased transparency and enhanced execution. Transaction and clearing fees in this segment, as a percentage of consolidated revenues, decreased to 42% for the three months ended March 31, 2011 from 46% for the comparable period in 2010 primarily due to the higher revenue increase in the future segment for the three months ended March 31, 2011. Average transaction and clearing fees per trading day increased 9% to $2.3 million per trading day for the three months ended March 31, 2011 from $2.1 million per trading day for the comparable period in 2010.

Market Data Fees

Consolidated market data fees increased $2.6 million, or 10%, to $29.4 million for the three months ended March 31, 2011 from $26.9 million for the comparable period in 2010. During the three months ended March 31, 2011 and 2010, we recognized $13.5 million and $12.6 million, respectively, in data access fees and terminal fees in our global OTC and futures segments. During the three months ended March 31, 2011 and 2010, we recognized $13.0 million and $11.6 million, respectively, in terminal and license fees from data vendors in our market data segment. Consolidated market data fees, as a percentage of consolidated revenues, decreased to 9% for the three months ended March 31, 2011 from 10% for the comparable period in 2010.

Other Revenues

Consolidated other revenues increased $2.1 million, or 58%, to $5.9 million for the three months ended March 31, 2011 from $3.7 million for the comparable period in 2010. The increase in other revenues is primarily due to a reduction in the net interest paid to clearing members for their margin deposits at ICE Clear Europe for the three months ended March 31, 2011 compared to the same period in 2010, which is recorded as a reduction to other revenues. Effective January 1, 2011, ICE Clear Europe no longer pays clearing members basis points on certain cash margin deposits. Consolidated other revenues, as a percentage of consolidated revenues, increased to 2% for the three months ended March 31, 2011 from 1% for the comparable period in 2010.

Operating Expenses

Compensation and Benefits

Consolidated compensation and benefits expenses increased $3.4 million, or 6%, to $61.6 million for the three months ended March 31, 2011 from $58.2 million for the comparable period in 2010. This increase was primarily due to an increase in our employee headcount and a $1.8

million increase in our non-cash compensation expenses over the comparable period in 2010. Our employee headcount increased from 843 employees as of March 31, 2010 to 949 employees as of March 31, 2011, an increase of 13%, primarily due to the hiring of new employees for clearing, technology and compliance operations and due to acquisitions over the last year. Non-cash

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compensation expenses recognized in our consolidated financial statements for employee stock options and restricted stock were $13.7 million and $11.9 million for the three months ended March 31, 2011 and 2010, respectively. The increase was primarily due to a greater number of employees receiving non-cash awards during the current period and due to an increase in our accrual during the current period for the performance-based restricted stock that was granted in January 2011 relating to the above-target performance of our operating results for both the three months ended March 31, 2011 and for our updated projections for the year ended December 31, 2011. Consolidated compensation and benefits expenses, as a percentage of consolidated revenues, decreased to 18% for the three months ended March 31, 2011 from 21% for the comparable period in 2010.

Professional Services

Consolidated professional services expenses decreased $744,000, or 9%, to $7.8 million for the three months ended March 31, 2011 from $8.5 million for the comparable period in 2010. This decrease was primarily due to professional services expenses of $1.0 million during the three months ended March 31, 2011, compared to $3.6 million in professional services expenses during the same period in 2010, relating to the continued development of CDS clearing and the launch of new products at ICE Trust and ICE Clear Europe. Consolidated professional services expenses, as a percentage of consolidated revenues, decreased to 2% for the three months ended March 31, 2011 from 3% for the comparable period in 2010.

Acquisition-Related Transaction Costs

Acquisition-related transaction costs were $3.4 million for the three months ended March 31, 2011 compared to $545,000 for the comparable period in 2010. During the three months ended March 31, 2011 and 2010, we incurred investment banking, legal, accounting and tax transaction costs as we continue to explore and pursue acquisitions and other strategic opportunities to strengthen our competitive position and support our growth. These costs include transaction costs incurred during the three months ended March 31, 2011 primarily relating to the potential acquisition of NYSE Euronext. Consolidated acquisition-related transaction costs, as a percentage of consolidated revenues, was 1% for the three months ended March 31, 2011 and was negligible for the three months ended March 31, 2010.

Selling, General and Administrative

Consolidated selling, general and administrative expenses increased $2.4 million, or 11%, to $24.7 million for the three months ended March 31, 2011 from $22.3 million for the comparable period in 2010. This increase was primarily due to costs at CLE following our acquisition in July 2010 and an increase in our technology hosting expenses and hardware and software support expenses which resulted from the growth of our business. Consolidated selling, general and administrative expenses, as a percentage of consolidated revenues, decreased to 7% for the three months ended March 31, 2011 from 8% for the comparable period in 2010.

