LACROSSE FOOTWEAR INC
Form 10-Q
August 01, 2005

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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**
**FORM 10-Q**

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 25, 2005**

or

o **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 **0-238001**

**LaCrosse Footwear, Inc.**

(Exact name of Registrant as specified in its charter)

| **Wisconsin** | **39-1446816** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**18550 NE Riverside Parkway**
**Portland, Oregon 97230**

(Address, zip code of principal executive offices)

**(503) 766-1010**

(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 o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes o No þ

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Common Stock, $.01 par value, outstanding as of July 28, 2005: 5,955,876 shares

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## PART I FINANCIAL INFORMATION

**ITEM 1. Consolidated Financial Statements**

**LACROSSE FOOTWEAR, INC. AND SUBSIDIARY**

CONDENSED CONSOLIDATED BALANCE SHEETS

*(in thousands, except per share data)*

| | June 25, 2005 *(unaudited)* | December 31, 2004 | June 26, 2004 *(unaudited)* |
|---|---|---|---|
| **Assets:** | | | |
| Current Assets: | | | |
| Cash and cash equivalents | $ 1,959 | $ 7,149 | $ |
| Trade accounts receivable, net | 13,854 | 15,613 | 12,358 |
| Inventories (5) | 25,168 | 16,962 | 21,629 |
| Prepaid expenses and other | 660 | 622 | 751 |
| Deferred tax assets (6) | 1,316 | 2,170 | 865 |
| Total current assets | 42,957 | 42,516 | 35,603 |
| Property and equipment, net | 3,200 | 3,557 | 4,350 |
| Goodwill | 10,753 | 10,753 | 10,753 |
| Other assets | 1,457 | 962 | 1,040 |
| Total assets | $58,367 | $57,788 | $51,746 |
| **Liabilities and Shareholders Equity:** | | | |
| Current Liabilities: | | | |
| Notes payable, bank | $ | $ | $ 3,423 |
| Accounts payable | 5,429 | 3,348 | 2,795 |
| Accrued expenses | 2,347 | 4,179 | 2,416 |
| Total current liabilities | 7,776 | 7,527 | 8,634 |
| Compensation and benefits (8) | 3,421 | 3,708 | 3,459 |
| Deferred tax liability (6) | 1,116 | 1,402 | 865 |
| Total liabilities | 12,313 | 12,637 | 12,958 |
| Shareholders Equity : | | | |
| Common stock, par value $.01 per share, authorized 50,000,000 shares; issued 6,717,627 shares | 67 | 67 | 67 |
| Additional paid-in capital | 26,075 | 26,255 | 26,346 |
| Accumulated other comprehensive loss | (1,015) | (1,015) | (1,215) |
| Retained earnings | 25,100 | 24,374 | 18,259 |
| Less cost of 771,751, 811,251 and 826,923 shares of treasury stock | (4,173) | (4,530) | (4,669) |

| | | | |
|---|---|---|---|
| Total shareholders equity | 46,054 | 45,151 | 38,788 |
| Total liabilities and shareholders equity | $58,367 | $57,788 | $51,746 |

See notes to the interim unaudited condensed consolidated financial statements.

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**LACROSSE FOOTWEAR, INC. AND SUBSIDIARY**
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
*(in thousands, except per share data)*

| | Quarter Ended | | First Half Ended | |
|---|---|---|---|---|
| | June 25, 2005 | June 26, 2004 | June 25, 2005 | June 26, 2004 |
| Net sales | $19,752 | $18,600 | $38,618 | $42,326 |
| Cost of goods sold | 12,686 | 12,630 | 24,548 | 29,123 |
| Gross profit | 7,066 | 5,970 | 14,070 | 13,203 |
| Selling, general and administrative expenses | 6,376 | 6,057 | 12,829 | 12,054 |
| Operating income (loss) | 690 | (87) | 1,241 | 1,149 |
| Non-operating income (expense): | | | | |
| Interest income (expense) | 71 | (125) | 43 | (289) |
| Other | (123) | (25) | (149) | (2) |
| Total non-operating (expense) | (52) | (150) | (106) | (291) |
| Income (loss) before income taxes | 638 | (237) | 1,135 | 858 |
| Provision for income taxes (6) | 230 | | 409 | |
| Net income (loss) | $ 408 | $ (237) | $ 726 | $ 858 |
| Net income (loss) per common share: | | | | |
| Basic | $ 0.07 | $ (0.04) | $ 0.12 | $ 0.15 |
| Diluted | $ 0.07 | $ (0.04) | $ 0.12 | $ 0.14 |

| | | | | |
|---|---|---|---|---|
| Weighted average number of common shares outstanding: | | | | |
| Basic | 5,941 | 5,886 | 5,932 | 5,882 |
| Diluted | 6,145 | 5,886 | 6,150 | 6,065 |

See notes to the interim unaudited condensed consolidated financial statements .

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**LACROSSE FOOTWEAR, INC. AND SUBSIDIARY**
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

*(in thousands)*

| | First Half Ended | |
|---|---|---|
| | June 25, 2005 | June 26, 2004 |
| Cash flows provided by (used in) operating activities: | | |
| Net income | $ 726 | $ 858 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 663 | 791 |
| Deferred income taxes | 568 | |
| Other | | 87 |
| Changes in assets and liabilities: | | |
| Trade accounts receivable | 1,759 | 1,054 |
| Inventories | (8,206) | 2,413 |
| Accounts payable | 2,081 | 68 |
| Accrued expenses and other | (2,157) | (558) |
| Net cash provided by (used in) operating activities | (4,566) | 4,713 |
| Cash flows provided by (used in) investing activities: | | |
| Capital expenditures | (801) | (519) |
| Proceeds from sale of property and equipment | | 75 |
| Net cash (used in) investing activities | (801) | (444) |
| Cash flows provided by (used in) financing activities: | | |
| Net payments on short-term borrowings | | (1,896) |
| Principal payments on long-term obligations | | (2,219) |
| Payment of deferred financing costs | | (208) |
| Proceeds from exercise of stock options | 177 | 54 |
| Net cash provided by (used in) investing activities | 177 | (4,269) |
| Net (decrease) in cash and cash equivalents | (5,190) | |
| Cash and cash equivalents: | | |
| Beginning of period | 7,149 | |
| End of period | $ 1,959 | $ |

Supplemental information:

| | | |
|---|---|---|
| Cash payments of: | | |
| Interest | $ | $ 341 |
| Income taxes | $ 300 | $ |

See notes to the interim unaudited condensed consolidated financial statements.

