

HORMEL FOODS CORP /DE/

Form 424B3

November 13, 2006

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Filed Pursuant to Rule 424(b)(3)

File Number 333-138119

PROSPECTUS SUPPLEMENT NO. 1 DATED NOVEMBER 13, 2006

(to Proxy Statement/Prospectus dated November 7, 2006)

(Registration No. 333-138119)

HORMEL FOODS CORPORATION

This Prospectus Supplement No. 1 supplements the Proxy Statement/Prospectus dated November 7, 2006 of Provena Foods Inc., or Provena, and Hormel Foods Corporation, or Hormel, relating to Hormel's proposed acquisition of Provena.

This Prospectus Supplement No. 1 includes the attached Quarterly Report on Form 10-Q of Provena for the period ended September 30, 2006, as previously filed by Provena with the Securities and Exchange Commission. This Prospectus Supplement No. 1 should be read in conjunction with, and may not be delivered or utilized without, the Proxy Statement/Prospectus. This Prospectus Supplement No. 1 updates information in the Proxy Statement/Prospectus, and, accordingly, to the extent inconsistent, the information in this Prospectus Supplement No. 1 supersedes the information contained in the Proxy Statement/Prospectus.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT NO. 1. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus Supplement No. 1 is November 13, 2006

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**Form 10-Q**

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**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF**

**THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE QUARTER ENDED SEPTEMBER 30, 2006**

**Commission File Number 1-10741**

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**PROVENA FOODS INC.**

(Exact name of registrant as specified in its charter)

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**California**  
(State or other jurisdiction of  
incorporation or organization)

**95-2782215**  
(I.R.S. employer  
identification number)

**5010 Eucalyptus Avenue, Chino, California**  
(Address of principal executive offices)

**91710**  
(ZIP Code)

**(909) 627-1082**

(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  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer  Accelerated filer  Non-accelerated filer

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

The number of shares of Provena Foods Inc. Common Stock outstanding at October 31, 2006 was:

Common Stock 3,593,764

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PROVENA FOODS INC.

Form 10-Q Report for the Third Quarter Ended September 30, 2006

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## PART I. FINANCIAL INFORMATION

## ITEM I. FINANCIAL STATEMENTS

## PROVENA FOODS INC.

## Condensed Statements of Operations

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Net sales	\$ 15,162,399	13,965,713	45,697,422	43,126,885
Cost of sales	13,801,327	13,401,238	41,588,529	40,916,460
Gross profit	1,361,072	564,475	4,108,893	2,210,425
Operating expenses:				
Distribution	371,255	408,222	1,230,622	1,249,070
General and administrative	635,321	489,691	1,844,947	1,538,313
Operating income (loss)	354,496	(333,438)	1,033,324	(576,958)
Interest expense and other financing costs, net	(142,471)	(164,372)	(400,918)	(625,918)
Other income, net	125,285	147,605	453,622	360,480
Earnings (loss) before income taxes	337,310	(350,205)	1,086,028	(842,396)
Income tax benefit (expense)	(134,904)	139,145	(444,278)	310,045
Net earnings (loss)	\$ 202,406	(211,060)	641,750	(532,351)
Earnings (loss) per share:				
Basic and diluted	\$ .06	(.06)	.18	(.16)
Shares used in computing earnings (loss) per share:				
Basic and diluted	3,514,685	3,412,842	3,495,337	3,382,503

See accompanying Notes to Condensed Financial Statements.

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## PROVENA FOODS INC.

## Condensed Balance Sheets

(Unaudited)

	September 30, 2006	December 31, 2005
<b>Assets</b>		
Current assets:		
Cash	\$ 2,898,649	2,057
Cash - restricted	1,021,396	1,221,328
Accounts receivable, less allowance for doubtful accounts of \$0 at 2006 and \$0 at 2005	4,088,787	4,269,656
Inventories	4,471,685	4,829,134
Prepaid expenses	261,685	252,569
Income tax receivable	94,829	
Deferred tax assets	313,995	383,602
Total current assets	13,151,026	10,958,346
Property and equipment, net	12,571,744	13,026,653
Deferred tax assets, net of current portion	841,143	901,648
Other assets	429,298	533,053
	\$ 26,993,211	25,419,700
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Line of credit	\$ 2,663,477	672,834
Current portion of long-term debt	343,642	343,642
Current portion of capital lease obligation	50,000	50,000
Current portion of deferred income	365,724	365,724
Income tax payable		456,174
Accounts payable	3,125,455	3,359,258
Accrued liabilities	2,506,630	2,319,071
Total current liabilities	9,054,928	7,566,703
Long-term debt, net of current portion	5,929,686	6,316,850
Capital lease obligation, net of current portion	258,342	285,205
Deferred income, net of current portion	2,844,074	3,081,830
Total liabilities	18,087,030	17,250,588
Shareholders' equity:		
Capital stock, no par value; authorized 10,000,000 shares; issued and outstanding 3,593,764 at 2006 and 3,546,345 at 2005	5,574,245	5,512,926
Retained earnings	3,433,936	2,792,186
Deferred compensation	(102,000)	(136,000)
Total shareholders' equity	8,906,181	8,169,112
	\$ 26,993,211	25,419,700