Depreciation and Amortization

Consolidated depreciation and amortization expenses increased $4.9 million, or 17%, to $33.1 million for the three months ended March 31, 2011 from $28.2 million for the comparable period in 2010. This increase was primarily due to additional amortization expenses recorded on the intangible assets associated with our acquisition of CLE in July 2010 and due to additional depreciation expenses recorded on fixed asset additions during 2010 and during the three months ended March 31, 2011. We recorded amortization expenses on the intangible assets acquired as part of our acquisitions and on the Russell licensing agreement intangible assets of $19.7 million and $15.9 million for the three months ended March 31, 2011 and 2010, respectively. We recorded depreciation expenses on our fixed assets of $13.4 million and $12.3 million for the three months ended March 31, 2011 and 2010, respectively. Consolidated depreciation and amortization expenses, as a percentage of consolidated revenues, was 10% for both the three months ended March 31, 2011 and 2010.

Other Income (Expense)

Consolidated other expense increased from $7.1 million for the three months ended March 31, 2010 to $7.5 million for the three months ended March 31, 2011. Consolidated other expenses, as a percentage of consolidated revenues, decreased to 2% for the three months ended March 31, 2011 from 3% for the comparable period in 2010.

Income Taxes

Consolidated income tax expense increased $12.7 million to $65.9 million for the three months ended March 31, 2011 from $53.2 million for the comparable period in 2010, primarily due to the increase in our pre-tax income. Our effective tax rate was 34% for both the three months ended March 31, 2011 and 2010.

Net Income Attributable to Noncontrolling Interest

For those consolidated subsidiaries in which our ownership is less than 100%, and for which we have control over the assets, liabilities and management of the entity, the outside stockholders interests are shown as noncontrolling interests. Noncontrolling

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interest relates to the operating results of our CDS clearing subsidiaries in which non-ICE limited partners hold a 45.5% net profit sharing interest as of March 31, 2011, and our QW Holdings subsidiary in which we own 50.1%. Net income attributable to noncontrolling interest was $1.2 million and $2.4 million for the three months ended March 31, 2011 and 2010, respectively. Included in the results for the three months ended March 31, 2010 is a $2.1 million increase to net income attributable to noncontrolling interest as a result of modifications to the agreements with the minority partners that occurred during the quarter.

Quarterly Results of Operations

The following table sets forth quarterly unaudited consolidated statements of income data. We believe that this data has been prepared on substantially the same basis as our audited consolidated financial statements and includes all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of our consolidated results of operations for the quarters presented. The historical results for any quarter do not necessarily indicate the results expected for any future period.

	Three Months Ended,				
	March 31, 2011(1)	December 31, 2010(1)	September 30, 2010(1)	June 30, 2010	March 31, 2010
	(In thousands)				
Revenues:					
Transaction and clearing fees, net:					
Futures:					
ICE Brent Crude futures and options	$ 48,562	$ 36,602	$ 35,460	$ 38,012	$ 35,204
ICE Gasoil futures and options	26,774	20,717	19,529	18,681	20,186
Sugar futures and options	17,689	16,408	18,531	18,258	21,341
ICE WTI Crude futures and options	14,722	11,116	12,153	14,033	11,544
ICE ECX emission futures and options	14,251	11,889	11,778	9,978	7,478
Russell Index futures and options	9,653	7,949	7,931	8,623	7,834
Cotton futures and options	6,546	7,012	4,600	5,058	4,394
Other futures products and options	19,021	15,019	14,613	17,129	14,638
OTC:					
North American natural gas	63,831	54,771	57,544	58,110	51,431
Credit default swaps	39,077	37,639	42,304	43,024	42,722
North American power	24,284	21,376	21,472	24,353	25,044
Global oil and other	12,688	9,025	8,152	7,553	7,267
Electronic trade confirmation services	1,912	1,907	2,035	2,048	1,979
Market data fees	29,420	27,608	27,528	27,186	26,853
Other	5,850	5,985	3,516	4,109	3,705
Total revenues	334,280	285,023	287,146	296,155	281,620
Operating expenses:					
Compensation and benefits(2)	61,638	56,953	62,586	58,870	58,240
Professional services	7,805	7,757	8,262	8,029	8,549
Acquisition-related transaction costs(3)	3,437	934	7,019	1,498	545
Selling, general and administrative	24,671	27,456	25,982	21,549	22,257
Depreciation and amortization(1)	33,131	33,342	31,739	27,914	28,214
Total operating expenses	130,682	126,442	135,588	117,860	117,805
Operating income	203,598	158,581	151,558	178,295	163,815
Other expense, net(4)	7,494	8,231	4,317	22,479	7,080
Income tax expense	65,950	48,541	47,328	53,289	53,217
Net income	$ 130,154	$ 101,809	$ 99,913	$ 102,527	$ 103,518