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**LACROSSE FOOTWEAR, INC. AND SUBSIDIARY**
**Notes to Interim Unaudited Condensed Consolidated Financial Statements**
**for the Quarters Ended June 25, 2005 and June 26, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation and Use of Estimates:** LaCrosse Footwear, Inc. is referred to as we , us , our or Company in this report. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information, and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, we have condensed or omitted certain information and footnote disclosures. These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company s annual report on Form 10-K for the year ended December 31, 2004. All adjustments reflected in the interim unaudited condensed consolidated financial statements are of a normal and recurring nature.

These unaudited condensed consolidated financial statements include the accounts of LaCrosse Footwear, Inc., and our wholly owned subsidiary, Danner, Inc. All material intercompany accounts and transactions have been eliminated in consolidation.

We report our quarterly interim financial information based on 13-week periods.

Management is required to make certain estimates and assumptions which affect the amounts of assets, liabilities, revenue and expenses we have reported, and our disclosure of contingent assets and liabilities at the date of the financial statements. The results of the interim periods are not necessarily indicative of the results for the full year. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes included in our annual report on Form 10-K for the year ended December 31, 2004. Actual results could differ materially from these estimates and assumptions.

**NOTE 2. PRODUCT WARRANTY**

The Company provides a limited warranty for the replacement of defective products. The Company s limited warranty requires the Company to repair or replace defective products at no cost to the consumer. The Company estimates the costs that may be incurred under its limited warranty and records a liability in the amount of such costs at the time product revenue is recognized. Factors that affect the Company s warranty liability include the number of units sold, historical and anticipated rates of warranty claims, and cost per claim. The Company periodically assesses the adequacy of its recorded warranty liability and adjusts the amount as necessary. The Company utilizes historical trends and information received from its customers to assist in determining the appropriate loss reserve levels.

Changes in our warranty liability during the quarter ended June 25, 2005 compared to the quarter ended June 26, 2004 and the first half of 2005 compared to the first half of 2004 are as follows:

| | Quarter Ended | | First Half Ended | |
|---|---|---|---|---|
| *(in thousands)* | June 25, 2005 | June 26, 2004 | June 25, 2005 | June 26, 2004 |
| Balance at beginning of period | $ 855 | $ 802 | $ 846 | $ 852 |
| Accruals for products sold | 292 | 328 | 765 | 915 |
| Costs incurred | (334) | (330) | (798) | (967) |
| Balance at end of period | $ 813 | $ 800 | $ 813 | $ 800 |

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**NOTE 3. EARNINGS PER COMMON SHARE**

The Company reports its earnings per common share in accordance with Statement of Financial Accounting Standards ( SFAS ) SFAS No. 128, *Earnings per Share*. This guidance requires presentation of both basic and diluted earnings per common share. Basic earnings per common share exclude all dilution and are computed using the weighted average number of common shares outstanding during the period. The diluted earnings per common share calculation assumes that all stock options or other arrangements to issue common stock (common stock equivalents) were exercised or converted into common stock at the beginning of the period, unless their effect would be anti-dilutive. A reconciliation of the shares used in the basic and diluted earnings per common share is as follows:

| | Quarter Ended | | First Half Ended | |
|---|---|---|---|---|
| *(in thousands)* | June 25, 2005 | June 26, 2004 | June 25, 2005 | June 26, 2004 |
| Basic weighted average shares outstanding | 5,941 | 5,886 | 5,932 | 5,882 |
| Diluted securities: | | | | |
| Stock Options | 204 | | 218 | 183 |
| Diluted weighted average shares outstanding | 6,145 | 5,886 | 6,150 | 6,065 |

**NOTE 4. STOCK-BASED COMPENSATION**

The Company accounts for stock options issued under its plans under APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. We have granted stock options to officers and key employees under our 1993, 1997 and 2001 Employee stock option plans pursuant to which options up to an aggregate of 1,150,000 shares of common stock may be granted. The Company has also granted stock options to its directors under the 2001 Directors stock option plan pursuant to which options up to an aggregate of 150,000 shares of common stock may be granted. The option price per share for both plans will not be less than 100% of the fair market value at the date of grant. Said options expire 10 years after grant or such shorter period as the compensation committee of the Board of Directors so determines. Substantially all of the options vest in equal increments over a five-year period.

During the first half of 2005, the Board of Directors granted options to purchase approximately 187,000 shares of common stock to certain officers, key employees and non-employee directors under the stock option plans. The average exercise price for these options is $11.00 per share. The exercise price is calculated as the mean between the highest and lowest reported selling prices of the common stock on the business day the options were granted. All stock options grants were issued at market value; therefore no stock-based employee compensation cost is reflected in the unaudited condensed consolidated statements of operations.

The following table illustrates the effect on net income (loss) and net income (loss) per common share if the Company had applied the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation. The fair value of these awards was estimated at the date of grant using the Black-Scholes option-pricing model. The assumptions made within the model are reflected in Note 6, which is included in our annual report on Form 10-K for the year ended December 31, 2004.