See accompanying Notes to Condensed Financial Statements.

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## PROVENA FOODS INC.

## Condensed Statements of Cash Flows

(Unaudited)

	Nine Months Ended September 30,	
	2006	2005
Cash flows from operating activities:		
Net earnings (loss)	\$ 641,750	(532,351)
Adjustments		
Depreciation and amortization	664,436	683,892
Provision for bad debts		9,000
Recognized gain from sale of building	(237,756)	(135,617)
Common stock grant - vested	34,000	34,000
Changes in assets and liabilities		
Accounts receivable	180,869	(216,255)
Inventories	357,449	68,048
Prepaid expenses	(9,116)	(508,328)
Income taxes	(420,891)	(189,909)
Other assets	103,755	16,892
Accounts payable and accrued liabilities	(46,244)	(209,191)
Net cash from operating activities	1,268,252	(979,819)
Cash flows from investing activities:		
Decrease in restricted cash	199,932	
Proceeds from sale of property and equipment	75,573	5,758,784
Additions to property and equipment	(285,100)	(37,459)
Net cash from investing activities	(9,595)	5,721,325
Cash flows from financing activities:		
Payments on long-term debt	(387,164)	(2,011,859)
Proceeds (payments) under line of credit	1,990,643	(135,376)
Proceeds from sale of common stock	61,319	69,259
Payments on capital lease	(26,863)	(29,762)
Net cash from financing activities	1,637,935	(2,107,738)
Net increase in cash	2,896,592	2,633,768
Cash and cash equivalents at beginning of period	2,057	120,446
Cash and cash equivalents at end of period	\$ 2,898,649	2,754,214
Supplemental disclosures		
Cash paid for interest	\$ 488,434	452,449
Cash paid for income taxes	\$ 495,000	400,800
Common stock grant - non-vested	\$ 102,000	136,000

See accompanying Notes to Condensed Financial Statements.



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## PROVENA FOODS INC.

## Notes to Condensed Financial Statements

(Unaudited)

September 30, 2006

## (1) Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with the requirements of Form 10-Q and, therefore, do not include all information and footnotes which would be presented if such financial statements were prepared in accordance with accounting principles generally accepted in the United States for annual financial statement purposes. These statements should be read in conjunction with the audited financial statements presented in the Company's Form 10-K for the year ended December 31, 2005. In the opinion of management, the accompanying financial statements reflect all adjustments which are necessary for a fair presentation of the results for the interim periods presented. Such adjustments consisted only of normal recurring items. The results of operations for the three months and nine months ended September 30, 2006 are not necessarily indicative of results to be expected for the full year.

## (2) Inventories

Inventories at September 30, 2006 and December 31, 2005 consist of:

	2006	2005
Raw materials	\$ 1,781,874	2,018,445
Work-in-process	1,401,241	1,710,595
Finished goods	1,288,570	1,100,094
Finished goods	1,288,570	1,100,094
	\$ 4,471,685	4,829,134

## (3) Segment Data

Business segment sales and operating profit (loss) for the three months and nine months ended September 30, 2006 and 2005 and assets at September 30, 2006 and December 31, 2005 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Net sales to unaffiliated customers:				
Swiss American Sausage division	\$ 13,283,852	11,873,479	39,472,508	36,908,043
Royal-Angelus Macaroni division	1,878,547	2,092,234	6,224,914	6,218,842
Total net sales	\$ 15,162,399	13,965,713	45,697,422	43,126,885
Operating profit (loss)				
Swiss American Sausage division	\$ 632,497	(286,424)	1,404,070	(486,400)
Royal-Angelus Macaroni division	(344,766)	(137,086)	(527,101)	(441,134)
Corporate	66,765	90,072	156,355	350,576
Operating profit (loss)	\$ 354,496	(333,438)	1,033,324	(576,958)