Net income attributable to noncontrolling interest	(1,250)	(2,677)	(3,598)	(839)	(2,355)
Net income attributable to ICE	$ 128,904	$ 99,132	$ 96,315	$ 101,688	$ 101,163

(1) We acquired CLE in July 2010 and the quarters subsequent to this date include the CLE s financial results, including the amortization of the acquired intangible assets.

(2) The increase in our compensation and benefits expenses for the three months ended March 31, 2011 is primarily related to the increase in our performance-based restricted stock accruals due to the above-target performance of our operating results for both the three months ended March 31, 2011 and for our updated projections for the year ended December 31, 2011. The financial results for the three months ended September 30, 2010 include $5.2 million in employee termination costs following our acquisition of CLE.

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(3) We incurred incremental direct acquisition-related transaction costs of $3.4 million for the three months ended March 31, 2011 primarily relating to the potential acquisition of NYSE Euronext. We incurred incremental direct acquisition-related transaction costs during the four quarters of 2010 relating to various completed and potential acquisitions, including the CLE acquisition that closed in July 2010.

(4) The financial results for the three months ended June 30, 2010 include a loss of $15.1 million on our foreign currency hedge relating to the pounds sterling cash consideration paid to acquire CLE.

Liquidity and Capital Resources

Since our inception, we have financed our operations, growth and cash needs primarily through income from operations and borrowings under our credit facilities. Our principal capital requirements have been to fund capital expenditures, working capital, strategic acquisitions and investments, stock repurchases and the development of our electronic trading and clearing platforms. We believe that our cash on hand and cash flows from operations will be sufficient to repay our outstanding indebtedness as it matures. In the future, we may need to incur additional debt or issue additional equity in connection with strategic acquisitions or investments. As discussed above under Acquisition Proposal , if the potential transaction with NYSE Euronext is consummated, we expect to incur debt to pay our cash contribution of $1.65 billion. See Future Capital Requirements below.

Consolidated cash and cash equivalents were $694.3 million and $621.8 million as of March 31, 2011 and December 31, 2010, respectively. We had $2.0 million in short-term investments as of December 31, 2010 and $223.1 million and $219.3 million in short-term and long-term restricted cash as of March 31, 2011 and December 31, 2010, respectively. We consider all short-term, highly liquid investments with remaining maturity dates of three months or less at the time of purchase to be cash equivalents. We classify all investments with original maturity dates in excess of three months and with maturities of less than one year as short-term investments and all investments that we intend to hold for more than one year as long-term investments. Cash that is not available for general use, either due to regulatory requirements or through restrictions in specific agreements, is classified as restricted cash.

As of March 31, 2011, the amount of unrestricted cash held by our non-U.S. subsidiaries was $402.8 million and is considered to be indefinitely reinvested overseas such that no provision for U.S. federal and state income taxes has been made in our consolidated financial statements. If these funds are needed for our operations in the United States, any distribution of these non-U.S. earnings may be subject to both U.S. federal and state income taxes, as adjusted for non-U.S. tax credits, if any, and withholding taxes payable to the various non-U.S. countries. However, we do not have any current needs or foreseeable plans other than to indefinitely reinvest these funds within our non-U.S. subsidiaries.

In February 2010, our board of directors authorized us to repurchase up to $300.0 million in our common stock. During the three months ended September 30, 2010, we repurchased 937,500 shares of our common stock at a cost of $90.4 million on the open market. We expect to fund any remaining share repurchases with a combination of cash on hand, future cash flows and by borrowing under our credit facilities. The timing and extent of the repurchases, if any, will depend upon market conditions, our stock price and our strategic plans at that time.