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| | Quarter Ended | | First Half Ended | |
|---|---|---|---|---|
| *(in thousands, except for per share data)* | June 25, 2005 | June 26, 2004 | June 25, 2005 | June 26, 2004 |
| Net income (loss) as reported | $ 408 | $ (237) | $ 726 | $ 858 |
| Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of the related tax effects | (97) | (111) | (213) | (216) |
| Pro forma net income (loss) | $ 311 | $ (348) | $ 513 | $ 642 |
| Net income (loss) per common share: | | | | |
| Basic as reported | $0.07 | $ (0.04) | $0.12 | $ 0.15 |
| Diluted as reported | $0.07 | $ (0.04) | $0.12 | $ 0.14 |
| Basic pro forma | $0.05 | $ (0.06) | $0.09 | $ 0.11 |
| Diluted pro forma | $0.05 | $ (0.06) | $0.08 | $ 0.11 |

The above pro forma effects on net income (loss) and net income (loss) per common share are not likely to be representative of the effects on reported net income for future years. This is because options vest over several years and additional awards generally are made each year.

The Company will be required to apply SFAS No. 123R, *Share-Based Payment,* as of the beginning of the first interim period of its first fiscal year that begins after June 15, 2005, which will be the first quarter of 2006.

**NOTE 5. INVENTORIES**

Inventories are stated at the lower of cost or market. Provision for potentially slow-moving inventory is made based on management s analysis of inventory levels, future sales forecasts, and current estimated market values. Management regularly reviews the adequacy of its provision and adjusts it as required.

Inventory consists of the following:

| *(in thousands)* | June 25, 2005 | December 31, 2004 | June 26, 2004 |
|---|---|---|---|
| Raw materials | $ 1,745 | $ 1,426 | $ 2,005 |
| Work in process | 202 | 188 | 179 |
| Finished goods | 24,037 | 17,046 | 21,135 |
| Subtotal | 25,984 | 18,660 | 23,319 |
| Less: provision for slow-moving inventory | (816) | (1,698) | (1,690) |
| Total | $25,168 | $ 16,962 | $21,629 |

**NOTE 6. INCOME TAXES**

We record valuation allowances against the Company s deferred tax assets, when deemed necessary, in accordance with SFAS No. 109, *Accounting for Income Taxes*. Considering the projected levels of future income as well as the nature of the net deferred tax assets, management has concluded during fiscal 2004 that the deferred tax assets are fully realizable except for the deferred tax asset that relates to the majority of the Company s state NOL carryforwards. The realization of these state NOL carryforwards is dependent upon yet to be developed tax strategies, as well as having taxable income in years well into the future. In future periods of earnings, the Company will report income tax expense at statutory rates offset by any further reductions in the valuation allowance based on an ongoing assessment of the future realization of the state NOL deferred tax assets. In the event the Company determines that it will not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax asset will be

charged to income in the period such determination is made.

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On a quarterly basis, we estimate what the Company s effective tax rate will be for the full fiscal year and record a quarterly income tax provision with the anticipated rate. As the year progresses, we will refine our estimate based on the facts and circumstances by each tax jurisdiction. If a material event impacts the Company s profitability, a change to the effective tax rate may occur that would impact that income tax provision. For the quarter ended June 25, 2005 and for the first half of 2005, the effective tax rate was 36%.

There was no effective tax for the quarter ended June 26, 2004 and for the first half of 2004 due to the utilization of net operating loss carryforwards and a reduction in the deferred tax asset valuation allowance. Due to the uncertainty at that time surrounding the realization and timing of the benefits from the Company s deferred tax asset, the Company had previously recorded a valuation allowance on its otherwise recognizable deferred tax asset.

**NOTE 7. SOURCING REALIGNMENT AND FACILITY SHUTDOWN CHARGE**

In 2002, the Company announced a strategic decision to relocate its Racine, Wisconsin administrative and distribution functions. At that time it was decided to close the manufacturing facility at that location.

In 2004, the Company announced the sale of certain assets of its PVC boot line. In connection with this sale, the Company ceased manufacturing at its Claremont, New Hampshire manufacturing facility. As the Company owns this property, the asset has been reclassified as available for sale.

A summary of the activity for the first half of 2005 related to these reserves is as follows:

| *( in thousands)* | Balance December 31, 2004 | New Charges | Payments or Reserves Used | Balance June 25, 2005 |
|---|---|---|---|---|
| Racine Facility Shut-down | $268 | $ | $ 94 | $ 174 |
| Claremont Facility Shut-down | 386 | | 386 | |
| Total | $654 | $ | $ 480 | $ 174 |

The Company recorded its Claremont, New Hampshire manufacturing facility as available for sale during the first half of 2005. The recording of this asset was at its estimated net realizable value. The Company is actively pursuing a sale of this property.

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**NOTE 8. COMPENSATION AND BENEFIT AGREEMENTS**

We have a defined benefit pension plan covering eligible past employees and approximately 12% of our current employees. We also sponsor an unfunded defined benefit postretirement death benefit plan that covers eligible past employees.

Information relative to our defined pension and other postretirement benefit plans is presented below.

| *(in thousands)* | Pension Benefits Quarter Ended | | Other Benefits Quarter Ended | |
|---|---|---|---|---|
| | June 25, 2005 | June 26, 2004 | June 25, 2005 | June 26, 2004 |
| Cost recognized during the quarter: | | | | |
| Interest cost | $ 243 | $ 250 | $4 | $ 5 |
| Expected return on plan assets | (244) | (246) | | |
| Amortization of prior loss | 1 | | | |
| Amortization of prior service cost | 4 | 4 | | |
| Net period cost | $ 4 | $ 8 | $4 | $ 5 |

securities dealers or brokers, or traders in securities electing mark-to-market treatment;

banks, thrifts, or other financial institutions;

insurance companies;

regulated investment companies or real estate investment trusts;

tax-exempt organizations;

retirement plans;

persons holding our debt securities or shares, as applicable, as part of a "straddle," "hedge," "synthetic security" or "conversion transaction" for U.S. federal income tax purposes, or as part of some other integrated investment;

partnerships or other pass-through entities;

persons required to pay the alternative minimum tax;

certain former citizens or residents of the United States;

U.S. persons who invest in foreign corporations that are classified as "passive foreign investment companies" or "controlled foreign corporations" for U.S. federal income tax purposes that purchase the debt securities; or

"U.S. Holders" (as defined below) whose functional currency is not the U.S. dollar.