	September 30, 2006	December 31, 2005
Identifiable assets:		

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Swiss American Sausage division	\$ 19,091,909	19,728,983
Royal-Angelus Macaroni division	2,507,420	2,865,973
Corporate	5,393,882	2,824,744
<b>Total assets</b>	<b>\$ 26,993,211</b>	<b>25,419,700</b>

(4) Share-Based Payments

The Company adopted the provisions of Statement of Financial Accounting Standards No. 123 (Revised 2004), Share Based Payment ( SFAS 123R ), on January 1, 2006. Accordingly, compensation costs for all share-based awards to employees are measured based on the grant date fair value of those awards and recognized over the period during which the employee is required to perform service in exchange for the award (generally over the vesting period of the award). The Company has no awards with market or performance conditions. Excess tax benefits as defined by SFAS 123R will be recognized as an addition to additional paid-in capital. Effective January 1, 2006 and for all periods subsequent to that date, SFAS 123R supersedes the Company's previous accounting under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ( APB 25 ). In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 ( SAB 107 ) relating to SFAS 123R. The Company has applied the provisions of SAB 107 in its adoption of SFAS 123R.

The Company adopted SFAS 123R using the modified prospective transition method, which provides for certain changes to the method for valuing share-based compensation. The valuation provisions of SFAS 123R apply to new awards and to awards that are outstanding as the effective date and subsequently modified or canceled. Estimated compensation expense for awards outstanding at the effective date will be recognized over the remaining service period using the compensation cost calculated for pro forma disclosure purposes under Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ( SFAS 123 ). In accordance with the modified prospective transition method, the Company's consolidated financial statements for prior periods were not restated to reflect, and do not include, the impact of SFAS 123R.

No options were granted or vested during the interim periods presented, and all options previously granted had completely vested before January 1, 2006; therefore no compensation costs were incurred under SFAS 123R and the actual net income (or loss) equals the pro forma net income (or loss) for such interim periods.

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(5) Earnings (loss) per Share

Basic earnings (loss) per share is net earnings (loss) divided by the weighted average number of common shares outstanding during the period, and diluted earnings (loss) per share is net earnings (loss) divided by the sum of the weighted average plus an incremental number of shares attributable to outstanding options. During the periods covered by this report, the Company's outstanding options for 107,111 shares resulted in no dilution and basic earnings (loss) per share and diluted earnings (loss) per share were the same. On February 26, 2004, the Company issued 150,000 shares of its common stock (the Grant) to its Chief Executive Officer which vest 1/6 immediately and 1/6 on each of the next five anniversaries, contingent on the Chief Executive Officer's continued employment. The computations of the weighted average number of common shares outstanding for the periods covered by this report include only the shares vested under the terms of the Grant.

(6) Credit Facility

On December 1, 2005, the Company obtained a new \$13,439,427 credit facility from Wells Fargo Bank, National Association replacing the Company's Comerica Bank credit facility. The new credit facility generally provided: a line of credit of up to \$6,000,000 and letters of credit of \$6,221,813 to support the Company's \$5,975,000 of outstanding variable rate demand bonds and up to \$1,217,614 to support the Company's workers' compensation insurance reimbursement obligations.

The credit facility is secured by substantially all of the Company's assets and the workers' compensation letter of credit is additionally secured by a cash deposit in the face amount thereof. The credit facility prohibits, without the bank's consent, dividends, mergers, acquisitions, sales of assets, guaranties, lending, borrowing, and granting security interests, and contains financial covenants requiring a minimum tangible net worth of \$7,500,000 through September 30, 2006 and \$7,600,000 thereafter, a maximum cumulative annual net loss of \$250,000 through December 31, 2006 and debt service coverage ratios not less than 0.15 to 1 for the 2nd quarter of 2006, 0.20 to 1 for the 3rd quarter of 2006, 0.28 to 1 for the 4th quarter of 2006 and 1.00 to 1 for the 1st quarter of 2007. The Company was in compliance with all of the financial covenants at September 30, 2006.

(7) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amounts of property and equipment, determining the allowance for doubtful accounts and valuing inventory and deferred tax assets. Actual results could differ from those estimates and assumptions.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

(Unaudited)