Cash Flow

The following tables present, for the periods indicated, the major components of net increases (decreases) in cash and cash equivalents:

	Three Months Ended March 31,	
	2011	2010
	(In thousands)	
Net cash provided by (used in):		
Operating activities	$ 155,356	$ 101,560
Investing activities	(17,861)	(11,302)
Financing activities	(66,884)	(29,660)
Effect of exchange rate changes	1,854	(769)
Net increase in cash and cash equivalents	$ 72,465	$ 59,829

Operating Activities

Consolidated net cash provided by operating activities was $155.4 million and $101.6 million for the three months ended March 31, 2011 and 2010, respectively. Net cash provided by operating activities primarily consists of net income adjusted for certain non-cash items, including depreciation and amortization and the effects of changes in working capital. Fluctuations in net cash provided by operating activities are primarily attributable to increases and decreases in our net income between periods and, to a lesser extent, due to fluctuations in working capital. The $53.8 million increase in net cash provided by operating activities for the three months ended March 31, 2011 from the comparable period in 2010 is primarily due to the $16.4 million increase in the futures segment s net income for the three months ended March 31, 2011 from the comparable period in 2010 and the $10.7 million increase in the global OTC segment s net income for the three months ended March 31, 2011 from the comparable period in 2010.

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Investing Activities

Consolidated net cash used in investing activities was $17.9 million and $11.3 million for the three months ended March 31, 2011 and 2010, respectively. Consolidated net cash used in investing activities for the three months ended March 31, 2011 and 2010 primarily relates to capitalized software development costs, capital expenditures, cash paid for acquisitions and changes in the restricted cash balances. We incurred capitalized software development costs of $7.7 million and $5.9 million for the three months ended March 31, 2011 and 2010, respectively, and we had capital expenditures of $4.8 million and $4.9 million for the three months ended March 31, 2011 and 2010, respectively. The capital expenditures primarily relate to hardware purchases to continue the development and expansion of our electronic platforms and clearing houses. We paid out cash for acquisitions, net of cash acquired, of $3.2 million for the three months ended March 31, 2011. We had a net increase in restricted cash of $2.8 million and $555,000 for the three months ended March 31, 2011 and 2010, respectively, with the 2011 increase primarily relating to cash that we were required to put in the ICE Trust clearing guaranty fund.

Financing Activities

Consolidated net cash used in financing activities was $66.9 million and $29.7 million for the three months ended March 31, 2011 and 2010, respectively. Consolidated net cash used in financing activities for the three months ended March 31, 2011 relates to $55.5 million in repayments under the credit facilities, $9.4 million in cash payments related to treasury shares received for restricted stock and stock option tax payments and $6.1 million in distributions of profits to the noncontrolling interest holders, partially offset by $2.5 million in proceeds from the exercise of common stock options and $1.7 million in excess tax benefits from stock-based compensation. Consolidated net cash used in financing activities for the three months ended March 31, 2010 primarily relates to $22.5 million in repayments under the credit facilities, $7.5 million in issuance costs for the new revolving credit facilities and $7.2 million in cash payments related to treasury shares received for restricted stock and stock option tax payments, partially offset by $7.0 million in proceeds from the exercise of common stock options.

Loan Agreements

We have aggregate $725.0 million three-year senior unsecured revolving credit facilities, or the Revolving Credit Facilities. The Revolving Credit Facilities consist of (i) an aggregate $575.0 million unsecured revolving U.S. dollar credit facility, pursuant to which we may borrow, repay and reborrow up to $575.0 million in U.S. dollars, and (ii) an aggregate $150.0 million unsecured revolving multicurrency credit facility, pursuant to which we may borrow, repay and reborrow up to the equivalent of $150.0 million in U.S. dollars, euros or pounds sterling, at our option. The Revolving Credit Facilities mature on March 31, 2013.

Of the amounts available under the Revolving Credit Facilities, (i) up to $150.0 million of such amounts has been reserved to provide liquidity for the clearing operations of ICE Clear Europe, (ii) up to $100.0 million of such amounts has been reserved to provide liquidity for the clearing operations of ICE Trust, (iii) up to $50.0 million of such amounts has been reserved to provide liquidity for the clearing operations of ICE Clear U.S., and (iv) up to $3.0 million of such amounts has been reserved to provide liquidity for certain of the clearing operations of ICE Clear Canada. The remaining $422.0 million available under the Revolving Credit Facilities may be used by us for working capital and general corporate purposes.

As of March 31, 2011, we had an aggregate of $523.0 million outstanding under various term loans, of which $340.0 million is outstanding under a three-year senior unsecured term loan facility, or the Term Loan Facility, and $183.0 million in aggregate is outstanding under two additional term loan facilities. Amounts repaid under the term loan facilities may not be reborrowed. As of March 31, 2011, we have a LIBOR-rate loan with a stated interest rate of 2.3105% per annum related to the $340.0 million that is outstanding under the Term Loan Facility.