In addition, with respect to a particular offering of debt securities, the discussion below must be read with the discussion of material U.S. federal income tax consequences that may appear in the applicable prospectus supplement for that offering. When we use the term "*holder*" in this section, we are referring to a beneficial holder of the debt securities.

As used herein, a "*U.S. Holder*" is a beneficial owner of debt securities that, for U.S. federal income tax purposes is, (i) an individual citizen or resident of the United States, (ii) a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate whose income is subject to U.S. federal income tax regardless of its source, or (iv) a trust if (A) a United States court has the authority to exercise primary supervision over the administration of the

trust and one or more U.S. persons (as defined in the Code) are authorized to control all substantial decisions of the trust or (B) it has a valid election in place to be treated as a U.S. person. An individual may, subject to certain exceptions, be deemed to be a resident of the United States by reason of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year (counting for such purposes all of the days present in the current year, one-third of the days present in the immediately preceding year and one-sixth of the days present in the second preceding year).

A "*Non-U.S. Holder*" is any beneficial owner of a debt security that, for U.S. federal income tax purposes, is not a U.S. Holder or a partnership.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds debt securities, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. A partnership holding debt securities, and partners in such a partnership, should consult their own tax advisors with regard to the U.S. federal income tax consequences of the purchase, ownership and disposition of the debt securities by the partnership.

THE DISCUSSION OF THE MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE DEBT SECURITIES IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY PARTICULAR PERSON. ACCORDINGLY, ALL PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE U.S. FEDERAL, STATE AND LOCAL AND NON-U.S. TAX CONSEQUENCES RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE DEBT SECURITIES BASED ON THEIR PARTICULAR CIRCUMSTANCES.

**U.S. Federal Income Taxation of U.S. Holders**

*Payments of Interest.* Except as set forth below, interest on debt securities generally will be taxable to a U.S. Holder as ordinary income from domestic sources at the time that such interest is paid or accrued, in accordance with the U.S. Holder's regular method of accounting for U.S. federal income tax purposes.

*Original Issue Discount.* Special tax rules apply to debt securities issued with "original issue discount" ("*OID*") for U.S. federal income tax purposes ("*OID debt securities*"). In general, debt securities with a maturity of greater than one year will be treated as issued with OID if the "issue price" of the debt securities is less than their "stated redemption price at maturity" unless the amount of such difference is *de minimis* (less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity). Regardless of the regular method of accounting used by a U.S. Holder for U.S. federal income tax purposes, OID generally must be accrued into gross income on a constant-yield basis, in advance of the receipt of the cash attributable to such OID.

The "*issue price*" of debt securities will be the initial offering price to the public at which a substantial amount of the debt securities is sold for cash (ignoring sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The "*stated redemption price at maturity*" of debt securities is the sum of all payments to be made on the debt securities other than "qualified stated interest" payments. A "*qualified stated interest*" payment is stated interest that is unconditionally payable at least annually at a single fixed rate (appropriately taking into account the length of the interval between payments).

For OID debt securities having a term of more than one year, the amount of OID includible in gross income by a U.S. Holder of the OID debt securities is the sum of the "daily portions" of OID with respect to the OID debt securities for each day during the taxable year in which such U.S. Holder

held the OID debt securities. The daily portion is determined by allocating to each day in any "accrual period" a *pro rata* portion of the OID allocable to such accrual period.

The amount of OID allocable to any accrual period is generally equal to the excess (if any) of (i) the product of the "*adjusted issue price*" of the OID debt securities at the beginning of such accrual period and the yield to maturity of the OID debt securities, as determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period, over (ii) the sum of any qualified stated interest payments allocable to the accrual period. For this purpose, accrual periods may be of any length and may vary in length over the term of the OID debt securities, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs at the beginning or the end of an accrual period.

The adjusted issue price of OID debt securities at the start of any accrual period is equal to the issue price, increased by the accrued OID for each prior accrual period, and reduced by any prior payments with respect to the OID debt securities that were not qualified stated interest payments. The following rules apply to determine the amount of OID allocable to an accrual period:

if an interval between payments of qualified stated interest contains more than one accrual period, the amount of qualified stated interest payable at the end of the interval is allocated on a *pro rata* basis to each accrual period in the interval, and the adjusted issue price at the beginning of each accrual period in the interval must be increased by the amount of any qualified stated interest that has accrued prior to the beginning of the first day of the accrual period but is not payable until the end of the interval;

if the accrual period is the final accrual period, the amount of OID allocable to the final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price of the debt security at the beginning of the final accrual period; and

if all accrual periods are of equal length, except for an initial shorter accrual period or an initial and a final shorter accrual period, the amount of OID allocable to the initial accrual period may be computed under any reasonable method.

Under the constant-yield method for accruing OID, a U.S. Holder generally will have to include in gross income increasingly greater amounts of OID in successive accrual periods.