The credit facilities contain affirmative and negative covenants, including, but not limited to, leverage and interest coverage ratios, as well as limitations or required notices or approvals for acquisitions, dispositions of assets and certain investments in subsidiaries, the incurrence of additional debt or the creation of liens and other fundamental changes to our business. We have been and are currently in compliance with all applicable covenants.

We have entered into interest rate swap contracts to reduce our exposure to interest rate volatility related to the $183.0 million in outstanding debt under our original two term loan facilities as of March 31, 2011, which are effective through the maturity dates of our term loan facilities.

Future Capital Requirements

Our future capital requirements will depend on many factors, including the rate of our trading and clearing volume growth, strategic plans and acquisitions, required technology initiatives, regulatory requirements, the timing and introduction of new products and enhancements to existing products, the geographic mix of our business, and the continuing market acceptance of our electronic platform. We currently expect to make aggregate capital expenditures and to capitalize software development costs ranging between $50.0 million and $55.0 million for the year ended December 31, 2011, which we believe will support the enhancement of our technology and the continued expansion of our futures, OTC and market data businesses. We are obligated to contribute an aggregate

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of $100.0 million to the ICE Trust guaranty fund and the ICE Clear Europe CDS guaranty fund over a two-year period and have already contributed $27.8 million to the ICE Trust guaranty fund and $10.0 million to the ICE Clear Europe CDS guaranty fund as of March 31, 2011. We must use the profits from the CDS clearing business that are distributed to us to fund the remaining $62.2 million, and if such profits are not sufficient to fund the remaining obligation, we are obligated to make up any shortfall and expect to use our cash on hand or borrow funds under our credit facilities to do so. We believe that our cash flows from operations will be sufficient to fund our working capital needs and capital expenditure requirements at least through the end of 2012.

After factoring in the $303.0 million reserved for ICE Clear Europe, ICE Trust, ICE Clear U.S. and ICE Clear Canada, we currently have $422.0 million available under the Revolving Credit Facilities for general corporate purposes. The Revolving Credit Facilities are currently the only significant agreements or arrangements that we have with third parties to provide us with sources of liquidity and capital resources. In the event of any strategic acquisitions or investments, or if we are required to raise capital for any reason, we may need to incur additional debt or issue additional equity to raise the necessary funds. However, we cannot provide assurance that such financing will be available or that the terms of such financing will be favorable to us. As discussed above under Acquisition Proposal , if the potential transaction with NYSE Euronext is consummated, we expect to incur debt to pay our cash contribution of $1.65 billion and issue shares of our common stock, which would be dilutive to our existing shareholders.

Non-GAAP Financial Measures

Below we provide adjusted net income attributable to ICE and adjusted earnings per share attributable to ICE common shareholders as additional information regarding our operating results. We use these non-GAAP measures internally to evaluate our performance and in making financial and operational decisions. We believe that our presentation of these measures provides investors with greater transparency and supplemental data relating to our financial condition and results of operations. In addition, we believe the presentation of these measures is useful to investors for period-to-period comparison of results because the items described below are not part of our core business. These measures are not in accordance with, or an alternative to, U.S. generally accepted accounting principles, or GAAP, and may be different from non-GAAP measures used by other companies. Investors should not rely on any single financial measure when evaluating our business. We strongly recommend that investors review the GAAP financial measures included in this Quarterly Report on Form 10-Q, including our consolidated financial statements and the notes thereto.

When viewed in conjunction with our GAAP results and the accompanying reconciliation, we believe these adjusted measures provide greater transparency and a more complete understanding of factors affecting our business than GAAP measures alone. Our management uses these measures to evaluate operating performance and management decisions made during the reporting period by excluding certain items that we believe have less significance on, or do not impact, the day-to-day performance of our business. We understand that analysts and investors regularly rely on non-GAAP financial measures, such as adjusted net income and adjusted earnings per share, to assess operating performance. We use adjusted net income attributable to ICE and adjusted earnings per share attributable to ICE common shareholders because they more clearly highlight trends in our business that may not otherwise be apparent when relying solely on GAAP financial measures, since these measures eliminate from our results specific financial items that have less bearing on our operating performance.

During the three months ended March 31, 2011 and 2010, we recognized acquisition-related transaction costs as we continue to explore and pursue acquisitions and other strategic opportunities to strengthen our competitive position and support our growth, including transactions costs relating to the potential acquisition of NYSE Euronext that we incurred during the three months ended March 31, 2011. The tax effect of these items is calculated by applying specific legal entity and jurisdictional marginal tax rates. Adjusted net income attributable to ICE for the periods presented below is calculated by adding net income attributable to ICE and the acquisition-related transaction costs, which are not part of our core business, and its related income tax effect.

The following table reconciles net income attributable to ICE to adjusted net income attributable to ICE and calculates adjusted earnings per share attributable to ICE common shareholders as follows for the following periods (in thousands, except per share amounts):

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Net income attributable to ICE	$ 128,904	$ 101,163
Add: Acquisition-related transaction costs	3,437	545
(Less): Income tax benefit effect related to the items above	(1,301)	(210)

Adjusted net income attributable to ICE	$ 131,040	$ 101,498
Earnings per share attributable to ICE common shareholders:		
Basic	$ 1.76	$ 1.37
Diluted	$ 1.74	$ 1.36
Adjusted earnings per share attributable to ICE common shareholders:		
Adjusted basic	$ 1.78	$ 1.38
Adjusted diluted	$ 1.77	$ 1.36
Weighted average common shares outstanding:		
Basic	73,433	73,676
Diluted	74,201	74,527

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Contractual Obligations and Commercial Commitments

In the first quarter of 2011, there were no significant changes to our contractual obligations and commercial commitments from those disclosed in the section Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10- K for the year ended December 31, 2010, or our 2010 Form 10-K.

Off-Balance Sheet Arrangements

We currently do not have any relationships to unconsolidated entities or financial partnerships that have been established for the sole purpose of facilitating off-balance sheet arrangements or other contractually limited purpose.

New and Recently Adopted Accounting Pronouncements

In the first quarter of 2011, there were no significant new or recently adopted accounting pronouncements that are applicable to us.

Critical Accounting Policies and Estimates

In the first quarter of 2011, there were no significant changes to our critical accounting policies and estimates from those disclosed in the section Management s Discussion and Analysis of Financial Condition and Results of Operations in our 2010 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk in the ordinary course of business. This market risk consists primarily of interest rate risk associated with our cash and cash equivalents, short-term and long-term investments, short-term and long-term restricted cash, current and long-term indebtedness and foreign currency exchange rate risk.

Interest Rate Risk

We have exposure to market risk for changes in interest rates relating to our cash and cash equivalents, short-term and long-term restricted cash and indebtedness. As of March 31, 2011 and December 31, 2010, our cash and cash equivalents, short-term investments and short-term and long-term restricted cash were $917.3 million and $843.1 million, respectively, of which $125.0 million and $98.2 million, respectively, were denominated in pounds sterling, euros or Canadian dollars. The remaining investments are denominated in U.S. dollars. We do not use our investment portfolio for trading or other speculative purposes. A hypothetical 100 basis point decrease in long-term interest rates would decrease annual pre-tax earnings by $9.2 million, assuming no change in the amount or composition of our cash and cash equivalents, short-term and long-term investments and short-term and long-term restricted cash.

As of March 31, 2011, we had $523.0 million in outstanding indebtedness, which bears interest at fluctuating rates based on LIBOR and, therefore, subjects us to interest rate risk. A hypothetical 100 basis point increase in long-term interest rates would decrease annual pre-tax earnings by $5.2 million, assuming no change in the volume or composition of our outstanding indebtedness and no hedging activity. The interest rates on our outstanding debt are currently reset on a monthly, quarterly or semi-annual basis. We entered into interest rate swap contracts to reduce our exposure to interest rate volatility related to $183.0 million of our outstanding debt, which are effective through the maturity dates of these term loan facilities. These contracts fix the interest rate at 4.26% on the $75.0 million term loan facility that is outstanding as of March 31, 2011, and at 4.36% on the $108.0 million term loan facility that is outstanding as of March 31, 2011. In return, we will receive the one-month LIBOR-rate plus 250 basis points. These swaps are designated as cash flow hedges.

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Foreign Currency Exchange Rate Risk

Revenues in our businesses are denominated in U.S. dollars, except with respect to a portion of the sales through ICE Futures Europe, ICE Clear Europe and Creditex and all sales through ICE Futures Canada. We may experience gains or losses from foreign currency transactions in the future given that there are net assets or net liabilities and revenues and expenses of our U.S., U.K., European and Canadian subsidiaries that are denominated in pounds sterling, euros or Canadian dollars. Our U.K. operations in some instances function as a natural hedge because we generally hold an equal amount of monetary assets and liabilities that are denominated in pounds sterling. Of our consolidated revenues, 7% and 9% were denominated in pounds sterling, euros or Canadian dollars for the three months ended March 31, 2011 and 2010, respectively. Of our consolidated operating expenses, 28% and 22% were denominated in pounds sterling or Canadian dollars for the three months ended March 31, 2011 and 2010, respectively. As the pound sterling, euro or Canadian dollar exchange rate changes, the U.S. equivalent of revenues and expenses denominated in foreign currencies changes accordingly. A 10% adverse change in the underlying foreign currency exchange rates would decrease annual pre-tax earnings by $3.7 million, assuming no change in the composition of the foreign currency denominated assets, liabilities and payables and assuming no hedging activity.