Debt securities may contain provisions allowing the debt securities to be redeemed prior to their stated maturity date at our option or at the option of holders. For purposes of determining yield and maturity, debt securities that may be redeemed prior to their stated maturity date at the option of the issuer generally will be treated from the time of issuance as having a maturity date for U.S. federal income tax purposes on such redemption date if such redemption would result in a lower yield to maturity. Conversely, debt securities that may be redeemed prior to their stated maturity date at the option of the holder generally will be treated from the time of issuance as having a maturity date for U.S. federal income tax purposes on such redemption date if such redemption would result in a higher yield to maturity. If the exercise of such an option does not occur, contrary to the assumptions made as of the issue date, then solely for purposes of the accrual of OID, the debt securities will be treated as reissued on the date of the change in circumstances for an amount equal to their adjusted issue price.

*Variable Rate Debt Securities.* Treasury regulations prescribe special rules for "variable rate debt instruments" that provide for the payment of interest based on certain floating or objective rates. In general, debt securities will qualify as variable rate debt instruments ("*variable rate debt instruments*") if (i) the issue price of the debt securities does not exceed the total non-contingent principal payments due in respect of the debt securities by more than an amount equal to the lesser of (A) 0.015 multiplied by the product of the total non-contingent principal payments and the number of complete years to maturity from the issue date or (B) 15% of the total non-contingent principal payments, and

(ii) the debt securities provide for stated interest, paid or compounded at least annually, at "current values" of (A) one or more "qualified floating rates," (B) a single fixed rate and one or more qualified floating rates, (C) a single "objective rate," or (D) a single fixed rate and a single objective rate that is a "qualified inverse floating rate." A current value of a rate is the value of the rate on any date that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

A "*qualified floating rate*" is any variable rate variations in the value of which rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the variable rate debt securities are denominated. Although a multiple of a qualified floating rate generally will not itself constitute a qualified floating rate, a variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35 can constitute a qualified floating rate. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the variable rate debt securities (*e.g.*, two or more qualified floating rates with values within 25 basis points of each other as determined on the issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but that is subject to one or more restrictions such as a maximum stated interest rate (*i.e.*, a cap), a minimum stated interest rate (*i.e.*, a floor) or a restriction on the amount of increase or decrease in the stated interest (*i.e.*, a governor) may, under certain circumstances, fail to be treated as a qualified floating rate unless such restrictions are fixed throughout the term of the variable rate debt securities or are reasonably expected not to have a significant effect on the yield of the variable rate debt securities.

An "*objective rate*" is a rate that is not itself a qualified floating rate but that is determined using a single fixed formula and that is based on objective financial or economic information. A rate will not qualify as an objective rate if it is based on information that is within the control of the issuer (or a related party) or that is unique to the circumstances of the issuer (or a related party), such as dividends, profits, or the value of the issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the issuer). An objective rate is a "qualified inverse floating rate" if the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. The Treasury regulations also provide that if debt securities provide for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate and if the variable rate on the issue date is intended to approximate the fixed rate (*e.g.*, the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

If variable rate debt securities provide for stated interest at either a single qualified floating rate or a single objective rate throughout their term, and such interest is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually, then all stated interest on such variable rate debt securities will constitute qualified stated interest that is included in gross income by U.S. Holders as received or accrued in accordance with their regular methods of accounting for U.S. federal income tax purposes. Thus, such variable rate debt securities generally will not be treated as having been issued with OID unless the variable rate securities are sold at a discount from their stated principal amount, subject to a *de minimis* exception. In general, the amount of qualified stated interest and OID, if any, that accrues during an accrual period on such variable rate debt securities is determined under the rules described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue

date of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the variable rate debt securities. The qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest that was accrued under the foregoing approach.

For other variable rate debt securities, the timing and amount of OID and qualified stated interest will be determined by converting the variable rate debt securities into "equivalent fixed rate debt instruments." The conversion of the variable rate debt securities into equivalent fixed rate debt instruments generally involves substituting for any qualified floating rate or qualified inverse floating rate a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the issue date, or substituting for any objective rate (other than a qualified inverse floating rate) a fixed rate that reflects the yield that is reasonably expected for the variable rate debt securities. In the case of variable rate debt securities that provide for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the variable rate debt securities provide for a qualified inverse floating rate). Under such circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the variable rate debt securities as of their issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse rate, the variable rate debt securities are then converted into equivalent fixed rate debt instruments in the manner described above.

Once the variable rate debt securities are converted into equivalent fixed rate debt instruments pursuant to the foregoing rules, the timing and amount of OID and qualified stated interest, if any, are determined for the equivalent fixed rate debt instruments by applying the general OID rules to the equivalent fixed rate debt instruments. A U.S. Holder of such variable rate debt securities will account for OID and qualified stated interest as if the U.S. Holder held the equivalent fixed rate debt instruments. For each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the equivalent fixed rate debt instruments in the event that such amounts differ from the actual amount of interest accrued or paid on the variable rate debt securities during the accrual period.

*Sale, Retirement or Other Taxable Disposition of Debt Securities.* Upon the sale, retirement or other taxable disposition of debt securities, a U.S. Holder generally will recognize U.S.-source gain or loss equal to the difference between the amount realized upon the sale, retirement or other taxable disposition (other than amounts representing accrued and unpaid qualified stated interest, which will be taxable as ordinary interest income to the extent not previously included in gross income) and the U.S. Holder's adjusted tax basis in the debt securities. In general, the U.S. Holder's adjusted tax basis in the debt securities will equal the U.S. Holder's cost for the debt securities, increased by all accrued OID or market discount previously included in gross income and reduced by any amortized premium and any cash payments previously received in respect of the debt securities other than qualified stated interest payments. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, retirement or other taxable disposition the debt securities have been held for more than one year. Under current U.S. federal income tax law, certain non-corporate U.S. Holders, including individuals, are eligible for preferential rates of U.S. federal income taxation in respect of long-term capital gains. The deductibility of capital losses is subject to limitations.