We have foreign currency transaction risk related to the settlement of foreign currency denominated assets, liabilities and payables that occur through our operations, which are received in or paid in pounds sterling or euros, due to the increase or decrease in the foreign currency exchange rates between periods. We had foreign currency transaction gains (losses) of $680,000 and ($696,000) for the three months ended March 31, 2011 and 2010, respectively, primarily attributable to the fluctuations of the pound sterling and euro relative to the U.S. dollar. The average exchange rate of the pound sterling to the U.S. dollar increased from 1.5612 for the three months ended March 31, 2010 to 1.6018 for the three months ended March 31, 2011. The average exchange rate of the euro to the U.S. dollar decreased from 1.3842 for the three months ended March 31, 2010 to 1.3675 for the three months ended March 31, 2011.

We entered into foreign currency hedging transactions during the three months ended March 31, 2011 to hedge a portion of our foreign currency transaction exposure and may enter into additional hedging transactions in the future to help mitigate our foreign exchange risk exposure. For the portion of our foreign currency exposure hedged, we had hedge effectiveness of 98% for the three months ended March 31, 2011.

We have foreign currency translation risk equal to our net investment in certain U.K., European and Canadian subsidiaries. The revenues, expenses and financial results of these U.K., European and Canadian subsidiaries are denominated in pounds sterling, euros or Canadian dollars, which are the functional currencies of these subsidiaries. The financial statements of these subsidiaries are translated into U.S. dollars using a current rate of exchange, with gains or losses included in the cumulative translation adjustment account, a component of equity. As of March 31, 2011 and December 31, 2010, the portion of our equity attributable to accumulated other comprehensive income from foreign currency translation was $63.9 million and $41.8 million, respectively. The $22.1 million increase was primarily due to foreign currency translation adjustments relating to a portion of the CLE goodwill and other intangible assets that were allocated to our U.K. subsidiaries, due to an increase in the pound sterling to the U.S. dollar exchange rate from December 31, 2010 to March 31, 2011. The period-end foreign currency exchange rate for the pound sterling to the U.S. dollar increased from 1.5428 as of December 31, 2010 to 1.6081 as of March 31, 2011. The period-end foreign currency exchange rate for the euro to the U.S. dollar increased from 1.3291 as of December 31, 2010 to 1.4129 as of March 31, 2011. The period-end foreign currency exchange rate for the Canadian dollar to the U.S. dollar increased from 0.9999 as of December 31, 2010 to 1.0294 as of March 31, 2011.

Impact of Inflation

We have not been adversely affected by inflation as technological advances and competition have generally caused prices for the hardware and software that we use for our electronic platforms to remain constant or to decline. In the event of inflation, we believe that we will be able to pass on any price increases to our participants, as the prices that we charge are not governed by long-term contracts.

Item 4. Controls and Procedures

(a) *Evaluation of disclosure controls and procedures.* As of the end of the period covered by this report, an evaluation was carried out by our management, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures are effective as of the end of the period covered by this report.

(b) *Changes in internal controls.* There were no changes in our internal controls over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. As a result, no corrective actions were taken.

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Part II. Other Information

Item 1. Legal Proceedings

Set forth below is a regulatory proceeding to which we are a party.

On April 28, 2011, ICE Clear Europe received notice from the European Commission (the Commission) that the Commission has initiated proceedings to investigate a possible competition law infringement by ICE Clear Europe and nine dealer banks (the founding members) with respect to ICE Clear Europe s provision of CDS clearing services. Specifically, the Commission is investigating (i) whether the fee and profit sharing arrangements between ICE Clear Europe and the founding members in connection with the purchase by us of The Clearing Corporation from the founding members in 2009 create an improper incentive for the founding members to only use ICE Clear Europe for clearing CDS transactions and (ii) whether the discount arrangement used by ICE Clear Europe is an abuse of dominant position by giving an unfair advantage to the founding members and discriminating against other CDS dealers. These arrangements were put in place in connection with ICE Clear Europe s launch of CDS clearing in the midst of the financial crisis and the profit sharing arrangements were part of the consideration we paid to the founding members and other owners of The Clearing Corporation in connection with our purchase of The Clearing Corporation. The Clearing Corporation assets and operations were and are used by us to facilitate our back-end clearing of CDS transactions in the U.S. ICE Clear Europe has voluntarily furnished information to the Commission as part of an initial assessment that began in October 2009. Prior to the notice on April 28, 2011, ICE Clear Europe had no contact from the Commission with respect to this matter since January 2010.