*Medicare Tax.* For taxable years beginning after December 31, 2012, a U.S. person that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the U.S. person's "net investment income" for the

relevant taxable year and (2) the excess of the U.S. person's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual's circumstances). A holder's net investment income will generally include its interest income and net gain from the disposition of the debt securities, unless such interest income and net gain is derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). Net investment income may, however, be reduced by properly allocable deductions to such income. U.S. persons that are individuals, estates or trusts are urged to consult their tax advisors regarding the applicability of the Medicare tax to their income and gains from the debt securities.

**U.S. Federal Income Taxation of Non-U.S. Holders**

Subject to the discussion below concerning backup withholding:

(a) payments of principal and interest (including OID, if any) on the debt securities by us or our paying agent to any Non-U.S. Holder will be exempt from the 30% U.S. federal withholding tax and federal income tax, provided that:

- the Non-U.S. Holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of our stock entitled to vote;
- the Non-U.S. Holder is not a controlled foreign corporation related, directly or indirectly, to us through stock ownership or a bank receiving interest described in Section 881(c)(3)(A) of the Code;
- the interest is not considered contingent interest under Section 871(h)(4)(A) of the Code and the Treasury regulations thereunder;
- the interest is not effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States (or, if a tax treaty applies, is not attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States); and
- the certification requirement has been fulfilled with respect to the beneficial owner, as discussed below; and

(b) a Non-U.S. Holder generally will not be subject to U.S. federal income tax on gain realized on the sale, retirement or other taxable disposition of the debt securities, unless:

- the Non-U.S. Holder is an individual who is present in the U.S. for 183 days or more in the taxable year of the disposition and certain other conditions are met; or
- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States (and, if required by an applicable tax treaty, is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States).

The certification requirement referred to in subparagraph (a) above will be fulfilled if (i) the beneficial owner of the debt securities certifies on IRS Form W-8BEN or other successor form, under penalties of perjury, that such beneficial owner is not a U.S. person and provides its name and address, and (ii) the beneficial owner files IRS Form W-8BEN or other successor form with the paying agent, or in the case of debt securities held on behalf of the beneficial owner by a securities clearing organization, bank, or other financial institution holding customers' securities in the ordinary course of it trade or business, such financial institution files with the paying agent a statement that it has received the IRS Form W-8EBN or other successor form from the beneficial owner and furnishes the paying agent with a copy. With respect to debt securities held by a foreign partnership, unless the foreign partnership has entered into a withholding agreement with the IRS, the foreign partnership generally will be required to provide an IRS Form W-8IMY or other successor form and to associate with such

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form an appropriate certification or other appropriate documentation from each partner. Prospective investors, including foreign partnerships and their partners, should consult their tax advisors regarding possible additional reporting requirements.

If a Non-U.S. Holder of debt securities is engaged in the conduct of a trade or business in the United States, and interest (including OID) on the debt securities, or gain realized on its sale, retirement or other taxable disposition of the debt securities is effectively connected with the conduct of such trade or business (and, if required by an applicable tax treaty, is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States), the Non-U.S. Holder, although exempt from the withholding tax discussed in the preceding paragraphs, will be subject to regular U.S. federal income tax on its effectively connected income, generally in the same manner as a U.S. Holder. See "Certain U.S. Federal Income Tax Considerations  U.S. Federal Income Taxation of U.S. Holders" above. In addition, a Non-U.S. Holder that is a foreign corporation may be subject to a 30% branch profits tax (unless reduced or eliminated by an applicable tax treaty) on its effectively connected earnings and profits, subject to certain adjustments. In lieu of the certificates described in the preceding paragraph, such a Non-U.S. Holder will be required to provide to the paying agent a properly executed IRS Form W-8ECI or other successor form to claim an exemption from withholding.

**Backup Withholding and Information Reporting**

*U.S. Holders.* In general, a U.S. Holder (other than an exempt recipient) will be subject to information reporting requirements with respect to payments of principal, premium, and interest (including OID) in respect of, and the proceeds from a sale, redemption or other disposition before maturity of the debt securities. In addition, a U.S. Holder may be subject to backup withholding on such payments if the U.S. Holder (i) fails to provide an accurate taxpayer identification number to the payor; (ii) has been notified by the IRS of a failure to report all interest or dividends required to be shown on its U.S. federal income tax returns; or (iii) in certain circumstances, fails to comply with applicable certification requirements.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability, provided the required information is furnished to the IRS on a timely basis. U.S. Holders should consult their tax advisors regarding the application of information reporting and backup withholding rules in their particular situations, the availability of an exemption therefrom, and the procedure for obtaining such an exemption, if applicable.

*Non-U.S. Holders.* In general, we or our paying agent must report to the IRS and to a Non-U.S. Holder the amount of interest (including OID) on the debt securities paid to the Non-U.S. Holder and the amount of U.S. federal withholding tax, if any, deducted from those payments. Copies of the information returns reporting such interest and dividend payments and any associated U.S. federal withholding tax also may be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable tax treaty. A Non-U.S. Holder generally will not be subject to backup withholding with respect to payments that we make on the debt securities provided that we or our paying agent does not have actual knowledge or reason to know that the Non-U.S. Holder is a U.S. person (as defined in the Code), and we or our paying agent has received from the Non-U.S. Holder an appropriate certification of non-U.S. status (*i.e.*, IRS Form W-8BEN or other applicable IRS Form W-8). Information reporting and, depending on the circumstances, backup withholding will apply to the payment of the proceeds of a sale of debt securities that is effected within the United States or effected outside the United States through certain U.S.-related financial intermediaries, unless the Non-U.S. Holder certifies under penalty of perjury as to its non-U.S. status, and the payor does not have actual knowledge or reason to know that the beneficial owner is a U.S. person, or the Non-U.S. Holder otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability provided the required information is furnished to the IRS on a timely basis. Non-U.S. Holders of debt securities should consult their tax advisors regarding the application of information reporting and backup withholding in their particular situations, the availability of an exemption therefrom, and the procedure for obtaining an exemption, if applicable.