ICE Clear Europe intends to cooperate with the Commission s investigation. Before the Commission reaches an infringement decision, if any, the Commission is required to issue a formal Statement of Objections detailing the specific alleged infringement and supporting evidence and must provide ICE Clear Europe the opportunity to rebut any allegations of wrongdoing. If the Commission then makes an infringement finding, ICE Clear Europe may be subject to a cease and desist order in respect of the fee and profit sharing arrangements and/or fines. However, it is too early in the proceedings to determine whether a finding of infringement will be made or the likely range of penalties, if any, if such finding is made by the Commission. The initiation of proceedings to investigate does not mean that the Commission has made a definitive finding of an infringement of competition law.

In addition to the matter discussed above, from time to time we are party to, or are involved through one of our operating subsidiaries in, litigation and regulatory proceedings that arise in the ordinary course of our business. We do not believe that we are party to any other pending or threatened litigation or regulatory proceedings that, individually or in the aggregate, would in the opinion of management, based on currently available information, have a material adverse effect on our business, results of operations, financial condition or cash flows.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report, you should carefully consider the factors discussed under Risk Factors in our 2010 Form 10-K, as well as the additional risk factors set forth below in relation to our joint proposal with NASDAQ OMX Group, Inc. to acquire NYSE Euronext. These risks could materially and adversely affect our business, financial condition and results of operations. The risks and uncertainties in our Form 10-K are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business.

Risk Factors Relating to our Offer to Acquire NYSE Euronext

We cannot predict whether our joint proposal with NASDAQ OMX to acquire NYSE Euronext will prevail and, if it does, what final terms may be agreed between the parties. Additionally, closing the acquisition as specified in our joint proposal is subject to conditions that we cannot control.

We have not yet had the opportunity to discuss the price and terms of our joint proposal with NYSE Euronext or its directors, and even if we and NASDAQ OMX are successful in negotiating a transaction with NYSE Euronext, the consummation of such transaction would remain subject to conditions that we cannot control, including the termination of the business combination agreement with Deutsche Börse, required regulatory approvals and the approval of the transaction by holders of a majority of the holders of shares of our common stock, NASDAQ OMX common stock and NYSE Euronext common stock.

We have already incurred legal and other transaction fees and costs in connection with our joint proposal and will incur additional fees and costs as we continue our pursuit of a transaction with NYSE Euronext, some of which will be payable by us regardless of whether our joint proposal prevails. In addition, the pursuit of an acquisition of NYSE Euronext may absorb the attention of our management that would otherwise be available for the ongoing conduct of our operations and the development of other opportunities that could have been beneficial to us.

In the event that our proposed acquisition of NYSE Euronext is successful, we will incur additional indebtedness.

If we are successful in consummating an acquisition of NYSE Euronext, we will need to incur additional indebtedness to finance the cash portion of the acquisition consideration. In connection with the proposed acquisition of NYSE Euronext, we have obtained committed financing in the amount of $1.65 billion from a group of lenders. We are incurring fees as a result of the execution of the commitment letters and such fees will increase over time and upon the closing of a transaction with NYSE Euronext.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. [Removed and Reserved]

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description of Document
10.1	Amendment No. 2 to License Agreement for Index-Related Derivative Products between Frank-Russell Company and IntercontinentalExchange, Inc., dated as of March 14, 2011 (incorporated by reference to Exhibit 10.1 to ICE s Current Report on Form 8-K filed with the SEC on March 15, 2011, File No. 001-32671).*
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer
101	The following materials from IntercontinentalExchange, Inc. s Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Changes in Equity, (iv) the Consolidated Statements of Comprehensive Income, (v) Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text.**

* Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Securities and Exchange Commission.

** As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934. Such exhibit will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 unless IntercontinentalExchange, Inc. specifically incorporates it by reference.

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SIGNATURE

Pursuant to the requirements 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.

	INTERCONTINENTALEXCHANGE, INC.
	(Registrant)
Date: May 4, 2011	By: /s/ Scott A. Hill Scott A. Hill Senior Vice President, Chief Financial Officer
	(Principal Financial Officer and
	Principal Accounting Officer)

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