*Legislation Affecting Taxation of Debt Securities Held by or through Foreign Entities.* Legislation was enacted in 2010 that will, effective for payments made after December 31, 2012, impose a 30% U.S. withholding tax on "withholdable payments" made to a foreign financial institution, unless such institution enters into an agreement with the U.S. Treasury Department to collect and provide to the Treasury Department substantial information regarding U.S. financial account holders, including certain account holders that are foreign entities with U.S. owners, with such institution. The legislation also generally imposes a withholding tax of 30% on such payments to a non-financial foreign entity unless such entity provides the withholding agent with a certification that it does not have any substantial U.S. owners or a certification identifying the direct and indirect substantial U.S. owners of the entity. Under certain circumstances, a holder may be eligible for refunds or credits of such taxes. "Withholdable payments" include payments of interest (including OID) from sources within the U.S., as well as gross proceeds from the sale of any property of a type which can produce interest from sources within the U.S. These withholding and reporting requirements will generally apply to payments made after December 31, 2012. However, the withholding tax will not be imposed on payments pursuant to debt securities outstanding as of March 18, 2012. You are urged to consult with your own tax advisors regarding the possible implications of this recently enacted legislation on your investment in the debt securities.

**PLAN OF DISTRIBUTION**

We may sell the debt securities offered under this prospectus through agents, through underwriters or dealers or directly to one or more purchasers.

Underwriters, dealers and agents that participate in the distribution of the debt securities offered under this prospectus may be underwriters as defined in the Securities Act of 1933, as amended, or the "*Securities Act*," and any discounts or commissions received by them from us and any profit on the resale of the offered debt securities by them may be treated as underwriting discounts and commissions under the Securities Act. Any underwriters or agents will be identified and their compensation, including any underwriting discount or commission, will be described in the applicable prospectus supplement. The applicable prospectus supplement will also describe other terms of the offering, including the initial public offering price, any discounts or concessions allowed or reallowed or paid to dealers and any securities exchanges on which the offered debt securities may be listed.

The distribution of the debt securities offered under this prospectus may occur from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to the prevailing market prices or at negotiated prices.

We may determine the price or other terms of the debt securities offered under this prospectus by use of an electronic auction. We will describe in the applicable prospectus supplement how any auction will be conducted to determine the price or any other terms of the debt securities, how potential investors may participate in the auction and, where applicable, the nature of the underwriters' obligations with respect to the auction.

If the applicable prospectus supplement indicates, we will authorize dealers or our agents to solicit offers by institutions to purchase offered securities from us under contracts that provide for payment and delivery on a future date. We must approve all institutions, but they may include, among others:

commercial and savings banks;

insurance companies;

pension funds;

investment companies; and

educational and charitable institutions.

The institutional purchaser's obligations under the contract are only subject to the condition that the purchase of the offered debt securities at the time of delivery is allowed by the laws that govern the purchaser. The dealers and our agents will not be responsible for the validity or performance of the contracts.

We may have agreements with the underwriters, dealers and agents to indemnify them against certain civil liabilities, including liabilities under the Securities Act, or to contribute with respect to payments which the underwriters, dealers or agents may be required to make as a result of those certain civil liabilities.

In connection with any offering of the debt securities offered under this prospectus, underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of such debt securities or any other securities the prices of which may be used to determine payments on such debt securities. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by underwriters of a greater number of debt securities than the underwriters are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the debt securities while the offering is in progress.

Underwriters may also impose a penalty bid in any offering of debt securities offered under this prospectus through a syndicate of underwriters. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the other underwriters have repurchased debt securities sold by or for the account of such underwriter in stabilizing or short covering transactions.

These activities by underwriters may stabilize, maintain or otherwise affect the market price of the debt securities offered under this prospectus. As a result, the price of such debt securities may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by underwriters at any time. These transactions may be effected in the over-the-counter market or otherwise.

## LEGAL OPINIONS

Faegre & Benson LLP, Minneapolis, Minnesota, will issue an opinion about the legality of the debt securities offered by this prospectus. Any underwriters will be represented by their own legal counsel.

## EXPERTS

Ernst & Young LLP, independent registered public accounting firm, has audited our consolidated financial statements and schedule incorporated by reference or included in our Annual Report on Form 10-K for the year ended October 31, 2010, and the effectiveness of our internal control over financial reporting as of October 31, 2010 as set forth in their reports, which are incorporated by reference in this prospectus and elsewhere in the registration statement. Our financial statements and schedule and our management's assessment of the effectiveness of internal control over financial reporting as of October 31, 2010 are incorporated by reference in reliance on Ernst & Young LLP's reports, given on their authority as experts in accounting and auditing.

**PART II**

**INFORMATION NOT REQUIRED IN PROSPECTUS**

**ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION**

The following is an estimate, subject to future contingencies, of the expenses to be incurred by the Registrant in connection with the issuance and distribution of the debt securities being registered:

| | | |
|---|---|---|
| Registration Fee | $ | 0(1) |
| Legal Fees and Expenses* | | 110,000 |
| Trustee Fees and Expenses* | | 6,000 |
| Accounting Fees and Expenses* | | 35,000 |
| Printing and Engraving Fees* | | 6,580 |
| Miscellaneous* | | 50,000 |
| Total* | $ | 207,580 |

(1) Deferred in accordance with Rules 456(b) and 457(r).

* Estimated pursuant to instruction to Item 511 of Regulation S-K.

**ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS**

Section 145 of the Delaware General Corporation Law authorizes indemnification of directors and officers of a Delaware corporation under certain circumstances against expenses, judgments and the like in connection with litigation. Article Eleventh of the certificate of incorporation, as amended, of the Registrant provides for broad indemnification of directors and officers. The Registrant also has agreements with each of its directors and officers providing for indemnification as provided in the agreement and to the fullest extent permitted under Delaware law against liability for damages and expenses, including attorneys' fees, arising out of threatened, pending or completed legal actions, suits or other proceedings by reason of the fact that such person is or was a director or officer of the Registrant. The agreements provide that the Registrant will advance all reasonable expenses incurred by or on behalf of the director or officer in connection with any proceeding is which the director or officer is involved by reason of such person's status as a director or officer within ten days after the receipt by the Registrant of certain information required by the agreement. The Registrant also maintains insurance coverage relating to certain liabilities of directors and officers.

Pursuant to the terms of the underwriting agreements filed or to be filed in connection with this Registration Statement, the directors and officers of the Registrant will be indemnified against certain civil liabilities that they may incur under the Securities Act of 1933 in connection with this Registration Statement and the related prospectus and applicable prospectus supplement.

**ITEM 16. EXHIBITS**

| Number | Description | Form of Filing |
|---|---|---|
| 1.1 | Form of Underwriting Agreement for Debt Securities. | To be filed by a post-effective amendment to this registration statement or by a Current Report on Form 8-K and incorporated herein by reference |
| 4.1 | Restated Certificate of Incorporation, as amended February 1, 2011. | Incorporated by reference(A) |
| 4.2 | Bylaws as amended to date. | Incorporated by reference(B) |
| 4.3 | Indenture dated as of April 1, 2011 between the Registrant and U.S. Bank National Association. | Filed herewith |
| 4.4 | Form of Note. | Filed herewith |
| 5.1 | Opinion of Faegre & Benson LLP. | Filed herewith |
| 12.1 | Computation of ratio of earnings to fixed charges. | Filed herewith |
| 23.1 | Consent of Faegre & Benson LLP (included as part of Exhibit 5.1). | |
| 23.2 | Consent of Independent Registered Public Accounting Firm. | Filed herewith |
| 24.1 | Powers of Attorney. | Filed herewith |
| 25.1 | Statement of Eligibility of Trustee. | Filed herewith |

(A) Incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended January 30, 2011, File No. 001-02402.

(B) Incorporated by reference to Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended January 24, 2010, File No. 001-02402.

**ITEM 17. UNDERTAKINGS**

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate

offering price

set forth in the "Calculation of Registration Fee" table in the effective Registration Statement;

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

*provided, however,* that paragraphs (a)(1)(i), (a)(1)(ii) and (a)(1)(iii) do not apply if the Registration Statement is on Form S-3 or Form F-3, and the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Registration Statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(A) Each prospectus filed by the Registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the Registration Statement as of the date the filed prospectus was deemed part of and included in the Registration Statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the Registration Statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(5) That, for the purpose of determining liability of the Registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities:

The undersigned Registrant undertakes that in a primary offering of securities of the undersigned Registrant pursuant to this Registration Statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are

offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned Registrant or used or referred to by the undersigned Registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersigned Registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement on Form S-3 to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Austin, State of Minnesota, on April 4, 2011.

HORMEL FOODS CORPORATION

By: /s/ JEFFREY M. ETTINGER

Jeffrey M. Ettinger
*Chairman of the Board, President and Chief Executive Officer*

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement on Form S-3 has been signed on April 4, 2011 by the following persons in the capacities with Hormel Foods Corporation indicated:

| | |
|---|---|
| /s/ JEFFREY M. ETTINGER<br>Jeffrey M. Ettinger | Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer) |
| /s/ JODY H. FERAGEN<br>Jody H. Feragen | Director, Executive Vice President and Chief Financial Officer (Principal Financial Officer) |
| /s/ JAMES N. SHEEHAN<br>James N. Sheehan | Vice President and Controller (Principal Accounting Officer) |

Terrell K. Crews*
Susan I. Marvin*
John L. Morrison*
Elsa A. Murano*
Robert C. Nakasone*
Susan K. Nestegard*
Ronald D. Pearson*
Dakota A. Pippins*
Dr. Hugh C. Smith*
John G. Turner*

*

Brian D. Johnson, by signing his name hereto, does hereby sign this document on behalf of each of the directors named above pursuant to powers of attorney duly executed by the directors named and filed with the Securities and Exchange Commission on behalf of such directors.

/s/ BRIAN D. JOHNSON

Brian D. Johnson
*Attorney-in-Fact*

**EXHIBIT INDEX**

| Number | Description | Form of Filing |
|---|---|---|
| 1.1 | Form of Underwriting Agreement for Debt Securities. | To be filed by a post-effective amendment to this registration statement or by a Current Report on Form 8-K and incorporated herein by reference |
| 4.1 | Restated Certificate of Incorporation, as amended February 1, 2011. | Incorporated by reference(A) |
| 4.2 | Bylaws as amended to date. | Incorporated by reference(B) |
| 4.3 | Indenture dated as of April 1, 2011 between the Registrant and U.S. Bank National Association. | Filed herewith |
| 4.4 | Form of Note. | Filed herewith |
| 5.1 | Opinion of Faegre & Benson LLP. | Filed herewith |
| 12.1 | Computation of ratio of earnings to fixed charges. | Filed herewith |
| 23.1 | Consent of Faegre & Benson LLP (included as part of Exhibit 5.1). | |
| 23.2 | Consent of Independent Registered Public Accounting Firm. | Filed herewith |
| 24.1 | Powers of Attorney. | Filed herewith |
| 25.1 | Statement of Eligibility of Trustee. | Filed herewith |

(A) Incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended January 30, 2011, File No. 001-02402.

(B) Incorporated by reference to Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended January 24, 2010, File No. 001-02402.

QuickLinks